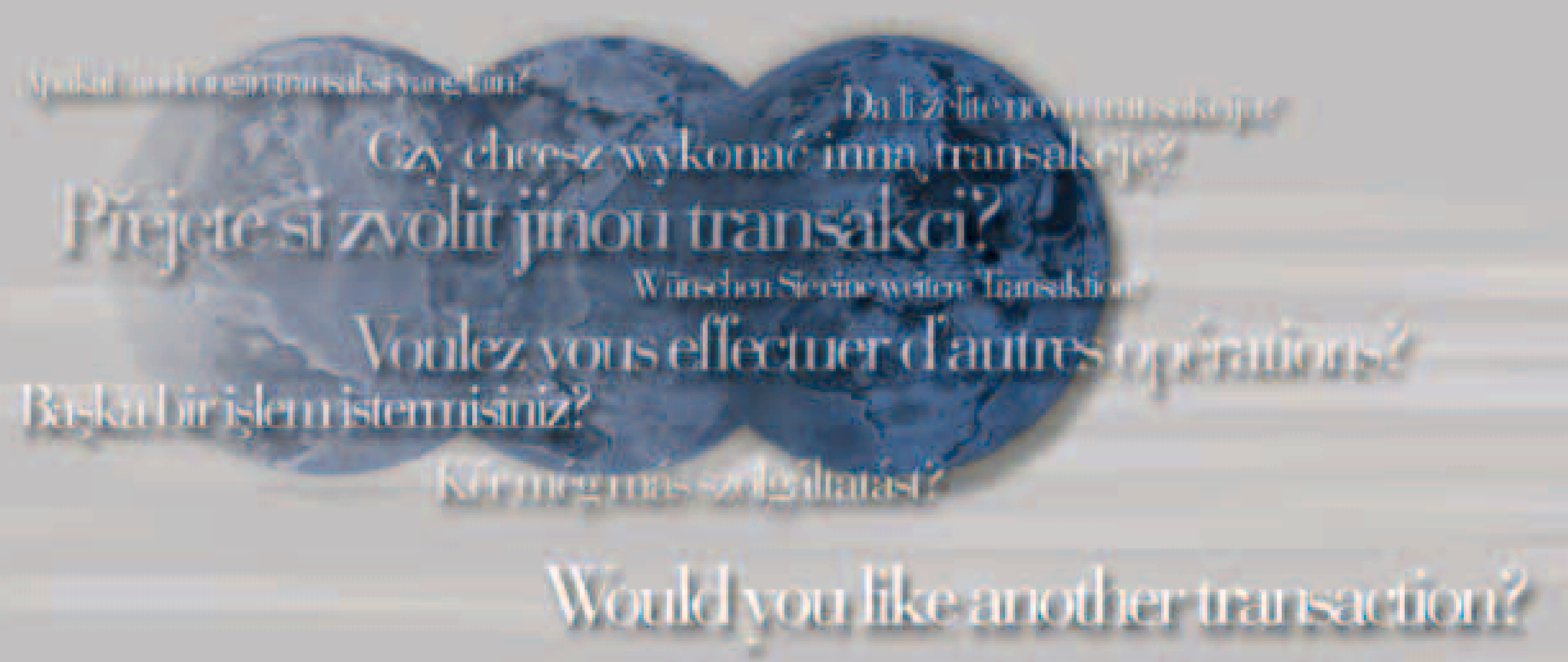
Euronet
SERVICES

Euronet Services Inc. 1999 Annual Report



Contents

Euronet Services Inc. is a global leader in the rapidly evolving arena of electronic financial transactions. The company provides banks and retailers with an advanced infrastructure for connectivity and transaction processing. It offers a complementary range of integrated transaction management software for the expanding array of electronic payment, transaction delivery, and e-commerce systems. Euronet Services operates the largest independent ATM network in Europe and is building a growing electronic transaction processing capacity in the United States. The company serves customers in more than 60 countries around the world.

Dear Fellow Shareholder:

"Would you like another transaction?" During 1999, Euronet Services asked that question millions of times in multiple venues, numerous formats, and several languages. The answer – from customers, business partners, and consumers on five continents – was always the same. A resounding and consistent "yes."

Yes to more ATM transactions. Yes to more types of ATM transactions. Yes to more outsourcing transactions with banks and retailers in Europe and the United States seeking to access our ATM management expertise. Yes to more sales transactions with retail banks around the world using our Arksys brand software solutions to power a broad set of electronic financial transactions for their customers. And yes to new ways for conducting electronic financial transactions, regardless of the device or delivery channel.

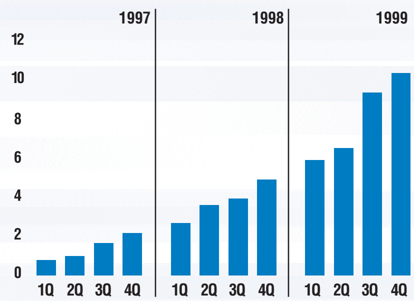
These positive responses were gratifying. They also affirmed and reflected our company's exciting and ongoing transformation. That's because 1999 saw Euronet Services combine its five year track record in ATM network services with the software engineering capabilities of Arksys, the global leader in electronic payment software systems for the IBM AS/400 platform. We acquired Arksys in December 1998 and devoted much of the past year to enhancing and expanding its product line as well as integrating its sales and customer service arms into a unified and highly competitive company.

In the process, Euronet Services is firmly positioning itself as a significant player in the evolving e-commerce arena across multiple consumer touchpoints. The merging of our ATM network infrastructure, our expertise in processing electronic transactions, and our software development capabilities means we can provide our customers – retail banks as well as non-bank companies – with everything they need to increase their electronic transaction business. Indeed, we are now delivering more types of electronic transactions products and services to more customers in more countries than ever before.

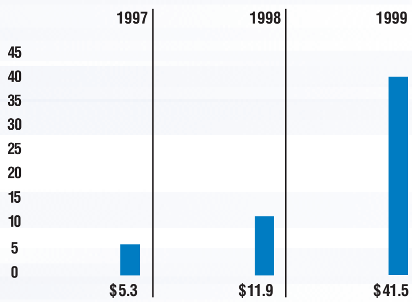
Which brings us back to our opening question and the overwhelmingly favorable replies it received. Here's what our markets had to say:

Yes to more ATM transactions. Volume now averages more than three million transactions per month on the more than 2,200 ATMs Euronet Services owns or operates in seven European countries and the United States.

ATM Transaction Growth in millions



Consolidated Revenues in millions



Yes to more types of ATM transactions. Euronet Services is enhancing ATM functionality by introducing POS-type transactions, bill payment services and other e-commerce opportunities, creating additional transaction activity and new sources of revenues.

Yes to more outsourcing transactions with banks and retailers seeking to access our ATM management expertise. These agreements enable us to leverage our initial infrastructure investment in our transaction processing centers – or “switches” – in Budapest, Hungary, and Little Rock, Arkansas to generate a growing stream of recurring revenues.

Yes to more sales transactions with retail banks around the world using our Arksys brand software solutions to power a broad set of electronic financial transactions for their customers. The Arksys product line – increasingly referred to as “middleware” – connects the expanding array of consumer touch points to banks and payment systems. Arksys offers the only fully integrated suite of electronic payments transaction management software for the IBM AS/400 platform. As a result, it supports customers in 60 countries around the world with comprehensive solutions for integrated transaction management, ATM and POS network connectivity, debit and credit card system management, telephone banking, Internet banking, and other types of electronic transactions.

And yes to new ways for conducting transactions. The combination of our software capabilities with our transaction processing infrastructure and experience means Euronet can be at the forefront of new technologies that will drive future electronic transaction activity, such as wireless banking.

Positive responses such as these have a way of generating their own momentum. At Euronet Services, we worked hard during 1999 to give shareholders and investors the types of answers they’ve been looking for over the past few years. Here too, we’re happy to report, we can say “yes” on numerous fronts.

Yes to improving our financial performance. Euronet Services posted record 1999 revenues of $41.5 million. The figure marks a 249 percent increase over the company’s 1998 revenues of $11.9 million.

Of 1999’s $41.5 million, $26.5 million – 64 percent of the total – represented revenues generated by the company’s Network Services Division. In addition, this division was EBITDA positive during the fourth quarter of 1999, the first time Network Services achieved this status. Since the recurring revenues from this Division are grounded in long-term contracts and

1994

June Euronet sets up operations in Budapest, Hungary under the name Bank Access 24 with the aim of establishing the first independent ATM network in Central and Eastern Europe. At the end of 1996, Bank Access 24 and related entities in Poland and Germany will be incorporated as Euronet Services Inc.

1995

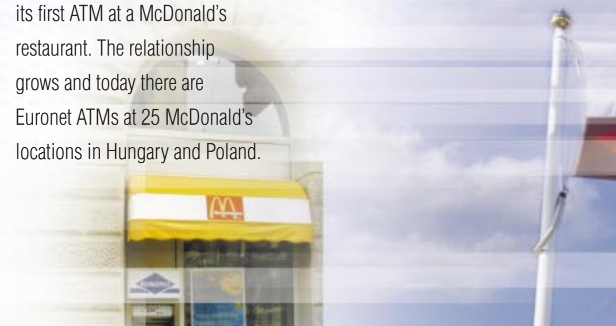
February Visa International becomes the first international card organization to approve Euronet for processing ATM transactions in Hungary.

June Euronet begins installing first ATMs in Hungary. By the end of 1999, Euronet will own or operate 522 ATMs in Hungary, approximately 25 percent of all ATMs in the country. During the same period, the number of bankcards issued in Hungary will increase from 500,000 to 3.5 million.

June Posta Bank becomes Euronet’s first major bank customer in Hungary. Today, Euronet’s network connects with 10 Hungarian banks.

- In Budapest, Euronet installs its first ATM at a McDonald’s restaurant. The relationship grows and today there are Euronet ATMs at 25 McDonald’s locations in Hungary and Poland.

July American Express approves Euronet for processing ATM transactions in Hungary. Today, Euronet ATMs in Poland, Croatia, Germany and the UK also accept American Express cards.



established ATM locations, we consider this achievement a major step in Euronet Services' road to profitability.

Our Arksys Software Division produced the remaining $15 million in total 1999 revenues, an increase of 29 percent over the full year revenues earned by Arksys in 1998 as an independent company. The Arksys Division achieved this impressive revenue growth despite an expected slowdown in sales during the third and fourth quarters of 1999 as banks delayed new orders and installations prior to the Y2K changeover. 1999 was the first full year that Arksys was an integrated operating division of Euronet Services. With new and upgraded software offerings in the Arksys pipeline, we fully expect this Division will once again increase its revenues during 2000.

Michael J. Brown

Daniel R. Henry

Yes to reducing our quarterly operating losses. Euronet Services' quarterly operating losses were $1.2 million lower in the fourth quarter of 1999 than in the first quarter of 1999. In addition, our quarterly EBITDA result improved from a negative $5.4 million during the first quarter of 1999, to a negative $3.4 million in the fourth quarter of 1999.

Yes to enhancing our operating efficiency. Throughout the year, Euronet Services leveled out and, in some cases, actually reduced operating costs. We maintained a strong control over salaries and benefits, as well as a tight rein over SG&A expenses. Indeed, as a percentage of revenue, these costs improved from 156 percent in 1998 to 85 percent in 1999.

And yes to attaining long-term profitability. We consider these improving financial results encouraging. But getting to "yes" is only the beginning. We believe the strength of our business fundamentals will be ever clearer in the years to come as we reap the benefits of the growing synergies between our ATM network services business and our complementary Arksys software line. Our strong partnerships and the talented people who make them possible – several of which are profiled elsewhere in this annual report – provide further evidence that we've got the right team, the right strategy, and the right products and services.

As a result, we're more confident than ever that the positive responses we received during 1999 signal that Euronet Services is turning the corner to a bright and profitable future.

Sincerely,

Michael J. Brown

Michael J. Brown
Chairman & CEO

Daniel R. Henry

Daniel R. Henry
Chief Operating Officer

1996

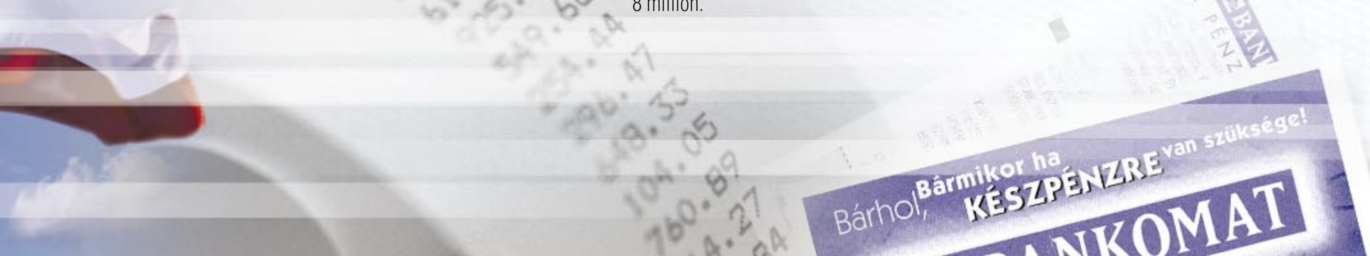
November Euronet ATMs begin accepting Citibank cards.

January Euronet installs its first ATM in Poland and begins processing American Express transactions there following an agreement with Polish bank BRE.

March Euronet begins rapid expansion of Polish ATM installation. By the end of 1999, Euronet will own or operate 550 ATMs in Poland. During the same period, the number of bankcards issued in Poland will increase from 800,000 to over 8 million.

April Euronet begins offering advertising space on its ATM screens and transaction receipts. More than 25 advertisers – such as Hungarian telecom company Matáv, McDonald's and Ericsson – will take advantage of this service by the end of 1999.

May Euronet begins processing Visa transactions in Poland, following an agreement with WBK bank. Today, Euronet's network connects 12 additional Polish banks and card associations.



Millennium BIG Bank SA

Helping Change the Way Poland Banks

Millennium, a relatively new joint venture between Poland's BIG Bank Gdański and Portugal's Banco Comercial Português, is growing its retail banking business by using Euronet Services' full range of electronic transaction products and services.

Millennium relies on the company's Arksys brand ITM core banking software system, as well as Arksys debit and credit card system software. Millennium also outsourced its original network of 68 ATMs to Euronet Services, as well as the installation and operation of ATMs in all new Millennium branches scheduled to open throughout Poland. As of February 2000, Euronet Services was operating 123 ATMs for Millennium. By 2001, Millennium expects to have about 250 branches established in Poland, all of which will feature at least one ATM owned and operated by Euronet Services.

By accessing Euronet Services' expertise in electronic transactions, Millennium became the first bank in Poland to provide its customers more ATM functions than just traditional cash withdrawals and balance inquiries. Millennium cardholders can also pay bills, view and print a mini bank statement, change their PIN code, and transfer funds to other Millennium accounts. These added value functions are available both at Millennium ATMs and at the 400-plus Euronet-branded ATMs located throughout Poland.

With the aid of a major advertising campaign that highlights Millennium's banking convenience and partnership with the Euronet ATM network, the bank is winning over new customers and fans throughout Poland. In June 1999, a public opinion survey in *Pieniadz*, a leading Polish magazine, called Millennium the best retail bank in the country. Six months earlier, Millennium won the "Alicja 98" prize from *Twój Styl*, the largest Polish women's publication, for its convenient banking and friendly customer service.

Besides traditional cash withdrawals and balance inquiries, Millennium cardholders can also use ATMs to pay bills, view and print a mini bank statement, change their PIN code, and transfer funds to other Millennium accounts.

Network Services Division

The company's Network Services Division deploys and manages ATMs owned by Euronet Services, and also operates ATMs owned by banks, retailers, and other financial institutions on an outsourcing basis. In addition, the Division develops new ATM products and services that expand ATM functionality and increase ATM transactions.

For the year as a whole, the Division posted solid growth in revenues, customers, and ATM transaction volume. The number of ATMs Euronet owns or operates under long-term management outsourcing contracts more than doubled. We enhanced our position in Central Europe, expanded our presence in Western Europe, and entered the United States. And towards the end of the year, we introduced two new ATM services – electronic bill paying and pre-paid mobile phone vouchers. These products marked our entry into e-commerce and further advanced our status as the ATM provider of choice.

The results of these undertakings speak for themselves. At the end of 1999, the total number of Euronet-owned or operated ATMs reached 2,283, a 110 percent increase over year-end 1998. These ATMs are located in seven European countries plus the United States. Monthly transaction volume at our ATMs – which generally are situated in high-traffic locations ranging from shopping centers and hypermarkets to convenience stores and center city areas – passed the two

1996

June Euronet's ATM network in Hungary begins accepting Europay (MasterCard) transactions.

1997

March Euronet Services Inc. completes an initial public offering and lists its shares on Nasdaq, raising $48 million in net proceeds for the company. Euronet uses the new capital to expand its ATM network and infrastructure and pursue strategic acquisitions.

May Euronet enters the German ATM market in conjunction with Service Bank, and begins installing ATMs in off-branch locations under the Service Bank name.

September Recognizing Euronet's growing expertise in ATM management, Budapest Bank in Hungary outsources operation of 45 ATMs to Euronet. In 1998, Budapest Bank expands the relationship and outsources day-to-day management of its entire network of more than 150 ATMs to Euronet.

BUDAPEST BANK

October 500th ATM owned or managed by Euronet becomes operational.

500

million level in March 1999. Just ten months later, this figure vaulted past the three million mark. Network Services Division revenues rose from $5.4 million in the first quarter of 1999 to $8.1 million in the year's fourth quarter. This strong revenue growth combined with rigorous cost control brought the Division to EBITDA positive in the fourth quarter of 1999, a first time achievement.

Taken together, these Network Services Division accomplishments solidified Euronet's position as the largest independent ATM network in Europe, as well as one of the leading two-continent ATM operators in the world.

Several key 1999 developments – both within the Network Services Division as well as the environment in which it operates – are worthy of further note.

Enhancing ATM Functionality

Euronet Services has long believed that ATMs can be far more than simple cash dispensing machines. In our view, ATMs are ideal 24x7 touchpoints where consumers can perform a variety of electronic financial transactions. This is especially the case in Central Europe, where personal checking accounts are non-existent and bill paying must be done in cash and in person at post offices or utility company branches.

In 1999, the Network Services Division launched initial ventures aimed at providing convenient alternatives to these conventional bill-paying practices. We enhanced ATM functionality by introducing bill payment, as well as purchase options for mobile phone time – an increasingly popular means of communication in this region. These new ATM features benefit consumers as well as utility companies and mobile phone service providers. At the same time, these enhancements leverage Euronet's existing infrastructure while generating additional revenue streams for the company.

In August, Euronet introduced ATM utility bill payment services in conjunction with Millennium Bank. This service is available to Millennium customers at more than 500 ATMs owned or operated by Euronet across Poland. In October, our ATMs in Poland also began selling vouchers for pre-paid minutes to users of ERA GSM mobile phone service. This ATM service provides ERA's non-corporate customers a convenient way to replenish their pre-paid accounts for mobile phone usage. In November, we launched a similar service for customers of Pannon GSM mobile phones at more than 300 ATMs Euronet owns in Hungary. In all three cases, we were first to market with these ATM enhancements.

During 2000, we will be working with other GSM mobile service providers in Hungary, Poland, the Czech Republic, and Croatia to expand this type of ATM function. In addition, we are seeking to create additional ATM-based bill paying services with more banks and utility companies throughout Central Europe.

December Euronet signs contracts with local American Express and Diners Club franchises in Croatia and begins installing ATMs. Today, Euronet operates 70 ATMs in Croatia.

December Raiffeisenbank Austria becomes Euronet's first bank customer in Croatia, and purchases Euronet's Blue Diamond card issuance program. RBA begins issuing its first proprietary cards in May 1998.

▪ Euronet opens a sales office in Romania.

1998

February Euronet enters the Czech ATM market with Bank Austria-Creditanstalt. A month later, Euronet begins installing ATMs and processing Visa transactions in the Czech Republic.

March Monthly transactions on ATMs owned or operated by Euronet pass the 1 million mark.

May Euronet completes an international bond offering, raising $81 million in net proceeds. The company uses the funds for business expansion.

ABN AMRO Bank

Implementing a Cost-Effective Card Strategy in the Czech Republic

ABN AMRO, the Dutch financial services company with one of the world's largest retail banking operations, was looking for a way to differentiate itself by offering charge card services to its Czech corporate clients. However, ABN AMRO did not want to make the capital investment in technology and software necessary to implement this targeted strategy.

