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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2005

OR

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

Commission File Number: 000-22167

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

Delaware	**74-2806888**
(State or other jurisdiction of incorporation or organization)	**(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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of April 30, 2005, the Company had 35,066,342 common shares outstanding.

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PART 1—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EURONET WORLDWIDE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share and per share data)

	As of	
	March 31, 2005 (unaudited)	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 72,984	$ 124,198
Restricted cash	107,896	69,300
Inventory - PINs and other	18,224	18,949
Trade accounts receivable, net of allowances for doubtful accounts of $1,254 at March 31, 2005 and $1,373 at December 31, 2004	114,276	110,306
Earnings in excess of billings	5,703	7,206
Deferred income tax assets	2,905	1,637
Prepaid expenses and other current assets	19,741	13,170
Total current assets	341,729	344,766
Property, plant and equipment, net of accumulated depreciation of $61,088 at March 31, 2005 and $61,384 at December 31, 2004	42,007	39,907
Goodwill	245,624	183,668
Acquired intangible assets, net of accumulated amortization of $6,887 at March 31, 2005 and $5,363 at December 31, 2004	40,579	28,930
Deferred income tax assets	9,112	8,494
Other assets, net of accumulated amortization of $6,068 at March 31, 2005 and $5,430 at December 31, 2004	9,476	12,710
Total assets	$ 688,527	$ 618,475
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 205,020	$ 155,079
Accrued expenses and other current liabilities	84,567	107,580
Current installments on obligations under capital leases	4,855	4,403
Short-term obligations	4,233	4,862
Income taxes payable	10,479	9,446
Deferred income tax liabilities	4,024	1,864
Deferred revenue	9,350	9,949
Total current liabilities	322,528	293,183
Debt obligations	140,000	140,000
Obligations under capital leases, excluding current installments	15,450	16,894
Deferred income tax liabilities	22,762	17,520
Other long-term liabilities	2,314	3,093
Minority interest	6,341	5,871
Total liabilities	509,395	476,561
Stockholders' equity:		
Common stock, $0.02 par value; 60,000,000 shares authorized; 34,870,941 and 33,126,038 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively	698	663
Additional paid-in-capital	270,025	235,559
Treasury stock	(149)	(149)
Employee loans for stock	(47)	(47)
Subscriptions receivable	(328)	(180)
Accumulated deficit	(94,618)	(99,444)
Restricted reserve	774	774
Accumulated other comprehensive income	2,777	4,738
Total stockholders' equity	179,132	141,914
Total liabilities and stockholders' equity	$ 688,527	$ 618,475

See accompanying notes to the consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES
Consolidated Statement of Operations and Comprehensive Income
(Unaudited, in thousands, except share and per share data)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Revenues:		
EFT Processing Segment	$ 23,889	$ 14,940
Prepaid Processing Segment	89,381	62,919
Software Solutions Segment	3,936	3,196
Total revenues	117,206	81,055
Operating expenses:		
Direct operating costs	82,372	56,645
Salaries and benefits	11,949	9,454
Selling, general and administrative	6,138	4,889
Depreciation and amortization	5,025	3,554
Total operating expenses	105,484	74,542
Operating income	11,722	6,513
Other income (expenses):		
Interest income	1,207	571
Interest expense	(1,588)	(1,836)
Income (loss) from unconsolidated affiliates	245	(21)
Loss on early retirement of debt	—	(71)
Foreign exchange gain (loss), net	(2,842)	235
Total other expense	(2,978)	(1,122)
Income from continuing operations before income taxes and minority interest	8,744	5,391
Income tax expense	(3,830)	(2,105)
Minority interest	(88)	—
Net income	4,826	3,286
Translation adjustment, net	(1,961)	(205)
Comprehensive income	$ 2,865	$ 3,081
Net income per share - basic:		
Net income per share	$ 0.14	$ 0.11
Basic weighted average shares outstanding	33,883,451	30,120,295
Net income per share - diluted:		
Net income per share	$ 0.13	$ 0.10
Diluted weighted average shares outstanding	36,528,742	33,351,456

See accompanying notes to the unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Net income	$ 4,826	$ 3,286
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,025	3,554
Unrealized foreign exchange (gain) loss	2,724	(672)
Gain on disposal of fixed assets	(92)	—
Deferred income tax expense	333	1,563
Income assigned to minority interest	88	—
Accretion of discount on notes payable	—	31
Amortization of debt obligations issuance expense	223	—
Changes in working capital, net of amounts acquired:		
Increase in income taxes payable, net	779	1,561
Decrease (increase) in restricted cash	(38,596)	20,667
Decrease (increase) in inventory	725	(2,864)
Decrease (increase) in trade accounts receivable	(2,773)	414
Decrease (increase) in accrued income	1,503	(1,712)
Decrease (increase) in prepaid expenses and other current assets	(6,801)	3,293
Increase (decrease) in trade accounts payable	33,968	(2,962)
Decrease in deferred revenue	(1,378)	(1,325)
Increase (decrease) in accrued expenses and other liabilities	7,741	(14,025)
Other, net	1,604	(1,402)
Total adjustments and changes in working capital	5,073	6,121
Net cash provided by operating activities	9,899	9,407
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(55,969)	(2,600)
Proceeds from sale of fixed assets	164	—
Fixed asset purchases	(3,041)	(2,000)
Purchase of intangible and other long term assets	(465)	(65)
Net cash used in investing activities	(59,311)	(4,665)
Cash flows from financing activities:		
Proceeds from issuance of shares and other capital contributions	3,369	1,769
Repayment of obligations under capital leases	(2,048)	(6,550)
Net repayments on short-term borrowings	(236)	—
Other, net	—	(2)
Net cash provided by (used in) financing activities	1,085	(4,783)
Effect of exchange differences on cash	(2,887)	64
Net increase (decrease) in cash and cash equivalents	(51,214)	23
Cash and cash equivalents at beginning of period	124,198	19,245
Cash and cash equivalents at end of period	$ 72,984	$ 19,268
Interest paid during the period	$ 624	$ 1,069
Income taxes paid during the period	2,937	998

See accompanying notes to the unaudited consolidated financial statements.
See Note 4 for details of significant non-cash transactions.

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

(1) GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements of Euronet Worldwide, Inc. and Subsidiaries ("Euronet" or the "Company") have been prepared from the records of the Company, in conformity with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, such unaudited consolidated financial statements contain all adjustments (consisting of normal interim closing procedures) necessary to present fairly the financial position of the Company at March 31, 2005 and the results of its operations and cash flows for the three-month periods ended March 31, 2005 and 2004.

The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Euronet for the year ended December 31, 2004, including the notes thereto, set forth in the Company's Form 10-K.

Certain prior year amounts have been reclassified to conform to the current year consolidated financial statement presentation.

During the third quarter 2004, the Company changed the manner in which it reports EFT Processing Segment direct costs, salaries and benefits and sales, general and administrative (SG&A) expenses. In prior periods, processing center costs were charged and then allocated from SG&A to direct costs on the basis of a standard rate per transaction. Management has evaluated the method and believes that the specific assignment of processing center salaries and related costs, together with other costs directly attributable to the center, is a preferred method and more appropriately reflects the variable and non-variable nature of the Company's operating expenses. Periods prior to the third quarter 2004 have been conformed to ensure consistent presentation. This change in presentation does not impact consolidated operating income or net income for any period presented.

The results of operations for the three-month period ended March 31, 2005 are not necessarily indicative of the results to be expected for the full year.

(2) SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

For a description of the accounting policies of the Company, see Note 3 to the Audited Consolidated Financial Statements as of and for the year ended December 31, 2004 set forth in the Company's Form 10-K.

(3) NET INCOME PER SHARE

Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that could occur if dilutive stock options and warrants were exercised using the treasury stock method, where applicable. The following table provides a reconciliation of the weighted average number of common shares outstanding to the diluted weighted average number of common shares outstanding:

	Three Months Ended March 31,	
	2005	**2004**
Basic weighted average shares outstanding	33,883,451	30,120,295
Additional shares from assumed conversion of warrants	—	196,572
Incremental shares from assumed conversion of stock options	2,645,291	3,034,589
Potentially diluted weighted average shares outstanding	36,528,742	33,351,456

The table includes options with strike prices below the average fair market value of Euronet common shares during the period. The table does not reflect 125,000 options that have an exercise price in excess of the average market price of Euronet common shares during the period. These options may have an additional dilutive effect in the future if the average market value of Euronet common shares rises above the exercise price of the options. In December 2004, the Company issued convertible senior debentures that if converted in the future, would have a potentially dilutive effect on the Company's stock. The debentures are convertible into 4.2 million shares of Common Stock, subject to adjustment. As required by Emerging Issues Task Force (EITF) Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share," the dilutive impact of the contingently issuable shares must be included in the calculation of diluted net income per share under the "if-converted" method, regardless of whether the conditions upon which the debentures would be convertible into shares of the Company's Common Stock have been met. Since the assumed conversion of the debentures under the if-converted method is anti-dilutive for the three-months ended March 31, 2005, the impact has been excluded from the calculation of diluted net income per share.

(4) ACQUISITIONS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," the Company allocates the purchase price of its acquisitions to the tangible assets, liabilities and intangible assets acquired based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The fair value assigned to intangible assets acquired is supported by valuations using estimates and assumptions provided by management. For larger acquisitions management engaged an appraiser to assist in the evaluation.

2005 Acquisitions:

Acquisition of Dynamic Telecom, Inc.

In March 2005, Payspot (a wholly-owned subsidiary of Euronet) purchased substantially all of the assets of Dynamic Telecom, Inc. ("Dynamic"), a company based in Iowa. Dynamic distributes several types of prepaid products including wireless, long distance and gift cards via point of sale (POS) terminals in convenience store chains throughout the U.S. The purchase price of $11.1 million consisted of 434,116 shares of Euronet Common Stock, valued at $10.8 million, and $0.3 million in cash. Of the 434,116 shares of Common Stock, 206,547 shares will be held in escrow and released, subject to certain performance criteria and indemnification claims. There are also additional earn-out payments to be calculated based on certain performance criteria for the second and fourth quarter 2005, as specified in the purchase agreement. The total of these payments is currently estimated to be between $7 million and $10 million, which will be recorded as additional goodwill when determined beyond a reasonable doubt. The Company has the option of paying the earn-out in Euronet Common Stock or a combination of cash and Euronet Common Stock.

The following table summarizes the allocation of the purchase price to the fair values of the acquired tangible and intangible assets at the acquisition date. The Company's allocation of the purchase price to the fair values of acquired tangible and intangible assets remains preliminary while management completes its evaluation of the fair value of the net assets acquired.

Description (all dollar amounts in thousands)	Estimated Life	Amount
Current assets		$ 87
Property, plant & equipment	various	679
Customer relationships	8 years	3,488
Goodwill	Indefinite	8,098
Assets acquired		12,352
Deferred income tax		(1,300)
Net assets acquired		$11,052

Acquisition of Telerecarga S.L.

In March 2005, Euronet purchased 100% of the assets of Telerecarga. S.L. ("Telerecarga"), a Spanish company that distributes prepaid wireless airtime and other prepaid products via POS terminals throughout Spain. The purchase price of €38.0 million (approximately $50.8 million) was settled through the assumption of €23.0 million (approximately $30.7 million) in liabilities together with, in the second quarter 2005, a cash payment of €12.6 million (approximately $16.8 million) and the assumption of €2.4 million (approximately $3.3 million) in liabilities; the second quarter cash payment and liability assumption are subject to certain performance conditions, which Euronet expects will be met. Accordingly, the Company has recorded an accrued purchase price liability of $20.1 million as of March 31, 2005, which is included in "Accrued expenses and other current liabilities" in the Company's consolidated balance sheet.

The following table summarizes the allocation of the purchase price to the fair values of the acquired tangible and intangible assets at the acquisition date. The Company's allocation of the purchase price to the fair values of acquired tangible and intangible assets remains preliminary while management completes its evaluation of the fair value of the net assets acquired.

Description (all dollar amounts in thousands)	Estimated Life	Amount
Property, plant & equipment	various	$ 2,139
Customer relationships	8 years	7,246
Goodwill	Indefinite	43,957
Assets acquired		53,342
Deferred income tax		(2,536)
Net assets acquired		$50,806

Increase in ownership of ATX Software, Ltd.

In March 2005, the Company exercised its option to acquire an additional 41% of the shares of ATX Software Ltd. ("ATX") and increased its investment in ATX to 51% for a purchase price of €8.0 million, which was settled through a cash payment of €4.0 million (approximately $5.3 million) and the issuance of 215,644 shares of Euronet Common Stock with an estimated fair value of $5.6 million at the date of issuance. Of the purchase price, €1.0 million (approximately $1.3 million) is being held in escrow to be released quarterly through March 31, 2006, subject to the collection of certain trade accounts receivable. The acquisition was accounted for at fair value as a step acquisition in accordance with SFAS No. 141. Euronet's $0.1 million share of dividends declared prior to acquiring control of ATX was recognized as income from unconsolidated affiliates during the first quarter 2005. As described below under "2004 Acquisitions," Euronet originally acquired a 10% investment in ATX in May 2004. With our increase in ownership from 10% to 51%, we are now required to consolidate ATX's financial position and results of operations.

The following table summarizes the allocation of the purchase price to the fair values of Euronet's 51% share of the acquired tangible and intangible assets at the acquisition date. The Company's allocation of the purchase price to the fair values of acquired tangible and intangible assets remains preliminary while management completes its evaluation of the fair value of the net assets acquired.

Description (all dollar amounts in thousands)	Estimated Life	Amount
Net assets	various	$ 369
Customer relationships	8 years	781
Software	5 years	338
Goodwill	Indefinite	12,729
Assets acquired		14,217
Deferred income tax		(419)
Net assets acquired		$13,798

2004 Acquisitions:

Acquisition of Prepaid Concepts, Inc.

In January 2004, PaySpot purchased all of the share capital of Prepaid Concepts, Inc. (Precept), a company based in California that distributes prepaid services via POS terminals throughout the U.S. The purchase price of $17.8 million was settled through the issuance of 527,180 shares of Euronet Common Stock, payment of $4.0 million in cash and issuance of $4.0 million in promissory notes bearing interest at an annual rate of 7%. Of the issued shares of Common Stock, 160,000 shares were held in escrow and a portion was released in March 2005, with the remaining shares, valued at $1.4 million, retained in escrow until August 2005, subject to any indemnification claims. The promissory notes, including accrued interest, were repaid in cash during 2004.

Acquisition of Electronic Payment Solutions

In May 2004, PaySpot purchased all of the net assets of Electronic Payment Solutions (EPS), a company based in Texas that distributes prepaid services via POS terminals throughout the U.S. The purchase price of $2.2 million was settled through the issuance of 107,911 shares of Euronet Common Stock. Of the issued shares of Common Stock, 50% of the shares will be held in escrow, with 25% being released in May 2005 and the final 25% being released in May 2006, subject to certain performance criteria. The Company also agreed to deliver cash in consideration for the net current assets acquired. Additionally, subject to certain performance criteria, there is a potential earn-out payment payable in Common Stock, currently estimated to be approximately $0.8 million, which will be paid during the second quarter 2005 in Euronet Common Stock. The shares issued related to the earn-out payment will be held in escrow until May 2006. Goodwill will be increased by the amount of additional consideration, if any. The Company's allocation of the purchase price to the fair values of acquired tangible and intangible assets remain preliminary while management completes its evaluation of the fair value of the net assets acquired.

