

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

OR

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

COMMISSION FILE NUMBER C00-22167

EURONET WORLDWIDE, INC.  
(Exact name of the registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of incorporation or organization)

74-2806888  
(I.R.S. employer identification no.)

4601 COLLEGE BOULEVARD  
SUITE 300  
LEAWOOD, KANSAS 66211  
(Address of principal executive offices)

(913) 327-4200  
(Registrant's telephone number, including area code)

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

YES [X] NO [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of April 30, 2002, the Company had 22,913,414 common shares outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. Dollars, except share and per share data)  
(Unaudited)

| ASSETS   | Mar. 31, 2002 | Dec. 31, 2001 |
|--|---------------|---------------|
| -----  | -----         | -----         |
| Current assets:  |               |               |
| Cash and cash equivalents  | \$22,123      | \$ 8,818      |
| Restricted cash  | 6,113         | 1,877         |
| Trade accounts receivable, net of allowances for doubtful accounts of \$707,000 at March 31, 2002 and \$675,000 at December 31, 2001 | 8,318         | 8,908         |
| Costs and estimated earnings in excess of billings on software installation contracts  | 245           | 331           |
| Assets from discontinued operations  | 434           | 1,273         |

|  |           |           |
|--|-----------|-----------|
| Prepaid expenses and other current assets  | 5,490     | 5,799     |
|  | -----     | -----     |
| Total current assets   | 42,723    | 27,006    |
| Property, plant, and equipment, net  | 27,647    | 29,086    |
| Intangible assets, net   | 1,523     | 1,551     |
| Deposits   | 41        | 41        |
| Deferred income taxes  | 426       | 429       |
| Other assets, net  | 3,063     | 3,278     |
|  | -----     | -----     |
| Total assets   | \$75,423  | \$ 61,391 |
|  | =====     | =====     |
| LIABILITIES AND STOCKHOLDERS' EQUITY / (DEFICIT)   |           |           |
| -----  |           |           |
| Current liabilities:   |           |           |
| Trade accounts payable   | \$4,356   | \$ 4,762  |
| Current installments of obligations under capital leases   | 4,394     | 4,627     |
| Accrued expenses and other current liabilities   | 6,306     | 7,366     |
| Short-term borrowings  | -         | 513       |
| Advance payments on contracts  | 2,672     | 2,266     |
| Income taxes payable   | 192       | 90        |
| Liabilities from discontinued operations   | 428       | 498       |
| Billings in excess of costs and estimated earnings on software installation contracts  | 2,272     | 1,457     |
| Credit facility  | -         | 2,000     |
|  | -----     | -----     |
| Total current liabilities  | 20,620    | 23,579    |
| Obligations under capital leases, excluding current installments   | 6,461     | 7,353     |
| Notes payable  | 38,669    | 38,146    |
|  | -----     | -----     |
| Total liabilities  | 65,750    | 69,078    |
|  | -----     | -----     |
| Stockholders' equity / (deficit):  |           |           |
| Common stock, \$0.02 par value. Authorized 60,000,000 shares; issued and outstanding 22,922,914 shares at March 31, 2002 and 22,038,073 at December 31, 2001 | 458       | 441       |
| Additional paid in capital   | 132,334   | 117,940   |
| Treasury stock   | (145)     | (145)     |
| Employee loans for stock   | (446)     | (463)     |
| Subscription receivable  | (30)      | -         |
| Accumulated deficit  | (119,561) | (123,141) |
| Restricted reserve   | 784       | 784       |
| Accumulated other comprehensive loss   | (3,721)   | (3,103)   |
|  | -----     | -----     |
| Total stockholders' equity / (deficit)   | 9,673     | (7,687)   |
|  | -----     | -----     |
| Total liabilities and stockholders' equity / (deficit)   | \$75,423  | \$ 61,391 |
|  | =====     | =====     |

See accompanying Notes to unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)  
(In thousands of U.S. Dollars, except share and per share data)  
(Unaudited)

|   | Three Months Ended |           |
|---|--------------------|-----------|
|   | March 31,          |           |
|   | 2002               | 2001      |
|   | ----               | ----      |
| Revenues:                                 |                    |           |
| ATM network and related revenue           | \$ 12,177          | \$ 10,182 |
| Software, maintenance and related revenue | 4,863              | 3,976     |
|   | -----              | -----     |
| Total revenues                            | 17,040             | 14,158    |
|   | -----              | -----     |
| Operating expenses:                       |                    |           |
| Direct operating costs                    | 7,006              | 6,526     |
| Salaries and benefits                     | 6,078              | 6,830     |
| Selling, general and administrative       | 1,501              | 2,003     |
| Depreciation and amortization             | 2,309              | 2,089     |
|   | -----              | -----     |
| Total operating expenses                  | 16,894             | 17,448    |
|   | -----              | -----     |
| Operating income / (loss)                 | 146                | (3,290)   |
|   | -----              | -----     |
| Other (expense) / income:                 |                    |           |

|  |            |            |
|--|------------|------------|
| Interest income  | 80         | 109        |
| Interest expense   | (1,654)    | (2,811)    |
| Foreign exchange gain, net   | 412        | 4,391      |
|  | -----      | -----      |
| Total other (expense) / income   | (1,162)    | 1,689      |
|  | -----      | -----      |
| Loss from continuing operations before income taxes, minority interest and extraordinary items                           | (1,016)    | (1,601)    |
| Income tax benefit   | 1,665      | 282        |
|  | -----      | -----      |
| Income / (loss) from continuing operations before minority interest and extraordinary items                              | 649        | (1,319)    |
| Minority interest  | 26         | -          |
| Discontinued operations:   |            |            |
| Income / (loss) from operations of discontinued US and France components (including gain on disposal of \$4,845 in 2002) | 4,762      | (522)      |
| Income tax expense   | 1,857      | -          |
|  | -----      | -----      |
| Income / (loss) from discontinued operations   | 2,905      | (522)      |
|  | -----      | -----      |
| Extraordinary gain on early retirement of debt, net of applicable income taxes   | -          | 847        |
|  | -----      | -----      |
| Net income / (loss)  | 3,580      | (994)      |
| Translation adjustment   | (618)      | 418        |
|  | -----      | -----      |
| Comprehensive income / (loss)  | \$ 2,962   | \$ (576)   |
|  | =====      | =====      |
| Earnings / (loss) per share - basic  |            |            |
| Income / (loss) from continuing operations before minority interest and extraordinary items per share                    | \$ 0.03    | \$ (0.07)  |
| Income / (loss) from discontinued operations per share   | 0.13       | (0.03)     |
| Extraordinary gain on extinguishment of debt per share   | -          | 0.04       |
|  | -----      | -----      |
| Net income / (loss) per share  | \$ 0.16    | \$ (0.06)  |
|  | =====      | =====      |
| Basic weighted average number of shares outstanding  | 22,476,888 | 17,915,375 |
|  | =====      | =====      |
| Earnings / (loss) per share - diluted  |            |            |
| Diluted income / (loss) from continuing operations before minority interest and extraordinary items per share            | \$ 0.02    | \$ (0.07)  |
| Diluted income / (loss) from discontinued operations per share   | 0.12       | (0.03)     |
| Diluted extraordinary gain on extinguishment of debt per share   | -          | 0.04       |
|  | -----      | -----      |
| Diluted net income / (loss) per share  | \$ 0.14    | \$ (0.06)  |
|  | =====      | =====      |
| Diluted weighted average number of shares outstanding  | 26,145,733 | 17,915,375 |
|  | =====      | =====      |

See accompanying Notes to unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands of U.S. Dollars)  
(Unaudited)

|  | Three months ended |         |
|--|--------------------|---------|
|  | March 31,          |         |
|  | 2002               | 2001    |
|  | -----              |         |
| Cash flows from operating activities:  |                    |         |
| Net income/(loss)  | 3,580              | (994)   |
| Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities: |                    |         |
| Depreciation and amortization  | 2,309              | 2,179   |
| Unrealized foreign exchange gain, net  | (792)              | (5,364) |
| Accretion of discount on notes   | 1,177              | 2,329   |
| Decrease in costs and estimated earnings in excess of billings on software installation contracts  | 85                 | 31      |

|   |           |          |
|---|-----------|----------|
| Gain on sale of discontinued operations, net of tax   | (2,988)   | -        |
| Benefit from deferred income tax  | (1,857)   | (436)    |
| Gain on extinguishment of debt, net of tax  | -         | (847)    |
| Loss from discontinued operations, net of tax   | 83        | 522      |
| Decrease in restricted cash   | 13        | 67       |
| Decrease in trade accounts receivable   | 538       | 99       |
| Decrease/(increase) in prepaid expenses and other current assets  | 120       | (530)    |
| Decrease in trade accounts payable  | (404)     | (682)    |
| Increase/(decrease) in billings in excess of costs and estimated earnings on software installation contracts, net | 815       | (397)    |
| (Decrease)/increase in accrued expenses and other liabilities   | (732)     | 292      |
| Other   | 54        | 823      |
|   | -----     | -----    |
| Net cash provided by/(used in) operating activities   | 2,001     | (2,908)  |
| Cash flows from investing activities:   |           |          |
| Fixed asset purchases   | (989)     | (280)    |
| Proceeds from sale of fixed assets  | 224       | 177      |
| Purchase of restricted certificate of deposit   | (4,250)   | -        |
|   | -----     | -----    |
| Net cash used in investing activities   | (5,015)   | (103)    |
| Cash flows from financing activities:   |           |          |
| Proceeds from issuance of shares and other capital contributions  | 14,412    | 735      |
| Repayment of credit facility  | (2,000)   | -        |
| Repurchase of notes payable   | -         | 124      |
| Subscriptions receivable  | (30)      | 12       |
| Cash received from employees for the purchase of common stock   | 17        | 35       |
| Repayment of obligations under capital leases   | (1,531)   | (517)    |
| (Repayments of)/proceeds from bank borrowings   | (513)     | 307      |
|   | -----     | -----    |
| Net cash provided by financing activities   | 10,355    | 696      |
| Effects of exchange rate differences on cash  | 175       | 418      |
| Proceeds from sale of discontinued operations   | 5,872     | -        |
| Cash used in discontinued operations  | (83)      | (522)    |
|   | -----     | -----    |
| Net increase/(decrease) in cash and cash equivalents  | 13,305    | (2,419)  |
| Cash and cash equivalents at beginning of period  | 8,818     | 7,151    |
|   | -----     | -----    |
| Cash and cash equivalents at end of period  | \$ 22,123 | \$ 4,732 |
|   | =====     | =====    |

See accompanying Notes to unaudited consolidated financial statements. See Note 6 for details of significant non-cash transactions.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - FINANCIAL POSITION AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Euronet Worldwide, Inc. and subsidiaries (collectively, "Euronet" or the "Company") have been prepared from the records of the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, such unaudited consolidated financial statements include all adjustments (consisting only of normal, recurring accruals) necessary to present fairly the financial position of the Company at March 31, 2002 and December 31, 2001, the results of its operations for the three-month periods ended March 31, 2002 and 2001, and cash flows for the three-month periods ended March 31, 2002 and 2001.

The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Euronet Worldwide, Inc. and subsidiaries for the year ended December 31, 2001, including the notes thereto, set forth in the Company's Form 10-K.

The results of operations for the three-month period ended March 31, 2002 are not necessarily indicative of the results to be expected for the full year.

The Company generated operating income from continuing operations of \$0.1

million for the three months ended March 31, 2002. This is primarily due to continued increases in revenue and controlled costs. In addition, the Company generated positive cash flows from operations of \$2.0 million for the three months ended March 31, 2002, as a result of these same factors. Based on the Company's current business plan and financial projections, the Company expects to increase operating income and net cash generated from operating activities during the remainder of 2002. In the Processing 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 Software Solutions Segment, the Company expects to continue its strategic repositioning of its software business from direct software sales to software-only customers to more integrated solutions combining the strengths of the Company's electronic financial transaction network system with its software development strengths.

The Company believes that cash and cash equivalents at March 31, 2002 will provide the Company with sufficient cash resources going forward. In addition, the Company holds repurchased notes payable with a face value of euro 79.1 million (\$68.9 million) and a fair value estimated at March 31, 2002 of \$62.0 million. The Company nevertheless has a policy of assessing opportunities for additional debt and equity financing as they arise, and will pursue any such opportunities if the Company considers that they may contribute to fulfilling its financial and strategic business objectives.

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.

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND RECENTLY ADOPTED ACCOUNTING STANDARDS

For a description of the accounting policies of the Company, see Note 3 to the Notes to Consolidated Financial Statements for the year ended December 31, 2001.

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141). The adoption of SFAS 141 had no impact to the financial statements.

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). Under SFAS 142 goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their

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useful lives. The amortization and non-amortization provisions of SFAS 142 apply upon issuance to all goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company adopted SFAS 142 effective January 1, 2002. Under SFAS 142, for the interim period we are required to segregate and specifically identify intangible assets into goodwill and other intangible assets. We have performed an evaluation and determined that all intangible assets recorded in our consolidated financial statements comprise only goodwill. The application of the provisions of SFAS 142 resulted in a reduction of goodwill amortization expense of \$0.1 million in the first quarter of 2002. At March 31, 2002, the Company had goodwill, net of accumulated amortization, of \$1.5 million. The Company does not anticipate that an impairment charge, if any, arising from our goodwill assessment in 2002 will be significant.