The solution was Euronet Services' new "Diamond Link" program. This service leverages Euronet's technical infrastructure in Central Europe to provide retail banks with Visa charge card issuance, database management, transaction authorization and processing, and account reconciliation functions.

"Euronet offered us a unique and turnkey outsourcing solution," notes Hugo Halter, COO for ABN AMRO N.V. Czech Republic. "It enabled us to implement an efficient processing structure for our card business and deliver high quality service to our prime customers." Adds Ivan Remsik, senior vice president, Visa International, "Euronet's solution will be particularly attractive to international banking groups that want to centralize and outsource card processing on a multi-country scale."

The Diamond Link program is the latest connection between Euronet Services and various ABN AMRO banks in emerging markets. In the Czech Republic and Hungary, ABN AMRO has begun outsourcing the management of its ATMs to Euronet. During 2000 Euronet will install and begin operating additional ATMs for ABN AMRO's network in Hungary. ABN AMRO Hungary also uses a comprehensive package of the company's Arksys brand software, comprising the core system ITM, gateway connections to Visa and Europay, on-line PIN validation for teller transactions, and an interface system for transaction authorization. And elsewhere, ABN AMRO Banks in Greece, Suriname, the Netherlands Antilles and Indonesia rely on Arksys software for their card management and electronic payments systems.

"Diamond Link" leverages Euronet's technical infrastructure in Central Europe to provide retail banks with charge card issuance, database management, transaction authorization and processing, and account reconciliation functions.

Initial Expansion into the United States

As part of our acquisition of Arksys in December 1998, Euronet became a minority owner of the Dash Network, an ATM services provider and transaction processor in Little Rock, Arkansas.

In August 1999, Euronet Services acquired full ownership of Dash, gaining a new stream of transaction processing revenue from more than 100 ATMs owned by 24 US banks. Four months later, Euronet orchestrated a significant expansion of the Dash Network by completing installation of over 330 ATMs for Dillard's department stores across 29 states. The retailer owns the ATMs while Euronet – under the Dash Network brand name – operates the ATMs and processes all transactions performed at them. By the end of the year, we were processing transactions for 459 ATMs in the US.

Going forward, the Dash acquisition provides a platform for further strategic penetration of the US market. By leveraging the company's knowledge and experience from building an ATM business in Europe, Euronet can use Dash to bring innovative electronic solutions to small US banks, credit unions, retailers, and other businesses that have not traditionally owned ATMs. These specialized niches within the otherwise mature North American ATM market offer significant opportunities for the company in 2000 and beyond.

1998

May Euronet ATMs in Poland begin processing transactions for the PolCard bank consortium, expanding access to another 376,000 branded cards.

▪ Germany's Service Bank outsources the operation of 96 additional off-branch ATMs to Euronet.

June BWR becomes Euronet's first ATM outsourcing customer in Poland. Euronet gradually assumes operation of the bank's ATMs.

▪ Euronet ATMs begin processing transactions for cards issued by the Polish Association of Credit Unions (SKOK).

June France's national transaction switch, GIE-Carte Bancaire, certifies Euronet to process transactions for ATMs in that country.

July Euronet connects to the Citishare switch, opening a transaction gateway to 35 million Citibank cardholders. The company signs new agreements with Citibank in Hungary and Poland, and Euronet ATMs for the first time accept deposits from Citibank cardholders in those countries.

▪ 1,000th ATM owned or operated by Euronet becomes operational.

September Euronet begins processing ATM transactions in France for Crédit Municipal de Nantes. Today, Euronet owns or operates a total of 48 ATMs in France, many of which are in prominent locations such as the Champs-Elysées in Paris.

1000

Growing the Outsourcing Business

Over the past five years, the company's Network Services Division has gained extensive experience in establishing and managing ATM networks in Europe. This skill set includes ATM site selection and installation, ATM operations and maintenance, and transaction processing and settlement with state-of-the-art technology at the company's transaction processing centers in Budapest, Hungary and Little Rock, Arkansas. A growing number of banks and retailers are now accessing this expertise – as well as the infrastructure it operates with – through ATM management outsourcing contracts with Euronet.

For example, several large international banks that are building retail or commercial banking operations in Central Europe, such as Citibank, ING Bank and Deutsche Bank, have outsourced development of their bank-branded ATM networks to Euronet. In these cases, Euronet installs, operates and owns the ATMs for the banks, which generally are placed in a bank-branch location and branded as a bank ATM.

In other cases, Euronet provides a full or partial range of management services for ATMs owned by others. During 1999 alone, the company inked several of these long-term outsourcing service agreements, increasing the number of client-owned ATMs under management from 184 to 705. As a result, non-Euronet owned ATMs in the company's network rose from 14 percent at the end of 1998 to 31 percent at the end of 1999.

Outsourcing is also a means for Euronet to maxmize business opportunities in specific markets. In Croatia, for example, Euronet Services sold its network of 68 ATMs to Raiffeisenbank Austria (RBA) and entered into 15-year services contract to operate the ATMs for the bank. Under the agreement, Euronet provides RBA with comprehensive ATM operating services, including monitoring, transaction processing, and maintenance. The arrangement with RBA provides a solid base for the long-term growth of our outsourcing business in Croatia. Indeed, in late 1999, Euronet expanded its Croatian outsourcing business by taking over management of the ATMs owned by Dubrovačka Banka.

Major Expansion in Western Europe

In Western European markets, bankcard issuance and usage are already high, but overall development of off-branch ATM locations remains low. Using the expertise we gained in site selection from our Central European operations, Euronet was able to achieve significant expansion in Germany, France, and the United Kingdom.

In March, Euronet Services acquired a network of more than 250 operational ATMs from Service Bank in Germany. The purchase more than doubled the company's presence in that country, bringing our total ATM count in Germany up to 381 at the end

December Euronet makes a strategic move aimed at vertical integration. The company acquires US-based Arksys, a leading developer of electronic payment and transaction solutions software for the IBM AS/400 platform, which is used by a majority of retail banks throughout the world. The acquisition positions Euronet to provide a continuum of electronic transactions products and services for ATMs, as well as POS systems, debit and credit card systems, wireless banking, and Internet banking.

December Euronet enters the UK ATM market in partnership with Woolwich plc and begins installing ATMs in off-branch locations such as convenience stores. These ATMs are the first in Europe to allow surcharging – a fee of £1 per cash withdrawal.

1999

January Cayman National Bank in the Cayman Islands purchases Arksys software to support its growing credit card operations. The solution includes the ITM core plus the credit card system (ICCS), which will centralize the bank's ATM, EFT, and POS merchant management activities. Cayman National is one of 20 customers in the Latin American/Caribbean region that will purchase Arksys software or services in 1999.

Dillard's

Accessing a Turnkey Solution for Department Store ATMs

When Dillard's, a major US department store chain, decided to place ATMs in its 334 locations in 29 states, the retailer turned to Euronet for a comprehensive turnkey solution. The multi-phase project demonstrates how Euronet's expertise in performing outsourced ATM network services in Europe works equally well in the United States.

In the start-up phases, Euronet provided Dillard's with everything from ATM selection and installation to on-line hook-up with Euronet's recently acquired Dash Network. Euronet completed the project on schedule over a two-month period. On an ongoing basis, Dash now processes all transactions performed on the 334 Dillard's ATMs. Dash, based in Little Rock, Arkansas, operates with Arksys software. It also provides transaction switching and ATM and debit card services to 24 financial institutions in four states.

"Providing ATM access in our stores is another way we can provide added services to our busy customers," observes David Helm, Dillard's assistant treasurer. "By selecting Euronet's Dash Network as our ATM solutions provider, we were able to make this project happen quickly and efficiently, just in time for the holiday shopping season."

The multi-phase project with Dillard's Department Stores demonstrates how Euronet's expertise in performing outsourced ATM network services in Europe works equally well in the United States.

of 1999. In the UK, where Euronet's ATMs can charge a "convenience" or surcharging fee, the company installed over 200 ATMs during the course of the year. And in France, the number of ATMs in our network grew from 2 to 48 as the company developed new customer relationships and secured excellent high-traffic ATM locations.

Due to this growth, overall 1999 revenues generated in our Western European markets accounted for 48 percent of total Network Services Division revenue.

Riding the Wave in Central Europe

During the past five years, bankcard issuance in Central Europe has multiplied at a rapid rate – from approximately 500,000 cards in 1994 to an estimated 10 million by the end of 1999. In some Central European countries, bankcard penetration is now growing by a million or more cards per year. The pace of this growth is expected to continue and even accelerate in the years to come, since bankcard penetration per capita in this region still remains low by Western European and North American standards.

Euronet Services is firmly entrenched in the electronic financial payments fabric of Central Europe and well positioned to benefit from this ongoing card growth. The company owns or operates close to 20 percent of the ATMs across Hungary, Poland, the Czech Republic and Croatia, markets that in combination contain more than 60 million people. During 1999, all four countries

1999

January Oyak Bank in Turkey purchases Arksys software to manage ATMs and issue debit and credit cards. The software solution will allow the bank to commence retail banking activities and access 160,000 new retail customers from Oyak and Oyak Group Company members. Oyak Bank is one of 13 customers in the European region that will purchase Arksys software or services in 1999.

February Banco Comercial de Macau purchases the Arksys credit card system software (ICCS) in order to complement its retail banking offerings with an in-house credit card system in time for the bank's 25th anniversary. BCM is one of 8 customers in the Asia Pacific region that will purchase Arksys software or services in 1999.

March Euronet acquires Service Bank's entire remaining network of 252 ATMs in Germany, making Euronet the second largest operator of off-branch ATMs in the German market.

March Monthly transactions on ATMs owned or operated by Euronet pass the 2 million mark.

- Arksys division achieves record level of new software sales orders, due in part to increased demand for credit card systems and Y2K upgrades.

posted increases in bankcard issuance. In addition, there was an increase in the percentage of locally issued bankcards that Euronet ATMs can accept.

As a result of these factors, overall transaction volumes in Central Europe achieved measurable gains in 1999. In Poland, for example, monthly transaction volume was up 105 percent from December 1998 to December 1999. In the Czech Republic, percentage volume growth was even higher, rising 129 percent over the same 12-month period. With the continuing growth in bankcard issuance throughout Central Europe combined with the feature functionality we are adding at our ATMs in this region, the long-term prospects for these markets remain extremely strong.

Growing Additional Revenue Streams

In December, the company activated its Diamond Link product for ABN AMRO in the Czech Republic. Under the arrangement, the bank outsourced its corporate charge card management program in that country entirely to Euronet Services.

Throughout the year, Euronet Services sold advertising space on its ATM screens, receipts and coupons to banks and other companies wishing to reach consumers at the ATM touchpoint. McDonald's, Citibank, and Ericsson are among the major corporate advertisers taking advantage of this effective advertising medium, which is growing in popularity. In Hungary, for example, all ATM advertising space is already sold out for 2000.

Arksys Software Division

During its first full year as a part of Euronet Services, the Arksys Software Division made great strides in cementing its position as the leading worldwide provider of "middleware" used by financial institutions that rely on the IBM AS/400 platform. In the process, the Division was fully integrated into Euronet Services, expanding the company's customer base and furthering its transformation into a supplier of end-to-end electronic banking solutions.

Arksys brand software solutions have been powering the transaction processing needs of medium-sized banks and financial institutions for 24 years. Its fully integrated suite of products provides customers with the ability to integrate and manage electronic transactions at ATMs and POS terminals, with credit cards and debit cards, as well as telephone banking, Internet banking and online bill payment services. Customers in more than 60 countries around the world rely on one or more of these Arksys software products.

Investing in New Product Development

Throughout 1999, the Arksys Software Division solidified and upgraded its core products, many of which are being unveiled in 2000. The Division also took steps to expand its market by initiating development to make some of its software and services available on the NT platform, an offering that

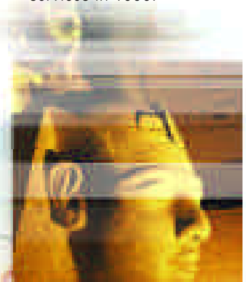
April Poland's Millennium Bank chooses Euronet for a full range of services including electronic payment systems software, ATM network management outsourcing, ATM network connections, and ATM advertising.

April Euronet increases the number of cards its ATMs in Croatia can accept with the addition of Visa cards. Acceptance of locally-branded MBU cards comes six months later.

May The Egyptian American Bank in Egypt purchases Arksys ATM switch and interface software. The bank is one of 7 customers in the Middle East/Africa region that will purchase Arksys software or services in 1999.

August First Financial of Arkansas purchases Arksys Commercial ACCESS software, a PC banking solution that provides on-line, real-time account data to bank customers via the Internet or direct modem connections. The bank is one of 36 customers in the United States that will purchase Arksys software or services in 1999.

August Euronet acquires ownership of Dash ATM switch in United States. The move expands Euronet's ATM outsourcing business to the US, and creates an emergency back-up system for the company's Budapest transaction processing center.



PT Sigma Cipta Caraka

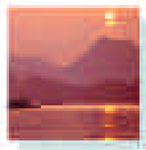
Partnering for Growth in South East Asia

When Euronet Services acquired Arksys in 1998, it also acquired a major presence in Indonesia, where Arksys software solutions power a significant percentage of Indonesian electronic retail banking transactions. This leading market position is due in large part to a decade-long relationship with PT Sigma Cipta Caraka, an Indonesian firm that specializes in banking information technology solutions.

PT Sigma acts as a business partner for the Arksys suite of integrated transaction management software for the IBM AS/400 platform – which is very well established in Indonesian banks. To maximize potential sales of the Arksys product line, PT Sigma pursues a strategy that includes providing top-quality local support and adding value through ancillary software sales and services.

This approach has resulted in sales of more than 30 Arksys software licenses throughout Indonesia. Today, after a period of consolidation in the archipelago's banking industry, 18 banks and one ATM network in Indonesia are using Arksys software to operate their ATM and debit card systems. PT Sigma has also helped sell and support systems for other Arksys brand customers in the Asia/Pacific region, and continues to bring in new business.

"Arksys software customers in Indonesia represent a significant percentage of the entire retail banking industry in the country," observes Djarot Subiantoro, PT Sigma's President. "What's more, approximately 30 percent of the ATMs in Indonesia are running on Arksys software systems. We see potential for even further growth of software sales and ATM network services in this market."



Today, 18 banks and one ATM network in Indonesia are using Arksys software to operate their ATM and debit card systems.

is expected to be available later in 2000. In addition, we initiated development of new products, most particularly in the rapidly evolving field of wireless banking.

As an operating division of Euronet Services, Arksys scored a variety of improvements over its final year as an independent company. We tripled our delivery capacity, enabling the Division to substantially work off a multimillion dollar backlog of projects that existed at the time of acquisition. We reduced software preparation and testing time by 25 percent and delivery set-up time by 82 percent. During this same period, we doubled our product development staff, enabling the Division to increase development on new and existing products. We also engineered a major upgrade in the quality assurance area; an investment designed to ensure the reliability of our products through development, implementation, and ongoing customer support.

Redeveloping the Core Transaction Processing System

The concept of "Anytime, Anywhere" banking is rapidly becoming the next frontier for retail financial institutions seeking to expand their array of consumer touchpoints. All retail financial institutions now recognize that delivering quick and easy access to financial and information transactions will win the retail customer's business. To become the software supplier of choice to these

1999

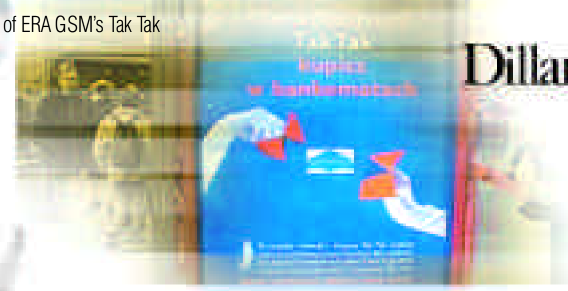
August Euronet is first to market in Poland with bill payment services at ATMs. Available to Millennium Bank cardholders, this e-commerce service will increase transaction volume. It is part of a feature set that also enables the bank's retail customers to withdraw cash, change their PIN, check their balance, view or print a mini-statement, and transfer funds to other Millennium accounts at more than 500 ATMs throughout Poland.

October 2,000th ATM owned or operated by Euronet becomes operational.

- Northern Rock becomes second British bank to partner with Euronet for the installation of ATMs with surcharging fees in convenient, off-branch locations throughout the UK.

October In another first for the Polish market, Euronet's ATMs begin selling vouchers for pre-paid ERA GSM mobile phone service. Offering 24-hour convenience, this newest type of ATM transaction allows subscribers of ERA GSM's Tak Tak service to purchase three types of recharge vouchers with set values. Voucher purchasers obtain an ATM receipt that includes an authorization code, activation phone number, and instructions.

November Euronet's newly acquired Dash network completes installation of over 330 retailer-owned ATMs in Dillard's department stores in the US and begins processing transactions for them.



Dillard's

2000

financial institutions, the Arksys Division embarked on the redevelopment of our core transaction processing system during the second half of 1999.

This investment in redevelopment is taking full advantage of current Internet-based technologies, such as Object Oriented design, Java, Java Enterprise Beans, and HTML user interfaces. When completed, the redeveloped system will provide the ability to expand the range of transactions as well as the devices where these transactions take place, such as wireless phones, pagers, the Internet, and personal digital assistants (PDAs).

Growing the Credit Card Business

In 1999, we identified the market for credit card solutions as a potential growth area and released a new version of Arksys Integrated Credit Card System (ICCS) software. ICCS is a comprehensive suite of applications designed to support both revolving credit and specialty consumer finance accounts. The new version features dual currency and multi-language capabilities, real time account information, a graphical user interface for easy and efficient use, and merchant posting, settlement and reporting processes for both bankcard and retail merchants. In addition, these enhancements allow the Arksys Division to sell the system to larger financial organizations. Market response to our new ICCS software has been positive, particularly in high growth markets where many banks are just entering the credit card business. We expect to continue to reap the benefits of the investments made in upgrading and launching the new ICCS software well into 2000 and beyond.

Attracting New Customers

Recognized revenue for the Arksys Software Division was up 29 percent over 1998's performance and average revenue per customer increased by 75 percent. These promising results were achieved even though worldwide concerns about Y2K led to an anticipated, albeit temporary, sales slowdown during the final two quarters of 1999. However, throughout the year, the Division continued to attract new customers.

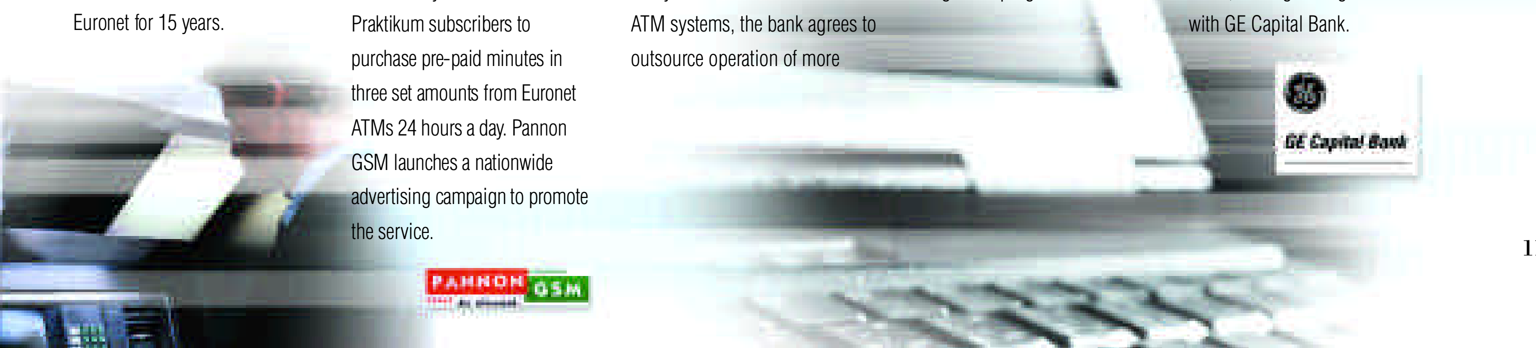
For example, Oyak Bank in Turkey, a commercial bank seeking to enter the retail market, purchased Arksys software to manage ATMs and issue debit and credit cards. Cayman National Bank in the Cayman Islands, bought an Arksys solution that includes the Integrated Transaction Management (ITM) suite and the credit card system to centralize the bank's ATM, EFT, and POS operations. Banco Atlantida in Honduras chose the Arksys brand for ATM and debit card management as well as an

November Euronet and Raiffeisenbank Austria of Croatia sign an outsourcing agreement in which the bank acquires Euronet's ATMs in Croatia and outsources their operation to Euronet for 15 years.