Initial investment in ATX Software, Ltd.

In May 2004, Euronet purchased 10% of the shares of ATX, a provider of electronic prepaid voucher solutions incorporated in the U.K. ATX offers software or outsourcing solutions for prepaid processing to existing scratch card distributors willing to switch to electronic top-up solutions. ATX has customers in more than 25 countries and works directly with scratch card distributors, who in turn contract with the mobile operators individual retailers. The purchase price of $2.9 million, including professional fees, was settled through the issuance of 125,590 shares of Euronet Common Stock for the ATX shares. Euronet was also granted an option to purchase an additional 41% of the shares of ATX at any time prior to April 1, 2005, which, as discussed above, Euronet exercised in March 2005.

Acquisition of Call Processing, Inc.

In July 2004, PaySpot purchased all of the share capital of Call Processing, Inc. (CPI), a company based in Texas that provides prepaid wireless processing and other services to convenience store chains throughout the U.S. CPI provides these services through a network of retail locations, all of which have electronic distribution of prepaid services via POS terminals. CPI provides several types of prepaid products, including prepaid wireless, prepaid long distance, prepaid gift cards, age verification and other services. The purchase price of $6.6 million was settled through a cash payment of $0.7 million and issuance of 281,916 shares of Euronet Common Stock, valued at approximately $5.9 million, to the former shareholders of CPI. Of the issued shares of Common Stock, 65,104 shares will be held in escrow and released on July 1, 2005 and 60,690 shares will be held in escrow and released on June 30, 2006, subject to certain performance criteria. If the average share price of the Company's Common Stock is less than $22.66 on the 20 trading days prior to the date the shares are released from escrow, the Company will pay the aggregate difference between $22.66 and that average share price in either cash or through the issuance of additional shares of Common Stock, at the Company's discretion. In addition, there was a potential earn-out payment payable in Common Stock. In February 2005, the Company fully settled this earn-out obligation with a cash payment of $0.3 million. Goodwill was increased for this additional consideration paid. The Company's allocation of the purchase price to the fair values of acquired tangible and intangible assets remain preliminary while management completes its evaluation of the fair value of the net assets acquired.

Acquisition of Movilcarga

In November 2004, Euronet indirectly acquired certain prepaid mobile phone top-up assets and a network of POS terminals through which mobile phone time is distributed, contracts with retailers that operate the POS terminals, certain employees, and various operating contracts from Grupo Meflur Corporacion (Meflur), a Spanish telecommunications distribution company ("Movilcarga Assets"). With this acquisition Euronet entered into a service agreement with Meflur to provide certain administrative and support functions necessary to operate the Movilcarga Assets, a lease agreement for office space and a license agreement for technology used to process transactions. To implement the acquisition, Euronet purchased 80% of a non-operating Spanish subsidiary ("Movilcarga") that acquired the Movilcarga Assets. Meflur owns the remaining 20%. Euronet purchased the Movilcarga Assets for €18.0 million (approximately $23.1 million) in two installments: €8.0 million in cash at closing and €10.0 million in cash paid in January 2005 that was subject to certain revenue targets and adjustments. The revenue targets were met as of December 31, 2004; therefore, €10.0 million (approximately $13.0 million) was recorded as a purchase price payable, and included in the asset allocation, as of December 31, 2004. Additional payments may be due during the first quarters of 2007 and 2008, subject to the fulfillment of certain financial conditions. The Company estimates that, based on information from Meflur, these additional payments will total approximately €7.0 million to €10.0 million (approximately $9.0 million to $12.9 million). The additional payments may be made, at the option of Euronet, in either cash or a combination of cash and Euronet Common Stock. Goodwill will be increased by the amount of additional consideration, if any, when determined beyond a reasonable doubt. The Company's allocation of the purchase price to the fair values of acquired tangible and intangible assets remain preliminary while management completes its evaluation of the fair value of the net assets acquired.

Pro forma results

The following unaudited pro forma financial information presents the condensed combined results of operations of Euronet for the three months ended March 31, 2005 and 2004 as if the acquisitions described above had occurred January 1, 2004. An adjustment was made to the combined results of operations, reflecting amortization of purchased intangible assets, net of tax, which would have been recorded if the acquisition had occurred at the beginning of the periods presented. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of operations or financial condition of Euronet that would have been reported had the acquisitions been completed as of the beginning of the periods presented, and should not be taken as representative of the future consolidated results of operations or financial condition of Euronet.

(in thousands, except per share data)	Pro Forma for the Three Months Ended March 31, 2005	2004
Revenues	$125,773	$95,922
Operating income	$ 12,714	$ 8,523
Net income	$ 5,342	$ 4,443
Per share data:		
Net Income per share-basic	$ 0.15	$ 0.14
Net Income per share-diluted	$ 0.14	$ 0.13

(5) GOODWILL AND INTANGIBLE ASSETS

Intangible assets and goodwill are carried at amortized cost and evaluated for impairment annually or more frequently if there is an indication of impairment. As disclosed in Note 4 – Acquisitions, additions during the three months ended March 31, 2005 include $11.9 million assigned to acquired amortizable intangible assets and $64.8 million assigned to goodwill. Goodwill represents the excess of the purchase price of the acquired businesses over the fair value of the underlying net tangible and intangible assets acquired. A summary of activity in intangible assets and goodwill for the three months ended March 31, 2005 is presented below:

	Goodwill and Intangible Assets Activity for Three Months Ended March 31, 2005		
(in thousands)	Amortizable Intangible Assets	Goodwill	Total Intangible Assets
Balance as of December 31, 2004	$ 28,930	$183,668	$212,598
Additions:			
Acquisition of Dynamic	3,488	8,098	11,586
Acquisition of Telerecarga	7,246	43,957	51,203
Acquisition of ATX	1,123	12,729	13,852
Adjustment to Transact	1,789	(1,121)	668
Amortization	(1,182)	—	(1,182)
Other (primarily changes in foreign currency exchange rates)	(815)	(1,707)	(2,522)
Balance as of March 31, 2005	$ 40,579	$245,624	$286,203

The additions above include adjustments to the purchase price allocations of the Company's previous acquisitions. The purchase price allocation for Transact, a Prepaid Processing Segment subsidiary based in Germany, was adjusted based on an independent appraisal of the value of Transact as of the date of acquisition finalized during the first quarter 2005. The adjustment resulted in a reclassification of the initial purchase price from goodwill to amortizable intangible assets, primarily customer relationships, of $1.8 million. The related deferred income tax liabilities related to the increase in intangible assets increased by $0.7 million, which also increased goodwill related to Transact. The impact of this reclassification on the Company's net income is an increase to amortization expense, net of the related income tax impact, of less than $0.2 million per year beginning in the first quarter 2005.

Estimated amortization expense on intangible assets, before income taxes, as of March 31, 2005 with finite lives is expected to total $5.5 million for 2005, $5.7 million for 2006, $5.7 million for 2007, $5.5 million for 2008, $5.3 million for 2009 and $5.2 million for 2010.

(6) DEBT OBLIGATIONS

A summary of the activity for the three months ended March 31, 2005 for all debt obligations is presented below:

(in thousands)	Short-Term Obligations	Capital Leases	1.625% Convertible Debentures Due Dec. 2024	Total
Balance at December 31, 2004	$ 4,862	$21,297	$ 140,000	$166,159
Indebtedness incurred	—	2,086	—	2,086
Repayments	(518)	(2,048)	—	(2,566)
Foreign exchange gain	(111)	(1,030)	—	(1,141)
Balance at March 31, 2005	4,233	20,305	140,000	164,538
Less - current maturities	(4,233)	(4,855)	—	(9,088)
Balance at March 31, 2005	$ —	$15,450	$ 140,000	$155,450

As of March 31, 2005, there were no amounts outstanding against the Company's $40 million revolving credit facilities, but there were stand by letters of credit outstanding against these facilities totaling $2.2 million.

(7) STOCK-BASED EMPLOYEE COMPENSATION

The Company accounts for stock-based employee compensation plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost for stock options or restricted stock is measured as the excess, if any, of the fair market value of the Company's shares at the date of the grant over the exercise or purchase price. Such compensation cost is charged to expense on a straight-line basis over the vesting period of the respective options or restricted stock. If vesting may be accelerated as a result of achieving certain milestones, and those milestones are believed to be reasonably achievable, the compensation is recognized on a straight-line basis over the shorter accelerated vesting period.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123R supersedes APB Opinion No. 25, which requires recognition of compensation expense when stock-based incentives are awarded for services provided. SFAS No. 123R requires the determination of the fair value of the share-based compensation at the grant date and the recognition of the related expense over the period in which the share-based compensation vests. SFAS No. 123R permits a prospective or two modified versions of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by the original SFAS No. 123, "Accounting for Stock-Based Compensation." After amendment of the compliance date by the United States Securities and Exchange Commission during April 2005, the Company is required to adopt the provisions of SFAS No. 123R on or before January 1, 2006. Upon adoption, the Company will begin recognizing an expense for unvested share-based compensation that has been issued or will be issued after that date. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The Company has not yet finalized its decision concerning the date of adoption, the transition option it will utilize to adopt SFAS No. 123R, or completed its analysis of the estimated impact that its adoption will have on its financial position and results from operations. However, the impact on net income is likely to be material. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of the original SFAS No. 123 as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," to stock-based employee compensation:

(in thousands, except per share data)	Three Months Ended March 31, 2005	2004
Net income, as reported	$ 4,826	$3,286
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(1,722)	(930)
Pro forma net income	$ 3,104	$2,356
Earnings per share:		
Basic-as reported	$ 0.14	$ 0.11
Basic-pro forma	$ 0.09	$ 0.08
Diluted-as reported	$ 0.13	$ 0.10
Diluted-pro forma	$ 0.08	$ 0.07

Due to the Company's United States corporate income tax position, the Company currently provides a valuation allowance over its entire U.S. net deferred tax position. Therefore, no tax benefits have been attributed to stock-based compensation expense in the above table because management has not determined that it is more likely than not that such benefit would be realized.

(8) BUSINESS SEGMENT INFORMATION

The Company operates in three principal business segments:

1) In the EFT Processing Segment, the Company processes transactions for a network of automated teller machines (ATMs) and point of sale (POS) terminals across Europe, the Middle East, Africa and India. The Company provides comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM and POS management solutions, and electronic recharge services (for prepaid mobile airtime purchases via ATM or directly from the handset).

2) Through the Prepaid Processing Segment, the Company provides prepaid processing, or top-up services, for prepaid mobile airtime and other prepaid products. The Company operates a network of POS terminals providing electronic processing of prepaid mobile phone airtime top-up services in the U.S., Europe and Asia Pacific.

3) Through the Software Solutions Segment, the Company offers a suite of integrated electronic financial transaction (EFT) software solutions for electronic payment and transaction delivery systems.

The Company also has a "Corporate Services Segment" that provides the three business segments with corporate and other administrative services. These services are not directly identifiable with the Company's business segments. There are no significant inter-segment transactions.

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The following tables present the segment results of the Company's operations for the three-month periods ended March 31, 2005 and 2004:

(in thousands)	EFT Processing	Prepaid Processing	Software Solutions	Corporate Services and Other	Consolidated
	For the Three Months Ended March 31, 2005				
Total revenues	$ 23,889	$ 89,381	$ 3,936	$ —	$ 117,206
Operating expenses:					
Direct operating costs	10,834	71,279	259	—	82,372
Salaries and benefits	3,703	4,903	2,127	1,216	11,949
Selling, general and administrative	1,308	3,120	390	1,320	6,138
Depreciation and amortization	2,465	2,243	282	35	5,025
Total operating expenses	18,310	81,545	3,058	2,571	105,484
Operating income (loss)	5,579	7,836	878	(2,571)	11,722
Other income (expense):					
Interest income	46	909	—	252	1,207
Interest expense	(569)	(154)	—	(865)	(1,588)
Income from unconsolidated affiliates	—	113	—	132	245
Foreign exchange loss, net	—	—	—	(2,842)	(2,842)
Total other income (expense)	(523)	868	—	(3,323)	(2,978)
Income (loss) from continuing operations before income taxes and minority interest	$ 5,056	$ 8,704	$ 878	$ (5,894)	$ 8,744
Segment assets as of March 31, 2005	$ 90,875	$548,091	$ 6,247	$ 43,314	$ 688,527

(in thousands)	EFT Processing	Prepaid Processing	Software Solutions	Corporate Services and Other	Consolidated
	For the Three Months Ended March 31, 2004				
Total revenues	$ 14,940	$ 62,919	$ 3,196	$ —	$ 81,055
Operating expenses:					
Direct operating costs	6,855	49,712	78	—	56,645
Salaries and benefits	2,889	3,370	2,161	1,034	9,454
Selling, general and administrative	1,371	1,992	529	997	4,889
Depreciation and amortization	1,835	1,466	221	32	3,554
Total operating expenses	12,950	56,540	2,989	2,063	74,542
Operating income (loss)	1,990	6,379	207	(2,063)	6,513
Other income (expense):					
Interest income	14	544	1	12	571
Interest expense	(176)	(23)	(1)	(1,636)	(1,836)
Loss from unconsolidated affiliates	—	—	—	(21)	(21)
Loss on early retirement of debt	—	—	—	(71)	(71)
Foreign exchange gain, net	—	—	—	235	235
Total other income (expense)	(162)	521	—	(1,481)	(1,122)
Income (loss) from continuing operations before income taxes	$ 1,828	$ 6,900	$ 207	$ (3,544)	$ 5,391
Segment assets as of December 31, 2004	$ 92,238	$429,850	$ 6,605	$ 89,782	$ 618,475

(9) RELATED PARTY TRANSACTIONS

See Note 4 - Acquisitions for a description of notes payable, deferred payment and additional equity issued and contingently issuable to the former business owners (now Euronet shareholders) in connection with various acquisitions.

Under the terms of certain debt agreements entered into in connection with the acquisitions of e-pay, the Company paid approximately $0.6 million in interest in the first quarter 2004 to former e-pay shareholders who now serve as a director and officers of the Company. This indebtedness was repaid in full during December 2004, accordingly, there was no interest incurred for this indebtedness during the first quarter 2005.

(10) LEGAL PROCEEDINGS

The Company is from time to time a party to litigation arising in the ordinary course of its business. Currently, there are no legal proceedings that management believes, either individually or in the aggregate, would have a material adverse effect upon the consolidated results of operations or financial condition of the Company.

(11) GUARANTEES

As of March 31, 2005, the Company has $4.2 million of bank guarantees issued on its behalf, the majority of which are collateralized by cash deposits held by the respective issuing banks.

Euronet regularly grants guarantees of certain unrecorded obligations of its wholly-owned subsidiaries. As of March 31, 2005, the Company had granted guarantees in the following amounts:

- Cash supply in various ATM networks - $14.2 million over the terms of the cash supply agreements.
- Vendor supply agreements - $4.9 million over the term of the vendor agreements.
- Commercial obligations of the Company's Australian Prepaid Processing subsidiary, including PIN inventory held on consignment with its customers, to a maximum of approximately $40 million as of March 31, 2005.