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (SFAS 143). The adoption of SFAS 143 had no impact to the financial statements.

Effective January 1, 2002, the Company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 establishes accounting and reporting standards for the impairment and disposal of long-lived assets and

discontinued operations. The application of this statement resulted in the classification and separate financial statements presentation of certain entities as discontinued operations, which are not included in continuing operations.

On January 4, 2002, the Company sold substantially all of the assets of the United States ATM processing business to ALLTEL in an Asset Purchase Agreement. The United States processing business was owned by the Company's subsidiary EFT Network Services, LLC and was commonly known as "DASH" or the "DASH network". DASH was accounted for as a discontinued operation in accordance with SFAS 144 and, accordingly, amounts in the financial statements and related notes for all periods shown reflect discontinued operations accounting. Related assets and liabilities have been segregated and continue to be recorded in the financial statements at carrying value as at December 31, 2001 (see Note 8). Additionally, the Company has committed, within 2002, to sell substantially all of the non-current assets and capital lease obligations of its processing business in France. Accordingly, the France business also qualifies for discontinued operations accounting. Non-current assets and capital lease obligations related to the France business have been segregated and continue to be recorded in the financial statements at carrying value.

There have been no further significant additions to or changes in accounting policies of the Company since December 31, 2001.

#### NOTE 3 - EARNINGS/(LOSS) PER SHARE - BASIC AND DILUTED

Basic earnings per share has been computed by dividing net income/(loss) by the weighted average number of common shares outstanding. For the three months ending March 31, 2002, dilutive earnings per share reflects the potential dilution that could occur if dilutive stock options and warrants were exercised using the treasury stock method where applicable. For the three months ending March 31, 2001, the effect of potential common stock is anti-dilutive because a net loss exists. Accordingly, dilutive earnings per share for the three months ending March 31, 2001 does not assume the exercise of outstanding stock options and warrants.

For the three months ending March 31, 2002, weighted average shares (undiluted) were 22,476,888. For the three months ending March 31, 2002, fully diluted weighted average shares were 26,145,733.

For the three months ending March 31, 2001, weighted average shares (undiluted) were 17,915,375. For the three months ending March 31, 2001, weighted average shares including the dilutive effect of dilutive stock options and warrants would have been 19,737,027. However no fully diluted computations have been performed for reasons stated above.

#### NOTE 4 - BUSINESS SEGMENT INFORMATION

Euronet and its subsidiaries operate in two business segments: (1) a segment that provides an independent shared ATM network and other electronic payment processing services to banks, retail and financial institutions (the "Processing Services Segment"); and (2) a segment that produces application software and solutions for payment and transaction delivery systems (the "Software Solutions Segment"). These business segments are supported by a corporate service segment, which provides corporate and other administrative services which are not directly identifiable with the two business segments, (the "Corporate Services Segment"). 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 nonrecurring gains and losses. Prior period segment information has been restated to conform to the current period's presentation.

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Prior to June 10, 2001, The Processing Services Segment was referred to in filings of the Company as the "Network Services Segment." This name change has been made to conform to current industry terminology.

The Company divided the Processing Services Segment into three sub-segments: the "Central European Sub-segment" (including Hungary, Poland, the Czech Republic, Croatia, Greece and Romania), the "Western European Sub-segment" (including Germany and the United Kingdom) and the "Other Operations Sub-segment" (including Indonesia, Egypt and unallocated processing center costs).

The results from operations from France and DASH have been removed from continuing operations for all reported periods in accordance with SFAS 144. France was in previous filings reported under the Western European Sub-Segment and DASH was previously reported under the Other Operations Sub-segment.

The following tables present the segment results of the Company's operations for the three months ended March 31, 2002 and March 31, 2001.

(Unaudited)  
(In thousands)

| For the three months ended<br>March 31, 2002                      | Processing Services |                   |          | Processing<br>Services<br>Total | Software<br>Solutions | Corporate<br>Services | Total      |
|---|---------------------|-------------------|----------|---------------------------------|-----------------------|-----------------------|------------|
|   | Central<br>Europe   | Western<br>Europe | Other    |                                 |                       |                       |            |
| Total revenues  | \$ 6,136            | \$ 5,562          | \$ 479   | \$ 12,177                       | \$ 4,908              | \$ --                 | \$ 17,085  |
| Direct operating costs  | (3,248)             | (3,279)           | (87)     | (6,614)                         | (437)                 | --                    | (7,051)    |
| Salaries and benefits   | (900)               | (705)             | (1,015)  | (2,620)                         | (2,883)               | (575)                 | (6,078)    |
| Selling, general and administrative                               | (454)               | (419)             | 695      | (178)                           | (627)                 | (696)                 | (1,501)    |
| Depreciation and amortization                                     | (1,020)             | (720)             | (295)    | (2,035)                         | (232)                 | (42)                  | (2,309)    |
| Total operating expenses  | (5,622)             | (5,123)           | (702)    | (11,447)                        | (4,179)               | (1,313)               | (16,939)   |
| Operating income / (loss)   | 514                 | 439               | (223)    | 730                             | 729                   | (1,313)               | 146        |
| Interest income   | 8                   | 2                 | 1        | 11                              | 65                    | 4                     | 80         |
| Interest expense  | (211)               | (73)              | --       | (284)                           | --                    | (1,370)               | (1,654)    |
| Foreign exchange (loss) / gain, net                               | (180)               | (99)              | 59       | (220)                           | --                    | 632                   | 412        |
| Income / (loss) from continuing operations<br>before income taxes | \$ 131              | \$ 269            | \$ (163) | \$ 237                          | \$ 794                | \$ (2,047)            | \$ (1,016) |
| Minority interest   | \$ --               | \$ --             | \$ 26    | \$ 26                           | \$ --                 | \$ --                 | \$ 26      |
| (Loss)/income from discontinued operations<br>before income taxes | \$ --               | \$ (181)          | \$ 4,943 | \$ 4,762                        | \$ --                 | \$ --                 | \$ 4,762   |
| Assets as at March 31, 2002                                       |                     |                   |          |                                 |                       |                       |            |
| Segment assets  | \$ 23,684           | \$ 16,898         | \$ 2,927 | \$ 43,509                       | \$ 19,876             | \$ 12,038             | \$ 75,423  |
| Fixed assets  | \$ 13,773           | \$ 11,632         | \$ 1,118 | \$ 26,523                       | \$ 1,090              | \$ 34                 | \$ 27,647  |

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(Unaudited)  
(In thousands)

| For the three months ended<br>March 31, 2001                      | Processing Services |                   |                   | Processing<br>Services<br>Total | Software<br>Solutions | Corporate<br>Services | Total      |
|---|---------------------|-------------------|-------------------|---------------------------------|-----------------------|-----------------------|------------|
|   | Central<br>Europe   | Western<br>Europe | Services<br>Other |                                 |                       |                       |            |
| Total revenues  | \$ 5,489            | \$ 4,693          | \$ --             | \$ 10,182                       | \$ 4,021              | \$ --                 | \$ 14,203  |
| Direct operating costs  | (3,523)             | (2,787)           | --                | (6,310)                         | (261)                 | --                    | (6,571)    |
| Salaries and benefits   | (731)               | (505)             | (638)             | (1,874)                         | (4,215)               | (741)                 | (6,830)    |
| Selling, general and administrative                               | (428)               | (309)             | 371               | (366)                           | (963)                 | (674)                 | (2,003)    |
| Depreciation and amortization                                     | (1,003)             | (707)             | (224)             | (1,934)                         | (120)                 | (35)                  | (2,089)    |
| Total operating expenses  | (5,685)             | (4,308)           | (491)             | (10,484)                        | (5,559)               | (1,450)               | (17,493)   |
| Operating (loss) / income   | (196)               | 385               | (491)             | (302)                           | (1,538)               | (1,450)               | (3,290)    |
| Interest income   | 24                  | 23                | 2                 | 49                              | 32                    | 28                    | 109        |
| Interest expense  | (262)               | (32)              | --                | (294)                           | --                    | (2,517)               | (2,811)    |
| Foreign exchange (loss) / gain, net                               | (211)               | (110)             | (461)             | (782)                           | (1)                   | 5,174                 | 4,391      |
| (Loss) / income from continuing operations<br>before income taxes | \$ (645)            | \$ 266            | \$ (950)          | \$ (1,329)                      | \$ (1,507)            | \$ 1,235              | \$ (1,601) |
| Minority interest   | \$ --               | \$ --             | \$ --             | \$ --                           | \$ --                 | \$ --                 | \$ --      |
| (Loss)/income from discontinued operations<br>before income taxes | \$ --               | \$ (667)          | \$ 145            | \$ (522)                        | \$ --                 | \$ --                 | \$ (522)   |
| Assets as at December 31, 2001                                    |                     |                   |                   |                                 |                       |                       |            |
| Segment assets  | \$ 25,548           | \$ 17,561         | \$ 4,150          | \$ 47,259                       | \$ 8,409              | \$ 5,723              | \$ 61,391  |
| Fixed assets  | \$ 14,956           | \$ 11,744         | \$ 1,085          | \$ 27,785                       | \$ 1,243              | \$ 58                 | \$ 29,086  |

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

| (in thousands)                         | For the three months ended |                |
|--|----------------------------|----------------|
|  | March 31, 2002             | March 31, 2001 |
| Revenues:                              |                            |                |
| Total revenues for reportable segments | \$17,085                   | \$14,203       |
| Elimination of inter segment revenues  | (45)                       | (45)           |
| Total consolidated revenues            | \$17,040                   | \$14,158       |

| (in thousands)                                  | For the three months ended |                |
|---|----------------------------|----------------|
|   | March 31, 2002             | March 31, 2001 |
| Operating expense:                              |                            |                |
| Total operating expense for reportable segments | \$16,939                   | \$17,493       |
| Elimination of inter segment expenses           | (45)                       | \$ (45)        |
| Total consolidated operating expenses           | \$16,894                   | \$17,448       |

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Total revenues for the three month periods ended March 31, 2002 and March 31, 2001 and long-lived assets as of March 31, 2002 and December 31, 2001 for the Company, analyzed by geographical location, are as follows:

|               | Total Revenues             |                   | Long-lived Assets |                 |
|---------------|----------------------------|-------------------|-------------------|-----------------|
|               | For the three months ended |                   | At March 31,      | At December 31, |
|               | March 31,<br>2002          | March 31,<br>2001 | 2002              | 2001            |
| United States | \$ 4,908                   | \$ 4,021          | \$ 1,090          | \$ 1,243        |
| Germany       | 2,553                      | 2,423             | 3,325             | 3,705           |
| Poland        | 2,963                      | 2,881             | 8,475             | 9,275           |
| Hungary       | 1,789                      | 1,707             | 3,884             | 4,306           |
| UK            | 3,009                      | 2,270             | 7,985             | 7,688           |
| Other         | 1,818                      | 856               | 2,888             | 2,869           |
| Total         | \$17,040                   | \$14,158          | \$27,647          | \$29,086        |

Total revenues are attributed to countries based on location of customer for the ATM and related services segment. All revenues generated by Euronet USA's Software Solutions Segment activities are attributed to the United States. Long lived assets consist of property, plant, and equipment, net of accumulated depreciation.

#### NOTE 5 - CREDIT FACILITY

On June 28, 2000 the Company entered into an unsecured revolving credit agreement (the "Credit Agreement") providing a facility of up to \$4.0 million from three shareholders as follows: DST Systems, Inc. in the amount of \$2.4 million; Hungarian-American Enterprise Fund in the amount of \$1.0 million; and Michael J. Brown, the CEO and a Director of the Company, in the amount of \$0.6 million. The facility was originally available to be drawn upon until December 28, 2000, and repayment of any draws was due June 28, 2001. The Credit Agreement was amended and renewed for six-month periods on December 28, 2000, June 28, 2001 and November 27, 2001 and, as a result of such amendments, any amounts drawn on the facility were to be repaid by June 28, 2002.

A commitment fee was paid for the initial facility of 100,000 warrants issued



pro-rata to the lenders with a warrant strike price set at the average share price, as quoted on Nasdaq for 10 trading days prior to the warrant issue date, less 10 percent. An additional 100,000, 50,000 and 50,000 warrants, on the same terms, were issued on January 2, 2001, June 28, 2001, and November 27, 2001, respectively, for the subsequent extensions of the facility. The exercise price for Michael J. Brown was originally the same as for the other lenders. It was revised by an amendment to the Credit Agreement on January 27, 2002 to be no less than the full trading price of our stock on Nasdaq as of the date of the agreement providing for grant of the warrants, with the amount of the discount that would have resulted from the original terms of the Credit Agreement to be paid to Mr. Brown in cash. Warrants were issuable on similar terms and conditions for each draw on the facility at the rate of 80,000 warrants for each \$1.0 million of funds drawn. On May 29, 2001, the Company drew \$2.0 million and issued 160,000 warrants in respect of such draw.