November Euronet is first to market in Hungary with sales of vouchers for Pannon GSM's pre-paid mobile phone service, Pannon Praktikum. The added functionality allows Pannon Praktikum subscribers to purchase pre-paid minutes in three set amounts from Euronet ATMs 24 hours a day. Pannon GSM launches a nationwide advertising campaign to promote the service.

December Euronet starts separate projects for ABN AMRO Bank in Hungary and the Czech Republic. In Hungary, where ABN AMRO is already a user of Arksys software for its card and ATM systems, the bank agrees to outsource operation of more than 100 ATMs to Euronet. In the Czech Republic, the bank chooses Euronet's Diamond Link program for outsourcing management of its corporate charge card program.

December Euronet doubles the card acceptance level on its ATMs in the Czech Republic with the addition of Europay/MasterCard branded cards, through an agreement with GE Capital Bank.



Cayman National Bank

Growing Credit Card Operations In The Cayman Islands

Cayman National Bank, a $650 million financial institution in Grand Cayman, Cayman Islands, is using an integrated Arksys software solution to drive its growing credit card operations. As part of the package, Cayman National has been able to centralize its credit card, ATM, EFT, and POS merchant management activities.

The bank chose the Arksys brand Integrated Transaction Management (ITM), along with Integrated Credit Card System (ICCS) as the foundation for processing its card business. With ICCS, Cayman National can manage and grow its ATM network, credit and debit card bases, and receive online authorizations through direct EFT links to the Visa and MasterCard networks. The ICCS software integrates with other Arksys products to authorize and process POS transactions from merchants.

"We wanted a single, multi-functional, and user-friendly platform suitable to our business needs while allowing us to maximize our business opportunities," asserts Thomas Khal, Senior Vice President of Cayman National. "We selected Arksys software on the basis of Euronet's commitment to install the system in record time, as well as the reputation of the Arksys ITM and ICCS products." Arksys ITM software, operating on the IBM AS/400 platform, will provide the bank substantial benefits and improvements in the areas of system functionality, daily processing, system security and control.

With Arksys brand Integrated Credit Card System software, Cayman National Bank can manage and grow its ATM network, credit and debit card bases, and receive online authorizations through direct EFT links to the Visa and MasterCard networks.

online connection to the Visa/Plus international network. Israeli Discount Bank in New York selected the Arksys credit card system software to complement its retail banking offerings. And Banca Agricola in Romania also picked the comprehensive Arksys system to support its credit card and ATM operations.

Partnering With Global Banks

In many of our primary markets, multinational financial institutions such as ING, Banco Comercial Português (BCP) and others are acquiring or starting new banks. Our longstanding relationships with these international banks allow the Arksys Division to partner with a single institution in multiple markets. During 1999, for example, we signed contracts with BCP Moçambique, Nova Bank in Greece, Banco Comercial de Macau, and Millennium Bank in Poland, all of which are BCP affiliates. Relationships such as these are a continuing focus for Arksys solutions as global banks attempt to narrow the number of vendors and standardize the implementation for banks they start or acquire. The breadth of the Arksys product line is impressive to these banks because it allows them to source all their EFT automation solutions from one vendor and maximize the value of their software investment.

1999

December Euronet completes the installation of a comprehensive Arksys software credit card system for Banca Agricola in Romania, where Arksys brand software is a market leader. The project is finished in record time and the system is operational before year-end. As a result, Arksys software now supports 60 percent of all cards issued in Romania.

December Euronet assumes operation of Dubrovačka Banka ATMs in Croatia, the second ATM outsourcing client in that country.

December Monthly transactions on ATMs owned or operated by Euronet pass the 3 million mark.

2000

January Euronet enters the 21st century with a worldwide clientele. It manages networks in Europe and North America comprising 2,283 owned or operated ATMs in eight countries, and its Arksys brand software serves the electronic transactions and payment system needs of over 220 clients in 60 countries.

Selected Consolidated Financial Data

The summary consolidated financial data set forth below have been derived from, and are qualified by reference to, the audited consolidated financial statements of the Company and the notes thereto, prepared in conformity with generally accepted accounting principles as applied in the United States ("U.S. GAAP"), which have been audited by KPMG Polska Sp. z o.o., independent public accountants. The Company believes that the period-to-period comparisons of its financial results are not necessarily meaningful due to its significant acquisitions in December 1998 and January 1999, and should not be relied upon as an indication of future performance. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

Consolidated Statements of Operations Data:

	Year ended December 31,				
	1999	1998	1997	1996	1995
	(in thousands, except for share and per share data)				
Revenues:					
ATM network and related revenue	$ 26,503	$ 11,525	$ 5,290	$ 1,261	$ 62
Software and related revenue	14,969	356	—	—	—
Total revenues	41,472	11,881	5,290	1,261	62
Operating expenses:					
Direct operating costs	22,830	10,036	3,717	827	414
Salaries and benefits	24,350	9,723	3,796	989	452
Selling, general and administrative	10,725	8,650	4,468	2,459	1,032
Depreciation and amortization	10,238	4,955	1,731	481	133
In-process research and development write-off	—	1,020	—	—	—
Share compensation expense	127	108	108	4,172	—
Total operating expenses	68,270	34,492	13,820	8,928	2,012
Operating loss	(26,798)	(22,611)	(8,530)	(7,667)	(1,950)
Other income/expenses:					
Interest income	1,950	2,514	1,609	225	126
Interest expense	(10,899)	(7,826)	(1,152)	(378)	(107)
Foreign exchange (loss)/gain, net	(2,110)	(1,911)	8	(79)	(158)
Loss before income tax benefit/(expense)	(37,857)	(29,834)	(8,065)	(7,899)	(2,089)
	4,182	(1,430)	100	323	148
Loss before extraordinary item	(33,675)	(31,264)	(7,965)	(7,576)	(1,941)
Extraordinary gain, net	2,760	2,889	—	—	—
Net loss	$ (30,915)	$ (28,375)	$ (7,965)	$ (7,576)	$ (1,941)
Loss per share – basic and diluted:					
Loss before extraordinary item	$ (2.21)	$ (2.06)	$ (0.64)	$ (15.18)	$ (4.00)
Extraordinary gain	$ 0.18	$ 0.19	—	—	—
Net loss	$ (2.03)	$ (1.87)	$ (0.64)	$ (15.18)	$ (4.00)
Weighted average number of shares outstanding	15,252,030	15,180,651	12,380,962	499,100	423,324

Consolidated Balance Sheet Data:

	As of December 31, 1999	1998	1997	1996	1995
	(in thousands, except Summary Network Data)				
Cash and cash equivalents	$ 15,037	$ 55,614	$ 7,516	$ 2,541	$ 411
Restricted cash	10,929	12,972	847	152	952
Investment securities	750	3,149	31,944	194	—
Other current assets	13,068	10,295	2,504	605	466
Total current assets	39,784	82,030	42,811	3,492	1,829
Net property, plant and equipment	36,693	33,182	24,088	7,284	2,518
Other long-term assets	20,367	18,226	3,134	1,158	172
Total assets	$ 96,844	$ 133,438	$ 70,033	$ 11,934	$ 4,519
Current liabilities	$ 26,938	$ 18,739	$ 9,315	$ 2,861	$ 1,303
Obligations under capital leases, excluding current installments	6,397	6,809	11,330	3,834	1,119
Notes payable	72,800	83,720	—	—	—-
Other long-term liabilities	202	—	169	103	—
Total liabilities	106,337	109,268	20,814	6,798	2,422
Total stockholders' (deficit)/equity	(9,493)	24,170	49,219	5,136	2,097
	$ 96,844	$ 133,438	$ 70,033	$ 11,934	$ 4,519
Summary Network Data:					
Number of operational ATMs at end of period	2,283	1,271	693	166	53
ATM transactions during the period	32,938,000	15,467,000	5,758,000	1,138,000	45,000

Richard Halka

Title European Finance Director

Location Budapest, Hungary

Professional Background Treasurer, Controller, and Principal Accounting Officer of the Hungarian Telephone and Cable Corporation, a U.S. public company that operates concessions to provide telephone services in Hungary. Partner with KPMG in Hungary and New Zealand. With Euronet Services since January 1999.

Key Responsibilities Oversees financial operations and reporting of the Network Services Division in Hungary, Poland, Germany, United Kingdom, France, Croatia, and the Czech Republic.

Quote *"At Euronet Services, the finance role is truly a value-added function. We work to ensure that everyone at the company concentrates on profitability and cash flow."*

Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

Euronet is a provider of end-to-end electronic payment solutions and transaction processing for retail banks and other companies. The Company operates an independent automated teller machine ("ATM") network in Europe and owns Arksys, a software company that specializes in electronic payment and transaction delivery systems. Together with Arksys, Euronet offers electronic payment solutions consisting of ATM network participation and outsourced ATM network management solutions, and comprehensive software solutions to retail banks and other companies around the world.

Euronet and its subsidiaries operate in two business segments: (1) a segment providing an independent shared ATM network and related ATM services to banks and financial institutions (the "ATM Services Segment"); and (2) a segment producing application software for payment and transaction delivery systems (the "Arksys Software Solutions Segment"). These business segments are supported by a corporate service segment, which provides corporate and other administrative services that are not directly identifiable with the two business segments (the "Corporate Services Segment"). (See Note 17 to the Consolidated Financial Statements - Business segment information.)

Until December 1998, Euronet had devoted substantially all of its resources to establishing and expanding its ATM network through the addition of ATMs to its proprietary network and through providing outsourced management solutions for bank-owned ATMs. On December 2, 1998, the Company acquired Arksys and for the year ended December 31, 1999, a significant portion of the Company's revenues and expenses resulted from and are attributable to Arksys operations.

Comparison of Results of Operations for the Years Ended December 31, 1999, 1998 and 1997

Revenues The Company's total revenues increased to $41.5 million for the year ended December 31, 1999 from $11.9 million for the year ended December 31, 1998 and $5.3 million for the year ended December 31, 1997. The increase in revenues from 1998 to 1999 is primarily due to two factors: (1) a $15.0 million increase in ATM Services Segment revenues resulting from the increase in transaction volume attributable to an increase in the number of ATMs operated by the Company during this period; and (2) the addition of $14.6 million of Arksys Software Solutions Segment revenues. The increase in revenues from 1997 to 1998 was due primarily to a $6.2 million increase in ATM Services Segment revenues due to an increase in transaction volume attributable to additional network connections to credit and debit card issuers. Revenues for the years ended December 31, 1999 and 1998 are discussed more fully in the Segment Results of Operations sections below.

Operating Expenses Total operating expenses increased to $68.3 million for the year ended December 31, 1999 from $34.5 million for the year ended December 31, 1998 and $13.8 million for the year ended December 31, 1997. The increase from 1998 to 1999 can be broken down by segment as follows: (1) a $13.0 million increase in ATM Services Segment operating costs, (2) the addition of $19.6 million of Arksys Software Solutions Segment operating costs, and (3) a $1.2 million increase in Corporate Services Segment operating costs. The increase from 1997 to 1998 is due to increased expenditures resulting from the expansion of the ATM network operations. Operating expenses for the years ended December 31, 1999 and 1998 are discussed more fully in the Segment Results of Operations sections below.

Operating Loss The Company generated an operating loss of $26.8 million for the year ended December 31, 1999 compared to operating losses of $22.6 million for the year ended December 31, 1998 and $8.5 million for the year ended December 31, 1997. The increased operating loss from 1998 to 1999 is due to the net effect of three factors: (1) a $1.9 million decrease in operating losses from the Company's ATM Services Segment; (2) the addition of $4.8 million in operating losses from the Company's Arksys Software Solutions Segment; and (3) a $1.3 million increase in operating losses from the Company's Corporate Services Segment. The increase from 1997 to 1998 is due to increased expenditures resulting from the expansion of the ATM network operations. The results of segment operations expenses for the years ended December 31, 1999 and 1998 are discussed more fully in the Segment Results of Operations section below.

Segment Results of Operations for the Years Ended December 31, 1999 and 1998

(In thousands)	Revenues		Operating Loss	
Year ended December 31,	1999	1998	1999	1998
ATM Services	$ 26,503	$ 11,525	$ (12,907)	$ (14,825)
Arksys Software Solutions	15,149	371	(7,141)	(2,300)
Corporate Services	—	—	(6,750)	(5,486)
Inter segment eliminations	(180)	(15)	—	—
Total	$ 41,472	$ 11,881	$ (26,798)	$ (22,611)

ATM Services Segment Overview

The Company operates the only independent, non-bank owned automated teller machine ("ATM") network in Central and Western Europe, as a service provider to banks and other retail oriented financial institutions. The ATM Services Segment's principal source of revenue to date has been transaction and service fees from a growing number of ATMs installed in Hungary, Poland, the Czech Republic, Croatia, France, Germany, and the UK.

On March 26, 1999, the Company expanded its proprietary network in Germany by acquiring a network of 252 installed ATMs and 35 ATMs in inventory from Service Bank GmbH & Co. KG ("Service Bank").

On August 13, 1999, the Company purchased a 66 2/3% interest in EFT Network Services LLC ("Dash") located in Little Rock, Arkansas, USA. The Company had previously owned 33 1/3% of Dash as a result of its acquisition of Arksys on December 2, 1998. The Company now owns 100% of Dash. (See Note 5 to the Consolidated Financial Statements – Acquisitions.)

Dash is an ATM switch-processing center. The current operations of Dash include processing transactions for approximately 459 customer-owned ATMs. In addition, Dash provides a platform for offering ATM and related processing services to potential bank and non-bank customers in the United States.

During the third quarter of 1999, the Company expanded its outsourced management solutions business in the U.S. by executing a contract which provided for the sale of 334 ATMs to Dillard's Department Stores and the operation of such ATMs by the Company under a service agreement. The ATMs were sold to Dillard's under a value-added reseller agreement with the manufacturer of the machines. The Company arranged for the sale, delivery and installation of 22 ATMs in August 1999, 204 ATMs in September 1999 and 124 ATMs in October 1999, recording hardware revenues of $340,000, net of all costs. The company will operate these ATMs from the Dash switch-processing center in Little Rock.

During the fourth quarter of 1999, the Company completed the sale of its Croatian network assets to Raiffeisenbank Austria ("RBA") for consideration of $2.7 million. The carrying value of the Croatian network assets was $2.0 million, resulting in a gain to the Company of $657,000, recorded as an offset to operating costs. Subsequent to the sale of the network assets, the Company and RBA entered into an ATM services agreement whereby the Company will provide ATM management and other related services to RBA for an initial term of 15 years. (See Note 26 to the Consolidated Financial Statements – Sale of Croatian Network.)

As of December 31, 1999, the Company owned or operated 2,283 ATMs, of which 69% were owned by the Company and 31% were owned by banks and financial institutions but operated by the Company through management agreements as a part of the Company's outsourced management solutions business. By comparison, as of December 31, 1998, the Company's proprietary ATM network totalled 1,271 ATMs, of which 86% were owned by the Company and 14% were owned by banks and financial institutions. The Company believes the shift from a largely proprietary, Euronet-owned ATM network to a more balanced mix between proprietary ATMs and customer-owned ATMs is an extremely positive development and will provide substantially higher marginal returns on investments.

The ATM Services Segment derives substantially all of its revenues from ATM transaction fees. The Company receives a fee from the card issuing banks or International Card Organizations for ATM transactions processed on its ATMs. The Company continues to focus on expanding its network and installing additional ATMs, especially ATMs installed as part of the outsourced management solutions business where contracts may include flat monthly management fees or minimum transaction guarantees. The Company expects that transaction fees will continue to account for a substantial proportion of its ATM Services Segment revenues for the foreseeable future even as its outsourced management solutions business expands.

The transaction volumes processed on an ATM in any given market are affected by a number of factors, including location of the ATM and the amount of time the ATM has been installed at the location. The Company's experience has been that the number of transactions on a newly installed ATM is initially very low and it takes approximately three to twelve months after installation to achieve average transaction volumes for that market. Accordingly, the average number of transactions, and thus revenues, per ATM are expected to increase as the percentage of mature ATMs operating in the Company's network increases.

The Company has expanded its outsourced management solutions to include not only the operation of existing ATMs owned by banks, but also the installation and management of Company-owned ATMs for banks in their branches or off-site locations. Both types of outsourced management agreements involve the operation of ATMs in return for monthly management fees or a guaranteed monthly level of transaction fees, ensuring a certain level of return for the Company. The Company believes that revenues from these services will continue to increase in the future.

The Company sells advertising on its network by displaying clients' advertisements on its ATM screens and receipts. The Company believes that advertising revenues may increase as it expands its network and continues to market this service. In November 1999, the Company began to sell pre-paid mobile telephone vouchers on its networks in Hungary and Poland. This represents just one of the many new products and services that can be delivered to the consumer through the ATM. The Company intends to implement further value-added services on its ATM network.

Arksys Software Solutions Segment Overview

Arksys is a leading provider of electronic payment software solutions for the IBM AS/400 platform, one of the major hardware options for retail banks. Arksys software performs a number of retail banking functions including payment and transaction delivery for ATM systems, financial transaction processing, credit and debit card management, POS transaction processing, comprehensive card and client management, Internet and PC banking, and other means of electronic funds transfer ("EFT").

Thomas A. McDonnell

The People of Euronet Services

Title Member, Board of Directors

Location Kansas City

Professional Background President and CEO of DST Systems, Inc., a company that provides information processing and computer software products and services primarily to mutual funds and other financial services companies. Kansas City-based DST was one of the original joint venture investors in Euronet and still retains large holdings in the company. With Euronet Services since July 1994.

Key Responsibilities Corporate governance and oversight.

Quote *"I've enjoyed watching Euronet Services expand from a regional ATM network operator into a truly global provider of electronic funds transfer products and services. I firmly believe the company's management has the vision and know-how to achieve their objectives."*

Arksys's primary software solution is the Integrated Transaction Management ("ITM") product, a suite of payment and transaction functions designed to support virtually every aspect of retail financial transaction delivery. The core systems of ITM provide for transaction identification, transaction routing, security, transaction detail logging, network connections, authorization interfaces, settlement and management of the system. Front-end systems support ATM management, POS management, telephone banking, Internet banking, kiosks, and workstation authorization. These systems provide a comprehensive solution for ATM, debit or credit card management and bill payment facilities. Arksys also offers Goldnet, a shared EFT network solution that allows the formation of an independent gateway network. Euronet uses Goldnet for its EFT requirements in five countries in Europe.

While the traditional target market for Arksys has been retail banks, the Company expects to seek other retail customers who require EFT solutions and who would benefit from the installation of Arksys's integrated suite of products. Software solutions developed by Arksys are currently used by more than 160 retail banks and other companies in over 60 countries, including the Company's own transaction processing centers located in Budapest, Hungary and Little Rock, Arkansas, USA.

Corporate Services Segment Overview

The Corporate Services Segment exists solely to support the activities of the ATM Services and Arksys Software Solutions Segments. This segment performs general corporate, administrative and support functions including legal, corporate finance, treasury, investor relations and corporate communications services.

Comparison of Segment Results of Operations for the Years Ended December 31, 1999 and 1998

ATM Services Segment

Revenues Total segment revenues increased by $15.0 million or 130% to $26.5 million for the year ended December 31, 1999 from $11.5 million for the year ended December 31, 1998. The increase in revenues is due primarily to the significant increase in transaction volume attributable to additional network connections to credit and debit card issuers and an increase in the number of ATMs operated by the Company during these periods. The Company had 1,271 ATMs installed as of December 31, 1998, and processed 15.5 million transactions for the year ended December 31, 1998. As of December 31, 1999, the Company's proprietary ATM network increased by 1,012 ATMs, or 80%, to a total of 2,283 ATMs, of which 69% are owned by the Company and 31% are owned by banks or other financial institutions but operated by the Company through management agreements. The Company processed 32.9 million transactions for the year ended December 31, 1999, an increase of 17.4 million transactions, or 112%, over the year ended December 31, 1998.