From time to time, Euronet enters into agreements with unaffiliated parties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. The amount of such obligations is not stated in the agreements. The liability under such indemnification provision may be subject to time and materiality limitations, monetary caps and other conditions and defenses. Such indemnity obligations include the following:

- In connection with the license of proprietary systems to customers, Euronet provides certain warranties and infringement indemnities to the licensee, which generally warrant that such systems do not infringe on intellectual property owned by third parties and that the systems will perform in accordance with their specifications.
- Euronet has entered into purchase and service agreements with our vendors and into consulting agreements with providers of consulting services, pursuant to which the Company has agreed to indemnify certain of such vendors and consultants, respectively, against third-party claims arising from the Company's use of the vendor's product or the services of the vendor or consultant.
- In connection with acquisitions and dispositions of subsidiaries, operating units and business assets, the Company has entered into agreements containing indemnification provisions, which are generally described as follows: (i) in connection with acquisitions made by Euronet, the Company has agreed to indemnify the seller against third party claims made against the seller relating to the subject subsidiary, operating unit or asset and arising after the closing of the transaction, and (ii) in connection with dispositions made by Euronet, Euronet has agreed to indemnify the buyer against damages incurred by the buyer due to the buyer's reliance on representations and warranties relating to the subject subsidiary, operating unit or business assets in the disposition agreement if such representations or warranties were untrue when made.
- Euronet has entered into agreements with certain third parties, including banks that provide fiduciary and other services to Euronet or to the Company's benefit plans. Under such agreements, the Company has agreed to indemnify such service providers for third party claims relating to the carrying out of their respective duties under such agreements.

To date, the Company is not aware of any significant claims made by the indemnified parties or parties to guarantee agreements with the Company and, accordingly, no liabilities were recorded as of March 31, 2005 and December 31, 2004.

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

OVERVIEW

COMPANY OVERVIEW

Euronet Worldwide, Inc. ("Euronet" or the "Company") is a leading electronic transaction processor, offering ATM and POS outsourcing services, integrated electronic financial transaction (EFT) software, network gateways, and electronic prepaid top-up services to financial institutions, mobile operators and retailers. We operate the largest independent pan-European ATM network and the largest national shared ATM network in India, and are one of the largest providers of prepaid processing, or top-up services, for prepaid mobile airtime. We have processing centers in the U.S., Europe and Asia, and process electronic top-up transactions at more than 205,000 point of sale (POS) terminals across more than 94,000 retailers with corporate headquarters in Leawood, Kansas, U.S.A., and we have 21 offices worldwide, serving clients in more than 70 countries.

ECONOMIC AND INDUSTRY FACTORS AND RISKS

Our Company faces certain economic and industry-wide factors that could materially affect our business. We are an international company, and face economic, political, technology infrastructure and legal issues in every country in which we operate that could have a positive or negative impact. Some of the more significant risk factors that our management is focused on include the following:

- Technological and business developments in the local card, electronic and mobile banking, mobile phone and retail markets affecting the demand for our services and the level of transaction and other fees that we are able to charge;
- Foreign exchange fluctuations;
- Competition from bank-owned ATM networks, providers of ATM and POS outsourcing services, providers of prepaid mobile phone services and software providers;
- Our relationships with our major customers, sponsor banks in various markets, international card organizations and mobile operators, including the risk of contract terminations with major customers, retailers or mobile operators; and
- Changes in laws and regulations affecting our business.

LINES OF BUSINESS, GEOGRAPHIC LOCATIONS AND PRINCIPAL PRODUCTS AND SERVICES

We operate in three principal business segments:

- An EFT Processing Segment, in which we process transactions for a network of 6,201 ATMs and 10,000 POS terminals across Europe, the Middle East, Africa and India. We provide comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM and POS management solutions, and electronic recharge services (for prepaid mobile airtime purchases via ATM or directly from the handset).
- A Prepaid Processing Segment, through which we provide prepaid processing, or top-up services, for prepaid mobile airtime and other prepaid products. We operate a network of more than 205,000 POS terminals providing electronic processing of prepaid mobile phone airtime top-up services across more than 94,000 retailers in the U.S., Europe and Asia Pacific.
- A Software Solutions Segment, through which we offer a suite of integrated EFT software solutions for electronic payment and transaction delivery systems.

As of March 31, 2005, we had 14 principal offices in Europe, four in the Asia-Pacific region, two in the U.S. and one in Egypt. Our executive offices are located in Leawood, Kansas, USA.

SOURCES OF REVENUES AND CASH FLOW

Euronet earns revenues and income based on ATM management fees, transaction fees, professional services, software licensing fees and software maintenance agreements. Each business segment's sources revenue are described below.

EFT Processing Segment - Our revenues in the EFT Processing Segment are derived from fees charged for transactions effected by cardholders on our proprietary network of ATMs, as well as fixed management fees and transaction fees we charge to banks for operating their ATMs under outsourcing agreements.

On our proprietary network, we generally charge fees for four types of ATM transactions that are processed on our ATMs:

- cash withdrawals;
- balance inquiries;
- transactions not completed because the relevant card issuer does not give authorization; and
- prepaid telecommunication recharges.

For the quarter ended March 31, 2005 approximately 30% of total segment revenue was derived from ATMs we owned (excluding those leased by us in connection with outsourcing agreements) and the remainder was derived from ATMs that we operate for banks on an outsourced basis. The percentage of revenues we generate from our proprietary network of ATMs has fallen significantly over the past two years. We believe this shift from a largely proprietary, Euronet-owned ATM network, to a greater focus on ATMs operated under outsourcing agreements will provide higher marginal returns on investment. This is because we bear all costs of owning and operating ATMs on our proprietary network, including the capital investment represented by the cost of the ATMs themselves, whereas customer-owned ATMs operated under outsource service agreements require a nominal up-front capital investment because we do not purchase the ATMs. Additionally, in many instances operating costs are the responsibility of the owner and, therefore, recurring operating expenses per ATM are lower. In connection with certain long-term outsourcing agreements, we lease many of our ATMs under capital lease arrangements where, generally, we purchase a bank's ATMs and simultaneously sell the ATMs to an entity related to the bank and lease back the ATMs for purposes of fulfilling the ATM outsourcing agreement with the bank. We fully recover the related lease costs from the bank under the outsourcing agreements.

We include in the EFT Processing Segment revenues from transaction-based fees payable for mobile phone recharge time that we distribute through our ATMs. Fees for recharge transactions vary significantly from market to market and are based on the specific prepaid solution and the denomination of prepaid usage purchased. Any or all of these fees may come under pricing pressure in the future.

Prepaid Processing Segment - Revenue in the Prepaid Processing Segment is recognized based on commissions or processing fees received from mobile and other telecommunication operators or from distributors of prepaid wireless products for the distribution and/or processing of prepaid mobile airtime and other telecommunication products. Due to certain provisions in our mobile phone operator agreements, the operators have the ability to reduce the overall commission paid on each top-up transaction. However, by virtue of the Company's contracts with retailers in certain markets, not all of these reductions are absorbed by Euronet. In those markets, when mobile phone operators reduce overall commissions, the effect is to reduce revenues and reduce our direct operating costs resulting in only a small impact, if any, on gross margin and operating income. In Australia, certain retailers negotiate directly with the mobile phone operators for their own commission rates. Our maintenance of agreements with mobile operators is important to the success of our business, because these agreements permit us to distribute top-up to the mobile operators' customers. The loss of any agreements with mobile operators in any market could materially and adversely affect our results.

Software Solutions Segment - The Software Solutions Segment recognizes revenue from licensing, professional services and maintenance fees for software and sales of related hardware. Software license fees are the initial fees we charge to license our proprietary application software to customers. Professional fees consist of charges for customization, installation and consulting services to customers. Software maintenance revenue represents the ongoing fees charged for maintenance and support for customers' software products. Hardware sales are derived from the sale of computer equipment necessary for the respective software solution.

OPPORTUNITIES, CHALLENGES AND RISKS

Our expansion plans and opportunities are focused on three primary areas within our three business segments: (i) outsourced ATM management contracts; (ii) our prepaid mobile phone airtime top-up processing services; and (iii) transactions processed on our network of owned and operated ATMs.

EFT Processing Segment - The continued expansion and development of our ATM business will depend on various factors including the following:

- the demand for our ATM outsourcing services in our current target markets;

- the ability to develop products or services to drive increases in transactions;
- the expansion of our various business lines in countries where we operate;
- entering into additional card acceptance and ATM management agreements with banks;
- the availability of financing for expansion; and
- the ability to effectively and efficiently convert ATMs contracted under newly awarded outsourcing agreements.

We carefully monitor the revenue and transactional growth of our ATM networks in each of our markets, and we adjust our plans depending on local market conditions, such as variations in the transaction fees we receive, competition, overall trends in ATM-transaction levels and performance of individual ATMs.

We consistently evaluate and add prospects to our list of potential ATM outsource customers. However, we cannot predict the increase or decrease in the number of ATMs we manage under outsourcing agreements, because this depends largely on the willingness of banks to enter into outsourcing contracts with us. Due to the thorough internal reviews and extensive negotiations conducted by existing and prospective banking customers in choosing outsource vendors, the process of entering into or renewing outsourcing agreements can take approximately six months to more than one year. The process is further complicated by the legal and regulatory considerations of local countries as well as language complexities. These agreements tend to cover large numbers of ATMs, so significant increases and decreases in our pool of managed ATMs could result from signature or termination of these management contracts. Therefore, the timing of both current and new contract revenues is uncertain and unpredictable.

Prepaid Processing Segment - We currently offer prepaid mobile phone top-up services in the U.S., Europe and Asia Pacific We plan to expand our top-up business in these and other markets by taking advantage of our existing expertise together with relationships with mobile phone operators and retailers.

This expansion will depend on various factors, including, but not necessarily limited to, the following:

- the ability to negotiate new agreements for other markets with mobile phone operators and retailers;
- the continuation of the trend of conversion from scratch card solutions to electronic processing solutions for prepaid airtime among mobile phone users and the continued use of third party providers such as ourselves to supply this service;
- the development of mobile phone networks in these markets and the increase in the number of mobile phone users;
- the availability of financing for expansion.

Growth in our prepaid business in any given market is driven by a number of factors, including the extent to which conversion from scratch cards to electronic distribution solutions is occurring or has been completed, the overall pace of growth in the prepaid mobile telephone market, our market share of the retail distribution capacity and the level of commission that is paid to the various intermediaries in prepaid mobile airtime distribution chain. In mature markets, such as the U.K, Australia and Ireland, the conversion from scratch cards to electronic forms of distribution is either complete or nearing completion. Therefore, this factor will cease to provide the organic increases in the number of transactions per terminal that we have experienced historically. Also in mature markets, competition among prepaid distributors results in the reduction of commissions and margins by mobile operators as well as retailer churn. The combined impact of these factors in developed markets is a flattening of growth in the revenues and profits that we earn. In other markets in which we operate, such as Poland, Germany and the U.S., many of the factors that may contribute to rapid growth (conversion from scratch cards to electronic distribution, growth in the prepaid market and rapid roll out of our network of retailers) remain present.

In addition, our continued expansion may involve acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services. Our ability to effectively manage our rapid expansion will require us to expand our operating systems and employee base in 2005, particularly at the management level, which may reduce our operating income. An inability to do this could have a material adverse effect on our business, growth, financial condition or results of operations. Inadequate technology and resources would impair our ability to maintain current processing technology and efficiencies as well as deliver new and innovative services to compete in the marketplace.

Software Solutions Segment - Software products are an integral part of our product lines, and our investment in research, development, delivery and customer support reflects our ongoing commitment to an expanded customer base. We have been able to enter into agreements under which we use our software in lieu of cash as our initial capital contributions to new transaction processing joint ventures. Such contribution sometimes permits us to enter new markets without significant cash outlay. Therefore, although revenues from our Software Solutions Segment are not currently growing significantly, we view it as a valuable element of our overall business strategy. The competitive factors in the Software Solutions business include price, technology development and the ability of software systems to interact with other leading products. Our success is dependent on our ability to design and implement software applications. Technical disruptions or errors in these systems would adversely impact our revenue and financial results.

Seasonality - Our business is significantly impacted by seasonality, as our revenues for the first quarter are generally lower than those of the last quarter of each year. We have estimated that, absent unusual circumstances (such as the impact of new acquisitions or unusually high levels of growth due to market factors), the overall revenue realized from our three business segments is likely to be approximately 5% to 10% lower during the first quarter of each year than in the last quarter of the year. The impact of this seasonality has been masked for the last two years due to significant growth rates resulting from the addition of large retailer customers in mid-fourth quarter, continued shifts from scratch cards to electronic top-up and acquisitions made in the first quarter of each year. There can be no assurance that this will be the case for future years.

Significant events in the first quarter 2005:

- Acquisition of assets of Dynamic Telecom and Telerecarga and exercise of our option to acquire a majority ownership share of ATX – See Management's Discussion and Analysis, Prepaid Processing Segment and Note 4 to the Unaudited Consolidated Financial Statements. These acquisitions have contributed to the expansion of our Prepaid Processing business in the U.S., European and African markets.

SEGMENT SUMMARY RESULTS OF OPERATIONS

	Revenues for the Three Months Ended March 31,		Year-over-Year Change	
(dollar amounts in thousands)	**2005**	**2004**	**Increase (Decrease) Amount**	**Increase (Decrease) Percent**
EFT Processing	$ 23,889	$14,940	$ 8,949	60%
Prepaid Processing	89,381	62,919	26,462	42%
Software Solutions	3,936	3,196	740	23%
Total	$117,206	$81,055	$ 36,151	45%

	Operating Income for the Three Months Ended March 31,		Year-over-Year Change	
(dollar amounts in thousands)	**2005**	**2004**	**Increase (Decrease) Amount**	**Increase (Decrease) Percent**
EFT Processing	$ 5,579	$ 1,990	$ 3,589	180%
Prepaid Processing	7,836	6,379	1,457	23%
Software Solutions	878	207	671	324%
Total	14,293	8,576	5,717	67%
Corporate Services and Other	(2,571)	(2,063)	(508)	25%
Total	$ 11,722	$ 6,513	$ 5,209	80%

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COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

EFT PROCESSING SEGMENT

The following table presents the results of operations for the three months ended March 31, 2005 and 2004 for our EFT Processing Segment:

	Results for the Three Months Ended March 31,		Year-over-Year Change	
(dollar amounts in thousands)	2005	2004	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	$23,889	$14,940	$ 8,949	60%
Operating expense:				
Direct operating costs	10,834	6,855	3,979	58%
Salaries and benefits	3,703	2,889	814	28%
Selling, general and administrative	1,308	1,371	(63)	(5%)
Depreciation and amortization	2,465	1,835	630	34%
Total operating expenses	18,310	12,950	5,360	41%
Operating income	$ 5,579	$ 1,990	$ 3,589	180%
Transactions processed (millions)	77.3	34.9	42.4	121%
ATMs as of March 31	6,201	3,870	2,331	60%
Average ATMs	6,042	3,610	2,432	67%

Revenues

The increase in EFT Processing Segment revenues for the first quarter 2005 is a result of the increase in number of ATMs operated and the number of transactions processed compared to the first quarter 2004, primarily derived from ATM management agreements in Poland, Romania and India. Revenue per average ATM was $3,954 for the first quarter 2005, compared to $4,139 for the same period a year ago, or a 4% decrease. Revenue per transaction decreased 28% to $0.31 for the first quarter 2005 from $0.43 for the first quarter 2004. Generally, these decreases are the result of a continued shift from Euronet proprietarily owned ATMs to ATMs managed under outsourcing agreements. Under outsourcing agreements, the Company primarily earns revenue based on a fixed recurring monthly management fee, with less dependence on transaction-based fees because incremental transactions have little impact on the fixed or variable costs of managing ATMs. The more significant decrease in revenue per transaction is due to an overall increase in the number of transactions on ATMs that are managed under outsourcing agreements. Since revenue from these arrangements is derived primarily from a fixed monthly recurring management fee, an increase in the number of transactions processed does not generate commensurate increases in related revenue. As of March 31, 2005, the Company owned 15% of the ATMs operated (excluding those leased by us in connection with outsourcing agreements), operated 30% under capital lease and management outsourcing agreements and operated the remaining 55% under management outsourcing agreements only. This compares to 22%, 27% and 51%, respectively, as of March 31, 2004.