The exercise prices for the warrants for DST Systems and Hungarian-American Enterprise Fund were \$7.00 per share for the 100,000 warrants issued as of June 28, 2000, \$4.12 per share for the 100,000 warrants issued as of December 29, 2000, \$5.92 per share for the 160,000 warrants issued as of May 29, 2001 and \$6.70 per share for the 100,000 warrants issued as of June 28, 2001. The exercise prices for the warrants for Michael J. Brown were \$8.25 per share for the 100,000 warrants issued as of June 28, 2000, \$4.12 per share for the 100,000 warrants issued as of December 29, 2000, \$7.05 per share for the 160,000 warrants issued as of May 29, 2001 and \$9.00 per share for the 100,000 warrants issued as of June 28, 2001.

Amounts outstanding under the facility accrued interest at 10 percent per annum, payable quarterly. The Credit Agreement was not renewed in December 2001 and was repaid in full on March 21, 2002.

In 2001, two participants in the Credit Agreement, in three separate transactions, elected to exercise a total of 361,000 warrants for an equal number of shares. The total amount of cash received from these transactions was \$2.1 million. In May of 2002, additional warrants were exercised as more fully described in Note 11.

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#### NOTE 6 - EXTINGUISHMENT OF DEBT

During February 2001, the Company exchanged 3,000 units (principal amount of euro 1.5 million) of its 12 3/8% senior discount notes (the "Senior Discount Notes") and 9,000 warrants for 95,000 shares of its common stock, par value \$0.02 per share. This exchange has been accounted for as an extinguishment of debt with a resulting \$0.4 million (net of applicable income taxes of \$0.1 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 and any related warrants extinguished (\$1.1 million) and the fair market value of the common stock issued (\$0.6 million), offset by the write-off of the allocated unamortized deferred financing costs. This transaction was exempt from registration in accordance with the U.S. Securities Act of 1933 (the "Act").

During March 2001, the Company exchanged 8,750 Senior Discount Notes (principal face amount of euro 4.5 million) of its Senior Discount Notes for two new Senior discount notes having an aggregate face amount of US \$3.0 million (the "New Notes"). The interest, repayment and other terms of the New Notes are identical to those of the Senior Discount Notes for which they were exchanged, except that (i) the principal amount was reduced as indicated in the previous sentence, (ii) the Company has the right to prepay the New Notes at any time at its option by paying the "Accreted Value" of the Notes, and (iii) the new notes are governed by a new Note Purchase Agreement rather than the indenture under which the Senior Discount Notes were issued and the New Notes therefore are not covered by any of the provisions of such indenture relating to action by the trustee, voting or maintenance of listing on a stock exchange. This exchange has been accounted for as an extinguishment of debt and issuance of new debt with a resulting \$0.5 million (net of applicable income taxes of \$0.2 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 (\$3.3 million) and the fair market value of the New Notes issued (\$2.5 million), offset by the write-off of the allocated unamortized deferred financing costs (\$0.1 million). This transaction was exempt from registration in accordance with the Act.

The Senior Discount Notes that were acquired by the Company in the above exchanges have not been retired.

These two transactions result in a combined extraordinary gain of \$0.9 million (net of applicable taxes of \$0.3 million) for the quarter ended March 31, 2001. For the quarter ending March 31, 2002, we have made no further acquisitions of these Senior Discount Notes.

For a description of additional debt extinguishments during 2001, see Note 3 to the Consolidated Financial Statements for the year ended December 31, 2001.

#### NOTE 7 - RELATED PARTY TRANSACTIONS

In January 2001, the Company entered into a Credit Facility Loan Agreement under which it borrowed an aggregate of \$0.5 million from Michael J. Brown, the CEO and a Director of the Company, in order to fund transactions on its Czech Republic ATM network. Amounts advanced under this loan agreement mature six months from the date an advance is made, but were extended for a second six month period. The loans were unsecured. Amounts advanced bore interest of 10% per annum. In January 2002, the loan of \$0.5 million and related interest was paid in full.

In 2000, Michael J. Brown, the CEO and a Director of the Company, pledged approximately \$4.0 million of marketable securities (not including any common stock of the Company) that he owns in order to obtain the release to the Company of cash collateral in the amount of \$4.8 million held by a bank providing cash to the Company's ATM network in Hungary. No consideration was payable for providing this security. On March 14, 2002, a letter of credit was obtained by the Company in the amount of \$5.0 million which replaced the above security pledge by Michael J. Brown and a related \$0.8 million letter of credit supported by a certificate of deposit that had been obtained for the same purpose.

For the three months ended March 31, 2002, the Company recorded \$0.1 million in revenue related to CashNet, a 10 % owned affiliate, with respect to a data processing and technical services agreement.

#### NOTE 8 - DISCONTINUED OPERATIONS

##### Sale of US Processing Services Business

On January 4, 2002, the Company concluded an Asset Purchase Agreement with ALLTEL Information Services, Inc. ("AIS"), a wholly owned subsidiary of ALLTEL Corporation, whereby EFT Network Services, LLC (also

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known as DASH) sold substantially all of its assets to AIS for \$6.8 million, in cash. Of this amount, \$0.7 million is being held in escrow under the terms of a separate escrow agreement to provide for the payment of any damages that might arise from any breach of the representations and warranties contained in the Asset Purchase Agreement and certain post-closing adjustments. DASH is a wholly-owned subsidiary of Euronet USA Inc, which is a wholly-owned subsidiary of Euronet Worldwide, Inc. DASH, Euronet USA and AIS are parties to the Asset Purchase Agreement. The Company recorded a pre-tax gain of approximately \$4.8 million related to this transaction. As discussed in Note 9, the Company entered into a separate Software License Agreement with AIS on January 4, 2002.

##### Assets/Liabilities From Discontinued Operations

Throughout 2001, we reduced the number of ATMs we have in France in response to new stringent safety requirements for off branch ATMs. The new safety requirements were established in response to pressure from the French unions representing cash delivery employees and will come fully into effect on January 1, 2003. The requirements make it uneconomical to operate off branch ATMs in France and we therefore are holding our off branch network of ATMs in France for sale by January 1, 2003. The losses from operations in France reported under discontinued operations for the three months ended March 31, 2002 were \$0.2 million as compared to \$0.7 million for the three months ended March 31, 2001.

As a result of the above, the results from operations from France and DASH have

been removed from continuing operations for all reported periods in accordance with SFAS 144. France was previously reported under the Western European Sub-segment and DASH was previously reported under the Other Operations Sub-segment. The following pro-forma financial statements show balance sheet extracts as of March 31, 2002 and December 31, 2001 as well as the summary operating results of discontinued operations for the three months ended March 31, 2002 and 2001.

Unaudited  
(in thousands)

|   | March 31, 2002 |        |       | December 31, 2001 |        |         |
|---|----------------|--------|-------|-------------------|--------|---------|
|   | DASH           | France | Total | DASH              | France | Total   |
| Current assets                                    | \$--           | --     | --    | 384               | --     | \$ 384  |
| Fixed assets                                      | --             | 434    | 434   | --                | 434    | 434     |
| Long term assets                                  | --             | --     | --    | 455               | --     | 455     |
| Total assets<br>from discontinued operations      | \$--           | 434    | 434   | 839               | 434    | \$1,273 |
| Current liabilities                               | --             | 138    | 138   | 70                | 138    | 208     |
| Long term liabilities                             | --             | 290    | 290   | --                | 290    | 290     |
| Total liabilities<br>from discontinued operations | \$--           | 428    | 428   | 70                | 428    | \$ 498  |

|   | Three months ended<br>March 31, 2002 |        |         | Three months ended<br>March 31, 2001 |        |          |
|---|--------------------------------------|--------|---------|--------------------------------------|--------|----------|
|   | DASH                                 | France | Total   | DASH                                 | France | Total    |
| Revenues  | \$ 101                               | 194    | 295     | 517                                  | 148    | \$ 665   |
| Operating expenses                              | 3                                    | 301    | 304     | 372                                  | 650    | 1,022    |
| Operating income/(loss)                         | 98                                   | (107)  | (9)     | 145                                  | (502)  | (357)    |
| Other (expense)/income                          | --                                   | (74)   | (74)    | --                                   | (165)  | (165)    |
| Gain on disposal                                | 4,845                                | --     | 4,845   | --                                   | --     | --       |
| Income before taxes                             | 4,943                                | (181)  | 4,762   | 145                                  | (667)  | (522)    |
| Income tax expense                              | \$ (1,857)                           | --     | (1,857) | --                                   | --     | \$ --    |
| Net income/(loss)<br>of discontinued operations | \$ 3,086                             | (181)  | 2,905   | 145                                  | (667)  | \$ (522) |

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#### NOTE 9 - SIGNIFICANT SOFTWARE LICENSE AGREEMENT

On January 4, 2002, the Company entered into a significant Software License Agreement (the "License Agreement") whereby Euronet USA granted AIS a nonexclusive license to use, distribute and develop versions 1.5 and 2.2 of Euronet USA's GoldNet ITM ATM Network Processing Software ("GoldNet Software"). The License Agreement includes certain territorial and other restrictions on the use and distribution of the GoldNet Software by AIS. Under the terms of the License Agreement, AIS has agreed to pay license fees of \$5.0 million. 50% of the license fees were received in January 2002, with remaining payments of 40% upon acceptance of the software, and 10% twelve months from the date of the agreement, subject to completion of certain maintenance and support services. The License Agreement does not restrict the ability of Euronet USA to continue to sell its GoldNet Software, except that Euronet USA may not sell to former DASH customers or new AIS network processing customers. Revenue from the license

fee and related services will be recognized under the percentage of completion contract accounting method. The Company recognized \$1.3 million in revenues during the three months ended March 31, 2002. The Company expects to recognize approximately 70% - 80% of the fees in revenues during 2002 with the remaining to be recognized in 2003.

#### NOTE 10 - PRIVATE PLACEMENT

On February 6, 2002 we entered into seven subscription agreements for the sale of an aggregate of 625,000 new common shares of the Company. These agreements were signed with certain accredited investors 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 of the Act. The purchase price of each share was \$20.00. The aggregate amount of proceeds to the Company from the private placement was \$12.5 million. Net proceeds after \$0.6 million in commission fees, legal fees, and Nasdaq registration and filing fees were approximately \$11.9 million.

#### NOTE 11 - SUBSEQUENT EVENTS

On May 8, 2002, in a single transaction, the Company exchanged an aggregate of face value euro 1.3 million of its Senior Discount Notes for 75,000 shares of its common stock, par value \$0.02 per share. This exchange will be accounted for as an extinguishment of debt with the resulting loss on such extinguishment calculated as the difference between the allocated carrying value of the debt and any related warrants extinguished and the fair market value of the common stock issued, offset by the write-off of the allocated unamortized deferred financing costs. The transaction is exempt from registration in accordance with the Act. The Senior Discount Notes that were acquired by the Company in the above exchange have not been retired.

In May 2002, two participants in the Credit Agreement described in Note 5, in two separate transactions, elected to exercise warrants to purchase a total of 99,000 shares. The total amount of cash received from these transactions was \$0.7 million.

In May 2002, the Company's shareholders approved a new Stock Incentive Plan which provides for the issuance of options to purchase up to 2.0 million shares of stock to employees, directors and consultants of the Company. The terms of this plan are similar to those of our existing two stock option plans, except that the new plan permits the grant of certain types of options and stock rights that were not provided for in our other plans, including "reload options," stock appreciation rights, restricted share awards, deferred share awards and phantom rights. Reload options are options which provide for the issuance of new options upon exercise, if the exercise is made by surrender to the Company of shares that have been held for at least 6 months.

#### NOTE 12 - RECLASSIFICATION

Certain amounts have been reclassified in the prior periods' unaudited consolidated financial statements to conform to the 2002 unaudited consolidated financial statements presentation.

As described in Note 8, France and DASH have been removed from continuing operations and classified under discontinued operations. The assets and liabilities associated with the sale have been classified under assets and liabilities from discontinued operations. All operating amounts, ATM counts, transaction numbers and statistics reported in this filing exclude France and DASH.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS ----- OF OPERATIONS -----

### OVERVIEW

We are a leading provider of secure electronic financial transaction solutions. We provide financial payment middleware, financial network gateways, outsourcing, and consulting services to financial institutions, retailers and mobile phone operators. We operate an independent automated teller machine, or

ATM, network of 2,548 ATMs in Europe (and until January 2002 in the United States). In addition, through our software subsidiary Euronet USA Inc., we offer a suite of integrated software solutions for electronic payment and transaction delivery systems. We offer comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM management solutions and software solutions. Our principal customers are banks and other companies such as mobile phone operators that require electronic financial transaction processing services. With nine offices in Europe, one in Indonesia, one in Egypt and two in the United States, we offer our solutions in more than 60 countries around the world. We changed our name from Euronet Services Inc. to Euronet Worldwide, Inc. in August 2001.

We currently operate in two business segments: the "Processing Services Segment" provides secure processing of electronic financial transactions, and the "Software Solutions Segment" produces application software for the processing of secure electronic financial transactions. The Processing Services Segment comprises our proprietary ATM network, outsourced management of ATMs for banks, and various new processing services that we provide for banks and mobile phone companies through our ATM network and managed ATMs, such as mobile phone recharge services. Our Software Solutions Segment provides transaction processing software solutions to banks that permit them to operate ATMs and point-of-sale terminals and process financial transactions from those devices and the internet.