Transaction fees charged by the Company vary for the three types of transactions that are currently processed on the Company's ATMs: cash withdrawals, balance inquiries and transactions not completed because the relevant Card Issuer does not give authorization. Transaction fees for cash withdrawals vary from market to market but generally range from $0.60 to $1.75 per transaction while transaction fees for the other two types of transactions are generally substantially less.

Operating Expenses Total segment operating expenses increased to $39.4 million for the year ended December 31, 1999 from $26.4 million for the year ended December 31, 1998. The increases are due primarily to costs associated with the installation of significant numbers of ATMs and expansion of the Company's operations during the period.

Direct operating costs in the ATM Services Segment consist primarily of: ATM installation costs; ATM site rentals; and costs associated with maintaining ATMs, ATM telecommunications, interest on network cash and cash delivery and security services to ATMs. Such costs increased to $21.9 million for the year ended December 31, 1999 from $10.1 million for the year ended December 31, 1998. The increase in direct operating costs is primarily attributable to costs associated with operating the increased number of ATMs in the network during the periods. Also, intercompany allocations were made to charge the ATM operations with transaction switching and bank connection fees associated with the operations central processing center in Budapest. These allocations totalled $2.9 million for the year ended December 31, 1999. Previously these costs were not allocated as a direct operating cost but were included as a component of selling, general and administrative costs. Direct operating costs include a $657,000 gain realized in 1999 from the sale of the Croatian network assets to Raiffeisenbank Austria (see Note 26 to the Consolidated Financial Statements – Sale of Croatian Network). The components of direct operating costs for the years ended December 31, 1999 and 1998 were:

(in thousands)	Years ending December 31, 1999	1998
ATM communication	$ 3,982	$ 3,323
ATM cash filling and interest on network cash	5,900	2,415
ATM maintenance	2,967	1,538
ATM site rental	2,421	915
ATM installation	783	722
Transaction processing and ATM monitoring	4,205	—
Other	1,663	1,138
Total direct operating expenses	$ 21,921	$ 10,051

As a percentage of ATM network revenue, direct operating costs fell from 87% for the year ended December 31, 1998 to 83% for the year ended December 31, 1999. If the internal processing center charge is removed the comparable figure for 1999 falls to 72%.

Segment salaries and benefits increased to $7.2 million for the year ended December 31, 1999 from $6.1 million for the year ended December 31, 1998. The increase in the year-on-year expenses reflect the continued expansion of the operations to Western European markets with significantly higher labor costs than Central Europe as well as some increases in staff levels at the processing center required to maintain quality service in line with the rising transaction volumes.

As a percentage of ATM Services Revenue, salaries and benefits fell from 53% for the year ended December 31, 1998 to 27% for the year ended December 31, 1999.

Selling, general and administrative costs allocated to the ATM Services Segment decreased to $2.9 million for the year ended December 31, 1999 from $5.5 million for the year ended December 31, 1998. The cost decrease for the year ended December 31, 1999 results from the net effect of (1) a $2.9 million allocation of costs from the selling, general and administrative line of the Budapest processing center to the operating cost line, as discussed above, and (2) a $300,000 increase in costs associated with the expansion of the Company's network operations.

Depreciation and amortization increased to $7.4 million for the year ended December 31, 1999 from $4.7 million for the year ended December 31, 1998. The increases are due primarily to the increase in the number of owned ATMs as discussed previously.

Operating Loss The ATM Services Segment operating loss decreased to $12.9 million for year ended December 31, 1999 compared to $14.8 million for the year ended December 31, 1998, as a result of the factors discussed above.

Arksys Software Solutions Segment

Arksys was acquired by the Company on December 2, 1998. Financial information for the full year ended December 31, 1998 is not available in a form that is comparable to the Company's Arksys information, and 1998 information is therefore not provided.

Revenues Revenues from the Arksys Software Solutions Segment totaled $15.1 million before inter-segment eliminations for the year ended December 31, 1999. Arksys revenues are grouped into four broad categories: software license fees, professional service fees, maintenance fees and hardware sales. Software licence fees are the initial fees charged by Arksys for the licencing of its proprietary application software to customers. Professional service fees are charged for customization, installation and consulting services provided to customers. Software maintenance fees are the ongoing fees charged to customers for the maintenance of the Arksys software products. Hardware sales revenues are derived from the sale of computer products and are reported net of cost of sales. For the year ended December 31, 1999, revenues from the four categories were as follows: software license fees ($2.4 million), professional service fees ($8.3 million), maintenance fees ($4.1 million) and hardware sales ($400,000).

Software Sales Backlog The Company defines "software sales backlog" as fees specified in contracts which have been executed by the Company and for which the Company expects recognition of the related revenue within one year. At December 31, 1998 the revenue backlog was $2.3 million, at March 31, 1999 the revenue backlog was $5.3 million, at June 30, 1999 the revenue backlog was $3.7 million, at September 30, 1999 the revenue backlog was $2.6 million, and at December 31, 1999 the revenue backlog was $3.1 million. The increase in backlog from December 31, 1998 results principally from growth in Arksys sales since the acquisition. The decrease in backlog from March 31, 1999 and June 30, 1999 can be attributed to the Company's efforts towards accelerating the delivery of software, in addition to a slower rate of purchasing by banks as they allocated resources to short term operational issues related to Year 2000 compliance. The Company expects this factor may negatively impact recognized revenue in the first quarter and into the second quarter of 2000. It is management's intention to continue to focus on expediting delivery and implementation of software in an effort to reduce backlog while continuing sales growth.

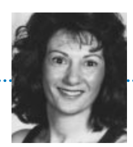
There can be no assurance that the contracts included in backlog will actually generate the specified revenues or that the actual revenues will be generated within the one-year period.

Operating Expenses Arksys Software Solutions Segment operating expenses consist primarily of salaries and benefits, selling, general and administrative, and depreciation and amortization. Operating expenses totaled $22.3 million for the year ended December 31, 1999.

Since the acquisition of Arksys in December 1998, the Company has made planned increases in Arksys's staff in order to increase sales, accelerate development of certain software enhancements and reduce delivery times for software. These staff increases have resulted in a significant increase in salaries and benefits at Arksys, which has contributed to the net losses of the Arksys Software Solutions Segment for the year ended December 31, 1999.

The Company has an ongoing commitment to the development, maintenance and enhancement of its products and services. As a result of this commitment the Company has invested substantial amounts in research and development. The Company's research and development costs incurred for computer products to be sold, leased or otherwise marketed totaled $3.2 million for 1999. Of this total figure, $322,000 was capitalized in conjunction with the Company's accounting policy requiring the capitalization of development costs on a product by product basis once technological feasibility is established. Technological feasibility of computer software products is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements.

Carol A. Cowan



The People of Euronet Services

Title	Vice President, Product Development
Location	Orlando
Professional Background	Vice President of Computer Sciences Corporation; President of the U.S. subsidiary of Credit Card Software (now Paysys International); head of card operations at Fleet National Bank in Rhode Island. With Euronet Services since September 1999.
Key Responsibilities	Oversees all of Euronet Services' software product development activities, supervises a team of 80 professionals, and works with the strategic planning and product marketing teams across the entire company to evaluate product plans and project requests.
Quote	*"My team and I are focusing on introducing and blending new technologies with the proven suite of Arksys brand software products. Our goal is to enhance and expand the core competencies of our software to meet the changing needs of our customers."*

Operating Loss The Arksys Software Solutions Segment incurred an operating loss of $7.1 million for the year ended December 31, 1999 as a result of the factors discussed above.

Corporate Services Segment

Operating Expenses Operating expenses for the Corporate Services Segment increased to $6.8 million for the year ended December 31, 1999 from $5.5 million for the year ended December 31, 1998. The Company's expansion of its network infrastructure, and increases in corporate and administrative capabilities are the primary reasons for these increased expenditures.

Comparison of Non-Operating Results for the Years Ended December 31, 1999 and 1998

Interest Income Interest income decreased to $2.0 million for the year ended December 31, 1999 from $2.5 million for the year ended December 31, 1998, and increased from $1.6 million for the year ended December 31, 1997. The decrease is the result of the decrease in investment securities and cash as a result of negative cash flow from operations and capital expenditures. The increase from 1997 to 1998 is the result of increased investing activities related to the proceeds from the Company's Notes Payable.

Interest Expense Interest expense increased to $10.9 million for the year ended December 31, 1999 from $7.8 million for the year ended December 31, 1998, and from $1.2 million for the year ended December 31, 1997. The increase is the result of accretion of the Company's Notes Payable for a full year in 1999 in comparison to 6 months' accretion in 1998 and none in 1997. The increase from 1997 to 1998 is the result of accretion of the Company's Notes Payable.

Foreign Exchange Gain/Loss The Company had a net foreign exchange loss of $2.1 million for the year ended December 31, 1999, as compared to a net foreign exchange loss of $1.9 million for the year ended December 31, 1998, and a net foreign exchange gain of $8,000 for the year ended December 31, 1997. Exchange gains and losses that result from re-measurement of certain Company assets and liabilities are recorded in determining net loss. A portion of the assets and liabilities of the Company are denominated in Euros, including capital lease obligations, notes payable (including the Notes issued in the Company's public bond offering), cash and cash equivalents, investments, and forward foreign exchange contracts. It is the Company's policy to attempt to match local currency receivables and payables. The foreign currency denominated assets and liabilities give rise to foreign exchange gains and losses as a result of U.S. Dollar to local currency exchange movements.

Since issuing its Deutsche Mark denominated 12 3/8% senior discount notes (the "Senior Discount Notes") in June 1998, the Company has hedged exposure resulting from foreign currency fluctuations that could affect the U.S. Dollar equivalent of the amounts payable under such notes. On May 26, 1999, the Company entered into several foreign exchange option contracts governed by an ISDA Master Agreement with Merrill Lynch International Bank Limited ("ML") designed to protect the Company against fluctuations of the Euro against the U.S. Dollar. Under such contracts, if as of May 26, 2000 (the settlement date under such contracts), the Euro has weakened against the dollar and falls below $1.0550 to the Euro (the "Floor Rate") the Company will be required to make a cash payment to ML on May 31, 2000 in an amount that will depend on the Dollar/Euro exchange rate on such settlement date. At the same time, if the Euro has strengthened against the U.S. Dollar and rises above $1.0835 to the Euro (the "Ceiling Rate") the Company will receive a cash payment from ML on May 31, 2000 in an amount that will depend on the Dollar/Euro exchange rate on such settlement date. The Euro fell to below the Floor Rate for the first time in November 1999 and has fluctuated both above and below such rate since that time. As of December 31, 1999 the rate of the Euro was $1.0041 and the amount of cash on deposit with ML as collateral for the Company's payment obligation under the foreign exchange option contracts was $3.6 million. As of March 10, 2000, the rate of the Euro was $0.9662 and the amount of cash on deposit with ML as collateral was $7.4 million. The amount of the collateral on deposit corresponds approximately to the payment obligation the Company would incur under such option contracts as of the time the amount of collateral is established. On March 13, 2000, the Company entered into a put option that will mitigate the cash cost under the original option contracts resulting from a fall of the Euro below $0.95. (See Notes 12 and 19 to the Consolidated Financial Statements – Forward Foreign Exchange Contracts and Financial Instruments).

Extraordinary Gain In 1999 the Company recorded an extraordinary gain of $2.8 million (net of income taxes of $0) following its repurchase of a portion of its Senior Discount Notes. The gain represents the difference between the allocated carrying value of the face value of the debt repurchased of $8.1 million less the consideration paid of $5.0 million, offset by the write-off of allocated unamortized deferred financing costs of $300,000. The Company has not retired the bonds repurchased.

In addition, the Company repurchased 97,023 warrants that were attached to the notes payable. Accordingly, approximately $176,000 was allocated to the carrying value of the warrants which reduced additional paid-in capital.

In 1998 the Company recorded an extraordinary gain of $2.9 million (net of income taxes of $1.5 million), following its repurchase of a portion of its Senior Discount Notes. The gain represents the difference between the allocated carrying value of the face value of the debt repurchased of $10.2 million less the consideration paid of $5.5 million, offset by the write-off of allocated unamortized deferred financing costs of $400,000. The Company has not retired the bonds repurchased.

Net Loss The Company's net loss increased to $30.9 million during the year ended December 31, 1999 from $28.4 million for the year ended December 31, 1998, and $8.0 million for the year ended December 31, 1997 as a result of the factors discussed above.

Liquidity and Capital Resources

Since its inception, the Company has sustained negative cash flows from operations and has financed its operations and capital expenditures primarily through the proceeds from the 1998 issue of Deutsche Mark denominated notes payable, the Company's 1997 public equity offering, equipment lease financing and private placements of equity securities. The net proceeds of such transactions, together with revenues from operations and interest income have been used to fund aggregate net losses of approximately $74.3 million, investments in property, plant and equipment of approximately $51.4 million and acquisitions of $24.6 million.

At December 31, 1999 the Company had cash and cash equivalents of $15.0 million and working capital of $12.8 million. The Company had $10.9 million of restricted cash held as security with respect to cash provided by banks participating in Euronet's ATM network, to cover guarantees on financial instruments and as deposits with customs officials. (See Note 7 to the Consolidated Financial Statements – Restricted Cash.) In addition to the assets held on the balance sheet at December 31, 1999 the Company held repurchased notes payable with a face value of 48.4 million Deutsche Marks ($24.0 million) and a fair value at December 31, 1999 of $17 million. (See note 19 to Consolidate Financial Statements—Financial Instruments.)

As of February 25, 2000 the Company entered into subscription agreements for the sale of an aggregate of 650,000 new common shares of the Company for a price of $6.615. The Company is in active discussions with another private placement investor to subscribe for an additional 500,000 common shares on the same terms and expects execution of an agreement relating to such placement by March 15. These agreements were signed with certain accredited investors and foreign persons in transactions exempt from registration under the United States Securities Act of 1933 pursuant to exemptions under Section 4(2) and Regulation D and Regulation S of the Act. Closing is expected to occur on March 15, 2000 with respect to the 650,000 shares for which subscription agreements have already been executed and on March 31 with respect to the additional 500,000 shares with respect to which the subscription agreement is not yet executed. If such transactions are closed as expected, the transactions will generate $7,607,250 in net proceeds to the Company. Under each of these agreements, for each two shares of common stock purchased in the private placement, the purchaser will be issued a warrant, exercisable upon issuance and expiring 12 months from the date of the signature of each agreement, to purchase one share of Euronet common stock at an exercise price of $11.615.

The Company leases the majority of its ATMs under capital lease arrangements that expire between 1999 and 2004. The leases bear interest between 8% and 12% per annum. As of December 31, 1999 the Company owed $10.6 million under such capital lease arrangements. (See Note 13 to the Consolidated Financial Statements – Leases.)

At December 31, 1999, the Company had contractual capital commitments of approximately $900,000 for the purchase of ATMs. (See Note 23 to the Consolidated Financial Statements – Commitments.) The Company expects that its capital requirements will continue in the future but will not be as great as they were in the past, as the Company intends to continue to promote its outsourcing capabilities and re-deploy under-performing ATMs currently operating in the network. This strategy should reduce the Company's reliance on capital expenditures in the future as the business continues to grow. Fixed asset purchases and capital lease payments for 2000 are expected to be approximately $7.4 million in the Company's existing markets, notably Western and Central Europe. Acquisitions of related ATM business and investments in new markets in furtherance of the Company's strategy may require additional capital expenditures.

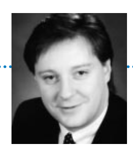
Based on the Company's current business plan and financial projections, the Company expects to continue to reduce operating losses and net cash used in operating activities in 2000. In the ATM Services Segment, the Company anticipates that increased transaction levels in its ATM network will result in additional revenues without a corresponding increase in expenses. In addition, the Company expects to further expand its ATM outsourcing services and offer new value-added services, which will provide continued revenue growth without significantly increasing direct operating expenses or capital investments. In the Arksys Software Solutions Segment, the Company expects increased revenues resulting from sales of new products and services to the existing and expanded customer base resulting from the continued integration of the Arksys and Euronet sales and customer service organizations. The Company believes that the net proceeds from the private placement of common shares described above and cash and cash equivalents will provide the Company with sufficient capital until it achieves positive cash flow. As a result, the Company believes it has sufficient liquidity resources to meet current and future cash requirements.

There can be no assurance that the Company's revenues will grow or be sustained in future periods or that the Company will be able to achieve or sustain profitability or positive cash flows in any future period.

Balance Sheet Items

Cash and Cash Equivalents The decrease of cash and cash equivalents to $15.0 million at December 31, 1999 from $55.6 million at December 31, 1998 is due primarily to the net effects of working capital movements, foreign exchange gains and losses, the acquisition of a network of 252 installed and 36 inventoried ATMs from Service Bank for $6.7 million, capital expenditures and capital lease payments, repurchase of notes payable and warrants and operating losses for the year ended December 31, 1999. (See Note 20 to the Consolidated Financial Statements – Reconciliation of net loss to net cash used in operating activities and the Consolidated Statements of Cash Flows.)

Roger Heinz



The People of Euronet Services

Title Managing Director – Germany

Location Berlin

Professional Background Sales and operations executive in Germany and Poland for NCR, one of the leading manufacturers of ATMs and advanced information technology. With Euronet Services since July 1997.

Key Responsibilities Manages a staff of 12 and directs operations in Germany, where Euronet Services has grown to become the second largest operator of off-branch ATMs under his leadership.

Quote *"Germany is a very big market, but until recently most ATMs were still located in bank branches. Euronet Services has shown that in the field of off-branch ATMs, we are a serious market participant."*

Restricted Cash Restricted cash decreased to $10.9 million at December 31, 1999 from $13.0 million at December 31, 1998. The majority of restricted cash was held as security with respect to cash provided in Hungary by banks participating in Euronet's ATM network, to cover guarantees for financial instruments and as deposits with customs officials. The decrease represents a reduction in the amount of cash held as security with respect to cash provided in Hungary by banks participating in Euronet's ATM network, and devaluation of the Hungarian forint and Polish zloty.

Trade Accounts Receivable Trade accounts receivable increased to $7.9 million at December 31, 1999 from $5.7 million at December 31, 1998 is due primarily to sales from the Arksys Software Solutions Segment and increased ATM revenues.

Property, Plant and Equipment Net property, plant and equipment increased to $36.7 million at December 31, 1999 from $33.2 million at December 31, 1998. This increase is due primarily to the installation of ATMs, the Service Bank acquisition and the acquisition of computer equipment as the network expands, offset by the sale of the Croatian network.

Intangible Assets The increase in net intangible assets to $16.3 million at December 31, 1999 from $12.5 million at December 31, 1998 is due primarily to the acquisition of the network of 252 installed and 36 inventoried ATMs from Service Bank and recording of purchased intangibles of $3.2 million, $2.4 million related to a deferred tax liability related to non-goodwill intangible assets acquired in the Arksys acquisition, and the acquisition of Dash and recording of purchased intangibles of $724,000, including goodwill of $120,000 purchased in August 1999.

Notes Payable Notes payable decreased to $77.8 million at December 31, 1999 from $83.7 million at December 31, 1998. This is the result of several transactions as follows:

	(in millions)
Balance at December 31, 1998	$ 83.7
Unrealized foreign exchange gain (DEM vs. US$)	(12.6)
Accretion of bond interest	9.8
Bond repurchases	(8.1)
Balance at December 31, 1999	$ 72.8

Accumulated Other Comprehensive (Loss)/Income The decrease in other comprehensive loss to $2.5 million at December 31, 1999 from a gain of $65,000 at December 31, 1998 is a result of the change in the foreign currency translation due to an approximate 17% devaluation of the Hungarian Forint against the U.S. Dollar, an approximate 18% devaluation of the Polish Zloty against the U.S. Dollar and an approximate 16% devaluation of the Deutsche Mark against the U.S. Dollar for the year ended December 31, 1999.

Total Stockholders (Deficit)/Equity Total stockholders (deficit)/equity decreased to a deficit of ($9.5) million at December 31, 1999 from equity of $24.2 million at December 31, 1998. This is due to the net loss for the year ended December 31, 1999 of $30.9 million and the recording of a cumulative translation adjustment of $2.5 million discussed above.

The Company recorded the sale of 100,000 shares of treasury stock in September 1999 for $275,000. This transaction resulted in a reduction to the carrying value of treasury stock in the amount of $1,000 and an increase to Additional paid in capital ("APIC") of $274,000. The Company also recorded the issuance of new shares resulting from the exercise of 200,900 options held by an employee of the Company. This transaction resulted in an increase in common stock and APIC in the amount of $3,000 and $284,000, respectively.