Of total segment revenue, for the first quarter 2005, approximately 30% was from ATMs we owned (excluding those leased by us in connection with outsourcing agreements), approximately 26% was from ATMs operated under capital lease and management outsourcing arrangements, while the remaining 44% was from other sources, primarily management outsourcing agreements. This compares to 47%, 13% and 40%, respectively, for the same period last year. We believe this shift from a largely proprietary, Euronet-owned ATM network to operating ATMs under outsourcing arrangements is a positive development in the long run and will provide higher marginal returns on investment because costs of purchasing and operating each ATM is lower for outsourced ATMs as compared to owned ATMs. Customer-owned ATMs operated under service agreements require a nominal up-front capital investment because we do not purchase the ATMs, nor do we incur the start-up costs typically incurred in the early life cycle of Euronet-owned ATM. Additionally, in many instances operating costs are the responsibility of the owner and, therefore, recurring operating expenses per ATM are lower.

Direct operating costs

Direct operating costs consist primarily of site rental fees, cash delivery costs, cash supply costs, maintenance, insurance, telecommunications and the cost of data center operations-related personnel, as well as the processing center’s facility related costs and other processing center related expenses. As discussed in Note 1 – General, to the Unaudited Consolidated Financial

Statements, Euronet changed the manner in which it reports EFT Processing Segment direct costs, salaries and benefits and sales, general and administrative (SG&A) expenses during the third quarter 2004. In prior periods, processing center costs were charged to and then allocated from SG&A to direct costs on the basis of a standard rate per transaction. We have evaluated this approach and believe that the specific assignment of processing center salaries and related costs together with other costs directly attributable to the center is a preferred method and more appropriately reflects the variable and non-variable nature of our operating expenses. Prior periods have been reclassified to conform to the current year presentation. This change does not impact consolidated operating income or net income for any period presented.

The increase in direct operating cost for the first quarter 2005, compared to the first quarter 2004 is attributed to the increase in the number of ATMs under operation. Direct operating costs per ATM have decreased to $1,793 for the first quarter 2005 from $1,899 for the first quarter 2004. Direct operating costs per transaction have decreased to $0.14 per transaction for the first quarter 2005 from $0.20 per transaction during the same period last year. These improvements resulted from installing outsourced ATMs, whose direct costs per ATM and on an average per transaction basis were lower than the existing installed base of ATMs. As discussed in the “Revenues” section above, the number of ATMs that we operate under ATM management outsourcing agreements has increased as compared to ATMs that we own and operate. Outsourced ATMs generally have lower direct operating expenses (telecommunications, cash delivery, security, maintenance and site rental) because, depending on the customer, the customer retains the responsibility for certain operational costs.

Gross margin

Gross margin, which is revenue less direct operating costs, increased by $5.0 million, or 61% to $13.1 million for the first quarter 2005 compared to $8.1 million for the first quarter 2004 due to increases in revenues that exceeded the corresponding increase in direct operating costs. Gross margin per ATM was $2,161 and gross margin per transaction was $0.17 for the three months ended March 31, 2005, decreasing from $2,240 and $0.23 for the three months ended March 31, 2004. These decreases are primarily due to the addition of more ATMs added under outsourcing agreements where we generate less gross margin per ATM, but we do not have any capital investment at risk like we do for ATMs we own.

Salaries and benefits

The increase in salaries and benefits for the first quarter 2005 compared to the first quarter 2004 is due to Euronet’s growing businesses in Indian and Romanian markets, staffing costs to expand in emerging markets and general merit increases awarded to employees. Certain staffing increases were also necessary due to the larger number of ATMs under operation and transactions processed. These expenses as a percentage of revenue, however, continued to trend downward during the first quarter 2005 decreasing to 16%, compared to 19% for the same period in 2004. This decrease as a percentage of revenue reflects the benefits from our investment of resources in India and Romania, as well as the leverage and scalability associated with increases in revenues in our other markets without commensurate increases in salaries and benefits expense.

Selling, general and administrative

Selling, general and administrative expenses for the first quarter 2005 remained relatively flat compared to the same quarter in 2004. However, these costs were reduced by $0.5 million for an insurance recovery related to a loss recorded in the fourth quarter of 2003 on certain ATM disbursements resulting from a card association’s change in their data exchange format. Adjusting for this benefit, selling, general and administrative expenses increased by approximately 34% due to increases in tax consulting fees, primarily in Poland, and software consulting fees in our growing India business.

Depreciation and amortization

The increase in depreciation and amortization expense during the first quarter 2005 compared to the first quarter 2004 is due to additional depreciation on more than 700 ATMs under capital lease arrangements related to an outsourcing agreement in Poland implemented during the second quarter 2004, additional processing center computer equipment necessary to handle increased transaction volumes and technology upgrades to certain of our owned ATMs during the last half of 2004.

Operating income

The increase in operating income for the segment is generally the result of revenue increases from new ATM outsourcing and network participation agreements combined with leveraging certain management cost structures. Operating income as a percentage of revenue was 23% and 13% for the three months ended March 31, 2005 and 2004, respectively. Operating income per transaction was $0.07 and per ATM was $923 during the first quarter 2005, compared to $0.06 and $551, respectively, for the same period in 2004. The continuing increases in operating income as a percentage of revenue, per transaction and per ATM is due to significant growth in revenues and transactions without commensurate increases in operating expenses, as well as the continuing migration toward operating ATMs under management through outsourcing agreements rather than ownership arrangements. In addition, in 2004 our EFT operations in India began managing a number of ATMs under outsourcing agreements sufficient to produce positive operating results in the latter part of 2004. For the first quarter 2005, the Indian operations recorded operating profit of $0.1 million, compared to an operating loss for the first quarter 2004 of $0.2 million. Management expects to continue to produce operating income in this market during 2005.

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PREPAID PROCESSING SEGMENT

The following tables present the results of operations for the three months ended March 31, 2005 and 2004, including “pro forma” results for those periods as if all Prepaid Processing Segment acquired businesses were included in our consolidated results of operations as of January 1, 2004. Since the acquisitions of Telerecarga, Dynamic and ATX occurred near the end of the first quarter 2005, their contributions to the operations of the segment were not material.

	Results for the Three Months Ended March 31,		Year-over-Year Change	
(dollar amounts in thousands)	2005	2004	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	$89,381	$62,919	$ 26,462	42%
Operating expense:				
Direct operating costs	71,279	49,712	21,567	43%
Salaries and benefits	4,903	3,370	1,533	45%
Selling, general and administrative	3,120	1,992	1,128	57%
Depreciation and amortization	2,243	1,466	777	53%
Total operating expenses	81,545	56,540	25,005	44%
Operating income	$ 7,836	$ 6,379	$ 1,457	23%
Transactions processed (millions)	67.2	48.5	18.7	39%

	Pro Forma			
	Results for the Three Months Ended March 31,		Year-over-Year Change	
(dollar amounts in thousands)	2005	2004	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	$97,948	$77,786	$ 20,162	26%
Operating expense:				
Direct operating costs	76,999	59,642	17,357	29%
Salaries and benefits	5,562	4,249	1,313	31%
Selling, general and administrative	3,728	2,860	868	30%
Depreciation and amortization	2,831	2,646	185	7%
Total operating expenses	89,120	69,397	19,723	28%
Operating income	$ 8,828	$ 8,389	$ 439	5%

Revenues

The increase in Prepaid Processing Segment’s revenues for the first quarter 2005 compared to the first quarter 2004 was primarily attributable to the increase in total transactions processed. This transaction growth reflects growth from existing operations and the full year effects of our 2004 acquisitions. On a pro forma basis, first quarter 2005 revenues increased by 26% over the first quarter 2004 as a result of the addition of POS terminals throughout all of our markets, and increased volumes driven by mobile operators shifting from scratch card distribution to electronic distribution. The 2004 acquisitions of EPS, CPI and Movilcarga contributed revenues of $6.6 million for the first quarter 2005. Additionally, revenues have grown from the full quarter effects of retailer agreements implemented during 2004. We do not expect these growth rates at these significant levels to continue and, in certain markets, have felt the competitive effects of lower pricing and margins driven by certain mobile operators and retailers.

Revenue per transaction increased slightly to $1.33 for the first quarter 2005 from $1.30 for the first quarter 2004. Revenue growth in mature markets, such as the U.K. and Australia, has flattened substantially as conversion from scratch cards to electronic top-up approaches completion. We expect most of our growth from 2005 and beyond to be derived from developing markets or markets in which there is organic growth in the prepaid sector, overall, or continued conversion from scratch cards to electronic top-up.

Direct operating costs

Direct operating expenses in the Prepaid Processing Segment include the commissions we pay to retail merchants for the distribution and sale of prepaid mobile airtime and other prepaid products, as well as communication and paper expenses required to operate POS terminals. These expenditures vary directly with revenues and processed transactions.

The increase in direct operating costs for the first quarter 2005 compared to the first quarter 2004 was principally due to corresponding increases in revenues and transactions processed. Direct operating expenses per transaction were $1.06 and $1.03 for the quarters ended March 31, 2005 and 2004, respectively.

Gross margin

Gross margin, which represents revenue less direct costs, grew by approximately $4.9 million, or 37%, to $18.1 million for the first quarter 2005 compared to $13.2 million for the first quarter 2004 due to increases in transactions processed. Gross margin per transaction remained relatively flat at $0.27 for both periods, while decreasing slightly as a percentage of revenue to 20% for the first quarter 2005, from 21% for the first quarter 2004. This slight decrease in gross margin as a percentage of revenues is largely a result of a slight shift in the mix toward transactions processed by major retailers, where our margins are lower, from independent retailers.

Salaries and benefits

The increase in segment salaries and benefits for the first quarter 2005 compared to the first quarter 2004 was primarily related to the increase in revenues and transactions processed, as well as annual merit increases for employees. As a percentage of revenue, salaries and benefits remained relatively flat at 5.5% and 5.4% for the three months ended March 31, 2005 and 2004, respectively.

Selling, general and administrative

Selling, general and administrative expense for the first quarter 2005 compared to the first quarter 2004 increased slightly as a percentage of revenue to 3.5% from 3.2% as we continue to focus resources on expanding our operations in the U.S., Poland and Australia.

Depreciation and amortization

The increase in depreciation and amortization expense, most of which represents amortization of acquired intangibles, for the first quarter 2005 compared to the first quarter 2004 was due to the full quarter impact of amortization of intangible assets acquired in 2004. Depreciation and amortization as a percentage of revenue increased slightly to 2.5% from 2.3% for the three months ended March 31, 2005 and 2004, respectively. This increase is due to higher depreciation and amortization expense as a percentage of revenue related to the Movilcarga and Telerecarga acquisitions because each of these entities owns a majority of its POS terminals. Additionally, we recorded higher amortization expense for our Transact subsidiary for the first quarter 2005, as compared to the first quarter 2004 as a result of the adjustment to our purchase price allocation increasing amortizable intangibles, such as customer relationships, and decreasing goodwill, which is not amortized. See Note 5 – Goodwill and Intangible Assets, to the Unaudited Consolidated Financial Statements for further discussion of this adjustment.

Operating income

The improvement in operating income for the first quarter 2005 compared to 2004 was due to the significant growth in revenues and transactions processed together with contributions from the acquisition of EPS, CPI and Movilcarga after the first quarter 2004. Operating income as a percentage of revenues decreased to 9% for the first quarter 2005 from 10% for the first quarter 2004, mainly due to our focus on expanding operations in the U.S., Poland and Australia, together with a mix shift from independent retailers to major retailers. On a pro forma basis, operating income for the first quarter 2005 improved slightly over the same period last year as a result of the acquired entities' continued growth over the past year. The decrease in the pro forma operating margin percentage to 9% for the first quarter 2005 from 11% for the first quarter 2004 is a result of the inclusion of our acquisitions in the U.S. and Spain in the pro forma results for the first quarter 2004. The pro forma results for the first quarter 2004 in these markets include the positive impact on operating margin of margin-rich opportunistic, short-lived wholesale arrangements that are not necessarily ongoing in nature. Additionally, our businesses have added several large customers, thereby increasing total revenues and total operating profits, while slightly lowering overall operating margin as a percentage of revenues.

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SOFTWARE SOLUTIONS SEGMENT

The following table presents the results of operations for the three months ended March 31, 2005 and 2004 for our Software Solutions Segment:

	Results for the Three Months Ended March 31,		Year-over-Year Change	
(dollar amounts in thousands)	2005	2004	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	$ 3,936	$ 3,196	$ 740	23%
Operating expense:				
Direct operating costs	259	78	181	232%
Salaries and benefits	2,127	2,161	(34)	(2%)
Selling, general and administrative	390	529	(139)	(26%)
Depreciation and amortization	282	221	61	28%
Total operating expenses	3,058	2,989	69	2%
Operating income	$ 878	$ 207	$ 671	324%

Revenues, operating expenses and operating income

Software revenues increased in the first quarter 2005 by $0.7 million compared to the first quarter 2004. This increase is due to the addition of new contracts and the efficient implementation of several upgrades for existing customers during the first quarter 2005 compared to the first quarter 2004. Direct operating costs increased in the first quarter 2005 from the first quarter 2004, however, other costs decreased, resulting in overall operating expenses remaining flat. The combination of increased revenues, without corresponding increases in associated total operating costs resulted in an increase to operating income during the first quarter 2005 of $0.7 million compared to the same period a year ago.

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. As of March 31, 2005, the revenue backlog was $4.1 million compared to $4.5 million as of March 31, 2004. We cannot give assurances that the contracts included in backlog will actually generate the specified revenues or that the revenues will be generated within the one-year period.

CORPORATE SERVICES AND NON-OPERATING RESULTS

The following table presents the operating expenses for the three months ended March 31, 2005 and 2004 for the Corporate Services Segment:

	Results for the Three Months Ended March 31,		Year-over-Year Change	
(dollar amounts in thousands)	2005	2004	Increase (Decrease) Amount	Increase (Decrease) Percent
Salaries and benefits	$ 1,216	$ 1,034	$ 182	18%
Selling, general and administrative	1,320	997	323	32%
Depreciation and amortization	35	32	3	9%
Total operating expenses	$ 2,571	$ 2,063	$ 508	25%

Corporate Operating Expenses

The increase in total operating expenses for the Corporate Services Segment is primarily attributable to increased professional fees and staffing levels required to manage overall Company growth and to continue fulfilling the requirements of the Sarbanes-Oxley Act of 2002.

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Interest Income

Interest income was $1.2 million for the first quarter 2005, compared to $0.6 million for the first quarter 2004, due to the significant increase in the average balance on temporary cash investments held in trust in the growing Prepaid Processing Segment and interest earned on the net proceeds from the December 2004 issuance of $140 million in convertible debentures.