Our management divides the Processing Services Segment into three geographic sub-segments:

- o Central European Sub-segment (including Hungary, Poland, the Czech Republic, Croatia, Greece and Romania),
- o Western European Sub-segment (including Germany and the United Kingdom), and
- o Other Operations Sub-segment (including Indonesia, Egypt and unallocated processing center costs).

We also operate a "Corporate Services Segment" that provides these two business segments with corporate and other administrative services that are not directly identifiable with them. The accounting policies of each segment are the same as those described in the summary of significant accounting policies. We evaluate performance based on profit or loss from continuing operations before income taxes not including nonrecurring gains and losses.

We intend to close our ATM processing business in France, which we commonly refer to simply as "France". Consequently, we have reclassified the operational results for France for all reported periods to discontinued operations and have reported the relevant assets and liabilities from discontinued operations in accordance with SFAS 144.

On January 4, 2002, we sold substantially all of the assets of our ATM processing business in the United States, known as DASH, to ALLTEL Information Services, Inc. for \$6.8 million in cash. ALLTEL Information Services, Inc. is a wholly-owned subsidiary of ALLTEL Corporation. \$0.7 million of the proceeds is being held in escrow under the terms of a separate escrow agreement to cover certain post-closing adjustments and any damages that might arise from breach of the representations and warranties contained in the purchase agreement with ALLTEL. We recorded a pre-tax gain of approximately \$4.8 million related to this transaction.

In previous filings, we reported France under the Western European Sub-segment and DASH under the Other Operations Sub-segment. All operating amounts, ATM counts, transaction numbers and statistics reported in this filing exclude France and DASH. The decrease of our ATMs from 2,999 as reported in our annual report on Form 10-K for the year ended December 31, 2001 to 2,548 at March 31, 2002 is attributable to this exclusion.

SEGMENT RESULTS OF OPERATIONS

| (Unaudited)<br>(In thousands) | Revenues<br>----- |      | Operating Income/(Loss)<br>----- |      |
|-------------------------------|-------------------|------|----------------------------------|------|
| Three months ended March 31,  | 2002              | 2001 | 2002                             | 2001 |

|                            | ----     | ----     | ----    | ----       |
|----------------------------|----------|----------|---------|------------|
| Processing Services:       |          |          |         |            |
| Central European           | \$ 6,136 | \$ 5,489 | \$ 514  | \$ (196)   |
| Western European           | 5,562    | 4,693    | 439     | 385        |
| Other                      | 479      | -        | (223)   | (491)      |
|                            | -----    | -----    | -----   | -----      |
| Total Processing Services  | 12,177   | 10,182   | 730     | (302)      |
| Software Solutions         | 4,908    | 4,021    | 729     | (1,538)    |
| Corporate Services         | -        | -        | (1,313) | (1,450)    |
| Inter segment eliminations | (45)     | (45)     | -       | -          |
|                            | -----    | -----    | -----   | -----      |
| Total                      | \$17,040 | \$14,158 | \$ 146  | \$ (3,290) |
|                            | =====    | =====    | =====   | =====      |

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND THE THREE MONTHS ENDED MARCH 31, 2001

PROCESSING SERVICES SEGMENT

Revenues

Total segment revenues increased 20% or \$2.0 million to \$12.2 million for the three months ended March 31, 2002 from \$10.2 million for the three months ended March 31, 2001. The increase in revenues is due primarily to the significant increase in transaction volumes and an increase in the number of ATMs that we operated during these periods. We installed 2,112 ATMs as of March 31, 2001 and processed 12.6 million transactions for the three months ended March 31, 2001. As of March 31, 2002, we increased our ATM network by 436 ATMs, or 21%, to a total of 2,548 ATMs. We own 85% of this total number of ATMs, while banks and other financial institutions own the remaining 15% which we operate through management agreements. We processed 15.6 million transactions for the three months ended March 31, 2002, an increase of 3.0 million transactions, or 24%, over the three months ended March 31, 2001. The increase in transaction growth is greater than the increase in ATM growth and revenue growth. During this period, there was an increase in ATMs that we operate under ATM management agreements relative to ATMs we own. The revenues generated from ATM management agreements have a substantial monthly recurring fee as compared to a per transaction fee for our owned ATMs. This generates both fixed and variable revenue components. As a result, transactions on these machines can increase faster than the revenues.

Revenues for the Central European Sub-segment increased 11% or \$0.6 million to \$6.1 million for the three months ended March 31, 2002 from \$5.5 million for the three months ended March 31, 2001. The increase in revenues is largely the result of an increase in the number of ATMs operated by us from 1,405 at March 31, 2001 to 1,526 at March 31, 2002, and increased transaction volumes. Our ability to continue to increase revenues at this rate depends on our ability to sign new contracts to operate more ATMs for banks and financial institutions.

Revenues for the Western European Sub-segment increased 19% or \$0.9 million to \$5.6 million for the three months ended March 31, 2002 from \$4.7 million for the three months ended March 31, 2001. The increase in revenues is largely the result of an increase in the number of ATMs we operate in this region from 707 at March 31, 2001 to 978 at March 31, 2002, and increased transaction volumes. During this period we also increased transaction fees in certain markets.

Of the net 271 ATMs added to the network in Western Europe, 258 ATMs were located in the United Kingdom. Our increase in roll-out of ATMs in the United Kingdom during 2001 was based on the ability to charge a transaction fee directly to the person using the ATMs in this market. The continuance of an aggressive roll-out of ATMs in 2002 in the United Kingdom depends on our ability to find additional sites for ATMs that are capable of highly profitable transaction levels. Some machines we have installed recently in the United Kingdom had transaction levels that are lower than those of machines installed earlier. This is partially due to lower transaction levels at ATM machines at post office sites and at sites at where cash is replenished by merchants. Although these ATMs are profitable, they are generating returns that are lower than we expected. We continue to examine a number of responses to this situation, including using lower cost machines at these sites, reducing our roll-out of new

machines and relocating machines with low transaction volumes in the United Kingdom. A decision to reduce our rate of roll-out of ATMs or the continuing weakness of performance of certain ATMs could result in a decrease in growth in our revenues and operating profits.

Revenues for the Other Operations Sub-segment were \$0.5 million for the three months ended March 31, 2002 as compared to nil for the three months ended March 31, 2001. Revenues from this segment are generated in Egypt and Indonesia, where we are just beginning operations. We previously reported our revenue from the DASH network under this segment but we sold this network in January 2002 (see Note 8 to the unaudited consolidated financial statements). Therefore, no further revenues will be realized in continuing operations from the DASH business for the year 2002.

Of total segment revenue, approximately 90% is from ATMs we own for the three months ended March 31, 2002 and 91% for the three months ended March 31, 2001. Of total transactions processed, approximately 86% is attributable to ATMs we own for the three months ended March 31, 2002 and 88% for the three months ended March 31, 2001. We believe the shift from a largely proprietary, Euronet-owned ATM network to a more balanced mix between proprietary ATMs and customer-owned ATMs is a positive development and will provide higher marginal returns on investments.

We charge fees for three types of ATM transactions that are currently processed on our ATMs:

- o Cash withdrawals,
- o Balance inquiries, and
- o 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 \$2.15 per transaction. Transaction fees for the other two types of transactions are generally substantially less. We include in Processing Services Segment revenues transaction fees payable under the electronic recharge solutions that we sell. Fees for recharge transactions vary substantially from market to market and are based on the specific prepaid solution and the denomination of prepaid hours purchased. Generally transaction fees vary from \$0.90 to \$1.80 per prepaid mobile recharge purchase and are shared with the financial institution.

#### Operating Expenses

Total segment operating expenses increased 9%, or \$0.9 million to \$11.4 million for the three months ended March 31, 2002 from \$10.5 million for the three months ended March 31, 2001. The increase is primarily due to increased salaries to support our operational growth during the period.

Operating expenses for the Central European Sub-segment decreased 2% or \$0.1 million to \$5.6 million for the three months ended March 31, 2002 from \$5.7 million for the three months ended March 31, 2001. The decrease in operating expenses is a result of lower direct operating expenses of \$0.3 million offset by increased salary expenses of \$0.2 million. We increased the number of ATMs that we operate in this region from 1,405 at March 31, 2001 to 1,526 at March 31, 2002, and increased transaction volumes. Operating expenses decreased in spite of increasing ATMs and transactions due to operational efficiencies and other expense reductions.

Operating expenses for the Western European Sub-segment increased 19% or \$0.8 million to \$5.1 million for the three months ended March 31, 2002 from \$4.3 million for the three months ended March 31, 2001. The increase in operating expenses was largely the result of an increase in the number of ATMs that we operated over this period, increased direct operating costs and staff increases in our expanding UK market. We increased the number of ATMs that we operate in this region from 707 at March 31, 2001 to 978 at March 31, 2002, and transaction volumes increased as a result.

We currently hold our ATM processing business in France for sale. Consequently, we have reclassified the operational results for France for all reported periods to discontinued operations and have disclosed the relevant assets and liabilities from discontinued operations in accordance with SFAS 144.

Operating expenses for the Other Operations Sub-segment increased 40% or \$0.2 million to \$0.7 million for the three months ended March 31, 2002 from \$0.5 million for the three months ended March 31, 2001. Indonesia operating expenses generated most of this increase. We have not included the DASH network expenses in this

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segment because we sold DASH in January 2002 as further described in Note 8 to the unaudited consolidated financial statements.

Direct operating costs in the Processing Services Segment consist primarily of:

- o ATM installation costs,
- o ATM site rentals,
- o Costs associated with maintaining ATMs,
- o ATM telecommunications,
- o Interest on network cash and cash delivery, and
- o Security services to ATMs.

These costs increased to \$6.6 million for the three months ended March 31, 2002 from \$6.3 million for the three months ended March 31, 2001. This increase is primarily attributable to operating the increased number of ATMs mentioned above. Also, allocations within the Euronet operating companies were made to charge the ATM network operations for transaction switching fees and bank connection fees incurred by our central processing center in Budapest. These allocations totaled \$1.3 million and \$0.9 million for the three months ended March 31, 2002 and March 31, 2001, respectively.

The components of direct operating costs for the three months ended March 31, 2002 and 2001 were:

| Unaudited<br>(in thousands)                   | Three months ending March 31,<br>----- |                  |
|---|--|------------------|
|   | 2002<br>----                           | 2001<br>----     |
| ATM communication                             | \$1,001                                | \$1,089          |
| ATM cash filling and interest on network cash | 1,712                                  | 1,768            |
| ATM maintenance                               | 1,015                                  | 1,108            |
| ATM site rental                               | 784                                    | 594              |
| ATM installation                              | 170                                    | 43               |
| Transaction processing and ATM monitoring     | 1,523                                  | 1,358            |
| Other   | 409                                    | 350              |
|   | -----                                  | -----            |
| Total direct operating expenses               | \$6,614<br>=====                       | \$6,310<br>===== |

As a percentage of this segment's revenue, direct operating costs fell from 62% for the three months ended March 31, 2001 to 54% for the three months ended March 31, 2002. On a per-ATM basis, the direct operating costs fell 13% from \$2,988 per ATM for the three months ended March 31, 2001 to \$2,596 per ATM for the three months ended March 31, 2002. On a per-transaction basis, the direct operating costs fell 16% from \$0.50 per transaction for the three months ended March 31, 2001 to \$0.42 per transaction for the three months ended March 31, 2002. Costs per transaction have decreased because of the combination of increasing transaction volumes on existing sites and having a large fixed direct operating cost structure on these sites. Increasing transaction volumes on existing sites that have fixed direct operating expenses decreases our costs per ATM. In addition, there was an increase in the number of ATMs that we operate under ATM management agreements, and these ATMs generally have lower direct operating expenses (telecommunications, cash delivery, security, maintenance and site rental).

Segment salaries and benefits increased 37% to \$2.6 million for the three months ended March 31, 2002 from \$1.9 million for the three months ended March 31, 2001. This increase reflects the continued expansion of the operations to Western European markets with significantly higher labor costs than Central Europe, as well as increases in staff levels at the processing center which were



required to maintain quality service in line with rising transaction volumes. As a percentage of this segment's revenue, salaries and benefits increased from 18% for the three months ended March 31, 2001 to 22% for the three months ended March 31, 2002.

Selling, general and administrative costs allocated to the Processing Services Segment decreased by \$0.2 million from \$0.4 million for the three months ended March 31, 2001 to \$0.2 million for the three months ended March 31, 2002.

Depreciation and amortization increased marginally from \$1.9 million for the three months ended March 31, 2001 to \$2.0 million for the three months ended March 31, 2002.

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Operating Income/(Loss)

As a result of the factors discussed above, the Processing Services Segment as a whole improved operating income by \$1.0 million, reporting operating income of \$0.7 million for the three months ended March 31, 2002 as compared to an operating loss of \$0.3 million for the three months ended March 31, 2001. The Central European Sub-segment improved operating income by \$0.7 million, reporting operating income of \$0.5 million for the three months ended March 31, 2002 compared to a loss of \$0.2 million for the three months ended March 31, 2001. The Western European Sub-segment experienced no change in operating income with \$0.4 million for the three months ended March 31, 2002 and the three months ended March 31, 2001. The Other Operations Sub-segment reduced its operating loss by \$0.3 million to a loss of \$0.2 million for the three months ended March 31, 2002 from \$0.5 million for the three months ended March 31, 2001.