From December 1998 through December 1999, the Company repurchased 48,341 units of its Senior Discount Notes to which 97,023 warrants were attached. The warrants carry an assigned value of $2.53 per warrant. As a result of the Company's bond repurchases, a reduction to the outstanding value of the warrants in the amount of $246,000 and an increase to APIC in the amount of $70,000 was recorded by the Company in 1999.

Year 2000 Compliance

Euronet depends on hardware and software systems to provide services to its customers, to maintain substantially all of its internal operations, and for the maintenance of on-line computer links to its bank customers, whose software systems are relied upon to deliver transaction authorization requests. As part of the program to obtain confirmation of Year 2000 compliance, Euronet identified the following specific areas of its or its bank customers' business, that are affected by Year 2000 considerations and undertook appropriate testing and upgrading: (i) central processing center; (ii) ATM firmware and software; (iii) vendor and internal software used in the Euronet subsidiaries; (iv) software used in financial and accounting systems; (v) software and hardware used by Euronet's bank customers to authorize transactions; and (vi) subcontractors providing telecommunications driving, switching and authorization services.

For the period just before and after January 1, 2000, Euronet implemented a plan to staff Year 2000 support centers with skilled technical staff in its processing centers in Budapest, Hungary and Little Rock, Arkansas. Staffing was coordinated to provide support to Euronet's proprietary ATM network, customers who rely on Euronet to operate their ATM networks through ATM Management Agreements, and Euronet's Arksys software customers. In Europe, staffing commenced December 30, 1999, and ran continuously through January 5, 2000. A similar center was staffed in the U.S. to service Arksys Software Solutions Segment customers, and was coordinated with the European center to provide maximum resource availability in the event of any problems related to Year 2000. The European and U.S. compliance teams reported no material Year 2000 problems, either with Euronet's own systems or the systems of its customers, and Euronet is unaware of any material Year 2000 complications to date. Euronet is confident that its own systems will maintain uninterrupted service through the Year 2000, although it continues to assess and monitor the potential impact of any Year 2000 issues.

Impact of New Accounting Pronouncements Not Yet Adopted

In June 1998, the FASB issued SFAS No. 133 - Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge in one of three categories described in the pronouncement. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Under SFAS 133, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedge derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk. SFAS 133 applies to all entities and was originally effective for all fiscal quarters of fiscal years beginning after June 15, 1999.

Initial application should be as of the beginning of an entity's fiscal quarter; on that date, hedging relationships must be designated and documented pursuant to the provisions of SFAS 133. Earlier application of all of the provisions is encouraged but is permitted only as of the beginning of any fiscal quarter that begins after issuance of SFAS 133. Additionally, SFAS 133 should not be applied retroactively to financial statements of prior periods. Management believes that the adoption of SFAS 133 will not have a material impact on the Company's consolidated financial statements. In June 1999, the FASB issued SFAS No. 137 which changed the effective adoption of SFAS 133 to financial years beginning after June 15, 2000.

Forward-Looking Statements

This document contains statements that constitute forward-looking statements within the meaning of section 27A of the Securities Act and section 21E of the U.S. Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this document, including, without limitation, statements regarding (i) the Company's business plans and financing plans and requirements, (ii) trends affecting the Company's business plans and financing plans and requirements, (ii) trends affecting the Company's business, (v) the adequacy of capital to meet the Company's capital requirements and expansion plans, (vi) the assumptions underlying the Company's business plans, (vii) business strategy, (viii) government regulatory action, (ix) technological advances and (x) projected costs and revenues, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by the words believe, expect, anticipated, intend, estimate and similar expressions.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may materially differ from those in the forward-looking statements as a result of various factors, including: technological and business developments in the local card and electronic banking markets affecting the transaction and other fees which the Company is able to charge for its services; foreign exchange fluctuations; competition from bank owned ATM networks, outsource providers of ATM services and software providers; the Company's relationships with its major customers, sponsor banks in various markets and International Card Organizations; and changes in laws and regulations affecting the Company's business. These risks, and other risks are described elsewhere in this document and the Company's periodic filings with the Securities and Exchange Commission.

Dinorah Frutos

The People of Euronet Services

Title Training Manager – US and Latin America

Location Orlando

Professional Background Teaching assistant in organic chemistry at Louisiana State University and the University of New Mexico. Fluent in five languages. With Euronet Services since 1996.

Key Responsibilities Establishing and managing Euronet Services' third training center. Developing course curricula and coordinating training programs that teach software customers how to get the most out of Arksys products.

Quote "*Education Services is a rewarding part of Euronet's business, because we are building lasting relationships with our customers and increasing their level of satisfaction with our products.*"

Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Exposure

In 1999, 27% of the Company's revenues were generated in Poland and Hungary, as compared to 73% in 1998 and 99% in 1997. The 1999 figure has been substantially reduced with the additional revenues from Arksys and the Company's expanded ATM network in Germany. In Hungary the majority of revenues received are denominated in Hungarian Forint and in Poland, the majority of revenues are denominated in Polish Zloty. However the majority of these foreign currency denominated contracts are linked either to inflation or the retail price index. While it remains the case that a significant portion of the Company's expenditures are made in or are denominated in U.S. Dollars, the Company is also striving to achieve more of its expenses in local currencies to match its revenues.

The Company estimates that a further 10% depreciation in foreign exchange rates of the Deutsche Mark, Hungarian Forint, and Polish Zloty against the U.S. Dollar would have the combined effect of a $1.3 million decrease in the reported net loss. This was estimated using 10% of the Company's net losses after adjusting for unusual impairment and other items including U.S. Dollar denominated or indexed expenses. The Company believes that this quantitative measure has inherent limitations. It does not take into account any governmental actions or changes in either customer purchasing patterns or the Company's financing or operating strategies.

As a result of continued European economic convergence, including the increased influence of the Deutsche Mark, as opposed to the U.S. Dollar, on the Central European currencies, the Company expects that the currencies of the markets where it invests will fluctuate less against the Deutsche Mark than against the Dollar. Accordingly, the Company believes that its Deutsche Mark denominated debt provides, in the medium to long term, for a closer matching of assets and liabilities than would Dollar denominated debt.

Since issuing its Deutsche Mark denominated 12 3/8% senior discount notes (the "Senior Discount Notes") in June 1998, the Company has hedged exposure resulting from foreign currency fluctuations that could affect the U.S. Dollar equivalent of the amounts payable under such notes. On May 26, 1999, the Company entered into several foreign exchange option contracts governed by an ISDA Master Agreement with Merrill Lynch International Bank Limited ("ML") designed to protect the Company against fluctuations of the Euro against the U.S. Dollar. Under such contracts, if as of May 26, 2000 (the settlement date under such contracts), the Euro has weakened against the Dollar and falls below $1.0550 to the Euro (the "Floor Rate,") the Company will be required to make a cash payment to ML on May 31, 2000 in an amount that will depend on the Dollar/Euro exchange rate on such settlement date. At the same time, if the Euro has strengthened against the U.S. Dollar and rises above $1.0835 to the Euro (the "Ceiling Rate") the Company will receive a cash payment from ML on May 31, 2000 in an amount that will depend on the Dollar/Euro exchange rate on such settlement date. The Euro fell to below the Floor Rate for the first time in November 1999 and has fluctuated both above and below such rate since that time. As of December 31, 1999 the rate of the Euro was $1.0041 and the amount of cash on deposit with ML as collateral for the Company's payment obligation under the foreign exchange option contracts was $3.6 million. As of March 10, 2000, the rate of the Euro was $0.9662 and the amount of cash on deposit with ML as collateral was $7.4 million. The amount of the collateral on deposit corresponds approximately to the payment obligation that the Company would incur under such option contracts as of the time the amount of collateral is established. On March 13, 2000, the Company entered into a put option that will mitigate the cash cost under the original option contracts resulting from a fall of the Euro below $0.95. (see Notes 12 and 19 to the Consolidated Financial Statements – Forward Foreign Exchange Contracts and Financial Instruments).

Inflation and Functional Currencies

In recent years, Hungary, Poland and the Czech Republic have experienced high levels of inflation. Consequently, these countries' currencies have continued to decline in value against the major currencies of the OECD over this time period. However, due to the significant reduction in the inflation rate of these countries in recent years, none of these countries are considered to have a hyper-inflationary economy. Further, the majority of all three subsidiaries' revenues are denominated in the local currency. Thus all three subsidiaries use their local currency as the functional currency. The Polish and Czech subsidiaries changed their functional currency to the respective local currency as of January 1, 1998 and January 1, 1999, respectively, and the Hungarian subsidiary changed as of July 1, 1999.

Germany, France and the United Kingdom have experienced relatively low and stable inflation rates in recent years. Therefore, the local currency in each of these markets is the functional currency. Although Croatia, like Germany and France, has maintained relatively stable inflation and exchange rates, the functional currency of the Croatian company is the U.S. Dollar due to the significant level of U.S. Dollar denominated revenues and expenses. Due to the factors mentioned above, the Company does not believe that inflation will have a significant effect on results of operations or financial condition. The Company continually reviews inflation and the functional currency in each of the countries that it operates in.

Interest Rate Risk

The fair market value of the Company's long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's notes payable at December 31, 1999 was $52 million compared to a carrying value of $72.8 million. A 1% increase from prevailing interest rates at December 31, 1999 would result in a decrease in fair value of notes payable by approximately $2.4 million. Fair values were determined from quoted market prices and from investment bankers considering credit ratings and the remaining term to maturity. (See Note 19 to the Consolidated Financial Statements - Financial Instruments.)

Independent Auditors' Report

The Board of Directors and Stockholders
Euronet Services Inc.:

We have audited the accompanying consolidated balance sheets of Euronet Services Inc. and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit)/equity, and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

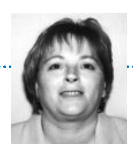
We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

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

Warsaw, Poland
February 15, 2000, except note 28 dated February 25, 2000

KPMG Polska Sp. z o.o.

Lynn Johnson



The People of Euronet Services

Title Business Analyst

Location Orlando

Professional Background More than 25 years in the credit card industry with First Card (now First USA). Lead business analyst on a project to convert 15 million accounts to First USA's system. Business analyst on a project to design a new credit card operating system. With Euronet Services since January 2000.

Key Responsibilities Part of the team developing the next release of the Arksys ICCS software for credit card systems. Also helping to design the historical data enhancements that provide banks with collection information and account and transaction history.

Quote "*I'm glad to be starting off this century with Euronet Services and doing my part to make our company the premier provider of comprehensive financial solutions.*"

Euronet Services Inc. and Subsidiaries

Consolidated Balance Sheets

Assets	December 31, 1999	December 31, 1998
	(in thousands)	
Current assets:		
Cash and cash equivalents (note 8)	$ 15,037	$ 55,614
Restricted cash (note 7)	10,929	12,972
Investment securities (note 8)	750	3,149
Trade accounts receivable (less allowance for doubtful accounts of $381,000 in 1999 and $291,000 in 1998, note 15)	7,888	5,681
Costs and estimated earnings in excess of billings on software installation contracts (note 9)	667	745
Income taxes receivable (note 14)	818	—
Prepaid expenses and other current assets	3,695	3,869
Total current assets	39,784	82,030
Property, plant, and equipment (note 13):		
Equipment - Automated teller machines	41,253	33,911
Vehicles and office equipment	2,363	4,375
Computers and software	7,806	3,742
	51,422	42,028
Less accumulated depreciation and amortization	(14,729)	(8,846)
Net property, plant, and equipment	36,693	33,182
Intangible assets, net (notes 5 and 10)	16,259	12,464
Deposits for ATM leases	1,355	2,157
Deferred income taxes (note 14)	460	571
Other assets, net (notes 3(i) and 3(j))	2,293	3,034
Total assets	$ 96,844	$ 133,438
Liabilities and Stockholders' (Deficit)/Equity		
Current liabilities:		
Trade accounts payable	$ 5,768	$ 4,739
Current installments of obligations under capital leases (note 13)	4,188	4,266
Accrued expenses and other current liabilities (note 12)	12,631	5,961
Advance payments on contracts	1,321	971
Income taxes payable (note 14)	—	1,849
Billings in excess of costs and estimated earnings on software installation contracts (note 9)	3,030	953
Total current liabilities	26,938	18,739
Obligations under capital leases, excluding current installments (note 13)	6,397	6,809
Notes payable (note 11)	72,800	83,720
Other long-term liabilities	202	—
Total liabilities	106,337	109,268
Commitments (note 23)		
Stockholders' (deficit)/equity (note 4):		
Common stock, $0.02 par value. Authorized 30,000,000 shares; issued and outstanding 15,541,956 shares in 1999 and 15,213,453 shares in 1998	311	307
Additional paid in capital (note 11)	66,969	66,413
Treasury stock (note 4)	(3)	(4)
Employee loans for stock (note 25)	(794)	—
Subscription receivable	(50)	(50)
Accumulated deficit	(74,260)	(43,345)
Restricted reserve (note 6)	784	784
Accumulated other comprehensive (loss)/income	(2,450)	65
Total stockholders' (deficit)/equity	(9,493)	24,170
Total liabilities and stockholders' (deficit)/equity	$ 96,844	$ 133,438

See accompanying notes to consolidated financial statements.

Euronet Services Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31,		
	1999	1998	1997
	(in thousands, except per share data)		
Revenues:			
ATM network and related revenue	$ 26,503	$ 11,525	$ 5,290
Software, maintenance and related revenue	14,969	356	—
Total revenues	41,472	11,881	5,290
Operating expenses:			
Direct operating costs	22,830	10,036	3,717
Salaries and benefits (note 16)	24,477	9,831	3,904
Selling, general and administrative	10,725	8,650	4,468
Depreciation and amortization	10,238	4,955	1,731
In-process research and development write-off (note 5)	—	1,020	—
Total operating expenses	68,270	34,492	13,820
Operating loss	(26,798)	(22,611)	(8,530)
Other income/(expense):			
Interest income	1,950	2,514	1,609
Interest expense (note 11)	(10,899)	(7,826)	(1,152)
Foreign exchange (loss)/gain, net	(2,110)	(1,911)	8
	(11,059)	(7,223)	465
Loss before income tax and extraordinary item	(37,857)	(29,834)	(8,065)
Income tax benefit/(expense) (note 14)	4,182	(1,430)	100
Loss before extraordinary item	(33,675)	(31,264)	(7,965)
Extraordinary gain on early retirement of debt, net of applicable income taxes of $0 in 1999 and $1,488,000 in 1998 (note 11)	2,760	2,889	—
Net loss	(30,915)	(28,375)	(7,965)
Other comprehensive income:			
Translation adjustment	(2,515)	65	—
Comprehensive loss	$ (33,430)	$ (28,310)	$ (7,965)
Loss per share - basic and diluted (note 3(o)):			
Loss before extraordinary item	$ (2.21)	$ (2.06)	$ (0.64)
Extraordinary gain	0.18	0.19	—-
Net loss	$ (2.03)	$ (1.87)	$ (0.64)
Weighted average number of shares outstanding	15,252,030	15,180,651	12,380,962

See accompanying notes to consolidated financial statements.

Ken Vrana

The People of Euronet Services

Title Senior Software Engineer

Location Kansas City

Professional Background Thirteen years of software development experience with Informix and Sybase. Helped develop a commercial word processor, and the SmartWare communications package for DOS and UNIX, as well as the Wingz spreadsheet and Hyperscript development tools for Windows. Also developed Visual Components Suite and Lotus Components. With Euronet Services since May 1998.

Key Responsibilities Team leader for the development of Euronet Services' next generation software engine for electronic financial transaction processing, which will enable more financial and other transaction applications on a wider variety of devices.

Quote *"I believe our products will help make Euronet Services' the e-commerce company of the banking industry. I am glad to have the opportunity to be a part of that."*

EURONET SERVICES INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' (Deficit)/Equity

	Common Stock	Preferred Stock Series A	Preferred Stock Series B	Employee Loans for Stock	Additional Paid in Capital	Treasury Stock
			(in thousands)			
Balance January 1, 1997	$ 10	$ 88	$ 93	$ —	$ 11,666	$ —
GE Capital share issue (note 4)	—	—	11	—	2,989	—
Formation of Euronet Services Inc. (note 4)	192	(88)	(104)	—	—	—
Net proceeds from public offering (note 4)	77	—	—	—	47,780	—
Milestone awards and stock options exercised (note 16)	25	—	—	—	815	—
Subscription paid (note 4)	—	—	—	—	—	—
Treasury stock repurchase (note 4)	—	—	—	—	—	(4)
Share compensation expense (note 16)	—	—	—	—	108	—
Net loss for 1997	—	—	—	—	—	—
Balance December 31, 1997	$ 304	$ —	$ —	$ —	$ 63,358	$ (4)
Warrants issue (note 11)	—	—	—	—	1,725	—
Stock options exercised (note 16)	3	—	—	—	175	—
Stock options granted in Arksys acquisition (note 5)	—	—	—	—	96	—
Subscription paid (note 4)	—	—	—	—	—	—
Translation adjustment	—	—	—	—	—	—
Tax benefit from exercise of stock options (note 14)	—	—	—	—	951	—
Share compensation expense (note 16)	—	—	—	—	108	—
Net loss for 1998	—	—	—	—	—	—
Balance December 31, 1998	$ 307	$ —	$ —	$ —	$ 66,413	$ (4)
Share compensation expense (note 16)	—	—	—	—	127	—
Stock options exercised (note 16)	4	—	—	—	331	—
Sale of treasury stock (note 4)	—	—	—	—	274	1
Warrants repurchase (note 11)	—	—	—	—	(176)	—
Employee loans for stock (note 25)	—	—	—	(794)	—	—
Translation adjustment	—	—	—	—	—	—
Net loss for 1999	—	—	—	—	—	—
Balance December 31, 1999	$ 311	$ —	$ —	$ (794)	$ 66,969	$ (3)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' (Deficit)/Equity (continued)

	Subscription Receivable	Accumulated Deficit	Restricted Reserve	Accumulated Other Comprehensive (Loss)/Income	Total
			(in thousands)		
Balance January 1, 1997	$ (500)	$ (7,005)	$ 784	$ —	$ 5,136
GE Capital share issue (note 4)	—	—	—	—	3,000
Formation of Euronet Services Inc. (note 4)	—	—	—	—	—
Net proceeds from public offering (note 4)	—	—	—	—	47,857
Milestone awards and stock options exercised (note 16)	(253)	—	—	—	587
Subscription paid (note 4)	500	—	—	—	500
Treasury stock repurchase (note 4)	—	—	—	—	(4)
Share compensation expense (note 16)	—	—	—	—	108
Net loss for 1997	—	(7,965)	—	—	(7,965)
Balance December 31, 1997	$ (253)	$ (14,970)	$ 784	$ —	$ 49,219
Warrants issue (note 11)	—	—	—	—	1,725
Stock options exercised (note 16)	—	—	—	—	178
Stock options granted in Arksys acquisition (note 5)	—	—	—	—	96
Subscription paid (note 4)	203	—	—	—	203
Translation adjustment	—	—	—	65	65
Tax benefit from exercise of stock options (note 14)	—	—	—	—	951
Share compensation expense (note 16)	—	—	—	—	108
Net loss for 1998	—	(28,375)	—	—	(28,375)
Balance December 31, 1998	$ (50)	$ (43,345)	$ 784	$ 65	$ 24,170
Share compensation expense (note 16)	—	—	—	—	127
Stock options exercised (note 16)	—	—	—	—	335
Sale of treasury stock (note 4)	—	—	—	—	275
Warrants repurchase (note 11)	—	—	—	—	(176)
Employee loans for stock (note 25)	—	—	—	—	(794)
Translation adjustment	—	—	—	(2,515)	(2,515)
Net loss for 1999	—	(30,915)	—	—	(30,915)
Balance December 31, 1999	$ (50)	$ (74,260)	$ 784	$ (2,450)	$ (9,493)

See accompanying notes to consolidated financial statements.

Miro I. Bergman

The People of Euronet Services

Title Managing Director – Central Europe

Location Prague/Budapest

Professional Background Vice President at First Bank System responsible for the off-premise ATM business of over 1,200 ATMs and Visa Co-Brand card program initiatives. Various card management and marketing positions with Citicorp-Diners Club. With Euronet Services since 1997.

Key Responsibilities From 1997 to 1999, Managing Director of Euronet operations in the Czech Republic. Now Area Director responsible for all of Euronet's country businesses operating in Central Europe.