Interest Expense

Interest expense was $1.6 million for the first quarter 2005 compared to $1.8 million for the first quarter 2004. Although we had a larger amount of interest bearing debt outstanding during the first quarter 2005 compared to the first quarter 2004, the weighted average interest rate was 4% for the first quarter 2005 compared to 12% for the first quarter 2004. The decrease was primarily due to the 1.625% interest rate on our convertible debentures, which were outstanding for the first quarter 2005 and the retirement of our
12 3/8% Senior Discount Notes and 8% acquisition notes, which were outstanding during the first quarter 2004.

Foreign Exchange Gain (Loss)

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. We recorded a net foreign exchange loss of $2.8 million for the first quarter 2005, compared to a gain of $0.2 million for the first quarter 2004. Exchange gains and losses that result from re-measurement of certain assets and liabilities are recorded in determining net income. Due to our global exposure, a significant portion of our assets and liabilities are denominated in currencies other than the U.S. dollar, including capital lease obligations, short-term obligations, cash and cash equivalents and investments.

Income Tax Expense

Tax expense on income from continuing operations was $3.8 million for the first quarter 2005 compared to $2.1 million for the first quarter 2004. Tax expense continues to grow due to the growing profitability of individual companies in the Prepaid Processing and EFT Processing Segments, particularly in Western Europe and Australia. The effective tax rate for the first quarter 2005 was approximately 44%.

Net Income

In summary, net income of $4.8 million for the first quarter 2005 represents a $1.5 million increase over the $3.3 million recorded for the first quarter 2004. The increase was primarily due to increased operating income of $5.2 million due to the factors described above, a decrease in net interest expense of $0.9 million, improvement in equity and dividend income from unconsolidated affiliates and other items of $0.2 million, offset by a $3.1 million increase in losses related to foreign exchange and an increase in income tax expense of $1.7 million.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our balance of cash and cash equivalents was $73.0 million and the balance of restricted cash was $107.9 million as of March 31, 2005. At March 31, 2005, we had working capital of approximately $19.2 million compared to working capital of approximately $51.6 million at December 31, 2004. The ratio of current assets to current liabilities decreased to 1.06 at March 31, 2005 from 1.18 at December 31, 2004. The decrease in working capital and the ratio of current assets to current liabilities was mainly due to cash payments for the acquisition of Movilcarga, Telerecarga and ATX and the earn-out payment to the former owners of Transact. For a detailed explanation of these items and the variances from such amounts as of December 31, 2004, see “Balance Sheet Items” below.

Operating cash flows

Cash flows provided by operating activities increased slightly to $9.9 million for the first quarter 2005 compared to $9.4 million for the first quarter 2004. The increase was primarily due to the increase in net income, combined with increases in depreciation and amortization and unrealized foreign exchange loss, which represent non-cash expenses.

Investing activity cash flow

Cash flows used in investing activities were $59.3 million and $4.7 million for the three months ended March 31, 2005 and 2004, respectively. The amount for the first quarter 2005 includes cash paid related to the acquisitions in the amounts of $14.7 million for Telerecarga, $13.0 million for Movilcarga and $3.5 million (net of cash acquired of $1.9 million) for ATX, as well as the cash earn-out payment of $24.5 million to the former owners of Transact. Additionally, our fixed asset purchased for the first quarter 2005 totaled $3.0 million. The amount for 2004 was primarily comprised of $2.6 million for the acquisition of Precept and $2.0 million for fixed asset purchases.

Financing activity cash flows

Cash flows provided by financing activities were $1.1 million for the three months ended March 31, 2005, compared to the amount used in financing activities of $4.8 million for the first quarter 2004. These amounts include proceeds from the exercise of stock options and employee share purchases and repayments of obligations under capital leases.

Other Sources of Capital

Credit agreements – As of March 31, 2005, we had stand by letters of credit totaling $2.2 million outstanding against our $40 million revolving credit agreements; the remaining $37.8 million was available for borrowing. The $40 million revolving credit agreement comprises a $10 million facility among our holding company, Euronet Worldwide, Inc. and certain U.S. subsidiaries and a $30 million facility among certain European subsidiaries. The revolving credit facilities have been, and can be, used to repay existing debt, for working capital needs, to make acquisitions or for other corporate purposes. These agreements expire during October 2006 and contain customary events of default and covenants related to limitations on indebtedness and the maintenance of certain financial ratios. We were in compliance with all covenants as of March 31, 2005. For more information regarding these facilities see our Annual Report on Form 10-K, Item 7 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.”

Overdraft facility – In 2004, our Czech Republic subsidiary entered into an overdraft facility with a bank for up to approximately $3.0 million in order to support ATM network cash needs. As of March 31, 2005, the full amount of the facility was outstanding.

Convertible debt – On December 15, 2004, we closed the sale of $140 million in principal amount of 1.625% Contingent Convertible Senior Debentures Due 2024 (“Convertible Debentures”). The net proceeds, after fees totaling $4.5 million, were $135.5 million. The $4.4 million in fees has been deferred and is being amortized over five years, the term of the initial put option by the holders of the Convertible Debentures. We have used, and plan to use the proceeds of the Convertible Debentures for debt repayment, acquisitions and other corporate purposes.

Proceeds from issuance of shares and other capital contributions – In February 2003, the Company established a new qualified Employee Stock Purchase Plan (“ESPP”) and reserved 500,000 shares of Common Stock for purchase under the plan by employees through payroll deductions according to specific eligibility and participation requirements. This plan qualifies as an “employee stock purchase plan” under section 423 of the Internal Revenue Code of 1986. Offerings commence at the beginning of each quarter and expire at the end of the quarter. 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 day of each offering. The options are funded by participating employees’ payroll deductions or cash payments. During the three months ended March 31, 2005, we issued 10,907 shares at an average price of $21.50 per share, resulting in proceeds to us of approximately $0.2 million.

Other Uses of Capital

Payment obligations related to acquisitions – As provided in our share purchase agreement with the selling shareholders of Transact, during the first quarter 2005, we paid an “earn-out” totaling $39.1 million. This payment was settled through the issuance of 598,302 shares of Company Common Stock, valued at approximately $14.6 million, and €18.7 million (approximately $24.5 million) in cash. We also recorded approximately $13.0 million as of December 31, 2004 for the second payment in connection with the acquisition of the Movilcarga assets. These payments were accrued as current liabilities as of December 31, 2004.

As of March 31, 2005, we recorded an obligation to the former shareholders of Telerecarga for €15.0 million (approximately $20.1 million) to be settled during the second quarter 2005 through a combination of cash and assumption of liabilities. This settlement is subject to certain performance conditions, which Euronet expects will be met. We also have other potential earn-out obligations to the former owners of the net assets of EPS, Movilcarga and Dynamic. These obligations, certain of which may be settled through the issuance of our Common Stock, have not been recorded in the accompanying unaudited consolidated financial statements because the final amounts cannot be estimated beyond a reasonable doubt. These potential obligations are discussed further in Note 4 – Acquisitions to the Unaudited Consolidated Financial Statements and in Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations and Off Balance Sheet Items below.

ATM Leases – In the EFT Processing Segment, we lease many of our ATMs under capital lease arrangements that expire between 2005 and 2011. The leases bear interest between 2.5% and 12% per year. As of March 31, 2005, we owed $20.3 million under these capital lease arrangements. The majority of these lease agreements are entered into in connection with long-term outsourcing agreements where, generally, we purchase a bank's ATMs and simultaneously sell the ATMs to an entity related to the bank and lease back the ATMs for purposes of fulfilling the ATM outsourcing agreement with the bank. We fully recover the related lease costs from the bank under the outsourcing agreements. Generally, the leases may be canceled without penalty upon reasonable notice in the unlikely event the bank or we were to terminate the related outsourcing agreement. We expect that, if terms were acceptable, we would acquire more ATMs from banks under such outsourcing and lease agreements.

Capital expenditures and needs – Total cash capital expenditures for 2005 are estimated to be approximately $10 million to $12 million, of which $3.0 million has been incurred as of March 31, 2005. These capital expenditures are required largely for the upgrade of ATMs to meet EMV requirements and "micro-chip" card technology, the purchase of terminals for the Prepaid Processing Segment and office and data center computer equipment and software.

In the Prepaid Processing Segment, approximately 37,500 of the more than 205,000 POS devices that we operate are Company owned, with the remaining terminals being operated as integrated cash register devices of our major retail customers or owned by the retailers. As our Prepaid Processing Segment expands, we will continue to add terminals in certain independent retail locations at a price of approximately $300 per terminal. We expect the proportion of owned terminals to total terminals operated to remain relatively constant.

We are required to maintain ATM hardware for Euronet-owned ATMs and software for all ATMs in our network in accordance with certain regulations and mandates established by local country regulatory and administrative bodies as well as Europay, MasterCard and Visa (EMV). Accordingly, we expect additional capital expenditures over the next few years to maintain compliance with these regulations and/or mandates. However, we expect hardware expenditures to be less each year as we increase the outsourcing aspect of our business and reduce the number of owned ATMs. Upgrades to our ATM software and hardware were required in 2004 and continue into 2005 to meet EMV mandates such as Triple DES (Data Encryption Standard) and "micro–chip" card technology for smart cards. We completed a plan for implementation and delivery of the hardware and software modifications; the remaining capital expenditures necessary to complete these upgrade requirements are estimated to be approximately $3.0 million to $4.0 million.

At current and projected cash flow levels together with cash on-hand and amounts available under our recently signed revolving credit agreements, we anticipate that our cash generated from operations and existing financing will be sufficient to meet our debt, leasing, acquisition earn-out and capital expenditure obligations. If our cash is insufficient to meet these obligations, we will seek to refinance our debt under terms acceptable to us. However, we can offer no assurances that we will be able to obtain favorable terms for the refinancing of any of the debt or obligations described above.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ITEMS

The following table summarizes our contractual obligations as of March 31, 2005 (unaudited, in thousands):

		Payments due by period			
(amounts in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt obligations	$185,500	$ 2,275	$ 4,550	$ 4,550	$ 174,125
Acquisition obligations	43,400	30,500	12,900	—	—
Capital leases	24,284	6,485	10,008	5,094	2,697
Operating leases	17,584	4,607	7,755	4,689	533
Short-term obligations	4,233	4,233	—	—	—
Purchase obligations	16,331	6,863	6,351	2,142	975
Total	$291,332	$54,963	$41,564	$16,475	$ 178,330

Purchase obligations include contractual amounts for ATM maintenance, cleaning, telecommunication and cash replenishment operating expenses. While contractual payments may be greater or less based on the number of ATMs and transaction levels, purchase obligations listed above are estimated based on current levels of such business activity.

We regularly grant guarantees of the obligations of our wholly-owned subsidiaries. As of March 31, 2005, we had granted guarantees of the following obligations and amounts:

- Cash supply in various ATM networks - $14.2 million over the five- to six-year terms of the cash supply agreements;
- Vendor supply agreements - $4.9 million over the term of the vendor agreements; and

- Commercial obligations of our Australian Prepaid Processing subsidiary, including PIN inventory held on consignment with our customers, to a maximum of approximately $40 million as of March 31, 2005.

From time to time, Euronet enters into agreements with unaffiliated parties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. The amount of such obligations is not stated in the agreements. Our liability under such indemnification provision may be subject to time and materiality limitations, monetary caps and other conditions and defenses. Such indemnity obligations include the following:

- In connection with the license of proprietary systems to customers, we provide certain warranties and infringement indemnities to the licensee, which generally warrant that such systems do not infringe on intellectual property owned by third parties and that the systems will perform in accordance with their specifications.
- We have entered into agreements with our vendors and consultants, pursuant to which we have agreed to indemnify certain of such vendors and consultants, respectively, against third-party claims arising from our use of the vendor's product or the services of the vendor or consultant.
- In connection with our acquisition and disposition of subsidiaries, operating units and business assets, we have entered into agreements containing indemnification provisions, which are generally described as follows: (i) in connection with acquisitions made by Euronet, we have agreed to indemnify the seller against third party claims made against the seller relating to the subject subsidiary, operating unit or asset and arising after the closing of the transaction, and (ii) in connection with dispositions made by us, we have agreed to indemnify the buyer against damages incurred by the buyer due to the buyer's reliance on representations and warranties relating to the subject subsidiary, operating unit or business assets in the disposition agreement if such representations or warranties were untrue when made.
- We have entered into agreements with certain third parties, including banks that provide fiduciary and other services to Euronet or to our benefit plans. Under such agreements, we have agreed to indemnify such service providers for third party claims relating to the carrying out of their respective duties under such agreements.

To date, we are not aware of any significant claims made by the indemnified parties or parties to guarantee agreements with us and, accordingly, no liabilities have been recorded as of March 31, 2005.

BALANCE SHEET ITEMS

Cash and cash equivalents

Cash and cash equivalents decreased to $73.0 million at March 31, 2005 from $124.2 million at December 31, 2004 primarily due to the following activity:

Sources of cash:

- cash flow from operations of $9.9 million net of working capital changes but excluding restricted cash; and
- proceeds from exercise of stock options and employee share purchases of $3.4 million.

Uses of cash:

- the cash portion of settlement of $24.5 million of Transact purchase price liability recorded as of December 31, 2004;
- the payment of $13.0 million in settlement of Movilcarga purchase price liability as of December 31, 2004;
- the cash payment of $3.5 million (net of cash acquired of $1.9 million) for the acquisition of ATX;
- the payment of $14.7 million in accounts payable assumed from the acquisition of Telerecarga;
- the cash purchase of $3.5 million of fixed assets and other long-term assets; and
- debt and capital lease repayments of $2.3 million; and
- a reduction of $2.9 million in the value of cash held in foreign currencies as of March 31, 2005.

See the Unaudited Consolidated Statements of Cash Flows for further description of these items.

Restricted cash

Restricted cash increased to $107.9 million at March 31, 2005 from $69.3 million at December 31, 2004, and primarily represents $103.0 million held in trust and/or cash held on behalf of others in connection with the administration of the customer collection and vendor remittance activities in the Prepaid Processing Segment. Amounts collected from customers that are due to the mobile operators are deposited into a restricted cash account held by our Prepaid Processing Segment companies on behalf of the mobile operators for which we process transactions. These balances are used in connection with the administration of customer collection and vendor remittance activities. The remaining balances of restricted cash represent primarily ATM deposits and collateral on bank guarantees. The increase from December 31, 2004 is primarily related to the timing of the settlement process at our e-pay subsidiaries in the U.K. and Australia.

Trade accounts receivable, net

Trade accounts receivable, net increased to $114.3 million at March 31, 2005 from $110.3 million at December 31, 2004. The primary component of our trade accounts receivable represents amounts to be collected on behalf of mobile operators in connection with the timing of the settlement process for the growing Prepaid Processing Segment. The slight growth over the prior year is due to the acquisitions of Telerecarga, Dynamic and ATX, mostly offset by a decrease related to the timing of the settlement process at our e-pay subsidiary in the U.K.

Prepaid expenses and other current assets

Prepaid expenses and other current assets increased to $19.7 million as of March 31, 2005 from $13.2 million as of December 31, 2004. The largest component of this balance is amounts recorded for our net Value Added Tax (VAT) receivable related to certain European subsidiaries. The balance of net VAT receivable as of March 31, 2005 was $12.6 million, compared to $7.0 million as of December 31, 2004. This increase of $5.6 million was primarily a result of the acquisition of Telerecarga during the first quarter 2005.

Property, plant and equipment, net

Net property, plant and equipment increased to $42.0 million as of March 31, 2005 from $39.9 million at December 31, 2004. Of this increase, approximately $2.8 million is due to the acquisition of Telerecarga and Dynamic. Other additions to property, plant and equipment during the first quarter 2005 were offset by depreciation and amortization expense.