SOFTWARE SOLUTIONS SEGMENT

Revenues

Revenues of the Software Solutions Segment were \$4.9 million before inter-segment eliminations for the three months ended March 31, 2002 as compared to \$4.0 million for the three months ended March 31, 2001. Software revenues are grouped into four broad categories:

- o Software license fees,
- o Professional service fees,
- o Maintenance fees, and
- o Hardware sales.

Software license fees are the initial fees we charge to license our proprietary application software to customers. We charge professional service fees for providing customization, installation and consulting services to our customers. Software maintenance fees are the ongoing fees we charge for maintenance of our customers' software products. Hardware sales revenues are derived from the sale of computer products. The components of software solutions revenue for the three months ended March 31, 2002 and 2001 were:

| Unaudited<br>(in thousands) | Three months ending March 31,<br>----- |                  |
|-----------------------------|--|------------------|
|                             | 2002<br>----                           | 2001<br>----     |
| Software license fees       | \$2,188                                | \$1,147          |
| Professional service fees   | 841                                    | 1,671            |
| Maintenance fees            | 1,409                                  | 1,201            |
| Hardware sales              | 470                                    | 2                |
|                             | -----                                  | -----            |
| Total                       | \$4,908<br>=====                       | \$4,021<br>===== |

Software license fees increased \$1.0 million from the three month period ended March 31, 2001 to the same period in 2002, due primarily to \$1.3 million in license fees that we obtained as part of the software license agreement with

ALLTEL (see Note 9 to our unaudited consolidated financial statements). We believe that the revenues of the Software Solutions Segment will increasingly be derived from our upgraded and new set of software solutions, including our wireless banking solutions.

The decrease in professional service fees of \$0.8 million is due to fewer billable hours, service and consulting contract work that we performed in connection with the sale and installation of software during the three months ended March 31, 2002 compared to the three months ended March 31, 2001. Certain professional service fees are bundled in software license contracts and reported as license fees using the percentage of completion method.

The increase in maintenance fees is due to the completion of several large contracts since March 2001, thereby initiating the maintenance aspect of these contracts, partially offset by termination of maintenance contracts by existing customers. We intend to secure long-term revenue streams through multi-year maintenance agreements with existing and new customers.

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The increase in hardware sales in 2002 from 2001 is mainly attributed to one computer hardware sale of \$0.3 million. The cost for this item is included in direct costs as described below.

#### Software Sales Backlog

We define "software sales backlog" as fees specified in contracts which we have executed and for which we expect recognition of the related revenue within one year. At March 31, 2002, the revenue backlog was \$4.7 million as compared to \$2.0 million at March 31, 2001. This increase results principally from the ALLTEL software license agreement, which comprises approximately \$2.7 million of the balance. There can be no assurance that the contracts included in backlog will actually generate the specified revenues or that the revenues will be generated within the one-year period.

#### Operating Expenses

Software Solutions Segment operating expenses consist primarily of:

- o Salaries and benefits,
- o Selling, general and administrative expenses, and
- o Depreciation and amortization.

Total segment operating expenses decreased to \$4.2 million for the three months ended March 31, 2002 from \$5.6 million for the three months ended March 31, 2001. The components of Software Solutions Segment operating costs for the three months ended March 31, 2002 and the same period in 2001 were:

| Unaudited<br>(in thousands)         | Three months ending March 31,<br>----- |                  |
|-------------------------------------|--|------------------|
|                                     | 2002<br>----                           | 2001<br>----     |
| Direct operating costs              | \$ 437                                 | \$ 261           |
| Salaries and benefits               | 2,883                                  | 4,215            |
| Selling, general and administrative | 627                                    | 963              |
| Depreciation and amortization       | 232                                    | 120              |
|                                     | -----                                  | -----            |
| Total operating expenses            | \$ 4,179<br>=====                      | \$5,559<br>===== |

Direct operating costs consist of hardware costs and distributor commissions. The increase in direct costs of \$0.2 million for the three months ending March 31, 2002 from the three months ending March 31, 2001 is largely due to the cost of the one computer hardware sale discussed above, partially offset by a decrease in distributor commissions.

During the first quarter of 2001 we reduced our workforce significantly with the primary objective of reducing costs in our Software Solutions Segment to bring them more in line with the anticipated revenue. Because the workforce reductions

involved payment of severance equal to several weeks' salary to most employees, the financial impact of these reductions was greater in the second and subsequent quarters of 2001.

The decrease in selling, general and administrative expenses for the three months ending March 31, 2002 from the three months ending March 31, 2001 was primarily due to our efforts at controlling expenses, in particular, telecommunication expense which decreased \$0.3 million. Some of the cost reductions were one-time credits and incentives that are not expected to continue in the future.

Depreciation and amortization expense increased for the three months ending March 31, 2002 from the three months ending March 31, 2001 due to the addition of \$0.4 million in leasehold improvements in late 2001 and the first quarter of 2002, as well as the addition of \$1.0 million in capitalized research and development costs during 2001. Depreciation of improvements and amortization of capitalized software development costs were \$0.2 million for the three months ended March 31, 2002.

We have made an ongoing commitment to the development, maintenance and enhancement of our products and services. As a result of this commitment we invested substantial amounts in research and development. In

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particular, we invested and will continue to invest in new software products that permit additional features and transactions on our ATM network. In addition, we continue to invest in the on-going development of products that were recently introduced to the market. Our research and development costs for computer products to be sold, leased or otherwise marketed were \$0.9 million for the three months ended March 31, 2002 as compared to \$1.4 million for the three months ended March 31, 2001.

We capitalized \$0.1 million in software development costs during the three months ended March 31, 2002 in accordance with our accounting policy of capitalizing development costs on a product-by-product basis once technological feasibility is established. In the three months ended March 31, 2001 we did not capitalize any software development costs. We establish technological feasibility of computer software products when we complete all planning, designing, coding, and testing activities necessary to establish that the product can be produced to meet its design specifications, including functions, features, and technical performance requirements.

Of the total capitalized research and development costs, \$0.2 million and \$0.1 million were amortized in the three months ended March 31, 2002 and 2001, respectively.

#### Operating Income/(Loss)

The Software Solutions Segment earned an operating income of \$0.7 million for the three months ended March 31, 2002 as compared to an operating loss of \$1.5 million for the three months ended March 31, 2001 as a result of the factors discussed above.

#### CORPORATE SERVICES SEGMENT

##### Operating Expenses

Operating expenses for the Corporate Services Segment decreased to \$1.3 million for the three months ended March 31, 2002 from \$1.5 million for the three months ended March 31, 2001. The components of this segment's operating costs for the three months ended March 31, 2002 and the same period in 2001 were:

Unaudited  
(in thousands)

Three months ending March 31,  
-----

|  | 2002 | 2001 |
|--|------|------|
|  | ---- | ---- |

Salaries and benefits

\$ 575

\$ 741

|                                     |         |         |
|-------------------------------------|---------|---------|
| Selling, general and administrative | 696     | 674     |
| Depreciation and amortization       | 42      | 35      |
|                                     | -----   | -----   |
| Total operating expenses            | \$1,313 | \$1,450 |
|                                     | =====   | =====   |

The reduction of \$0.2 million in salaries and benefits for the three months ending March 31, 2002 compared to the three months ending March 31, 2001 is due to workforce reductions for the three months ending March 31, 2001.

#### NON-OPERATING RESULTS

##### Interest Income

Interest income remained constant at \$0.1 million for the three months ended March 31, 2002 and the same period in 2001.

##### Interest Expense

Interest expense decreased to \$1.7 million for the three months ending March 31, 2002 from \$2.8 million for the three months ending March 31, 2001. The decrease from 2001 to 2002 was due to a reduction in the 12 3/8% senior discount notes as a result of significant debt/equity swaps during 2001 that are more fully described in Note 6 to the unaudited consolidated financial statements.

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##### Foreign Exchange Gain

We had a net foreign exchange gain of \$0.4 million for the three months ended March 31, 2002, compared to a net foreign exchange gain of \$4.4 million for the three months ended March 31, 2001. Exchange gains and losses that result from re-measurement of some of our assets and liabilities are recorded in determining net loss. A portion of the assets and liabilities is denominated in Euros, including capital lease obligations, notes payable (including the notes issued in our public bond offering), and cash and cash equivalents. It is our 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.

##### Extraordinary Gain

We recorded an extraordinary gain of \$0.9 million (net of applicable income taxes of \$0.3 million) for the three months ended March 31, 2001 in two separate debt extinguishment transactions as described in Note 6 to the unaudited consolidated financial statements. There were no extraordinary gains or losses for the three months ended March 31, 2002.

The 12 3/8% senior discount notes that we re-acquired in the above exchanges have not been retired. We will consider additional repurchases of our senior discount notes if opportunities arise to complete these transactions on favorable terms.

##### Minority Interest

We recorded the minority interest in losses from Euronet Sigma Nusantara, an Indonesia company. We own 80% of Sigma Nusantara's shares.

##### Discontinued Operations

We intend to sell our processing business in France. Consequently, we have reclassified the operational results for France for all reported periods to discontinued operations. We disclose the relevant assets and liabilities from discontinued operations in accordance with SFAS 144. The losses from France operations reported as discontinued operations for the three months ended March 31, 2002 were \$0.2 million as compared to \$0.7 million for the three months ended March 31, 2001.

On January 4, 2002, we sold substantially all of the DASH assets to ALLTEL Information Services for \$6.8 million in cash. Of this amount, \$0.7 million is being held in escrow under the terms of a separate escrow agreement to cover certain post-closing adjustments and any damages that might arise from breach of

the representations and warranties contained in the purchase agreement with ALLTEL. We recorded a pre-tax gain of approximately \$4.8 million related to this transaction. We reported income from the discontinued operations of DASH of \$0.1 million and \$0.1 million for the three months ended March 31, 2002 and 2001, respectively.

As a result of the above, we have removed the operating results of France and DASH from continuing operations for all reported periods in accordance with SFAS 144. We previously reported France under the Western European Sub-segment and DASH under the Other Operations Sub-segment.

#### Net Income/(Loss)

Our net income increased to \$3.6 million during the three months ended March 31, 2002 from a net loss of \$1.0 million for the three months ended March 31, 2001, as explained above.

#### LIQUIDITY AND CAPITAL RESOURCES

We financed our historical operations and capital expenditures primarily through the proceeds from the 1998 issue of euro denominated 12 3/8% notes payable, the 1997 public equity offering, equipment lease financing and private placements of equity securities. We have used the net proceeds of these transactions, together with revenues from operations and interest income, to fund aggregate net losses of approximately \$120.0 million, investments in property, plant and equipment of approximately \$57.0 million, and acquisitions of \$24.6 million.

At March 31, 2002, we had cash and cash equivalents of \$22.1 million. We had \$6.1 million of restricted cash held as security with respect to cash provided by banks participating in our ATM network, to cover guarantees on

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financial instruments and as deposits with customs officials. In addition to the assets held on the balance sheet at March 31, 2002, we held repurchased notes payable with a face value of euro 79.1 million (\$68.9 million as of March 31, 2002) and a fair market value estimated at March 31, 2002 of \$62.0 million.

On June 28, 2000 we entered into an unsecured revolving credit agreement providing a facility of up to \$4.0 million from three shareholders, one of which was Michael J. Brown, Euronet's CEO and a director. This credit facility was renewed twice and was due and payable on June 28, 2002. We issued 300,000 warrants in conjunction with the issuance and extensions to this facility. On May 29, 2001, we drew \$2.0 million and issued an additional 160,000 warrants based on the terms of the credit agreement. The warrant strike price was set at the average share price, as quoted on Nasdaq for 10 trading days prior to the warrant issue date, less 10 percent. The exercise price for Michael J. Brown was originally the same as for the other lenders. It was revised by an amendment to the Credit Agreement on January 27, 2002 to be no less than the full trading price of our stock on Nasdaq as of the date of the agreement providing for grant of the warrants, with the amount of the discount that would have resulted from the original terms of the Credit Agreement to be paid to Mr. Brown in cash.

The exercise prices for the warrants for the other two shareholders were \$7.00 per share for the 100,000 warrants issued as of June 28, 2000, \$4.12 per share for the 100,000 warrants issued as of December 29, 2000, \$5.92 per share for the 160,000 warrants issued as of May 29, 2001 and \$6.70 per share for the 100,000 warrants issued as of June 28, 2001. The exercise prices for the warrants for Michael J. Brown were \$8.25 per share for the 100,000 warrants issued as of June 28, 2000, \$4.12 per share for the 100,000 warrants issued as of December 29, 2000, \$7.05 per share for the 160,000 warrants issued as of May 29, 2001 and \$9.00 per share for the 100,000 warrants issued as of June 28, 2001.

In 2001, two participants in the revolving credit agreement elected to exercise a total of 361,000 warrants for an equal number of shares. We received a total amount of \$2.1 million in cash from these transactions.