Quote *"As the retail banking market in Central Europe continues to expand and modernize, we are positioning Euronet Services as the natural partner for retail banks' software, electronic funds transfer, and ATM network needs."*

EURONET SERVICES INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended December 31, 1999	1998	1997
		(in thousands)	
Net cash used in operating activities (note 20)	$(19,911)	$(22,768)	$ (6,340)
Cash flows from investing activities:			
Fixed asset purchases	(8,685)	(9,740)	(7,612)
Proceeds from sale of fixed assets	3,742	543	42
Purchase of investment securities	(5,373)	(29,778)	(75,692)
Proceeds from maturity of investment securities	7,772	58,789	43,942
Investment in subsidiaries, net of cash acquired	(7,316)	(17,338)	—
Net increase/(decrease) in loan receivable	28	(8)	—
Net cash (used in)/provided by investing activities	(9,832)	2,468	(39,320)
Cash flows from financing activities:			
Proceeds from the sale and leaseback of fixed assets	827	—	—
Proceeds from issuance of shares and other capital contributions	610	178	51,944
Proceeds from issuance of notes payable and warrants	—	83,100	—
Costs to obtain loans	(22)	(3,294)	—
Repurchase of notes payable and warrants	(5,202)	(5,473)	—
Repayment of obligations under capital leases	(5,660)	(7,323)	(1,007)
Repurchase of treasury stock	—	—	(4)
(Decrease)/increase in short-term bank borrowings	(300)	142	(36)
Cash received from subscription receivable	—	203	—
Cash loaned to employees for purchase of common stock	(794)	—	—
Repayment of loan from shareholder	—	—	(262)
Net cash (used in)/provided by financing activities	(10,541)	67,533	50,635
Effect of exchange differences on cash	167	865	—
Net (decrease)/increase in cash and cash equivalents	(40,577)	48,098	4,975
Cash and cash equivalents at beginning of period	55,614	7,516	2,541
Cash and cash equivalents at end of period	$ 15,037	$ 55,614	$ 7,516
Supplemental disclosures of cash flow information (note 21):			
Interest paid during year	$ 1,133	$ 1,907	$ 877
Income taxes refunded during year	$ 839	$ —	$ —

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(1) Organization

Euronet Services Inc. was established as a Delaware corporation on December 13, 1997 and capitalized on March 6, 1998. Euronet Services Inc. succeeded Euronet Holding N.V. as the group holding company.

Euronet Services Inc. and its subsidiaries (the “Company” or “Euronet”) is a provider of electronic financial solutions and transaction processing services to banks, financial institutions, and companies. Euronet operates an automated teller machine (“ATM”) network in Europe and the U.S., which serves banks and retail companies by accepting most international bankcards and proprietary cards issued by member banks. Some of the ATMs also perform certain deposit, sales or advertising functions. Euronet also provides ATM network management outsourcing services to banks or companies with their own networks. Euronet sells integrated software solutions for electronic payment and financial transaction delivery systems worldwide. Its Arksys brand software comprises a suite of products including a core system, Integrated Transaction Management (“ITM”), and compatible modular software for ATM and POS network processing, electronic funds transfer interfaces, electronic funds transfer switch control, credit/debit card management and processing, and corporate cash management and personal financial management access products.

The subsidiaries of Euronet Services Inc., all of which are, directly or indirectly, wholly owned are:

- EFT Services Holding B.V., incorporated in the Netherlands
- Euronet Banktechnikai Szolgaltato Kft. ("Bank Tech"), incorporated in Hungary
- Euronet Adminisztracios Szolgaltato Kft. ("Corporate Services") (formerly known as SatComNet), incorporated in Hungary
- Bankomat 24/Euronet Sp. z o.o. ("Bankomat"), incorporated in Poland
- EFT-Usluge d o.o., incorporated in Croatia
- Euronet Services GmbH, incorporated in Germany
- EFT Services France SAS, incorporated in France
- Euronet Services spol. s.r.o., incorporated in the Czech Republic
- Euronet Services SRL, incorporated in Romania
- Euronet Services (UK) Limited, incorporated in the United Kingdom
- Arkansas Systems, Inc. ("Arksys") incorporated in Arkansas, United States of America
- EFT Network Services LLC ("Dash"), incorporated in Arkansas, United States of America
- Euronet Holding N.V., incorporated in the Netherlands Antilles (in liquidation)

(2) Financial Position and Basis of Preparation

The Company generated an operating loss of $26.8 million and negative cash flows from operations of $19.9 million for the year ended December 31, 1999, primarily due to the significant costs associated with the expansion of its ATM network and investment in delivery, support, research and development in its Arksys software subsidiary which was acquired in December 1998. Based on the Company's current business plan and financial projections, the Company expects to reduce operating losses and net cash used in operating activities in 2000. In the ATM Services Segment, the Company anticipates that increased transaction levels in its ATM network will result in additional revenues without a corresponding increase in expenses. In addition, the Company expects to further expand its ATM outsourcing services and offer new value-added services which will provide continued revenue growth without significantly increasing direct operating expenses or capital investments. In the Arksys Software Solutions Segment, the Company expects increased revenues resulting from sales of new products and services to the existing and expanded customer base resulting from the continued integration of the Arksys and Euronet sales and customer service organizations. The Company believes that the net proceeds from a private placement of common shares (see note 28) and cash and cash equivalents at December 31, 1999 will provide the Company with sufficient capital until it achieves positive cash flow.

Based on the above, management is confident that the Company will be able to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on a going concern basis which contemplates the continuation and expansion of trading activities as well as the realization of assets and liquidation of liabilities in the ordinary course of business.

(3) Summary of Significant Accounting Policies and Practices

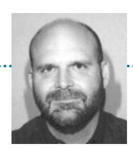
(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The consolidated financial statements for the period from January 1, 1997 to March 6, 1997 include the accounts of Euronet Holding N.V. and its subsidiaries. Subsequent to March 6, 1997, the consolidated financial statements include the accounts of Euronet Services Inc. and its subsidiaries (refer to note 4).

All significant intercompany balances and transactions have been eliminated.

Greg McKee



The People of Euronet Services

Title Director of Quality Assurance

Location Little Rock

Professional Experience Joined Arksys in 1983 and became manager of the Online Banking Environment group. Wrote early versions of the current Arksys ATM and switch interface software, and led the team that designed and developed the predecessor to the ITM Gold-Net Network Software. With Euronet Services since December 1998.

Key Responsibilities Formed the Quality Assurance group for the software division in 1999. Now primarily focused on implementing processes and methods to improve the quality of Arksys software products. Served as project manager – networks for the Y2K Upgrade project.

Quote *"Our development methodology process is an important framework for assuring the quality of our software products. However, our ultimate success in achieving a high degree of product quality can be attributed to the commitment to excellence and teamwork of each designer, programmer, documentation and quality assurance staff member."*

(b) Foreign currencies

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transactions. Assets and liabilities denominated in foreign currencies are remeasured at rates of exchange on the balance sheet date. Resulting gains and losses on foreign currency transactions are included in the consolidated statement of operations and comprehensive loss.

The financial statements of foreign subsidiaries where the local currency is the functional currency are translated to U.S. Dollars using (i) exchange rates in effect at period end for assets and liabilities, and (ii) average exchange rates during the period for results of operations. Adjustments resulting from translation of such financial statements are reflected in accumulated other comprehensive income as a separate component of consolidated stockholders' equity.

The financial statements of foreign subsidiaries where the functional currency is the U.S. Dollar are remeasured using historical exchange rates for non-monetary items while current exchange rates are used for monetary items. Foreign exchange gains and losses arising from the remeasurement are reported in the consolidated statement of operations and comprehensive loss.

(c) Cash equivalents

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(d) Investment securities

The Company has classified its investment securities as held-to-maturity or available-for-sale. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security to maturity. All securities not included in held-to-maturity are classified as available-for-sale.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premium and discounts. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from operating results and reported as a separate component of other comprehensive income/loss until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of any held-to-maturity or available-for-sale security below cost that is deemed other than temporary results in a reduction in the carrying amount to fair value. The impairment is charged to operating results and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life or term of the related held-to-maturity security or available-for-sale security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned.

(e) Forward foreign exchange contracts

Forward foreign exchange contracts are recorded at fair values in the consolidated balance sheet in other current assets or other current liabilities with the related gain or loss recognized in the consolidated statement of operations, unless the contracts meet certain hedging criteria. A foreign exchange contract is considered a hedge of an identifiable foreign currency commitment if (i) the contract is designated as, and is effective as, a hedge of foreign currency commitment and (ii) the foreign currency commitment is firm. In addition, the significant characteristics of expected terms of the anticipated transaction are identified and it is probable that the anticipated transaction will occur. Gains and losses on foreign exchange contracts meeting these hedge accounting criteria are deferred and included in the measurement of the related foreign currency transaction. Losses are not deferred if, however, it is estimated that the deferral would lead to recognition of losses in later periods.

(f) Property, plant and equipment

Property, plant, and equipment are stated at cost. Equipment under capital leases are stated at the lesser of fair value of the leased equipment and the present value of future minimum lease payments.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Equipment held under capital leases and leasehold improvements are amortized straight line over the shorter of their estimated useful lives or the lease term.

Depreciation and amortization rates are as follows:

Automated teller machines	5-7 years
Computers and software	3-5 years
Vehicles & office equipment	5 years
Cassettes	1 year
Leasehold improvements	Over the lease term

(g) Impairment of long-lived assets

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to projected undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(h) Goodwill and other intangible assets
Goodwill represents the excess of purchase price over fair value of net assets acquired. Other identifiable intangible assets are valued at their fair market value at the time of purchase.

Amortization is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Goodwill	7-10 years
Developed technology	5 years
Assembled workforce	4 years
Installed base	4 years
Distributor/agent relationships	8 years
Trade-name	10 years

The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected undiscounted future operating cash flows. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(i) Other assets
Other assets include deferred financing costs, investments in affiliates, and loans receivables. Deferred financing costs represent expenses incurred to obtain financing which have been deferred and amortized over the life of the loan using the effective interest method.

(j) Investments in affiliates
Investment in the common stock of EFT Network Services, LLC ("Dash"), a 33 1/3% owned affiliate until wholly acquired on August 13, 1999, was accounted for by the equity method until the date of acquisition. Under this method, the Company's share of net income or loss is reflected in the Company's investment account, and dividends received are treated as a reduction of the investment account. The fair value of the investment in excess of the underlying equity in net assets is amortized over 10 years. The acquisition on August 13, 1999 was accounted for under the purchase method of accounting (refer to note 5).

(k) Income taxes
Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) Risks and uncertainties
The Company has made a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(m) Revenue recognition
Euronet recognizes revenue at the point at which the service is performed. Revenues from software licensing agreement contracts are recognized on a percentage of completion basis whereby a pro-rata portion of revenue and related costs are recognized as the work progresses. Revenues from software licensing agreement contracts representing newly released products deemed to have a higher than normal risk of failure during installation are recognized on a completed contract basis whereby revenues and related costs are deferred until the contract is complete.

Hazem Hussein

The People of Euronet Services

Title	Regional Sales Director - Middle East & Africa
Location	Cairo
Professional Background	Responsible for country retail and core banking solutions for IBM Egypt's banking finance and security department for ATM, POS and credit card systems. With Euronet Services since January 1999.
Key Responsibilities	Expanding sales of Arksys software to banks in the Middle East. Exploring possibilities for network services partnerships with software customer banks in the region. Developing contacts with banks in emerging African markets where there is large potential for technical development of the retail banking sector.
Quote	*"Euronet Services can partner with the largest banks in the Middle East to provide software, network services and outsourcing to the entire market."*

(n) Research and development costs

The Company applies SFAS 2 and 86 in recording research and development costs. Research costs aimed at the discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service or a new process or technique or in bringing about significant improvement to an existing product or process are expensed as incurred (refer to Note 24). Development costs aimed at the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use are capitalized on a product-by-product basis when technological feasibility is established.

Technological feasibility of computer software products is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements.

Capitalized software costs are amortized on a product-by-product basis equal to the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product, generally three years, including the period being reported on. Amortization commences in the period when the product is available for general release to customers.

(o) Loss per share

Loss per share has been calculated by dividing the net loss attributable to common shareholders by the weighted-average number of shares outstanding during the year. The effect of potential common shares (stock options and warrants outstanding) is anti-dilutive. Accordingly, dilutive loss per share does not assume the exercise of the stock options and warrants outstanding.

(p) Stock-based compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair market value of the Company's shares at the date of the grant over the exercise price. Such compensation cost is charged to expense on a straight-line basis over the vesting period of the respective options. If vesting is accelerated as a result of certain milestones, the unrecognized compensation would be recorded as expense on the date such milestones have or have been deemed to have been achieved. The Company has adopted the disclosure-only provisions of SFAS No. 123 (see note 16).

(q) Reclassifications

Certain amounts have been reclassified in the prior year consolidated financial statements to conform to the 1999 consolidated financial statement presentation.

(4) Formation of Holding Company and Subsequent Restructuring

As of January 1, 1997, Euronet Holding N.V. was the holding company for the group with 499,100 shares of common stock issued and outstanding, 4,419,800 shares of Series A convertible preferred stock issued and outstanding, and 4,666,669 shares of Series B convertible preferred stock issued and outstanding.

On February 3, 1997, Euronet Holding N.V. signed a Subscription Agreement with General Electric Capital Corporation ("GE Capital") under which GE Capital purchased 710,507 shares of Series B convertible preferred shares of Euronet Holding N.V. for an aggregate purchase price of $3 million. Pursuant to the "claw back" option of this agreement, on June 16, 1998, the Company repurchased 292,607 shares of Euronet at the original par value of $0.10.

On March 6, 1997, the holders of all of the preferred shares of Euronet Holding N.V. converted all of such preferred shares into common shares of Euronet Holding N.V.

Pursuant to an Exchange Agreement which became effective on March 6, 1997, entered into between Euronet Services Inc., a newly formed Delaware company, and the shareholders and option holders of Euronet Holding N.V., 10,296,076 shares of common stock in Euronet Services Inc. were issued to the shareholders of Euronet Holding N.V. in exchange for all the common shares of Euronet Holding N.V. In addition, options to acquire 3,113,355 shares of common stock of the Euronet Services Inc. were issued to the holders of options to acquire 3,113,355 common shares of Euronet Holding N.V. and awards with respect to 800,520 shares of common stock of the Euronet Services Inc. were issued to the holders of awards with respect to 800,520 preferred shares of Euronet Holding N.V. in exchange for all such awards.

On March 7, 1997, Euronet Services Inc. consummated an initial public offering of 6,095,000 shares of common stock at a price of $13.50 per share. Of the 6,095,000 shares sold, 3,833,650 shares were sold by the Company and 2,261,350 shares by certain selling shareholders. Net proceeds to the Company were approximately $47.9 million after deduction of the underwriting discount and other expenses of the offering.

The following table provides a summary of common stock issued since the establishment of Euronet Services Inc.:

	Date	Number of shares
Exchange agreement with Euronet Holding N.V.	March 6, 1997	10,296,076
Exercise of awards in the initial public offering	March 7, 1997	800,520
Stock options exercised in the initial public offering	March 7, 1997	304,822
Shares issued in the initial public offering	March 7, 1997	3,038,650
Additional shares issued in the initial public offering (over-allotment)	March 17, 1997	795,000
Repurchase of GE Capital shares	June 16, 1997	(292,607)
Stock options exercised	Various	190,860
December 31, 1997		15,133,321
Stock options exercised	Various	80,132
December 31, 1998		15,213,453
Stock options exercised	Various	228,503
Sale of treasury stock	September 28,1999	100,000
December 31, 1999		15,541,956

On September 28, 1999, the Company recorded the sale of 100,000 shares of stock held in treasury. Proceeds from the transaction were $275,000, of which approximately $274,000 was allocated to additional paid-in capital, and $1,000 was allocated to treasury stock. The allocation to treasury stock is based on a carrying value of $0.0143 per treasury share which resulted from the original $0.10 par value divided by 7 as a result of the Company's 7 for 1 stock split in March 1997.

(5) Acquisitions

On March 26, 1999 the Company signed an agreement with Service Bank GmbH & Co. KG ("Service Bank") to acquire 252 installed ATMs in Germany and 36 ATMs in inventory. The purchase price for this established ATM network was 12.2 million Deutsche Marks ($6.7 million). Pursuant to the agreement, the Company receives monthly fees based on revenues realized from the ATMs less certain expenses and management fees payable to Service Bank. The risks and rewards of ownership of the ATM network transferred to the Company as of January 1, 1999, and revenues and expenses from the operation of the ATM network accrued to Euronet from that date.

The acquisition has been accounted for as a purchase, accordingly, the results of operations are included in the accompanying consolidated financial statements since January 1, 1999. The purchase price has been allocated to assets acquired in the amount of $3.5 million based on their fair values. The excess of the purchase price over the fair value of the net assets acquired of $3.2 million has been recorded as goodwill and will be amortized over seven years.

On August 13, 1999, Arksys purchased the remaining 66 2/3% interest in Dash for a consideration of $800,000 payable in 24 equal monthly installments commencing on July 1, 1999. Arksys has delivered letters of credit to each of the sellers in the amount of the entire unpaid balance of the purchase price of Dash. As payments are made, the outstanding credit risk exposures related to the letters of credit are reduced proportionately. Arksys now owns a 100% interest in Dash.

The acquisition has been accounted for as a purchase, accordingly, the results of operations are included in the accompanying consolidated financial statements since July 1, 1999. The purchase price has been allocated to assets acquired of $680,000 based on their fair values. The excess of the purchase price over the fair value of the net assets acquired of $120,000 has been recorded as goodwill and will be amortized over ten years.

Piotr Adamek

The People of Euronet Services

Title Real Estate Director and New Products Manager – Poland

Location Warsaw

Professional Background Area Manager for Pepsico in Poland. With Euronet Services since 1996, beginning as Regional Manager in charge of developing the company's ATM network in Southern Poland

Key Responsibilities Working to introduce new ATM-related products, such as bill payment, to the Polish market. Establishes and maintains relationships with banks and major retailers in Poland for ATM locations. Develops strategy for further ATM network development.

Quote *"Our new added-value ATM functions in Poland, such as the GSM phone vouchers, bill-payment, and other features available to Millennium Bank customers are just the beginning. Euronet Services was the first to introduce these enhanced ATM services to Poland, and we're committed to remaining on the cutting edge of retail banking technologies here and throughout Central Europe."*

Had these acquisitions occurred on January 1, 1998, the Company's pro-forma consolidated results for the year ended December 31, 1999 and 1998 would have been as follows:

	1999	1998
	(unaudited)	
	(in thousands, except per share data)	
Revenues	$ 41,966	$ 30,744
Net loss	$ (30,815)	$ (29,079)
Net loss per share	$ (2.02)	$ (1.92)

These unaudited pro forma results of operations have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would have actually resulted had the combination been in effect on January 1, 1998, or of future results of operations.

On November 30, 1998, the Company acquired the outstanding common stock of Arkansas Systems, Inc. for purchase consideration of approximately $17.9 million (including incidental costs of $90,000 and fair value of stock options of $96,000). Arksys, with headquarters in Little Rock, Arkansas, sells payment and transaction delivery systems worldwide. Its main software products include ATM and network processing, electronic funds transfer interfaces, electronic funds transfer switch control, credit/debit card processing and corporate cash management and personal financial management access products. Arksys is the software provider to Euronet's ATM transaction processing center in Central Europe.

The acquisition has been accounted for as a purchase, accordingly, the results of operations are included in the accompanying consolidated financial statements since the date of acquisition. The purchase price has been allocated to assets acquired ($7.5 million) and liabilities assumed ($6.0 million) based on their fair values. The excess of the purchase price over the fair value of the net assets acquired of $16.4 million has been allocated $1.0 million to in-process research and development ("IPRD"), $8.7 million to other identifiable intangible assets and the remaining $6.7 million to goodwill (see note 10). This allocation has been based on independent valuations performed. In-process research and development has been written-off to operations at the date of the acquisition.

The IPRD estimates relate only to projects involving new product research and development. The methodology used in deriving the estimated IPRD was to (i) project net future cash flows for potential new products in the current research and development portfolio, less relevant anticipated expenses, provided by management, (ii) remove cost-to-complete research and development expenditures from the cash flow forecast, (iii) multiply each forecast year's adjusted cash flow amount by the project's percentage of completion, and (iv) discount projected net future cash flows.