Goodwill and intangible assets

Net intangible assets and goodwill increased to $286.2 million at March 31, 2005 from $212.6 million at December 31, 2004 due to the acquisitions of Dynamic Telecom, Telerecarga and ATX during the first quarter 2005. Additionally, the final independent appraisal of the Transact purchase price allocation resulted in an increase to the amount recorded for amortizable intangible assets of $1.8 million and a decrease to goodwill of $1.1 million, after the impact of deferred income taxes. Amortization of intangible assets for the three months ended March 31, 2005 was $1.2 million. The following table summarizes the activity for the three months ended March 31, 2005:

(in thousands)	Amortizable Intangible Assets	Goodwill	Total Intangible Assets
Balance as of December 31, 2004	$ 28,930	$183,668	$212,598
Additions:			
Acquisition of Dynamic	3,488	8,098	11,586
Acquisition of Telerecarga	7,246	43,957	51,203
Acquisition of ATX	1,123	12,729	13,852
Adjustment to Transact	1,789	(1,121)	668
Amortization	(1,182)	—	(1,182)
Other (primarily changes in foreign currency exchange rates)	(815)	(1,707)	(2,522)
Balance as of March 31, 2005	$ 40,579	$245,624	$286,203

Deferred tax assets

Current and non-current deferred tax assets totaled $12.0 million and $10.1 million as of March 31, 2005 and December 31, 2004, respectively. The increase in these balances as of March 31, 2005 is due to the recognition of deferred tax assets generated during the first quarter.

Other assets

Other assets decreased to $9.5 million at March 31, 2005 from $12.7 million at December 31, 2004 primarily due to the Company exercising the option to purchase an additional 41% interest in ATX. As of December 31, 2004, we used the “cost method” of accounting for our 10% interest in ATX of $2.9 million. With our increase in ownership from 10% to 51%, we are now required to consolidate ATX’s financial position and results of operations.

Accounts payable

Accounts payable increased to $205.0 million at March 31, 2005 from $155.1 million at December 31, 2004. The primary component of our trade accounts payable represents payables to mobile operators in connection with the timing of the settlement process for the growing Prepaid Processing Segment. The increase of $49.9 million is due to the first quarter acquisition of Telerecarga, which has $36.8 million in accounts payable recorded as of March 31, 2005. The remaining increase is due to additional accounts payable recorded in our prepaid business related to the timing of the settlement process, primarily at our e-pay subsidiary in the U.K.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities decreased to $84.6 million at March 31, 2005 from $107.6 million at December 31, 2004. This $23.0 million decrease is due to the settlement of the $39.1 million and $13.0 million purchase price liabilities for the Transact earn-out and Movilcarga acquisition, respectively, that were accrued as of December 31, 2004. This decrease was partially offset by the accrued purchase price liability related to the acquisition of Telerecarga of $20.1 million as of March 31, 2005 and an increase in the accrued liabilities recorded in our prepaid segment related to the timing of the settlement and invoicing process.

Income taxes payable

Income taxes payable increased to $10.5 million at March 31, 2005 from $9.4 million at December 31, 2004 primarily due to incremental tax expense recorded for first quarter earnings, partially offset by tax payments made during the same period.

Debt obligations and capital leases

As of March 31, 2005, total indebtedness decreased to $164.5 million from $166.2 million as of December 31, 2004. A summary of the activity in our debt obligations for the quarter ended March 31, 2005 is as follows:

(in thousands)	Short-Term Obligations	Capital Leases	1.625% Convertible Debentures Due Dec. 2024	Total
Balance at December 31, 2004	$ 4,862	$21,297	$ 140,000	$166,159
Indebtedness incurred	—	2,086	—	2,086
Repayments	(518)	(2,048)	—	(2,566)
Foreign exchange gain	(111)	(1,030)	—	(1,141)
Balance at March 31, 2005	4,233	20,305	140,000	164,538
Less - current maturities	(4,233)	(4,855)	—	(9,088)
Balance at March 31, 2005	$ —	$15,450	$ 140,000	$155,450

Deferred income tax liabilities

Current and non-current deferred tax liabilities totaled $26.8 million and $19.4 million as of March 31, 2005 and December 31, 2004, respectively. The increase of $7.4 million as of March 31, 2005 was due to $4.3 million of additions to deferred tax liabilities in connection with the Company’s first quarter acquisitions of Dynamic, Telerecarga and ATX, reduced by the amortization of all acquisition related deferred taxes of approximately $0.3 million, an addition of $0.7 million related to an adjustment of the value of the transact amortizable intangible assets and the recognition of other deferred tax liabilities generated during the first quarter.

Total stockholders’ equity

Total stockholders’ equity increased to $179.1 million at March 31, 2005 from $141.9 million at December 31, 2004. This $37.2 million increase is primarily the result of:

- $4.8 million in net income for the three months ended March 31, 2005;

- $31.0 million in shares issued for acquisitions;
- $3.4 million in proceeds from the exercise of options, warrants and employee stock purchases;
- offset by $2.0 million increase in accumulated other comprehensive loss.

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:

- trends affecting our business plans, financing plans and requirements;
- trends affecting our business;
- the adequacy of capital to meet our capital requirements and expansion plans;
- the assumptions underlying our business plans;
- business strategy;
- government regulatory action;
- technological advances; and
- 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.

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, but not limited to, the following:

- 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;
- foreign exchange fluctuations;
- competition from bank-owned ATM networks, outsource providers of ATM services, software providers and providers of outsourced mobile phone prepaid services;
- our relationships with our major customers, sponsor banks in various markets and international card organizations, including the risk of contract terminations with major customers; and
- changes in laws and regulations affecting our business.

These risks and other risks are more fully described below.

RISK FACTORS

This Quarterly Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors including the ones described below and elsewhere in this Quarterly Report. The risks and uncertainties described below or elsewhere herein are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our Common Stock could decline substantially. Thus, you should carefully consider these risks before investing in our securities.

Risks Related to Our Business

We have a substantial amount of debt and other contractual commitments, and the cost of servicing those obligations could adversely affect our business and hinder our ability to make payments on the Debentures, and such risk could increase if we incur more debt.

We have a substantial amount of indebtedness. As of March 31, 2005, our total liabilities were approximately $509.4 million and our total assets were approximately $688.5 million. In addition, we will have to pay approximately $43.4 million during the years 2005 through 2008 as deferred consideration in connection with the CPI, Movilcarga, Telerecarga and Dynamic Telecom acquisitions. A portion of these obligations may be paid in stock. While we expect to satisfy any payment obligations from available cash and operating cash flows, we may not have sufficient funds to satisfy all such obligations as a result of a variety of factors, some of which may be beyond our control. If the opportunity of a strategic acquisition arises or if we enter into new contracts that require the installation or servicing of ATM machines on a faster pace than anticipated, we may be required to incur additional debt for these purposes and to fund our working capital needs, which we may not be able to obtain.

The level of our indebtedness could have important consequences to investors, including the following:

- our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes may be limited or financing may be unavailable;
- a substantial portion of our cash flows must be dedicated to the payment of principal and interest on our indebtedness and other obligations and will not be available for use in our business;
- our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- our high degree of indebtedness will make us more vulnerable to changes in general economic conditions and/or a downturn in our business, thereby making it more difficult for us to satisfy our obligations; and
- because a portion of our indebtedness and other obligations are denominated in other currencies, and because a portion of our debt bears interest at a variable rate of interest, our actual debt service obligations could increase as a result of adverse changes in currency exchange and interest rates.

If we fail to make required debt payments, or if we fail to comply with other covenants in our debt service agreements, we would be in default under the terms of these agreements. This default would permit the holders of the indebtedness to accelerate repayment of this debt and could cause defaults under other indebtedness that we have.

Although we have reported net income in recent periods, our concentration on expansion of our business in the future may significantly impact our ability to continue to report net income.

Prior to January 1, 2003, we reported a net loss in every fiscal year, primarily attributable to our investments for the expansion of our business. We believe these investments have recently started to produce positive results for us, as evidenced by our reporting of net income of $18.4 million for the year ended December 31, 2004 and a net income for the first quarter 2005 of approximately $4.8 million. We may experience operating losses again in the future while we continue to concentrate on the expansion of our business and increasing our market share.

Restrictive covenants in our credit facilities may adversely affect us.

Our credit facilities contain a variety of restrictive covenants that limit our ability to incur debt, make investments, pay dividends and sell assets. In addition, these facilities require us to maintain specified financial ratios, including Debt to EBITDA and EBITDAR to fixed charges, and satisfy other financial condition tests, including a minimum EBITDA test. See “Description of Credit Facility.” Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those tests. A breach of any of these covenants could result in a default under our credit facilities. Upon the occurrence of an event of default under our credit facilities, the lenders could elect to declare all amounts outstanding under the credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. We have pledged a substantial portion of our assets as security under the credit facilities. If the lenders under either credit facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our credit facilities and our other indebtedness, including the notes.

The Debt to EBITDA ratio contained in the credit facilities limits our “funded debt” to not more than two times our “EBITDA” for the last four quarters, in each case as defined in the credit facilities. “EBITDA” includes the historical pro forma effect of any acquisitions to the extent agreed to by the lenders. “Funded debt” is defined as certain debt minus proceeds of this offering so long as such proceeds are deposited in designated accounts. We will deposit a substantial portion of the proceeds into such accounts in order to comply with such covenant. Following this offering, we will only be able to utilize the proceeds of this offering or incur additional debt to the extent that, after giving effect to such utilization, our debt (less the remaining amount of proceeds in such account) is less than two times our EBITDA, including historical pro forma effect of any acquisitions. Accordingly, our ability to use the proceeds of this offering or incur additional debt for purposes other than debt repayment or for acquisitions that increase our "EBITDA," will be limited until such time as our EBITDA increases.

Our business may suffer from risks related to our recent acquisitions and potential future acquisitions.

A substantial portion of our recent growth is due to acquisitions, and we continue to evaluate potential acquisition opportunities. We cannot assure you that we will be able to successfully integrate, or otherwise realize anticipated benefits from, our recent acquisitions or any future acquisitions, which could adversely impact our long-term competitiveness and profitability. The integration of our recent acquisitions and any future acquisitions will involve a number of risks that could harm our financial condition, results of operations and competitive position. In particular:

- The integration plan for our acquisitions assumes benefits based on analyses that involve assumptions as to future events, including leveraging our existing relationships with mobile phone operators and retailers, as well as general business and industry conditions, many of which are beyond our control and may not materialize. Unforeseen factors may offset components of our integration plan in whole or in part. As a result, our actual results may vary considerably, or be considerably delayed, compared to our estimates;
- The integration process could disrupt the activities of the businesses that are being combined. The combination of companies requires, among other things, coordination of administrative and other functions. In addition, the loss of key employees, customers or vendors of acquired businesses could materially and adversely impact the integration of the acquired business;
- The execution of our integration plans may divert the attention of our management from operating our business; or
- We may assume unanticipated liabilities and contingencies.

Future acquisitions may be affected through the issuance of our Common Stock, or securities convertible into our Common Stock, which could substantially dilute the ownership percentage of our current stockholders. In addition, shares issued in connection with future acquisitions could be publicly tradable, which could result in a material decrease in the market price of our Common Stock.

A lack of business opportunities or financial resources may impede our ability to continue to expand at desired levels, and our failure to expand operations could have an adverse impact on our financial condition.

Our expansion plans and opportunities are focused on three separate areas: (i) our network of owned and operated ATMs; (ii) outsourced ATM management contracts; and (iii) our prepaid mobile phone airtime services.

The continued expansion and development of our ATM business will depend on various factors including the following:

- the demand for our ATM services in our current target markets;
- the ability to locate appropriate ATM sites and obtain necessary approvals for the installation of ATMs;
- the ability to install ATMs in an efficient and timely manner;
- the expansion of our business into new countries as currently planned;
- entering into additional card acceptance and ATM management agreements with banks;
- the ability to obtain sufficient numbers of ATMs on a timely basis; and
- the availability of financing for the expansion.

We carefully monitor the growth of our ATM networks in each of our markets, and we accelerate or delay our expansion plans depending on local market conditions, such as variations in the transaction fees we receive, competition, overall trends in ATM transaction levels and performance of individual ATMs.

We cannot predict the increase or decrease in the number of ATMs we manage under outsourcing agreements, because this depends largely on the willingness of banks to enter into outsourcing contracts with us. Banks are very deliberate in negotiating these agreements and the process of negotiating and signing outsourcing agreements typically takes six to 12 months or longer. Moreover, banks evaluate a wide range of matters when deciding to choose an outsource vendor and generally this decision is subject to extensive management analysis and approvals. The process is exacerbated by the legal and regulatory considerations of local countries, as well as local language complexities. These agreements tend to cover large numbers of ATMs, so significant increases and decreases in our pool of managed ATMs could result from signature or termination of these management contracts. In this regard, the timing of both current and new contract revenues is uncertain and unpredictable.

We currently offer prepaid mobile phone top-up services in the U.S., Europe and Asia Pacific We plan to expand our top-up business in these and other markets by taking advantage of our existing relationships with mobile phone operators and retailers. This expansion will depend on various factors, including the following:

- the ability to negotiate new agreements in these markets with mobile phone operators and retailers;
- the continuation of the trend of increased use of electronic prepaid airtime among mobile phone users;
- the development of mobile phone networks in these markets and the increase in the number of mobile phone users; and
- the availability of financing for the expansion.

In addition, our continued expansion may involve acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services and could require financing that we may not be able to obtain. Our ability to manage our rapid expansion effectively will require us eventually to expand our operating systems and employee base. An inability to do this could have a material adverse effect on our business, growth, financial condition or results of operations.

We are subject to business cycles and other outside factors that may negatively affect mobile phone operators, retailers and our customers.

A recessionary economic environment or other outside factors could have a negative impact on mobile phone operators, retailers and our customers and could reduce the level of transactions, which could, in turn, negatively impact our financial results. If mobile phone operators experience decreased demand for their prepaid products and services (including due to increasing usage of postpaid services) or if the retail locations where we provide POS top-up services decrease in number, we will process fewer transactions, resulting in lower revenue. In addition, a recessionary economic environment could result in a higher rate of bankruptcy filings by mobile phone operators, retailers and our customers and could reduce the level of ATM transactions, which will have a negative impact on our business.

The growth of our prepaid business is dependent on certain factors that are variable from market to market but may reduce or eliminate growth in fully mature markets.

Growth in our prepaid business in any given market is driven by a number of factors, including the extent to which conversion from scratch cards to electronic distribution solutions is occurring or has been completed, the overall pace of growth in the prepaid mobile telephone market, our market share of the retail distribution capacity and the level of commission that is paid to the various intermediaries in the prepaid mobile airtime distribution chain. In mature markets, such as the U.K., Australia and Ireland, the conversion of scratch cards from mobile operators to electronic forms of distribution is either complete or nearing completion. Therefore, these factors will cease to provide the organic increases in the number of transactions per terminal that we have experienced historically. Also in mature markets, competition among prepaid distributors results in the reduction of commissions and margins by mobile operators as well as retailer churn. The combined impact of these factors in fully mature markets is a flattening of growth in the revenues and profits that we earn. These factors could adversely impact our financial results as the markets in which we conduct the prepaid business mature.

Our prepaid mobile airtime top-up business may be susceptible to fraud occurring at the retailer level.