We elected not to renew the credit agreement in December 2001 and, on March 21, 2002, we repaid the outstanding credit facility debt in full. Payment consisted of \$2.0 million in principal and interest. As of March 31, 2002, 99,000 warrants remain outstanding with respect to this credit facility. Additional warrants were exercised in May 2002 as described more fully in Note 12 to the unaudited consolidated financial statements.

In January 2001, we entered into an unsecured credit facility loan agreement under which we borrowed \$0.5 million from Michael Brown in order to fund transactions on our Czech Republic ATM network. Amounts advanced under this loan agreement mature six months from the date an advance is made, but the amounts were extended for a second six-month period. Amounts advanced bear interest of 10% per annum. In January 2002 we paid in full the loan principal and related interest totaling \$0.5 million.

In 2000, Mr. Brown pledged approximately \$4.0 million of marketable securities that he owns (not including any of our common stock) in order to obtain the release of cash collateral of \$4.8 million held by a bank providing cash to our ATM network in Hungary. We did not have to pay any consideration for this security pledge. On March 14, 2002, we obtained a letter of credit supported by a certificate of deposit for \$5.0 million that replaced Mr. Brown's security pledge, as well as a related \$0.8 million letter of credit and certificate of deposit.

We leased many of our ATMs under capital lease arrangements that expire between 2002 and 2008. The leases bear interest between 8% and 12% per annum. As of March 31, 2002, we owed \$10.9 million under these capital lease arrangements. We expect that our capital requirements will continue in the future, although strategies that promote outsourcing and redeployment of underperforming ATMs will reduce some of these requirements. Acquisitions of related ATM businesses and investments in new markets will require additional capital expenditures. Fixed asset purchases for 2002 are currently estimated to be in the range of \$10 to \$13 million, subject to our evaluation of acceptable returns and transaction levels of new ATM investment, particularly in the United Kingdom.

Effective July 1, 2001, we implemented our Employee Stock Purchase Plan, or ESPP, under which employees have the opportunity to purchase common stock through payroll deductions according to specific eligibility and participation requirements. We completed a series of offerings of three months duration with new offerings commencing on January 1, April 1, July 1, and October 1 of each year. Under the plan, participating employees are granted options which immediately vest and are automatically exercised on the final date of the respective offering

period. The exercise price of common stock options purchased is the lesser of 85% of the "fair market value" (as defined in the ESPP) of the shares on the first day of each offering or the last date of each offering. The options are funded by participating employees' payroll deductions or cash payments. Under the provisions of the ESPP, we reserved 500,000 shares of common stock of which we had issued 226,454 shares as of March 31, 2002. We intend to qualify this plan as an "employee stock purchase plan" under section 423 of the Internal Revenue Code of 1986. During the three months ended March 31, 2002, we issued 51,924 shares at a price of \$14.45 per share, resulting in proceeds to us of \$0.75 million.

In 2002, we made matching contributions of 9,647 shares of stock in conjunction with our 401(k) employee benefits plan for plan year 2001. Under the terms of this plan, employer matching contributions consist of two parts, referred to as "basic" and "discretionary". The basic matching contribution is equal to 50% of eligible employee elective salary deferrals between 4% and 6% of participating employee salaries for the plan year. The discretionary matching contribution is determined by our board of directors for a plan year and is allocated in proportion to employee elective deferrals. As of March 31, 2002, total employer matching contributions since inception of the plan has consisted of 25,922 shares under the basic match and 16,275 shares under the discretionary matching contribution.

We reduced the total book value of our long term 12 3/8% senior discount notes from \$82.3 million at March 31, 2001, to \$38.7 million at March 31, 2002. We did this through a series of debt-for-debt and debt-for-equity exchanges as more fully described in Note 6 to our March 31, 2002 unaudited consolidated financial statements and in Note 11 to our consolidated financial statements for the year ending December 31, 2001. Due to market and other factors, we may not be able to continue to successfully implement these exchanges in 2002 and beyond. We are required to commence cash payments of interest on these notes on January 1, 2003. At current debt levels, we will be required to make approximately \$2.5 million in interest payments on a semi-annual basis beginning January 1, 2003.

The full principal balance of these notes will be due and payable on July 1, 2006.

We have no significant off-balance sheet items.

Based on our current business plan and financial projections, we expect to continue to improve operating income and generate net cash inflows from our operating activities in 2002. In our Processing Services Segment, we anticipate that increased transaction levels in our ATM network will result in additional revenues without a corresponding increase in expenses. In addition, we expect to further expand our 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 Software Solutions Segment, we believe our operating costs are now more in line with anticipated revenues. We believe that certain asset sales and cash and cash equivalents will provide us with sufficient capital. As a result, we believe that we have sufficient liquid resources to meet current and future cash requirements. We will continue our policy of assessing opportunities for additional debt and equity financing as they arise, and will pursue any such opportunities if we think they can contribute to fulfilling our financial and strategic business objectives, particularly if attractive acquisition opportunities present themselves.

#### BALANCE SHEET ITEMS

##### Cash and cash equivalents

Cash and cash equivalents increased to \$22.1 million at March 31, 2002 from \$8.8 million at December 31, 2001 primarily due to the following activity:

- o Net proceeds from the sale of DASH of \$6.5 million as described in Note 8 to our unaudited consolidated financial statements,
- o Net proceeds from the private placement of equity in February 2002 of \$11.9 million as described in Note 11 to our unaudited consolidated financial statements, and
- o Offset by the transfer of \$5.0 million to restricted cash as described in the restricted cash caption below.

##### Restricted cash

Restricted cash increased to \$6.1 million at March 31, 2002 from \$1.9 million at December 31, 2001. The majority of restricted cash is held as security with respect to cash provided in Hungary and Poland by banks participating in our ATM network. The increase is due to the pledge of cash to purchase a \$5.0 million surety bond as cash

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collateral for the Hungarian ATM network, to replace Mr. Brown's \$4.0 million security pledge and a related \$0.8 million certificate of deposit previously obtained for the same purpose.

##### Trade accounts receivable

Trade accounts receivable decreased to \$8.3 million at March 31, 2002 from \$8.9 million at December 31, 2001 primarily due to improved collections.

##### Assets from discontinued operations

Assets from discontinued operations represent the net assets for France as at March 31, 2002 and for France and DASH as at December 31, 2001. The decrease results from the sale of substantially all of DASH's assets from discontinued operations as discussed in Note 8 to our unaudited consolidated financial statements.

##### Property, plant and equipment

Net property, plant and equipment decreased to \$27.6 million at March 31, 2002 from \$29.1 million at December 31, 2001. This decrease results from fixed asset depreciation in excess of fixed asset additions.

## Intangible assets

Net intangible assets decreased to \$1.5 million at March 31, 2002 from \$1.6 million at December 31, 2001. The intangible asset is goodwill related to the 1999 acquisition of SBK, a German ATM company.

## Other assets

Other assets decreased to \$3.1 million at March 31, 2002 from \$3.3 million at December 31, 2001 due to the amortization of capitalized software development costs.

## Current liabilities

Current liabilities decreased to \$20.6 million at March 31, 2002 from \$23.6 million at December 31, 2001. This decrease results primarily from the \$2.0 million repayment of the shareholder credit facility discussed in Note 5 to our unaudited consolidated financial statements.

## Liabilities from discontinued operations

Liabilities from discontinued operations represent the net liabilities for France as at March 31, 2002 and for France and DASH as at December 31, 2001. The decrease results from the sale of substantially all of DASH's liabilities from discontinued operations as discussed in Note 8 to our unaudited consolidated financial statements.

## Capital leases

Total capital lease obligations including current installments decreased to \$10.9 million at March 31, 2002 from \$12.0 million at December 31, 2001. This results from the excess of lease payments over new capital lease obligations.

## Notes payable

Notes payable increased to \$38.7 million at March 31, 2002 from \$38.1 million at December 31, 2001. This results from the following activity:

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|   |         |
|---|---------|
| Balance at December 31, 2001                    | \$ 38.1 |
| Unrealized foreign exchange gain (euro vs. USD) | (0.6)   |
| Accretion of notes payable interest             | 1.2     |
|   | -----   |
| Balance at March 31, 2002                       | \$ 38.7 |
|   | =====   |

## Total Stockholders' Equity/Deficit

Total stockholders' equity increased to \$9.7 million at March 31, 2002 from a deficit of \$7.7 million at December 31, 2001. This results from the following activity:

- o \$3.6 million in net income for the three months ended March 31, 2002,
- o \$14.4 million in proceeds from the private placement of equity, the exercise of options and warrants, and employee stock purchases, and
- o \$0.6 million increase in the accumulated comprehensive loss.

## CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are as follows:

### Software Revenue Recognition

Revenues from software licensing agreement contracts are recognized over the contract term using the percentage of completion method based on the percentage of services that are provided compared with the total estimated services to be provided over the entire contract. Revenue from time and material service contracts is recognized as the services are provided. 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. Maintenance revenue is recognized over the contractual period or as services are performed. Revenue in excess of billings on software license agreements contracts is recorded as unbilled receivables and is included in current assets. Billings in excess of revenue on software license agreements contracts are recorded as deferred revenue and are included in current liabilities until such time the above revenue recognition criteria are met.

#### Capitalization of Software Development Costs

We apply 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 (see Note 25 to the Consolidated Financial Statements for the year ended December 31, 2001--Research and Development). 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 we have 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. Technological feasibility is evidenced by the existence of a working model of the product or by completion of a detail program design. The detail program design must (a) establish that the necessary skills, hardware, and software technology are available to produce the product, (b) be complete and consistent with the product design, and (c) have been reviewed for high-risk development issues, with any uncertainties related to identified high-risk development issues being adequately resolved.

#### Accounting for Income Taxes

We have significant tax loss carryforwards and other temporary differences which are recorded as deferred tax assets and liabilities. Deferred tax assets realizable in future periods are recorded, net of a valuation allowance based on an assessment of each individual entity's ability to generate sufficient taxable income within an appropriate period.

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In assessing the realizability of deferred tax assets, we consider 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. We consider 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 in which the deferred tax assets are deductible, we believe it is more likely than not that we will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2002.

In recent periods, profitability has improved in certain countries in which we operate. When a sufficient history of taxable income has been established in these countries, deferred tax assets increasingly will be considered realizable, and the existing valuation allowances will be reduced.

#### Estimating the Impairment of Long Lived Assets

We are required to evaluate long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset (asset group) may not be recoverable. Recoverability of a long-lived asset (asset group) is measured by a comparison of the carrying amount of an asset to projected undiscounted future net cash flows expected to result from the use and eventual disposition of the asset (asset group). Such estimates will exclude interest charges that will be expensed as incurred. Cash flow assumptions are dependent on whether the asset is in use or in development. 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 on a discounted cash flow basis. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Future adverse changes in market conditions could result in an inability to recover the carrying amount of an asset, thereby possibly requiring an impairment charge in the future.

#### IMPACT OF ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

##### SFAS 145

The Financial Accounting Standards Board (FASB) recently issued Statement No. 145 (SFAS 145), Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. The Statement updates, clarifies and simplifies existing accounting pronouncements. In particular, SFAS 145 rescinds SFAS 4, Reporting Gains and Losses from the Extinguishment of Debt, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. Under SFAS 145, gains and losses from extinguishment of debt should not be classified as extraordinary unless the extinguishment meets the relevant criteria of APB Opinion 30 and such instances are expected to be rare. SFAS 145 is effective for fiscal years beginning after May 15, 2002 however early adoption is encouraged. We do not expect SFAS 145 to have a material impact on our results of operations or financial condition.

#### 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. All statements other than statements of historical facts included in this document are forward-looking statements, including statements regarding the following:

- o Our business plans and financing plans and requirements,
- o Trends affecting our business plans and financing plans and requirements,
- o Trends affecting our business,
- o The adequacy of capital to meet our capital requirements and expansion plans,
- o The assumptions underlying our business plans,
- o Business strategy,
- o Government regulatory action,
- o Technological advances, and
- o Projected costs and revenues.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct. Forward-looking statements are typically identified by the words believe, expect, anticipated, intend, estimate and similar expressions.

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Investors are cautioned that any 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 the following:

- o Technological and business developments in the local card, electronic and mobile banking and mobile phone markets affecting transaction and other fees that we are able to charge for our services,
- o Foreign exchange fluctuations,
- o Competition from bank-owned ATM networks, outsource providers of ATM services, software providers and providers of outsourced mobile phone services,
- o Our relationships with our major customers, sponsor banks in various markets and international card organizations, and
- o Changes in laws and regulations affecting our business.

These risks and other risks are described elsewhere in this document and our periodic filings with the Securities and Exchange Commission.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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## Operational Risk; Security

Our business involves the operation and maintenance of a sophisticated computer network and telecommunications connections with banks, financial institutions and mobile operators. This, in turn, requires the maintenance of computer equipment and infrastructure, including telecommunications and electrical systems, and the integration and enhancement of complex software applications. There are certain operational risks inherent in this type of business which can require temporary shut-down of part or all of our processing systems, including failure of electrical supply, failure of computer hardware and software errors. All of our ATMs other than the ones in Germany are operated through our processing center in Budapest, so any operational problem there may have a significant adverse impact on the operation of our network generally.