(6) Restricted Reserve

The restricted reserve arose from the provisions of Hungarian accounting law in relation to share capital contributed in foreign currency to Bank Tech and Corporate Services. Under these rules, a foreign currency capital contribution is recorded in the local accounting records of the companies using the rate when the capital was contributed. The foreign currency gain (or loss) which arises upon usage of the foreign currency is recorded as a separate non-distributable reserve.

The reserve has remained frozen during the year as the laws in Hungary have now changed and no longer require this accounting. However, the change in the law is not retroactive and the historical reserve remains undistributable.

(7) Restricted Cash

The restricted cash balances as of December 31, 1999 and 1998, were as follows:

	December 31,	
	1999	1998
	(in thousands)	
ATM deposits	$ 6,567	$ 10,930
Deposits for financial instruments	3,649	—
Other	713	2,042
	$ 10,929	$ 12,972

The ATM deposit balances held are equivalent to the value of certain banks' cash held in Euronet's ATM network. The Company also has deposits with commercial banks to cover guarantees and deposits with customs officials to cover future charges.

(8) Investment Securities

The amortized cost for short-term held-to-maturity and available-for-sale securities by class security type at December 31, 1999 and 1998, were as follows:

	December 31, 1999	December 31, 1998
	(in thousands)	
Held-to-maturity:		
U.S. Federal Agency obligations	$ 750	$ 19,183
Corporate debentures	2,305	14,345
Foreign government obligations	—	3,140
	3,055	36,668
Available-for-sale:		
Equity securities	—	9
Total investments	$ 3,055	$ 36,677

Securities totaling $2,305,000 and $750,000 have been recorded in cash and cash equivalents and investment securities, respectively, on the balance sheet at December 31, 1999. Securities totaling $33,528,000 and $3,149,000 have been recorded in cash and cash equivalents and investment securities, respectively, on the balance sheet at December 31, 1998. The carrying value of held-to-maturity investment securities at December 31, 1999 and 1998 approximates fair market value. There were no unrealized gain or losses for available-for-sale securities in 1998. In 1999, the Company recorded a realized loss of $40,780 resulting from the sale of available-for-sale securities.

(9) Contracts in Progress

Amounts included in the consolidated financial statements which relate to recoverable costs and accrued profits not yet billed on contracts are classified as current assets under costs and estimated earnings in excess of billings on software installation contracts. Amounts received from customers in excess of revenues recognized to date are classified as current liabilities under billings in excess of cost and estimated earnings of software installation contracts.

The software installation contracts in progress consist of the following:

	December 31, 1999	December 31, 1998
	(in thousands)	
Value assigned in acquisition of Arksys	$ —	$ (33)
Costs and estimated earnings on software installation contracts	7,872	(15)
Less billings to date	(10,235)	(160)
	$ (2,363)	$ (208)

Components are included in the accompanying consolidated balance sheets under the following captions:

	December 31, 1999	December 31, 1998
	(in thousands)	
Costs and estimated earnings in excess of billings on software installation contracts	$ 667	$ 745
Billings in excess of costs and estimated earnings on software installation contracts	(3,030)	(953)
	$ (2,363)	$ (208)

György Tomsó

The People of Euronet Services

Title Director of Telecommunications and Network Services

Location Budapest

Professional Background Systems Administrator at Kuwait Petroleum Hungary Ltd. With Euronet Services since July 1996, first as Technical Services Manager responsible for establishing the ATM telecommunications network in Europe as well as the internal information systems.

Key Responsibilities Directs Euronet Services' global information systems infrastructure in Europe and the US. Responsible for maintaining telecommunications services for the company's growing European ATM network. Develops and evaluates plans for additional markets.

Quote *"Ensuring network availability is a key concern for our customers. That's why we are constantly upgrading and enhancing our telecommunications capabilities with the latest technologies."*

(10) Intangibles

Intangible assets are carried at amortized cost and consist of the following:

	December 31, 1999	December 31, 1998
	(in thousands)	
Goodwill	$ 10,641	$ 3,944
Developed technology	5,700	5,700
Assembled workforce	1,130	1,130
Installed base	1,080	1,080
Distributor/agent relationships	380	380
Tradename	400	400
	19,331	12,634
Less accumulated amortization	(3,072)	(170)
Total	$ 16,259	$ 12,464

(11) Notes Payable

On June 22, 1998, the Company sold 243,211 units in a public offering, each consisting of DM 1,000 principal amount at maturity of 12 3/8% senior discount notes due on July 1, 2006 and 729,633 warrants to purchase 766,114 shares of common stock. Each warrant entitles the holder to purchase, on or after June 22, 1998 and prior to July 1, 2006, 1.05 shares of common stock at an exercise price of $5.00 per share. Cash interest on the notes will not be payable prior to July 1, 2002. Commencing January 1, 2003, cash interest will be payable semi-annually on January 1 and July 1 of each year. The notes and the warrants are separately transferable. The gross proceeds to the Company was DM 150.0 million (approximately $83.1 million) representing an issue price of DM 616.75 per DM 1,000 principal amount at maturity. Of this amount, $1.7 million has been allocated to the warrants within stockholders' equity to reflect their fair market value on the date of issuance. Net proceeds to the Company after underwriting discount and offering expenses were DM 145.1 million (approximately $81.3 million).

Pursuant to the Company's indenture, the Company is subject to certain restrictions and covenants, including, without limitation, covenants with respect to the following matters: (i) limitation on additional indebtedness; (ii) limitation on restricted payments; (iii) limitation on issuance and sales of capital stock of restricted subsidiaries; (iv) limitation on transactions with affiliates; (v) limitation on liens; (vi) limitation on guarantees of indebtedness by restricted subsidiaries; (vii) purchase of Euronet notes upon a change of control; (viii) limitation on sale of assets; (ix) limitation on dividends and other payment restrictions affecting restricted subsidiaries; (x) limitation on investments in unrestricted subsidiaries; (xi) limitation on lines of business; and (xii) provision of financial statements and reports. The Company is in compliance with these covenants at December 31, 1999 and 1998.

During 1999, the Company repurchased notes with a face value of DM 22.0 million and 65,850 warrants for a total purchase price of $5.2 million. This repurchase has been accounted for as an extinguishment of debt with a resulting $2.7 million (net of income taxes of $0) recognized as an extraordinary gain on such extinguishment. The extinguishment gain represents the difference between the allocated carrying value of the debt extinguished ($8.1 million) and the consideration paid ($5.0 million), offset by the write-off of the allocated unamortized deferred financing costs ($300,000). Of the total purchase price of $5.2 million, $176,000 has been allocated to the warrants based on their fair market value at the time of purchase and recorded as an adjustment to additional paid-in capital. Of the total extinguishment gain, $803,000 was recorded in the fourth quarter relating to the purchase of notes with a face value of DM 7.6 million on December 13, 1999.

During December 1998, the Company repurchased notes with a face value of DM 26.4 million and 31,173 warrants for a total purchase price of $5.5 million. This repurchase has been accounted for as an extinguishment of debt with a resulting $2.9 million (net of income taxes of $1.5 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain (pre-tax) represents the difference between the allocated carrying value of the debt extinguished ($10.2 million) and the consideration paid ($5.5 million), offset by the write-off of the allocated unamortized deferred financing costs ($341,000).

The following table provides the composition of notes payable at December 31:

	1999	1998
	(in thousands)	
Principal amount	$ 100,113	$ 130,175
Unamortized discount	(27,313)	(46,455)
Carrying balance	$ 72,800	$ 83,720

The effective interest rate relating to the aforementioned notes payable was 13.09% and 13.17% for 1999 and 1998, respectively. The interest expense was approximately $9.5 million and $5.8 million for the years ended December 31, 1999 and 1998, respectively.

(12) Forward Foreign Exchange Contracts

In 1999 and 1998, the Company entered into foreign currency exchange contracts to reduce the effect of fluctuating currency exchange rates, principally Deutsche Marks, on notes payable and to a lesser extent capital lease obligations. The Company does not utilize financial instruments for trading or other speculative purposes. Forward contracts outstanding at December 31, 1998 amounted to $43.0 million, to purchase Deutsche Marks. There were no forward contracts outstanding at December 31, 1999. The Company recognized approximately $(6.3 million) and $3.5 million during the years ended December 31, 1999 and 1998, respectively, on net foreign currency (losses)/gains related to these contracts. At December 31, 1998, foreign currency contracts outstanding had unrealized gains of $29,000 and unrealized losses of $29,000 which have been recognized within foreign exchange (loss)/gain, net in the consolidated statements of operations. At December 31, 1999, there were no foreign currency exchange contracts outstanding.

On May 26, 1999, the Company entered into call options to purchase Euro 79.3 million for $85.9 million and foreign currency put options to sell $83.6 million for Euro 79.3 million on May 26, 2000. Under such contracts, if as of May 26, 2000 (the settlement date under such contracts), the Euro has weakened against the Dollar and falls below $1.0550, the Company will be required to make a cash payment on May 31, 2000 in an amount that will depend on the Dollar/Euro exchange rate on such settlement date. At the same time, if the Euro has strengthened against the U.S. Dollar and rises above $1.0835, the Company will receive a cash payment on May 31, 2000 in an amount that will depend on the Dollar/Euro exchange rate on such settlement date.

The Company has accounted for these foreign currency options at fair value with the resulting gain/loss included in foreign exchange loss, net in the consolidated statement of operations. At December 31, 1999, the net fair value of such option contracts measured on a mark-to-market basis, which represents the carrying value recognized in accrued expenses and other liabilities, amounted to $3.3 million. The foreign exchange loss recognized in the consolidated statement of operations amounted to $4.1 million for the year ended December 31, 1999.

(13) Leases

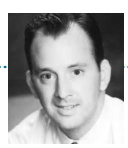
(a) Capital leases

The Company leases the majority of its ATMs under capital lease agreements that expire between 2000 and 2004 and bear interest at rates between 8% and 12%. Lease installments are paid on a monthly, quarterly or semiannual basis. Euronet has the right to extend the term of certain leases at the conclusion of the basic lease period.

A related entity, Windham Technologies Inc., has the option to purchase the ATMs under capital lease in Hungary at the end of the lease term at a bargain purchase price of $1 plus incidental expenses (refer to note 18).

Euronet also has a lease agreement on a computer for use at its central processing and authorization center for ATM transactions. The lease has a term expiring in 2000 and bears interest at a rate of 12%, and is payable quarterly.

Kenneth L. Kerr



The People of Euronet Services

Title President, Dash Network

Location Little Rock

Professional Background Twelve years experience in the US financial services industry, including vice president of electronic banking for a savings and loan association and manager of a regional US ATM switch connecting over 100 financial institutions in seven states. With Arksys since November 1995, and Euronet Services since December 1998.

Key Responsibilities Directs Euronet Services' Dash Network, which processes transactions for over 450 ATMs in 29 states in the US and provides a disaster recovery site for Euronet's network processing center in Budapest.

Quote *"Euronet Services possess exceptional expertise in ATM management and outsourcing. Through Dash – as the Dillard's relationship demonstrates – we can apply that expertise to niche markets in North America."*

The gross amount of the ATMs and IBM computer and related accumulated amortization recorded under capital leases were as follows:

	December 31, 1999	1998
	(in thousands)	
ATMs	$ 18,027	$ 17,276
Other	768	2,106
	18,795	19,382
Less accumulated amortization	(4,813)	(3,474)
Net book value	$ 13,982	$ 15,908

Depreciation of assets held under capital leases amounted to $2.1 million, $2.9 million, and $1.4 million for the years ended December 31, 1999, 1998, and 1997, respectively, and is included in depreciation and amortization expense.

(b) Operating leases

The Company also has noncancelable operating rental leases for office space which expire over the next 3 to 9 years. Rent expense under these leases amounted to $2.1 million, $1.1 million, and $433,000 for the years ended December 31, 1999, 1998, and 1997, respectively.

(c) Future minimum lease payments

Future minimum lease payments under the capital leases and the noncancelable operating lease (with initial or remaining lease terms in excess of one year) as of December 31, 1999 are:

	Capital Leases	Operating Leases
	(in thousands)	
Year ending December 31,		
2000	$ 5,294	$ 1,831
2001	3,137	1,762
2002	2,174	1,610
2003	996	1,388
2004	819	1,249
2005 and thereafter	—	2,895
Total minimum lease payments	12,420	
Less amounts representing interest	(1,835)	
Present value of net minimum capital lease payments	10,585	
Less current installments of obligations under capital leases	(4,188)	
Long term capital lease obligations	$ 6,397	

(14) Taxes

The sources of income/(loss) before income taxes are presented as follows:

	Year Ended December 31, 1999	1998	1997
		(in thousands)	
United States	$ (19,866)	$ (8,985)	$ (353)
Netherlands Antilles	77	700	425
Europe	(18,068)	(21,549)	(8,137)
Loss before income taxes	$ (37,857)	$ (29,834)	$ (8,065)

Total income tax benefit/(expense) for the years ended December 31, 1999, 1998 and 1997 was allocated as follows:

	Year Ended December 31, 1999	1998	1997
		(in thousands)	
Loss from continuing operations	$ 4,182	$ (1,430)	$ 100
Extraordinary item	—	(1,488)	—
Stockholders' (deficit)/equity for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	—	951	—
	$ 4,182	$ (1,967)	$ 100

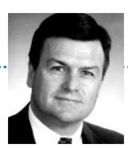
The income tax benefit/(expense) from operations consisted of the following:

	Year Ended December 31, 1999	1998	1997
		(in thousands)	
Current tax benefit/(expense):			
U.S. Federal	$ 1,828	$ (1,430)	$ —
Netherlands Antilles	—	—	—
Europe	—	—	—
Total current	1,828	(1,430)	—
Deferred tax benefit/(expense):			
U.S. Federal	2,354	—	—
Netherlands Antilles	—	—	—
Europe	—	—	100
Total deferred	2,354	—	100
Total tax benefit/(expense)	$ 4,182	$ (1,430)	$ 100

Upon formation of Euronet Holding N.V. on March 27, 1996, and through March 7, 1997, the income tax benefit was calculated solely on the basis of the taxable loss of Euronet Holding N.V. Subsequent to March 7, 1997, the income tax benefit was calculated solely on the basis of the taxable loss of the Company. The difference between the actual income tax benefit and the tax benefit computed by applying the statutory income tax rate to losses before taxes is attributable to the following:

	Year Ended December 31, 1999	1998	1997
		(in thousands)	
Income tax benefit at statutory rates	$ 11,933	$ 10,143	$ 2,742
Permanent differences	1,078	(1,191)	(261)
Tax-exempt interest	—	520	265
Stock options exercised	—	(931)	1,006
Stock options granted in prior year	—	—	1,402
Foreign currency gains and losses	—	—	542
Tax rate differences	(938)	(638)	44
Adjustment to deferred tax asset for enacted changes in tax rates	(443)	(191)	(113)
(Expiration)/utilization of tax loss carried forward	(1,700)	971	145
Disallowed interest expense on notes payable	(239)	—	—
Recognition of previously disallowed expenses	318	—	—
Other	97	(175)	—
Change in valuation allowance	(5,924)	(9,938)	(5,672)
Actual income tax benefit/(expense)	$ 4,182	$ (1,430)	$ 100

James P. Jerome



The People of Euronet Services

Title Vice President, Delivery and Training

Location Little Rock

Professional Background Seventeen years experience in banking services. Vice President of electronic banking services with BISYS, Inc., one of the top ten U.S. outsourcing firms for bank processing and ATM services. Senior Systems Analyst at First City National Bank in Austin, Texas. Served on the Boards of Directors of the Electronic Funds Transfer Association and the Exchange Network Advisory Council. With Euronet Services since November 1999.

Key Responsibilities Oversees delivery and implementation of Arksys brand software and services for customers worldwide, including installation, orientation and ongoing customer training programs.

Quote *"Our success can only be measured by the success of our customers. That's why Euronet Services has invested significant resources to ensure that users of Arksys brand software throughout the world can count on top-notch customer service and support wherever and whenever they need it."*

As a result of the formation of the Company a portion of the stock compensation cost recorded in 1996 became a temporary difference for which the Company recognized a gross deferred tax asset of $1.4 million in 1997. A valuation allowance for this deferred tax asset was established. During 1997, certain of the stock options were exercised resulting in a tax deduction of $1.0 million. Because of the tax loss position of the Company in 1997 in the United States, this tax deduction was not utilized and increased the tax loss carry forward. The Company established a valuation allowance for the deferred tax asset resulting from the tax loss carry forward in the United States. This tax loss carry forward was utilized in 1998 and therefore, $951,553 of the tax benefit was recorded as an adjustment to additional paid in capital.

The tax effect of temporary differences and carry forwards that give rise to deferred tax assets and liabilities are as follows:

	December 31, 1999	December 31, 1998
	(in thousands)	
Deferred tax assets:		
Foreign tax loss carry forwards	$ 11,526	$ 8,358
Stock compensation expense	1,130	1,130
Unrealized exchange rate differences	2,559	2,025
Interest expense	4,327	1,650
Accrued expenses	2,936	1,476
Billings in excess of earnings	1,036	330
Other	16	240
Total deferred tax assets	23,530	15,209
Valuation allowance	(19,741)	(14,277)
Total deferred tax assets	3,789	932
Deferred tax liabilities:		
Property and equipment	660	107
Non-goodwill intangible assets	2,333	—
Capitalized research and development costs	109	—
Earnings in excess of billings	227	254
Total deferred tax liabilities	3,329	361
Net deferred tax assets	$ 460	$ 571

The valuation allowance for deferred tax assets as of January 1, 1999, 1998 and 1997 was $14.3 million, $4.8 million and $655,000, respectively. The net change in the total valuation allowance for the years ended December 31, 1999, 1998, and 1997 were increases of $5.4 million, $9.5 million and $4.1 million, respectively.

The valuation allowance relates primarily to deferred tax assets established under SFAS No. 109 for loss carry forwards at December 31, 1999, 1998 and 1997 of $45.0 million, $32.9 million and $20.0 million, respectively. The tax operating loss carry forwards will expire through 2003 for Euronet Services SRL. The tax operating loss carry forwards will expire through 2005 for Bankomat, Bank Tech, Corporate Services, EFT-Uslage d o.o., Euronet Services France SAS, Euronet Services and Euronet Holding N.V, and 2007 for Euronet Services spol. sro. The tax operating losses for Euronet Services Inc. and Arksys can be carried back two years and forward twenty years. The tax operating losses for Euronet Services GmbH and Euronet Services Ltd. can be carried forward indefinitely.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 1999. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

At December 31, 1999 the Company had foreign net operating loss carry forwards of approximately $45.0 million which will expire as follows:

Year ending December 31,	(in thousands)
2000	$ 2,423
2001	1,484
2002	2,685
2003	8,147
2004	8,985
2005	3,003
2006 and thereafter	18,316
Total	$ 45,043

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 1999 will be allocated entirely to income taxes in the consolidated statements of operations.

(15) Valuation and Qualifying Accounts

	Balance at January 1	Additions charged to expense	Amounts written off	Balance at December 31
		(in thousands)		
1997				
Allowance for doubtful accounts	$ 0	$ 0	$ 0	$ 0
1998				
Allowance for doubtful accounts	$ 0	$ 291	$ 0	$ 291
1999				
Allowance for doubtful accounts	$ 291	$ 90	$ 0	$ 381

(16) Stock Plans

The Company has established a share compensation plan that provides certain employees options to purchase shares of its common stock. The options vest over a period of five years from the date of grant. Options are exercisable during the term of employment or consulting arrangements with the Company and its subsidiaries. The Company has the right to repurchase shares within 180 days from an employee who has exercised his options but has ceased to be employed by Euronet. At December 31, 1999, the Company had authorized options for the purchase of 4,413,586 shares of common shares, of which 3,419,480 have been awarded to employees and 2,664,112 remain unexercised.

In accordance with the shareholders' agreement dated February 15, 1996 and amended on October 14, 1996, Euronet has reserved 2,850,925 common shares for the purpose of awarding common shares ("milestone awards") to certain investors and options to acquire common shares ("milestone options") to the founders, management and key employees. The Company granted 800,520 milestone awards at an exercise price of $0.02 per share and 2,050,405 milestone options at an exercise price of $2.14 per share.

Upon the initial public offering, all milestone awards and milestone options granted under the milestone arrangement (with the exception of 49,819 options to certain key employees which vested equally over the two years following the initial public offering) vested and all shares became immediately issuable to beneficiaries of milestone awards and options. Upon the initial public offering, 800,520 milestone awards and 232,078 milestone options were exercised. As of December 31, 1999 1,637,612 milestone options remain unexercised.