In our Prepaid Processing Segment, we contract with retailers that accept payment on our behalf, which we then transfer to a trust or other operating account for payment to mobile phone operators. In the event a retailer does not transfer to us payments that it receives for mobile phone airtime, we are responsible to the mobile phone operator for the cost of the airtime credited to the customer’s mobile phone. Although, in certain circumstances, we maintain credit enhancement insurance polices and take other precautions to mitigate this risk, we can provide no assurance that retailer fraud will not increase in the future or that any proceeds we receive under our insurance policies will be adequate to cover losses resulting from retailer fraud, which could have a material adverse effect on our business, financial condition and results of operations.

Because we typically enter into short-term contracts with mobile phone operators and retailers, our top-up business is subject to the risk of non-renewal of those contracts.

Our contracts with mobile phone operators to process prepaid mobile phone airtime recharge services typically have terms of two to three years or less. Many of those contracts may be canceled by either party upon three months’ notice. Our contracts with mobile phone operators are not exclusive, so these operators may enter into top-up contracts with other service providers. In addition, our top-up service contracts with major retailers typically have terms of one to two years and our contracts with smaller retailers typically may be canceled by either party upon three months’ notice. The cancellation or non-renewal of one or more of our significant mobile phone operator or retail contracts, or of a large enough group of our contracts with smaller retailers, could have a material adverse effect on our business, financial condition and results of operations. In addition, our contracts generally permit operators to reduce our fees at any time. Commission revenue or fee reductions by any of the mobile phone operators could also have a material adverse effect on our business, financial condition or results of operations.

In the U.S. and certain other countries, processes we employ may be subject to patent protection by other parties.

We have commenced prepaid processing operations in the U.S. The contribution of these operations to our financial results is currently insignificant, but we hope to expand this business rapidly. In the U.S., patent protection legislation permits the protection of processes. We employ certain processes in the U.S. that have been used in the industry by other parties for many years, and which we and other companies using the same or similar processes consider to be in the public domain. However, we are aware that certain parties believe they hold patents that cover some of the processes employed in the prepaid processing industry in the

U.S. The question whether a process is in the public domain is a legal determination, and if this issue is litigated we cannot be certain of the outcome of any such litigation. If a person were to assert that it holds a patent covering any of the processes we use, we would be required to defend ourselves against such claim and if unsuccessful, would be required to either modify our processes or pay license fees for the use of such processes. This could materially and adversely affect our U.S. prepaid processing business and could result in our reconsidering the rate of expansion of this business in the U.S.

The level of transactions on our ATM and prepaid processing networks is subject to substantial seasonal variation, which may cause our quarterly results to fluctuate materially and create volatility in the price of our shares.

Our experience is that the level of transactions on our networks is subject to substantial seasonal variation. Transaction levels have consistently been much higher in the last quarter of the year due to increased use of ATMs and prepaid top-ups during the holiday season. The level of transactions drops in the first quarter, during which transaction levels are generally the lowest we experience during the year. Since revenues of the EFT Processing and Prepaid Processing Segments are primarily transaction-based, these segments are directly affected by this seasonality. As a result of these seasonal variations, our quarterly operating results may fluctuate materially and could lead to volatility in the price of our shares.

The stability and growth of our ATM business depend on maintaining our current card acceptance and ATM management agreements with banks and international card organizations, and on securing new arrangements for card acceptance and ATM management.

The stability and future growth of our ATM business depend in part on our ability to sign card acceptance and ATM management agreements with banks and international card organizations. Card acceptance agreements allow our ATMs to accept credit and debit cards issued by banks and international card organizations. ATM management agreements generate service income from our management of ATMs for banks. These agreements are the primary source of our ATM business.

These agreements have expiration dates and banks and international card organizations are generally not obligated to renew them. In some cases, banks may terminate their contracts prior to the expiration of their terms. We cannot assure you that we will be able to continue to sign or maintain these agreements on terms and conditions acceptable to us or that international card organizations will continue to permit our ATMs to accept their credit and debit cards. The inability to continue to sign or maintain these agreements, or to continue to accept the credit and debit cards of local banks and international card organizations at our ATMs in the future, could have a material adverse effect on our business, growth, financial condition or results of operations.

Retaining the founders of our company, and of companies that we acquire, and finding and retaining qualified personnel in Europe may be important to our continued success.

Our strategy and its implementation depend in large part on the founders of our company, in particular Michael Brown and Daniel Henry, and their continued involvement in Euronet in the future. In addition, the success of the expansion of businesses that we acquire may depend in large part upon the retention of the founders of those businesses. Our success also depends in part on our ability to hire and retain highly skilled and qualified management, operating, marketing, financial and technical personnel. The competition for qualified personnel in Central Europe and the other markets where we conduct our business is intense and, accordingly, we cannot assure you that we will be able to continue to hire or retain the required personnel.

Our officers and some of our key personnel have entered into service or employment agreements containing non-competition, non-disclosure and non-solicitation covenants and providing for the granting of incentive stock options with long-term vesting requirements. However, most of these contracts do not guarantee that these individuals will continue their employment with us. The loss of our key personnel could have a material adverse effect on our business, growth, financial condition or results of operations.

Our operating results depend in part on the volume of transactions on ATMs in our network and the fees we can collect from processing these transactions.

Transaction fees from banks and international card organizations for transactions processed on our ATMs have historically accounted for a substantial majority of our revenues. These fees are set by agreement among all banks in a particular market. Although we are less dependent on these fees due to our Prepaid Processing Segment, the future operating results of our ATM business depend on the following factors:

- the increased issuance of credit and debit cards;
- the increased acceptance of our ATM processing and management services in our target markets;
- the maintenance of the level of transaction fees we receive;
- the installation of larger numbers of ATMs; and
- the continued use of our ATMs by credit and debit cardholders.

Although we believe that the volume of transactions in developing countries will tend to increase due to growth in the number of cards being issued by banks in these markets, we anticipate that transaction levels on any given ATM in developing markets will not increase significantly. We can improve the levels of transactions on our ATM network overall by acquiring good sites for our ATMs, eliminating poor locations, entering new less-developed markets and adding new transactions to the sets of transactions that are available on our ATMs. However, we may not be successful in materially increasing transaction levels through these measures. Per-transaction fees have declined in certain markets in recent years. If we cannot continue to increase our transaction levels and per-transaction fees generally decline, our results would be adversely affected.

Our operating results depend in part on the volume of transactions for prepaid phone services and the commissions we receive for these services.

Our Prepaid Processing Segment derives revenues based on processing fees from mobile and other telecommunication operators or distributors of prepaid wireless products. Generally, these operators have the right to reduce the overall fee paid for each transaction, although a portion of such reductions can be passed along to retailers. In the last year, processing fees per transaction have been declining in most markets, and we expect that trend to continue. We have been able to improve our results despite that trend due to substantial growth in transactions, driven by acquisitions and organic growth. We do not expect to continue this rate of growth. If we cannot continue to increase our transaction levels and per-transaction fees continue to decline, our results would be adversely affected.

Developments in electronic financial transactions, such as the increased use of debit cards by customers and pass-through of ATM transaction fees by banks to customers or developments in the mobile phone industry, could materially reduce ATM transaction levels and our revenues.

Certain developments in the field of electronic financial transactions may reduce the amount of cash that individuals need on a daily basis, including the promotion by international card organizations and banks of the use of bank debit cards for transactions of small amounts. These developments may reduce the transaction levels that we experience on our ATMs in the markets where they occur. Banks also could elect to pass through to their customers all, or a large part of, the fees we charge for transactions on our ATMs. This would increase the cost of using our ATM machines to the banks' customers, which may cause a decline in the use of our ATM machines and, thus, have an adverse effect on our revenues. If transaction levels over our existing ATM network do not increase, growth in our revenues from the ATMs we own will depend primarily on rolling out ATMs at new sites and developing new markets, which requires capital investment and resources and reduces the margin we realize from our revenues.

The mobile phone industry is a rapidly evolving area, in which technological developments, in particular the development of new methods or services, may affect the demand for other services in a dramatic way. The development of any new technology that reduces the need or demand for prepaid mobile phone time could materially and adversely affect our business.

We generally have little control over the ATM transaction fees established in the markets where we operate, and therefore cannot control any potential reductions in these fees.

The amount of fees we receive per transaction is set in various ways in the markets in which we do business. We have card acceptance agreements or ATM management agreements with some banks under which fees are set. However, we derive the bulk of our revenues in most markets from "interchange fees" that are set by the central ATM processing switch. The banks that participate in these switches set the interchange fee, and we are not in a position in any market to greatly influence these fees, which may increase or decrease over time. A significant decrease in the interchange fee in any market could adversely affect our results in that market.

In some cases, we are dependent upon international card organizations and national transaction processing switches to provide assistance in obtaining settlement from card issuers of funds relating to transactions on our ATMs.

Our ATMs dispense cash relating to transactions on credit and debit cards issued by banks. We have in place arrangements for the settlement to us of all of those transactions, but in some cases we do not have a direct relationship with the card-issuing bank and rely for settlement on the application of rules that are administered by international card associations (such as Visa or MasterCard) or national transaction processing switching networks. If a bankcard association fails to settle transactions in accordance with those rules, we are dependent upon cooperation from such organizations or switching networks to enforce our right of settlement against such banks or card associations. Failure by such organizations or switches to provide the required cooperation could result in our inability to obtain settlement of funds relating to transactions and adversely affect our business.

We derive a significant amount of revenue in our business from service contracts signed with financial institutions to own and/or operate their ATM machines.

Certain contracts have been and, in the future, may be terminated by the financial institution resulting in a substantial reduction in revenue. Contract termination payments, if any, may be inadequate to replace revenues and operating income associated with these contracts.

Because our business is highly dependent on the proper operation of our computer network and telecommunications connections, significant technical disruptions to these systems would adversely affect our revenues and financial results.

Our business involves the operation and maintenance of a sophisticated computer network and telecommunications connections with banks, financial institutions, mobile operators and retailers. 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. Our ATM segment also uses a satellite-based system that is susceptible to the risk of satellite failure. There are operational risks inherent in this type of business that can result in the temporary shutdown of part or all of our processing systems, such as failure of electrical supply, failure of computer hardware and software errors. Excluding our German ATMs, we operate all of our ATMs through our processing centers in Budapest, Hungary and Mumbai, India, and any operational problem in these centers may have a significant adverse impact on the operation of our network generally. In addition, we operate all of our top-up services through our processing centers in the U.K., Germany, Spain and the U.S., and any operational problem there could have a significant adverse impact on the operation of our top-up network.

We employ experienced operations and computer development staff and have created redundancies and procedures in our processing centers to decrease these risks. However, these risks 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.

We have the risk of liability for fraudulent bankcard and other card transactions involving a breach in our security systems, as well as for ATM theft and vandalism.

We capture, transmit, handle and store sensitive information in conducting and managing electronic, financial and mobile transactions, such as card information and PIN numbers. These businesses involve certain inherent security risks, in particular the risk of electronic interception and theft of the information for use in fraudulent or other card transactions, by persons outside the Company or by our own employees. We incorporate industry-standard encryption technology and processing methodology into our systems and software, and maintain controls and procedures regarding access to our computer systems by employees and others, to maintain high levels of security. Although this technology and methodology decrease 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, the possible theft and vandalism of ATMs present risks for our ATM business. We install ATMs at high-traffic sites and consequently our ATMs are exposed to theft and vandalism. Although we are insured against these risks, exclusions or limitations in our insurance coverage may leave us bearing some or all of any loss arising from theft or vandalism of ATMs.

We are required under German law and the rules of financial transaction switching networks in all of our markets to have “sponsors” to operate ATMs and switch ATM transactions. Our failure to secure “sponsor” arrangements in any market could prevent us from doing business in that market.

Under German law, only a licensed financial institution may operate ATMs, and we are therefore required to have a “sponsor” bank to conduct our German ATM operations. In addition, in all of our markets, our ATMs are connected to national financial transaction switching networks owned or operated by banks, and to other international financial transaction switching networks operated by organizations such as Citibank, Visa and MasterCard. The rules governing these switching networks require any company sending transactions through these switches to be a bank or a technical service processor that is approved and monitored by a bank. As a result, the operation of our ATM network in all of our markets depends on our ability to secure these “sponsor”-type arrangements with financial institutions.

To date, we have been successful in reaching contractual arrangements that have permitted us to operate in all of our target markets. However, we cannot assure you that we will continue to be successful in reaching these arrangements, and it is possible that our current arrangements will not continue to be renewed.

Our competition in the EFT Processing Segment and Prepaid Processing Segment include large, well financed companies and banks and, in the software market, companies larger than us with earlier entry into the market. As a result, we may lack the financial resources and access needed to capture increased market share.

EFT Processing Segment — Our principal EFT Processing competitors include ATM networks owned by banks and national switches consisting of consortiums of local banks that provide outsourcing and transaction services only to banks and independent ATM deployers in that country. Large, well-financed companies that operate ATMs offer ATM network and outsourcing services that compete with us in various markets. None of these competitors have dominant market share. Competitive factors in our EFT Processing Segment include network availability and response time, price to both the bank and to its customers, ATM location and access to other networks.

Certain independent (non bank-owned) companies provide electronic recharge on ATMs in individual markets in which we provide this service. We are not aware of any individual independent companies providing electronic recharge on ATMs across multiple markets in which we provide this service. In this area, we believe competition will come principally from the banks providing such services on their own ATMs through relationships with mobile operators or from card transaction switching networks that add recharge transaction capabilities to their offerings (as is the case in the U.K. through the LINK network).

Prepaid Processing Segment — We face competition in the prepaid business in all of our markets. A few multinational companies operate in several of our markets, and we therefore compete with them in a number of countries. In other markets, our competition is from smaller, local companies. None of these companies is dominant in any of the markets where we do business.

We believe, however, that we currently have a competitive advantage due to various factors. First, in the U.K., Germany and Australia, our acquired subsidiaries have been concentrating on the sale of prepaid airtime for longer than most of our competitors and have significant market share in those markets. We have approximately 40% of the POS recharge market in the U.K., 50% in Germany and 40% in Australia. In addition, we offer complementary ATM and mobile recharge solutions through our EFT processing centers. We believe this will improve our ability to solicit the use of networks of devices owned by third parties (for example, banks and switching networks) to deliver recharge services. In selected developing markets, we hope to establish a first to market advantage by rolling out terminals rapidly before competition is established. We also have an extremely flexible technical platform that enables us to tailor POS solutions to individual merchant and mobile operator requirements where appropriate. The GPRS (wireless) technology, designed by our Transact subsidiary, will also give us an advantage in remote areas where landline phone lines are of lesser quality or nonexistent.

The principal competitive factors in this area include price (that is, the level of commission charged for each recharge transaction) and up time offered on the system. Major retailers with high volumes are in a position to demand a larger share of the commission, which increases the amount of competition among service providers.

Software Solutions Segment — We are the leading supplier of electronic financial transaction processing software for the IBM iSeries (formerly AS/400) platform in a largely fragmented market, which is made up of competitors that offer a variety of solutions that compete with our products, ranging from single applications to fully integrated electronic financial processing software. Other industry suppliers service the software requirements of large mainframe systems and UNIX-based platforms, and accordingly are not considered competitors. We have specific target customers consisting of financial institutions that operate their back office systems with the IBM iSeries.

The Software Solutions Segment has multiple types of competitors. Competitors of the Software Solutions Segment compete across all EFT software components in the following areas: (i) ATM, network and POS software systems, (ii) Internet banking software systems, (iii) credit card software systems, (iv) mobile banking systems, (v) mobile operator solutions, (vi) telephone banking, and (vii) full EFT software.