We have experienced operations and computer development staff and have created redundancies and procedures, particularly in our Budapest processing center, to mitigate these risks. However, they cannot be eliminated entirely. Any technical failure that prevents operation of our systems for a significant period of time will prevent us from processing transactions during that period of time and will directly and adversely affect our revenues and financial results.

Our ATM network systems process electronic financial transactions using information that is read by ATMs or point-of-sale terminals from bank debit and credit cards, or that our customers input into our systems for mobile phone recharge services. We capture, transmit, handle and store this sensitive bank card information in performing services for our customers. In addition, our software is designed to permit our customers to operate electronic financial transaction networks similar to our network, so our software is used in handling this type of sensitive information.

These businesses involve certain inherent security risks, in particular the risk of electronic interception and theft of the information for use in fraudulent card transactions. We have incorporated industry standard encryption technology and processing methodology into our systems and software to maintain high levels of security. Although this technology and methodology mitigates security risks, they cannot be eliminated entirely as criminal elements apply increasingly sophisticated technology to attempt to obtain unauthorized access to the information handled by ATM and electronic financial transaction networks.

Any breach in our security systems could result in the perpetration of fraudulent financial transactions for which we may be found liable. We are insured against various risks, including theft and negligence, but our insurance coverage is subject to deductibles, exclusions and limitations that may leave us bearing some or all of any losses arising from security breaches.

In addition to electronic fraud issues, theft and vandalism of ATMs presents risks for our ATM business. We install ATMs at sites that are high flow traffic sites and are exposed to theft and vandalism. Vandalism during the year 2001 increased in some of our markets, particularly in Hungary where a series of incidents were attributed to an organized gang that we believe has been apprehended. Although we are insured against these risks, deductibles, exclusions or limitations in our insurance coverage may leave us bearing some or all of any losses arising from theft

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or vandalism of ATMs. In addition, we have experienced increases in claims under our insurance, which has increased our insurance premiums.

## Foreign Exchange Exposure

In the three months ended March 31, 2002, 60.2% of our revenues were generated in Poland, Hungary, the United Kingdom and Germany as compared to 65.6% in the three months ended March 31, 2001. This decrease is due to the overall increase in revenues for our operations, including in these four countries. In Hungary and Poland, the majority of revenues received are denominated in the Hungarian forint and Polish zloty, respectively. However, the majority of our foreign currency denominated contracts in both countries are linked to either inflation or the retail price index. In the United Kingdom and Germany, 100% of the revenues received are denominated in the British pound and the euro, respectively. While a significant portion of our expenditures in these countries are still made in or denominated in U.S. dollars, we are striving to achieve more of our expenses in local currencies to match our revenues.

We estimate that a further 10% depreciation in foreign exchange rates of the Deutsche mark, Hungarian forint, Polish zloty and the British pound sterling against the U.S. dollar, would have the combined effect of a \$2.9 million decrease in the reported net loss. This was estimated by segregating revenues and expenses by the U.S. dollar, Hungarian forint, Polish zloty, British pounds, and euro and then applying a 10% currency devaluation to the non-U.S. dollar amounts. We believe this quantitative measure has inherent limitations. It does not take into account any governmental actions or changes in either customer purchasing patterns or our financing or operating strategies.

As a result of continued European economic convergence, including the increased influence of the euro as opposed to the U.S. dollar on the Central European currencies, we expect that the currencies of the markets where we invest will fluctuate less against the euro than against the dollar. Accordingly, we believe that our euro denominated debt provides, in the medium to long term, for a closer matching of assets and liabilities than would dollar denominated debt.

#### Inflation and Functional Currencies

Generally, the countries we operate in have experienced low and stable inflation in recent years. Therefore, the local currency in each of these markets is the functional currency. Although Croatia has maintained relatively stable inflation and exchange rates, the functional currency of our Croatian subsidiary is the U.S. dollar due to the significant level of U.S. dollar denominated revenues and expenses. Due to these factors, we do not believe that inflation will have a significant effect on our results of operations or financial position. We continually review inflation and the functional currency in each of the countries where we operate.

#### Interest Rate Risk

The fair market value of our 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 our notes payable at March 31, 2002 was \$36.2 million compared to a carrying value of \$38.7 million. A 1% increase from prevailing interest rates at March 31, 2002 would result in a decrease in fair value of notes payable by approximately \$1.2 million. Fair values were determined from quoted market prices and from investment bankers considering credit ratings and the remaining term to maturity.

#### First Interest Repayment

Beginning January 1, 2003, interest payments of approximately euro 2.8 million (\$2.5 million) on our outstanding 12 3/8% senior debt will be payable semi-annually on January 1 and July 1, with the final interest payment due on July 1, 2006. Because the bond interest is payable in euro, foreign currency fluctuations between the U.S. dollar and the euro may result in gains or losses which, in turn, may increase or decrease the amount of U.S. dollar equivalent interest paid on a U.S. GAAP basis. We currently anticipate making these interest payments from earnings denominated in local currencies in our European markets. As a result, it may not be necessary to hedge these expected cash payments in U.S. dollars, since the source of funds used for payments would already be in euro or euro-linked denominations. Throughout 2002, we will actively monitor our potential need to hedge future bond interest payments, and if required, we will initiate hedging strategies to minimize foreign currency losses resulting from payments made from U.S. dollars.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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None.

### ITEM 2. CHANGES IN SECURITIES

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In February 2002, we entered into subscription agreements for the sale of 625,000 new shares of our common stock to accredited investors in transactions

exempt from registration under the 1933 Securities Act. For more details, please see "Subsequent Events" under Item 7 of our annual report on Form 10-K for the year ended December 31, 2001 and Note 29 to the financial statements filed with the annual report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES  
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None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS  
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None.

ITEM 5. OTHER INFORMATION  
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None.

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K  
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(a) Exhibits

| Exhibit Number<br>----- | Exhibit Description<br>----- |
|-------------------------|------------------------------|
|-------------------------|------------------------------|

|              |   |
|--------------|---|
| Exhibit 10.1 | Warrant dated January 27, 2002 reflecting the amended terms of the warrants Euronet issued to Michael J. Brown on June 28, 2000 pursuant to the revolving credit agreement among Euronet, Mr. Brown, DST Systems, Inc. and Hungarian-American Enterprise Fund originally dated June 28, 2000. |
|--------------|---|

The terms of the warrants Euronet issued to DST Systems, Inc. and Hungarian American Enterprise Fund, and the other warrants issued to Mr. Brown, are similar in all material respects to those set forth in Exhibit 10.1 except for the dates of the warrants issued, the number of warrants, and the exercise prices. This information is set forth in Note 5 to our unaudited consolidated financial statements and under "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(b) We filed a report on Form 8-K on January 4, 2002, which we amended twice on January 18, 2002 and May 8, 2002. The items reported were "Item 2. Acquisition or Disposition of Assets" and "Item 5. Other Events and Regulation FD Disclosure."

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SIGNATURES

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

May 15, 2002

By: /s/ MICHAEL J. BROWN  
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Michael J. Brown  
Chief Executive Officer

By: /s/ KENDALL COYNE  
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Kendall Coyne  
Chief Financial Officer



THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM. THIS WARRANT AND SUCH SECURITIES MAY NOT BE TRANSFERRED UNLESS IN COMPLIANCE WITH THE CONDITIONS SPECIFIED IN THIS WARRANT.

January 27, 2002

EURONET WORLDWIDE, INC.  
WARRANT

WHEREAS, pursuant to a certain Revolving Credit Agreement dated June 28, 2000 (the "Credit Agreement"), Euronet Worldwide, Inc. (formerly Euronet Services Inc.) (the "Company") agreed to issue Michael J. Brown certain warrants in consideration of Mr. Brown making loans to the Company, on terms provided in the Credit Agreement. Such terms included an exercise price for each warrant of 90% of the 10 day average trading price of the Company's stock preceding on the day on which each warrant was required to be issued to Mr. Brown.

WHEREAS, the parties to the Credit Agreement subsequently agreed to modify the terms under which such warrants were to be issued to provide that the exercise price of warrants issued to Mr. Brown could not be lower than 100% of the closing trading price of the Company's stock as of the date of the Credit Agreement or any other Loan Document, as defined in the Credit Agreement, that provides for issuance of warrants to Mr. Brown. The agreement to amend the Credit Agreement was approved by the Board of Directors of the Company on November 27, 2001 and included in an amendment to the Credit Agreement executed on January 27, 2002.

WHEREAS, the Company was required under the Credit Agreement to issue Mr. Brown 15,000 warrants on June 28, 2000 and wishes now to issue such warrants to Mr. Brown under such amended terms.

NOW THEREFORE

The Company, for value received, hereby certifies that Michael J. Brown or his registered assigns, is entitled to purchase from the Company, at any time or from time to time during the period specified in Section 2 hereof, 15,000 fully paid and nonassessable shares of Common Stock, par value US\$0.02, of the Company (the "Common Stock"), at an exercise price equal to US\$8.25 ("US\$" means United States Dollars) per share, subject to adjustment hereunder (the "Exercise Price"), and subject to the other terms herein. As used herein, the term "Warrant Shares" means the shares of Common Stock issuable upon exercise of this Warrant (the "Warrant").

1. Manner of Exercise; Issuance of Certificates; Payment for Shares.

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Subject to the provisions hereof, this Warrant may be exercised by the holder hereof, in whole or in part, by the surrender of this Warrant, together with a completed exercise agreement in the

form attached hereto (the "Exercise Agreement"), to the Company during normal business hours on any business day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), and upon payment to the Company in cash, by certified or official bank check or by wire transfer to an account specified by the Company of the Exercise Price for the Warrant Shares specified in the Exercise Agreement. The Warrant Shares so purchased shall be deemed to be issued to the holder hereof or such holder's designee, as the record owner of such shares, as of the close of business on the date on which this Warrant shall have been surrendered, the completed Exercise Agreement shall have been delivered, and

payment shall have been made for such shares as set forth above. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Exercise Agreement, shall be delivered to the holder hereof within five business days after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the holder hereof and shall be registered in the name of such holder. In the event this Warrant is exercised in part, the Company shall also deliver a new Warrant to the holder hereof, which Warrant shall be identical to this Warrant, except that the number of Warrant Shares exercisable therefor shall be decreased by the number of Warrant Shares so purchased.

2. Period of Exercise. This Warrant is exercisable at any time or from -----  
time to time on or after the date first listed above, and before 5:00 p.m., United States Eastern Standard Time on the date following one year thereafter (the "Exercise Period"), provided, however, that if the Company is in default as provided in the last sentence of Section 7.1.2 of the Revolving Credit Agreement dated June 28, 2000 pursuant to which this Warrant is issued (the "Credit Agreement"), then the Exercise Period shall expire three business days after the date on which all Obligations, as defined in the Credit Agreement, have been paid.

3. Certain Agreements of the Company. The Company covenants as follows:  
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(a) Shares to be Fully Paid. All Warrant Shares shall, upon issuance -----  
in accordance with the terms of this Warrant, be validly issued, fully paid, and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof.

(b) Reservation of Shares. During the Exercise Period, the Company -----  
shall at all times have authorized, and reserved for the purpose of issuance upon exercise of this Warrant, a sufficient number of shares of Common Stock to provide for the exercise of this Warrant.

(c) Certain Actions Prohibited. The Company shall not, by amendment -----  
of its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of this Warrant in order to protect the exercise privilege of the holder of this Warrant against impairment, consistent with the tenor and purpose of this Warrant. Without limiting the generality of the foregoing, the Company shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(d) Successors and Assigns. This Warrant shall be binding upon any entity succeeding to the Company by merger, consolidation, or acquisition of all or substantially all the Company's assets.

4. Antidilution Provisions. During the Exercise Period, the Exercise -----  
Price and the number of Warrant Shares shall be subject to adjustment from time to time as provided in this Section 4.

(a) Subdivision or Combination of Common Stock. If the Company at -----  
any time subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the Common Stock into a greater number of shares, then, after the record date for effecting such subdivision, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares shall be proportionately increased. If the Company at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the Common Stock into a smaller number of shares, then, after the record date for



effecting such combination, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased.

(b) Rights; Options; Warrants. In case the Company shall issue  
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rights, options, warrants or convertible or exchangeable securities (other than a convertible or exchangeable security subject to Section 4(a)) to all holders of its Common Stock, entitling them to subscribe for or purchase shares of Common Stock at a price per share which is lower (at the record date for such issuance) than the then Current Market Value (defined in Section 4(c) below) per share of Common Stock, the number of Warrant Shares issuable upon exercise of each Warrant thereafter shall be determined by multiplying the number of Warrant Shares theretofore purchasable upon exercise of each Warrant by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options, warrants or convertible or exchangeable securities plus the number of additional shares of Common Stock offered for subscription or purchase, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options, warrants or convertible or exchangeable securities plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then Current Market Value per share of Common Stock. Such adjustment shall be made whenever such rights, options, warrants or convertible or exchangeable securities are issued, and shall become effective retroactively immediately after the record date for the determination of shareholders entitled to receive such rights, options, warrants or convertible or exchangeable securities.