Péter Nagy

The People of Euronet Services

Title Director of Business Development – Hungary

Location Budapest

Professional Background Consultant/lawyer on Hungarian-American business relations with the Bridgevest and Merit consulting firms in Washington, DC. Instrumental in establishing the first customer accounts for Euronet Services in Hungary. With Euronet Services since February 1995.

Key Responsibilities Manages customer relationships with banks in Hungary and develops new customer accounts. Expands sales of ATM network services and add-on products and services, such as outsourcing and Arksys software solutions.

Quote *"Since 1995, Euronet Services and the Hungarian retail banking sector have grown and evolved in tandem. With Arksys brand software enhancing our product portfolio, we are better positioned than ever to continue being a major provider of electronic banking services to financial institutions in Hungary."*

Share option activity during the periods indicated is as follows:

	Number of Shares	Weighted-Average Exercise Price
Balance at December 31, 1996		
(271,780 shares exercisable)	3,113,355	$ 1.80
Granted	226,497	12.65
Exercised	(495,682)	1.34
Forfeited	(45,964)	3.25
Balance at December 31, 1997		
(1,984,365 shares exercisable)	2,798,206	$ 2.67
Granted	941,396	5.87
Granted in Arksys acquisition	63,410	4.44
Exercised	(80,132)	2.13
Forfeited	(100,289)	6.23
Balance at December 31, 1998		
(2,174,412 shares exercisable)	3,622,591	$ 3.46
Granted	1,140,830	5.02
Exercised	(228,503)	1.46
Forfeited	(233,194)	5.09
Balance at December 31, 1999		
(2,379,729 shares exercisable)	4,301,724	$ 3.87

At December 31, 1999, the range of exercise prices, weighted-average remaining contractual life and number exercisable of outstanding options was as follows:

Range of Exercise Prices	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Remaining Life (years)	Number Exercisable	Weighted-Average Exercise Price
0-1.39	392,546	$ 0.75	4.6	370,524	$ 0.74
1.40-2.79	1,849,089	2.09	7.0	1,738,629	2.12
2.80-4.18	138,292	3.48	8.7	27,658	3.48
4.19-5.58	1,048,680	5.00	9.3	45,500	5.00
5.59-6.97	591,820	5.87	8.5	100,639	5.87
6.98-9.75	22,500	8.00	8.2	4,500	8.00
9.76-11.15	107,291	10.37	7.8	31,694	10.49
11.16-12.54	48,510	11.61	7.8	19,390	11.61
12.55-13.94	102,996	13.94	7.3	41,195	13.94
	4,301,724	$ 3.87	7.7	2,379,729	$ 2.54

The Company applies APB Opinion No. 25 in accounting for its share option plans. The exercise price of the options is established generally based on the estimated fair value of the underlying shares at grant date. For options granted prior to the initial public offering, the fair value was determined by taking into consideration the per share price at which the most recent sale of equity securities was made by Euronet to investors. For options granted after the initial public offering, the fair value is determined by the market price of the share at the date of grant. However, in contemplation of the initial public offering in March 1997, compensation expense was recognized in 1996 relating to all options granted during the fourth quarter of 1996. Such compensation expense was calculated as the excess of the fair market value of the underlying shares (determined as $4.22, which is the cash price per share at which GE Capital subscribed for preferred shares of Euronet in February 1997) over the exercise price of $2.14 per share. Euronet recorded $4,172,000 of compensation expense in the 1997 consolidated financial statements and an additional compensation expense of $343,000 with respect to these options was recognized over the remaining vesting period of such options. Of this amount, $127,000, $108,000 and $108,000 has been expensed in the years ended December 31, 1999, 1998 and 1997, respectively.

The following table provides the fair value of options granted during 1999, 1998 and 1997 together with a description of the assumptions used to calculate the fair value using the Black-Scholes pricing model:

	Year ended December 31, 1999	1998	1997
Expected volatility	100%	100%	54%
Average risk-free rate	6.61%	8.80%	6.86%
Average expected lives	5 years	5 years	2.5 years
Weighted-average fair value (per share)	$ 1.71	$ 3.51	$ 4.90

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, Euronet's net loss and net loss per share would have increased to the amounts indicated below:

	Year ended December 31, 1999	1998	1997
	(in thousands, except per share data)		
Net loss-as reported	$ (30,915)	$ (28,375)	$ (7,965)
Net loss-pro forma	$ (32,606)	$ (29,067)	$ (8,484)
Loss per share-as reported	$ (2.03)	$ (1.87)	$ (0.64)
Loss per share-pro forma	$ (2.14)	$ (1.91)	$ (0.69)

Pro forma impact reflects only options granted since December 31, 1994. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma amounts presented above because compensation cost is reflected over the options' vesting periods and compensation cost for options granted prior to January 1, 1995 is not considered.

(17) Business Segment Information

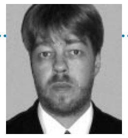
Prior to the acquisition of Arksys, Euronet and its subsidiaries operated as one business segment, referred to as the "ATM Services Segment," which provides an independent shared network to the banks and financial institutions that it serves. During 1998 and 1997, the Company's corporate function resources were allocated to the ATM Services Segment. As a result of the acquisition of Arksys in December 1998, the Company established a second business segment for its software delivery and development activities (the "Arksys Software Solutions Segment"). Beginning in January 1999, the Company separated corporate function resources from the ATM Services Segment, and reported separately corporate support activities ("Corporate Services Segment"). The following tables present the segment results of the Company's operations for the years ended December 31, 1999 and 1998.

The accounting policies of each segment are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes not including non-recurring gains and net loss. The Company accounts for inter-segment sales and transfers as if the sales or transfers were to third parties: that is, at current market prices.

For the Year ended December 31, 1999

	ATM Services	Arksys Software Solutions	Corporate Services	Total
		(in thousands)		
Total revenues	$ 26,503	$ 15,149	$ —	$ 41,652
Total operating expenses	39,410	22,290	6,750	68,450
Depreciation and amortization	7,410	2,683	145	10,238
Operating loss	(12,907)	(7,141)	(6,750)	(26,798)
Interest income	567	148	1,235	1,950
Interest expense	(1,133)	—	(9,766)	(10,899)
Foreign exchange (loss)/gain, net	(564)	2	(1,548)	(2,110)
Net loss before taxes and extraordinary item	$ (14,037)	$ (6,991)	$(17,829)	$(37,857)
Additions to fixed assets	$ 10,115	$ 724	$ 116	$ 10,955
Segment assets	56,658	21,527	18,659	96,844

Gudfinnur Kristjansson



The People of Euronet Services

Title Sales Technical Manager

Location Budapest

Professional Background Nineteen years of computer industry experience, 11 years of bank card industry experience. Worked as IT manager for Europay Iceland, Elizabeth Arden Denmark, and Iceland's largest seafood company. Established an IT consulting, system design and implementation company in the Czech Republic. Analyzed, designed and programmed business software systems. With Arksys since February 1998 and Euronet since December 1998.

Key Responsibilities Assisting sales force in understanding customer needs and presenting and selling Arksys software solutions. Works closely with delivery and development teams. Manages a sales technical support team which provides product and industry knowledge in support of the entire sales effort of the company.

Quote *"Although we offer an extensive range of products and services, what we're really selling is solutions. My goal is to ensure that our customers find the right combination of solutions that's uniquely suited to their particular needs."*

For the Year ended December 31, 1998

	ATM and Related Services	Arksys Software Solutions	Corporate and Other	Total
		(in thousands)		
Total revenues	$ 11,525	$ 371	$ —	$ 11,896
Total operating expenses	26,350	2,671	5,486	34,507
Depreciation and amortization	4,724	190	41	4,955
Operating loss	(14,825)	(2,300)	(5,486)	(22,611)
Interest income	193	1	2,320	2,514
Interest expense	(1,903)	—	(5,923)	(7,826)
Foreign exchange loss, net	102	—	(2,013)	(1,911)
Net loss before taxes and extraordinary item	$ (16,433)	$ (2,299)	$(11,102)	$(29,834)
Additions to fixed assets	$ 13,092	$ 717	$ 70	$ 13,879
Segment assets	57,828	19,493	56,117	133,438

The following is a reconciliation of the segmented information to the consolidated financial statements.

	Year ended December 31,	
	1999	1998
	(in thousands)	
Revenues:		
Total revenues for reportable segments	$ 41,652	$ 11,896
Elimination of inter-segment revenues	(180)	(15)
Total consolidated revenues	$ 41,472	$ 11,881
Operating expenses:		
Total operating expenses for reportable segments	$ 68,450	$ 34,507
Elimination of inter-segment expenses	(180)	(15)
Total consolidated operating expenses	$ 68,270	$ 34,492

Total revenues and long-lived assets for the years ended December 31, 1999 and 1998 for the Company analyzed by geographical location is as follows:

	Total Revenues			Long-lived Assets	
	Year ended December 31,			December 31,	
	1999	1998	1997	1999	1998
			(in thousands)		
United States	$ 16,172	$ 356	$ —	$ 1,155	$ 697
Germany	11,160	2,394	65	6,635	4,530
Hungary	5,606	5,936	4,562	9,114	11,571
Poland	5,798	2,787	663	10,991	11,164
Other	2,736	408	—	8,798	5,220
Total	$ 41,472	$ 11,881	$ 5,290	$ 36,693	$ 33,182

Total revenues are attributed to countries based on location of customer for the ATM and related service segment. For revenues generated by the Arksys software solutions segment, all revenues are attributed to the United States. Long lived assets consist of property, plant, and equipment, net of accumulated depreciation.

(18) Related Parties

A Delaware company called Windham Technologies Inc. ("Windham") that is owned by Michael J. Brown and Mark Calegari, one of the original Euronet shareholders, holds the option to purchase 356 ATMs which are part of the Hungarian network at the end of the financing lease term. Windham has signed an undertaking to contribute these assets to Euronet at the end of the lease term at a bargain purchase price of $1 plus incidental expenses.

In addition, payments of $21,000 and $94,000 have been made for the years ended December 31, 1998 and 1997 respectively, to Windham under an agreement which ended in 1998. These payments cover the services and related expenses of consultants seconded by Windham to the Company. These services include AS/400 computer expertise, bank marketing and management support.

(19) Financial Instruments

Most of Euronet's financial instruments (cash and cash equivalents, trade accounts receivable, investment securities, prepaid expenses and other current assets, trade accounts payable, accrued expenses and other current liabilities, advance payments on contracts, billings in excess of costs and estimated earnings on software installation contracts, costs and estimated earnings in excess of billings on software installation contracts) are short-term in nature. Accordingly, the carrying value of these instruments approximates their fair values. The fair value of notes payable was determined based on quoted market prices for the same issue and amounted to $52.0 million (carrying value of $72.8 million) at December 31, 1999 and $45.6 million (carrying value of $83.7 million) at December 31, 1998. See note 12 for details of the Company's foreign exchange contracts.

(20) Reconciliation of Net Loss to Net Cash Used in Operating Activities

The reconciliation of net loss to net cash used in operating activities for the years ended December 31, 1999, 1998, and 1997 follows.

	Year Ended December 31,		
	1999	1998	1997
		(in thousands)	
Net loss	$ (30,915)	$ (28,375)	$ (7,965)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share compensation expense	127	108	108
Depreciation and amortization	10,238	4,955	1,761
Unrealized foreign exchange gains/(losses)	(8,294)	5,690	—
(Gain)/loss on disposal of fixed assets	(715)	28	11
In-process research and development write-off	—	1,020	—
Amortization of deferred financing costs	269	147	—
Accretion of discount on notes payable	9,506	5,772	—
Extraordinary gain on extinguishment of debt	(2,760)	(4,377)	—
Realization of deferred tax benefit from stock compensation credited to additional paid-in capital	—	951	—
Deferred income taxes	(2,797)	—	(100)
(Decrease)/increase in income taxes payable, net	(2,667)	1,969	—
Decrease/(increase) in restricted cash	2,043	(12,125)	(695)
Increase in trade accounts receivable	(2,028)	(473)	(475)
Decrease/(increase) in costs and estimated earnings in excess of billings on software installation contracts	78	(326)	—
Decrease/(increase) in prepaid expenses and other current assets	184	(1,692)	(1,424)
Decrease/(increase) in deposits for ATM leases	802	385	(1,876)
Decrease in cash surrender value of life insurance policies	—	489	—
Increase in trade accounts payable	1,119	94	2,750
Increase/(decrease) in advance payments on contracts	350	(32)	—
Increase in accrued expenses and other long term liabilities	3,066	2,523	1,565
Increase in billings in excess of costs and estimated earnings on software installation costs	2,040	501	—
Net cash used in operating activities	$ (20,371)	$ (22,768)	$ (6,340)

(21) Non-Cash Financing and Investing Activities

Capital lease obligations of $5.2 million, $3.9 million and $11.0 million during the years ended December 31, 1999, 1998 and 1997, respectively, were incurred when the Company entered into leases primarily for new automated teller machines.

During the year ended December 31, 1998 the Company issued warrants to purchase common stock totaling $1,725,000.

(22) Concentrations of Business and Credit Risk

Euronet is subject to concentrations of business and credit risk. Euronet's financial instruments mainly include trade accounts receivables, cash and cash equivalents and investment securities. Euronet's customer base, although limited, includes the most significant international card organizations and certain banks in the markets in which it operates. Therefore, the Company's operations are directly affected by the financial condition of those entities. The Company has one individually significant customer of the ATM Services Segment in Germany which accounted for 27% of total consolidated revenue for the year ended December 31, 1999 and 20% in 1998.

Cash and cash equivalents, and investment securities are placed with high-credit quality financial institutions or in short-term duration, high-quality debt securities. The counterparty to the foreign currency option contracts is a major financial institution with investment grade or better credit rating. This credit risk in generally limited to the unrealized gains of such contracts should any of these counterparties fail to perform as contracted. Euronet does not require collateral or other security to support financial instruments subject to credit risk. Management believes that the credit risk associated with its financial instruments is minimal due to the control procedures which monitor credit worthiness of customers and financial institutions.

(23) Commitments

The Company had outstanding unused letters of credit totaling $750,000 at December 31, 1999.

The Company is committed to purchase ATMs from certain suppliers for approximately 554,000 British Pounds (approximately $896,000 at December 31, 1999).

(24) Research and Development

The Company regularly engages in research and development activities aimed at the development and delivery of new products, services and processes to its customers including, but not limited to, bill payment and presentment, telephone banking products, applications for wireless application protocol ("WAP") enabled customer touch points and Internet banking solutions as well as significant improvements to core software products

The Company's research and development costs incurred for computer products to be sold, leased or otherwise marketed totaled $3.2 million, $153,000 and $0 for the years ended December 31, 1999, 1998 and 1997, respectively. In 1999, $322,000 was capitalized and appears on the Company's balance sheet in prepaid expenses and other assets, net of accumulated amortization of $0.

(25) Employee Loans for Common Stock Program

In October 1999 the Company's Board of Directors approved and implemented a Loan Agreement Program ("Program") for certain employees under which the Company has loaned sums of money to participating employees in order for them to purchase shares of the Company's stock on the open market. The shares are pledged to the Company to secure the loans. As at December 31, 1999, 218,400 shares are held by the Company as collateral for the loans. The loans carry five-year terms and are non-recourse, non-interest bearing loans. The shares vest to the employees in five equal tranches of 20 percent of the shares for five years, commencing at the date each employee began employment with the Company. As the shares vest, the employees are entitled to pay off the loans and free the shares of the pledge. These loans are considered an award of stock options as the loans are non-recourse and the employee is not obligated to pay any interest on the loans. The loans have been accounted for as a separate component of stockholders' (deficit)/equity. In the event that any one of the employees defaults on the term of the loans, the shares received by the Company will be recorded as treasury stock.

(26) Sale of Croatian Network

On November 19, 1999, the Company completed the sale of its Croatian ATM network to Raiffeisenbank Austria, d.d., a Croatian financial institution ("RBA"), for consideration of $2.7 million. The carrying value of the Croatian assets was $2.0 million, resulting in a gain to the Company of $657,000, recorded as an offset to operating costs. Subsequent to the sale of the network assets, the Company and RBA entered into an ATM services agreement whereby the Company will provide ATM management and other related services to RBA for an initial term of 15 years.

(27) Employee Benefit Plans

Euronet has established a Profit Sharing and 401(k) plan for all employees who have completed six months of service and are not otherwise covered by a retirement benefit plan (national or private) outside of the US. Each plan participant can contribute up to the maximum amount allowed by the Internal Revenue Service to the Plan through payroll deductions. Euronet's matching contribution to the plan is discretionary and is determined each year by the Board of Directors. The employee's vested percentage regarding the employer's contribution varies according to years of service. Euronet's contribution accrual to the Plan for the years ended December 31, 1999, 1998 and 1997 was $159,000, $26,000 and $0 respectively.

Euronet maintains both a fully funded and self-funded health insurance programs, which cover all full-time employees and their families at no charge to the employees. In order to administer the self-funded program, Euronet has entered into a contractual agreement with a third party administrator by which Euronet pays a monthly service fee to the administrator based upon employee enrollment participating in the self-funded plan. Euronet has also purchased a stop/loss insurance policy to limit Euronet's self-funded liability to $25,000 per employee per year and a total loss on all claims to approximately $31,000 per month.

(28) Subsequent Event

As of February 25, 2000 the Company entered into subscription agreements for the sale of an aggregate of 650,000 new common shares of the Company. Closing is expected to occur on March 15, 2000. These agreements were signed with certain accredited investors and foreign persons in transactions exempt from registration under the United States Securities Act of 1933 (the "Act") pursuant to exemptions under Section 4(2) and Regulation D and Regulation S of the Act. The purchase price of each share is US$6.615 which represents ninety percent of the average closing price for the ten trading days prior to and including February 15, 2000. The aggregate amount of proceeds to the Company from the private placement will equal US$4,299,750. Under each of the agreements, for each two shares of common stock purchased in the private placement, the accredited investors were issued one warrant, expiring in each case on the one year anniversary date of the subscription agreement, to purchase a share of Euronet common stock at an exercise price of US$11.615.

The Company is in active discussions with another private placement investor to subscribe for an additional 500,000 common shares on the same terms and expects execution of an agreement relating to such placement by March 15. If such agreement is executed, closing is expected to occur on March 31, 2000, with estimated net proceeds of US$3,307,500.

Directors and Officers

Board of Directors

Michael J. Brown, Chairman
President and Chief Executive Officer
Euronet Services Inc.

Daniel R. Henry
Chief Operating Officer
Euronet Services Inc.

Thomas A. McDonnell
President and Chief Executive Officer
DST Systems, Inc.
(information processing and computer software company)

Nicholas B. Callinan
Managing Director
Advent International Corporation
(private equity investment and management company)

Steven J. Buckley
Managing Partner
Innova Capital LLC
(advisor to Poland Partners venture capital fund)

Eriberto R. Scocimara
President and Chief Executive Officer
Hungarian-American Enterprise Fund
(private investment company, funded by US Government)

Dr. Andrzej Olechowski
Chairman of the Supervisory Board
Bank Handlowy
(bank)

Executive Officers

Michael J. Brown
President and Chief Executive Officer

Daniel R. Henry
Chief Operating Officer

Daniel C. Stevens
Chief Financial Officer

Jeffrey B. Newman
General Counsel

Anthony M. Ficarra
Chief Information Officer

Ronald G. Ferguson
Executive Vice President

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Investor Information

Copies of Euronet Services Inc.'s Form 10-K, as filed with the Securities and Exchange Commission, are available from the Company at no charge. Requests for copies of Form 10-K and other investor information should be addressed to:

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Common Stock Information

Euronet Services Inc.'s common stock trades on the Nasdaq SmallCap Market under the symbol EEFT. At December 31, 1999, the Company had 103 stockholders of record. The Company has never paid dividends on its common stock.

The table below sets forth the high and low closing sales prices for the stock as reported by Nasdaq.

1999	High	Low
First Quarter	$ 3.13	$ 1.81
Second Quarter	$ 2.25	$ 1.94
Third Quarter	$ 3.38	$ 2.00
Fourth Quarter	$ 7.56	$ 2.25

1998	High	Low
First Quarter	$13.25	$ 6.50
Second Quarter	$ 7.50	$ 3.75
Third Quarter	$ 4.50	$ 1.81
Fourth Quarter	$ 4.00	$ 2.13

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