(c) Issuance of Common Stock at Lower Values. In case the Company  
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shall, in a transaction in which Sections 4(a) and 4(b) are inapplicable, issue or sell shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock to an Affiliate (defined below) of the Company, at a price per share of Common Stock (determined in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (A) the total amount receivable by the Company in consideration of the issuance and sale of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration, if any, payable to the Company upon exercise, conversion or exchange thereof, by (B) the total number of shares of Common Stock covered by such rights, options, warrants

or convertible or exchangeable securities) that is lower than the Current Market Value per share of Common Stock in effect immediately prior to such sale or issuance, then the the number of Warrant Shares issuable upon exercise of each Warrant thereafter shall be determined by multiplying the number of Warrant Shares theretofore purchasable upon exercise of such Warrant by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after such sale or issuance and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such sale or issuance plus the number of shares of Common Stock which the aggregate consideration received (determined as provided below) for such sale or issuance would purchase at such Current Market Value per share of Common Stock. Such adjustment shall be made successively whenever any such sale or issuance is made. For purposes of this Section 4(c), the shares of Common Stock which the holder of any such rights, options, warrants or convertible or exchangeable securities shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of such sale and issuance and the consideration received by the Company therefor shall be deemed to be the consideration received by the Company for such rights, options, warrants or convertible or exchangeable securities, plus the consideration or premiums stated in such rights, options, warrants or convertible or exchangeable securities to be paid for the shares of Common Stock covered thereby.

In case the Company shall issue and sell shares of Common Stock or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the "consideration" receivable by or payable to the Company for purposes of the first sentence of this Section 4(c), the Board of Directors of the Company shall

determine, in good faith, the fair value of such property, which determination shall be evidenced by a resolution of the Board of Directors of the Company. In case the Company shall issue and sell rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, together with one or more other securities as part of a unit at a price per unit, then in determining the "price per share of Common Stock" and the "consideration" receivable by or payable to the Company for purposes of the first sentence of this Section 4(c), the Board of Directors of the Company shall determine, in good faith, the fair value of the rights, options, warrants or convertible or exchangeable securities then being sold as part of such unit, which determination shall be evidenced by a resolution of the Board of Directors of the Company.

For purposes of Section 4(b) and this Section 4(c), "Current Market Value" per share of Common Stock or any other security at any date means (i) if the security is not registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (a) the value of the security, determined in good faith by the Board of Directors of the Company and certified in a resolution of the Board of Directors of the Company, based on the most recently completed arm's-length transaction between the Company and a person or entity other than an Affiliate of the Company and the closing of which occurs on such date or shall have occurred within the six-month period preceding such date, or (b) if no such transaction shall have occurred on such date or within such six-month period, the fair market value of the security as determined by a nationally or regionally recognized independent financial expert (provided that, in the case of the calculation of Current Market Value for determining the cash value of fractional shares, any such determination within six months that is, in the good faith judgment of the Board of Directors of the Company, a reasonable determination of value, may

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be utilized) or (ii) (a) if the security is registered under the Exchange Act, the average of the daily closing sales prices of the securities for the 20 consecutive trading days immediately preceding such date, or (b) if the securities have been registered under the Exchange Act for less than 20 consecutive trading days before such date, then the average of the daily closing sales prices for all of the trading days before such date for which closing sales prices are available, in the case of each of (ii) (a) and (ii) (b), as certified by the Chief Executive Officer, President, any Vice President or the Chief Financial Officer of the Company. The closing sales price for each such trading day shall be: (A) in the case of a security listed or admitted to trading on any United States national securities exchange or quotation system, the closing sales price, regular way, on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, (B) in the case of a security not then listed or admitted to trading on any national securities exchange or quotation system, the last reported sale price on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reputable quotation source designated by the Company, (C) in the case of a security not then listed or admitted to trading on any national securities exchange or quotation system and as to which no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reputable quotation service, or a newspaper of general circulation in the Borough of Manhattan, City and State of New York, customarily published on each business day, designated by the Company, or, if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than 30 days prior to the date in question) for which prices have been so reported and (D) if there are not bid and asked prices reported during the 30 days prior to the date in question, the Current Market Value shall be determined as if the securities were not registered under the Exchange Act. "Affiliate" means, with respect to any specified person or entity, (a) any person or entity directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person or entity or (b) any person or entity that owns, directly or indirectly, 10% or more of such specified person's or entity's voting capital stock or any director of such specified person or entity.

(d) Consolidation, Merger or Sale. In case the Company after the

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date hereof (a) shall consolidate with or merge into any other entity and shall not be the continuing or surviving corporation of such consolidation or merger, (b) shall permit any other entity to consolidate with or merge into the Company

and the Company shall be the continuing or surviving entity but, in connection with such consolidation or merger, all outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other entity or cash or any other property, (c) shall transfer all or substantially all of its properties or assets to any other person or entity, or (d) shall effect a capital reorganization or reclassification of the Common Stock (other than a capital reorganization or reclassification for which adjustment in the Exercise Price is provided in Section 4(a)), then, and in the case of each such transaction, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the holder of this Warrant, upon the exercise hereof at any time after the consummation of such transaction, shall be entitled to receive (at the aggregate Exercise Price in effect at the time of such consummation for all Common Stock issuable upon such exercise immediately prior to such consummation), in lieu of the Common Stock issuable upon such exercise immediately prior to such consummation, the highest amount of securities, cash or other property to which such holder would have been entitled as a shareholder upon such consummation if such holder had exercised this Warrant immediately prior thereto, subject to adjustments (subsequent to such consummation) as nearly equivalent as possible to the adjustments provided for in this Section 4. The Company

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shall not effect any such consolidation, merger, or sale of assets, or capital reorganization or reclassification unless prior to the consummation thereof, the continuing or surviving corporation (if other than the Company) assumes by written instrument the obligations under this Section 4 and the obligations to deliver to the holder of this Warrant such securities, cash or other property as, in accordance with the foregoing provisions, the holder may be entitled to acquire.

(e) Distribution of Assets. In case the Company shall declare or  
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make any distribution of its assets to all holders of Common Stock as a partial liquidating dividend, by way of return of capital or otherwise, other than a dividend payable in shares of Common Stock or in cash out of earnings of the Company, the holder of this Warrant shall be entitled upon exercise of this Warrant to receive the amount of cash, securities or other property that would have been payable to the holder had such holder been the holder of such shares of Common Stock on the record date for the determination of stockholders entitled to such distribution.

(f) Notice of Adjustment. Upon the occurrence of any event that  
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requires any adjustment of the Exercise Price, the Company shall give notice thereof to the holder of this Warrant, which notice shall state the Exercise Price resulting from such adjustment and the increase or decrease, if any, in the number of Warrant Shares, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(g) Adjustment of Exercise Price. No adjustment of the Exercise  
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Price shall be made in an amount less than 1% of the Exercise Price in effect at the time such adjustment is otherwise required to be made, but any such lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which, together with any adjustments so carried forward, shall amount to not less than 1% of such Exercise Price. In the event that any adjustment of the Exercise Price as required herein results in a fraction of a cent, such Exercise Price shall be rounded up to the nearest cent.

(h) No Fractional Shares. If any exercise of this Warrant would  
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result in the issuance of a fractional share of Common Stock, such fractional share shall be disregarded and the number of shares of Common Stock issuable upon such exercise shall be the nearest whole number of shares.

(i) Other Notices. In case at any time:  
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(i) the Company shall declare any dividend upon the Common Stock payable in shares of stock of any class or make any other distribution (other than dividends or distributions payable in cash out of retained earnings) to the holders of the

Common Stock;

- (ii) the Company shall offer for subscription pro rata to all holders of the Common Stock any additional shares of stock of any class or other rights;
- (iii) there shall be any capital reorganization of the Company, or reclassification of the Common Stock or sale of all or substantially all its assets to another entity;

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- (iv) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, in each such case, the Company shall give to the holder of this Warrant notice of (a) the date on which the books of the Company shall close or a record shall be taken for determining the holders of Common Stock entitled to receive any such dividend, distribution or subscription rights, or for determining the holders of Common Stock entitled to vote in respect of any such transaction, and (b) the date (or, if not then known, a reasonable approximation thereof by the Company) when such transaction shall occur. Such notice shall also specify the date on which the holders of Common Stock shall be entitled to receive such dividend, distribution or subscription rights or to exchange their Common Stock or stock or other securities or property deliverable upon consummation of such transaction. Such notice shall be given at least 30 days prior to the record date or the date on which the Company's books are closed in respect thereto. Failure to give any such notice or any defect therein shall not affect the validity of any action referred to in clauses (i), (ii), (iii) and (iv) above.

(j) Certain Events. In case any event shall occur as to which

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paragraphs (a), (b), (c), (d) or (e) of this Section 4 are not strictly applicable but the failure to make any adjustment would not fairly protect the rights represented by this Warrant in accordance with the essential intent of such provisions, the Company shall give notice of such event as provided in Section 4(f) and shall make an appropriate adjustment in the Exercise Price and the number of Warrant Shares to preserve, without dilution, the rights represented by this Warrant.

5. Issue Tax. The issuance of certificates for Warrant Shares upon the

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exercise of this Warrant shall be made without charge to the holder of this Warrant or such shares for any issuance tax or other costs in respect thereof; provided that the holder shall pay all transfer taxes owed upon the issuance of such shares in the name of any person or entity designed by the holder.

6. No Rights as a Stockholder. Prior to the exercise of this Warrant,

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the holder hereof, as such, shall not be entitled to any rights of a stockholder of the Company, including, without limitation, the right to vote, to consent, to exercise any preemptive right, to receive any notice of meetings of stockholders for the election of directors of the Company or any other matter or to receive any notice of any proceedings of the Company, except as may be specifically provided for herein.

7. Transfer, Exchange, and Replacement of Warrant; Resale of Warrant

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Shares.  
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(a) Restriction on Transfer. THIS WARRANT (INCLUDING ANY

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REPLACEMENT WARRANT) MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR OTHERWISE DISPOSED OF (WHETHER BY OUTRIGHT OR COLLATERAL ASSIGNMENT) EXCEPT FOR THE EXERCISE OF THIS WARRANT IN ACCORDANCE WITH ITS TERMS. THE HOLDER OF THIS WARRANT SHALL BE BOUND BY THE TRANSFER RESTRICTIONS CONTAINED HEREIN.

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- (b) Replacement of Warrant. Upon receipt of evidence reasonably  
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 satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft, or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company, at its expense, shall execute and deliver, in lieu thereof, a new Warrant of like tenor.
- (c) Cancellation; Payment of Expenses. Upon the surrender of  
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 this Warrant in connection with any replacement as provided in this Section 7, this Warrant shall be promptly cancelled by the Company. The Company shall pay all taxes and all other expenses (other than legal expenses, if any, incurred by the holder) and charges payable in connection with the preparation, execution, and delivery of Warrants pursuant to this Section 7.
- (d) Register. The Company shall maintain, at its principal  
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 executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued.
- (e) Restriction on Resale. The Warrant Shares have not been  
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 registered under the Securities Act or any state securities laws, and may not be sold or transferred unless (i) subsequently registered thereunder or (ii) the undersigned shall have delivered to the Company an opinion of counsel (which opinion and counsel shall be reasonably acceptable to the Company) to the effect that the Warrant Shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration.
- (f) Exercise Without Registration. If, at the time of the  
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 surrender of this Warrant in connection with any exercise of this Warrant, the Warrant Shares shall not be registered under the Securities Act and under applicable state securities or blue sky laws, the Company may require, as a condition of allowing such exercise, that the holder of this Warrant furnish to the Company a written opinion of counsel, which opinion and counsel are acceptable to the Company, to the effect that such exercise may be made without registration under the Securities Act and applicable state securities or blue sky laws.

8. Notices. All notices, requests, and other communications required or  
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permitted to be given or delivered hereunder to the holder of this Warrant shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by recognized overnight mail courier, postage prepaid and addressed, to such holder at the address shown for such holder on the books of the Company, or at such other address as such holder shall have furnished to the Company. All notices, requests and other communications required or permitted to be given or delivered hereunder to the Company shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by

recognized overnight mail courier, postage prepaid and addressed, to Euronet Service Inc., 4601 College Boulevard, Suite 300, Leawood, Kansas 66211, Attention: Michael J. Brown, Chief Executive Officer, or to such other address as the Company shall have furnished to the holder of this Warrant. Any such notice, request or other communication may be sent by facsimile, but shall in such case be subsequently confirmed by a writing personally delivered or sent by certified or registered mail or by recognized overnight mail courier as provided

above. All notices, requests and other communications shall be deemed to have been given either at the time of the receipt thereof at the address specified in this Section 8 or, if mailed by registered or certified mail or with a recognized overnight mail courier, upon deposit with the United States Post Office or such overnight mail courier, postage prepaid and properly addressed.

9. Governing Law. THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO ITS OR ANY OTHER JURISDICTION'S CONFLICTS OF LAW.

10. Miscellaneous.

- (a) Amendments. This Warrant may only be amended by an  
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instrument in writing signed by the Company and the holder hereof.
- (b) Headings. The headings of the sections and paragraphs of  
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this Warrant are for reference purposes only, and shall not affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

EURONET WORLDWIDE, INC.

By: \_\_\_\_\_  
Daniel R. Henry  
President