Competitive factors in the Software Solutions business include price, technology development and the ability of software systems to interact with other leading products.

We conduct a significant portion of our business in Central and Eastern European countries, and we have subsidiaries in the Middle East and Asia, where the risk of continued political, economic and regulatory change that could impact our operating results is greater than in the U.S. or Western Europe.

Certain tax jurisdictions that we operate in have complex rules regarding the valuation of inter-company services, cross-border payments between affiliated companies and the related effects on income tax, value-added tax (VAT), transfer tax and share registration tax. Our foreign subsidiaries frequently undergo VAT reviews, and two of our subsidiaries are currently undergoing comprehensive tax reviews. From time to time, we may be reviewed by tax authorities and be required to make additional tax payments should the review result in different interpretations, allocations or valuations of our services. We obtain legal, tax and regulatory advice as necessary to ensure compliance with tax and regulatory matters.

We have subsidiaries in Hungary, Poland, the Czech Republic, Romania, Slovakia, Spain, Greece, Croatia, India, Egypt and Indonesia and have operations in other countries in Central Europe, the Middle East and Asia. We sell software in many other markets in the developing world. These countries have undergone significant political, economic and social change in recent years and the risk of new, unforeseen changes in these countries remains greater than in the U.S. or Western Europe. In particular, changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, growth, financial condition or results of operations.

For example, currently there are no limitations on the repatriation of profits from any of the countries in which we have subsidiaries (although U.S. tax laws discourage repatriation), but foreign exchange control restrictions, taxes or limitations may be imposed or increased in the future with regard to repatriation of earnings and investments from these countries. If exchange control restrictions, taxes or limitations are imposed, our ability to receive dividends or other payments from affected subsidiaries could be reduced, which may have a material adverse effect on us.

In addition, corporate, contract, property, insolvency, competition, securities and other laws and regulations in Hungary, Poland, the Czech Republic, Romania, Slovakia, Croatia and other countries in Central Europe have been, and continue to be, substantially revised during the completion of their transition to market economies. Therefore, the interpretation and procedural safeguards of the new legal and regulatory systems are in the process of being developed and defined, and existing laws and regulations may be applied inconsistently. Also, in some circumstances, it may not be possible to obtain the legal remedies provided for under these laws and regulations in a reasonably timely manner, if at all.

Transmittal of data by electronic means and telecommunications is subject to specific regulation in most Central European countries. Although these regulations have not had a material impact on our business to date, changes in these regulations, including taxation or limitations on transfers of data across national borders, could have a material adverse effect on our business, growth, financial condition or results of operations.

Because we derive our revenue from a multitude of countries with different currencies, our business is affected by local inflation and foreign exchange rates and policies.

We attempt to match any assets denominated in a currency with liabilities denominated in the same currency. Nonetheless, substantially all of our indebtedness is denominated in U.S. dollars, euro and British pounds. While a significant amount of our expenditures, including the acquisition of ATMs, executive salaries and certain long-term telecommunication contracts, are made in U.S. dollars, most of our revenues are denominated in other currencies. The U.S. dollar has recently declined significantly against these currencies. As exchange rates among the U.S. dollar, the euro, and other currencies fluctuate, the translation effect of these fluctuations may have a material adverse effect on our results of operations or financial condition as reported in U.S. dollars. Moreover, exchange rate policies have not always allowed for the free conversion of currencies at the market rate. An increase in the value of the dollar would have an adverse effect on our results.

In recent years, Hungary, Poland and the Czech Republic have experienced high levels of inflation. Consequently, these countries' currencies have continued to decline in value against the major currencies of the Organization of Economic Cooperation and Development ("OECD") countries over this time period. Due to the significant reduction in the inflation rate of these countries in recent years, none of these countries are considered to have a hyper-inflationary economy. Nonetheless, rates of inflation in these countries may continue to fluctuate from time to time. The majority of our subsidiaries' revenues are denominated in the local currency.

Our directors and officers, together with the entities with which they are associated, owned about 13% of our Common Stock as of March 31, 2005, giving them significant control over decisions related to our Company.

This control includes the ability to influence the election of other directors of our Company and to cast a large block of votes with respect to virtually all matters submitted to a vote of our stockholders. This concentration of control may have the effect of delaying or preventing transactions or a potential change of control of our Company.

The sale of a substantial amount of our Common Stock in the public market could materially decrease the market price of our Common Stock, and about 23% of our outstanding Common Stock, cannot currently be traded publicly, but may be publicly traded in blocks in the future because we have filed resale registrations statements for a majority of such shares or such shares have been held by non-affiliates for more than two years.

If a substantial amount of our Common Stock were sold in the public market, or even targeted for sale, this could have a material adverse effect on the market price of our Common Stock and our ability to sell Common Stock in the future. As of March 31, 2005, we had approximately 35 million shares of Common Stock outstanding, of which approximately 7.9 million shares (including the shares we issued in the Transact acquisition, the Fletcher financing, and the Precept, CPI, Dynamic and ATX acquisitions), or about 23%, cannot currently be traded on the public market without compliance with Rule 144. About 4.3 million of these shares are held by persons who may be deemed to be our affiliates and who would be subject to Rule 144 of the general rules and regulations of the Commission. Rule 144 limits the number of shares that affiliates can publicly sell during each 90-day period. However, over the course of time, these 7.9 million shares have the potential to be freely publicly traded, perhaps in large blocks. Moreover, we have filed registration statements to permit the resale of a substantial portion of such shares, which would permit them to sell shares at any time without regard to the Rule 144 limitations.

An additional 10.1 million shares of Common Stock could be added to the total outstanding Common Stock through the exercise of options or the issuance of additional shares of our Common Stock pursuant to existing agreements. This could dilute the ownership percentage of current stockholders. Also, once they are outstanding, these shares of Common Stock could be traded in the future and result in a material decrease in the market price of our Common Stock.

As of March 31, 2005, we had an aggregate of 4.7 million options outstanding held by our directors, officers and employees, which entitles these holders to acquire an equal number of shares of our Common Stock on exercise. Of this amount, 2.0 million options are currently vested, which means they can be exercised at any time. Approximately 0.4 million additional shares of our Common Stock are issuable in connection with our employee stock purchase plan. Additionally, we may be required to issue approximately 0.8 million shares of our Common Stock (based on current prices and estimated earn-out payments) to the former shareholders or owners of EPS, Melfur and Dynamic Telecom under contingent “earn-out” payments in connection with these acquisitions. The number of shares issued under the earn-outs will depend upon performance of the businesses acquired and the trading price of our Common Stock at the time we make the earn-out payments. Another 4.2 million shares of Common Stock could be issued upon conversion of the Company’s Convertible Debentures issued during December 2004. Accordingly, approximately 10.1 million shares (based on current prices and estimated earn-out payments) could potentially be added to the total current outstanding Common Stock through the exercise of options or the issuance of additional shares, and thereby dilute the ownership percentage of the current owners. The actual number of shares issuable could be higher depending upon the actual amounts of the earn-outs and our stock price at the time of payment (more shares could be issuable if our share price declines), which could increase dilution and reduce earnings per share. The indenture will not contain anti-dilution adjustments for such issuances.

Of the 4.7 million total options outstanding, an aggregate of 1.5 million options are held by persons who may be deemed to be our affiliates and who would be subject to Rule 144. Thus, upon exercise of their options, these affiliates’ shares would be subject to the trading restrictions imposed by Rule 144. For the remainder of the options and the shares issuable as earn-outs described above, the Common Stock issued on their exercise or conversion would be freely tradable in the public market. Over the course of time, all of the issued shares have the potential to be publicly traded, perhaps in large blocks.

In January 2005, we made matching contributions of 10,273 shares of stock in conjunction with our 401(k) employee benefits plan for the plan year 2004. 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, 2005, total employer matching contributions since inception of the plan have consisted of 91,966 shares.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange rate risk

For the three months ended March 31, 2005, 81% of our revenues were generated in Poland, Hungary, Australia, the U.K., India or various euro-denominated countries as compared to 79% for the three months ended March 31, 2004. This slight increase is due to the fourth quarter 2004 and first quarter 2005 acquisitions in Spain, where revenues are denominated in the euro. Substantially all of our revenues in these countries are denominated in the local currency; however, in countries such as Poland and Hungary, a significant portion of our revenues are also linked to either inflation or the retail price index.

We estimate that a 10% depreciation in foreign exchange rates of the euro, Australian dollar, Hungarian forint, Polish zloty, the British pound and the Indian rupee against the U.S. dollar would have the combined effect on reported net income and working capital of a $1.1 million decrease and that a 10% appreciation in foreign exchange rates of the euro, Australian dollar, Hungarian forint, Polish zloty, the British pound and the Indian rupee against the U.S. dollar would have the combined effect on reported net income and working capital of a $1.1 million increase. This effect was estimated by segregating revenues, expenses and working capital by the U.S. dollar, Hungarian forint, Polish zloty, British pound, Indian rupee and euro and applying a 10% currency depreciation and appreciation 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.

Interest rate risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. We may enter into interest rate swaps to manage our exposure to interest rate changes, and we may employ other risk management strategies, including the use of foreign currency forward contracts. Currently, we do not hold any derivative instruments.

In October 2004, the Company entered into a $40 million revolving credit agreement with a bank. The $40 million revolving credit agreement is comprised of a $10 million facility among the Company and certain U.S. subsidiaries, and a $30 million facility among the Company and certain European subsidiaries. The revolving credit facilities can be used to repay existing debt, for working capital needs, to make acquisitions or for other corporate purposes. Borrowings under the $10 million facility bear interest at either a Prime Rate, plus an applicable margin specified in the respective agreement or a rate fixed for up to 30- to 90-day periods equal to the London Interbank Offered Rate (LIBOR), plus an applicable margin, as set forth in the respective agreement, and varies based on a consolidated funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio.

Borrowings under the $30 million facility may be drawn in U.S. dollars, euros, and/or British pounds. Borrowings in U.S. dollars bear interest similar to the terms of the $10 million facility. Borrowings in euros or British pounds bear interest at a rate fixed for up to 30- to 90-day periods equal to the Euro Interbank Offered Rate (EURIBOR) or the LIBOR rate plus a margin that varies based on a consolidated debt to EBITDA ratio, plus ancillary costs. The $30 million facility may be expanded to a maximum of $33 million, resulting from certain exchange rate fluctuations. As of March 31, 2005, there were no amounts borrowed against the $40 million revolving credit agreements, however, there were $2.2 million in stand by letters of credit outstanding against these facilities as of March 31, 2005.

On December 15, 2004, the Company closed the sale of $140 million of our private offering 1.625% Contingent Convertible Senior Debentures Due 2024 (“Convertible Debentures”). In addition to the stated annual interest rate of 1.625%, payable semi-annually in June and December, and the Company will pay contingent interest, during any six-month period commencing with the period from December 20, 2009 through June 14, 2010, and for each six-month period thereafter from June 15 to December 14 or December 15 to June 14, for which the average trading price of the debentures for the applicable five trading-day period preceding such applicable interest period equals or exceeds 120% of the principal amount of the debentures. Contingent interest will equal 0.30% per annum of the average trading price of a debenture for such five trading-day periods. These terms and other material terms and conditions applicable to the contingent convertible senior debentures are set forth in the indenture governing the debenture. Interest payments of approximately $1.1 million, plus potential contingent interest described above, will be due and payable each June 15 and December 15, commencing June 15, 2005 related to these Convertible Debentures.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including its President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our executive management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2005. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures were effective as of such date.

CHANGE IN INTERNAL CONTROLS

There has been no change in our internal control over financial reporting during the quarter ended March 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time a party to litigation arising in the ordinary course of its business. Currently, there are no legal proceedings that management believes, either individually or in the aggregate, would have a material adverse effect upon our consolidated results of operations or financial condition.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In March 2005, we issued 215,644 shares of our Common Stock (“Euronet Stock”) to a shareholder of ATX Software, Ltd. (“ATX”) in consideration of the exercise of our option to purchase an additional 41% of the share capital of ATX from the shareholders of ATX. The shareholder to whom we issued these shares is a non-U.S. citizen and non-resident, and the issuance of our Common Stock in this transaction was exempt from registration pursuant to the exemptions provided in Regulation S of the Act. This transaction is described more fully in Note 4 to the Unaudited Consolidated Financial Statements.

ITEM 6. EXHIBITS

a) Exhibits

The exhibits that are required to be filed or incorporated herein by reference are listed on the Exhibit Index below.

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 4, 2005

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

By: /s/ RICK L. WELLER
Rick L. Weller
Chief Financial Officer

Exhibit Index

Exhibit	Description
2.1	Agreement for the Purchase of the Entire Issued Share Capital of e-pay between Euronet Worldwide, Inc. and the Shareholders of e-pay dated February 19, 2003 (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 6, 2003 and incorporated by reference herein)
2.2	Share Purchase and Transfer Agreement, dated November 19/20, 2003, among Euronet Worldwide, Inc., Delta Euronet GmbH, EFT Services Holding B.V. and the shareholders of Transact Elektronische Zahlungssysteme GmbH (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 25, 2003, and incorporated by reference herein)
2.3	Asset Purchase Agreement among Alltel Information Services, Inc., Euronet USA and EFT Network Services LLC (DASH) dated January 4, 2002 relating to the sale of assets of DASH (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on January 4, 2002 and incorporated by reference herein)
2.4	Asset Purchase Agreement among Euronet Worldwide, Inc. and Austin International Marketing and Investments, Inc. and Joseph P. Bodine and David Hawkins dated August 23, 2003 (filed as Exhibit 2.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
3.1	Certificate of Incorporation of Euronet Worldwide, Inc., as amended (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and incorporated by reference herein)
3.2	Bylaws of Euronet Worldwide, Inc. (filed as Exhibit 3.2 to the Company's registration statement on Form S-1 filed on December 18, 1996 (Registration No. 333-18121), and incorporated by reference herein)
3.3	Amendment No. 1 to Bylaws of Euronet Worldwide, Inc. (filed as Exhibit 3(ii) to the Company's Quarterly Report on Form 10-Q for the fiscal period ended March 31, 1997, and incorporated by reference herein)
3.4	Amendment No. 2 to Bylaws of Euronet Worldwide, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 24, 2003, and incorporated by reference herein)
4.1	Indenture dated as of June 22, 1998 between Euronet Services Inc. and State Street Bank and Trust Company, as Trustee (filed as Exhibit 4.3 to the Registrant's S-1/A filed on June 16, 1998, and incorporated by reference herein)
4.2	Warrant Agreement dated as of June 22, 1998 between Euronet Services Inc. and State Street Bank and Trust Company, as Warrant Agent (filed as Exhibit 4.4 to the Registrant's S-1/A filed on June 16, 1998, and incorporated by reference herein)
4.3	Form of Certificate issued to the shareholders of Transact Elektronische Zahlungssysteme GmbH, dated November 19/20, 2003 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 25, 2003, and incorporated by reference herein)
4.4	Certificate of Additional Investment Rights issued to Fletcher International, Ltd. on November 21, 2003 (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 25, 2003, and incorporated by reference herein)
4.5	Rights Agreement, dated as of March 21, 2003, between Euronet Worldwide, Inc. and EquiServe Trust Company, N.A. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 24, 2003, and incorporated by reference herein)
4.6	First Amendment to Rights Agreement, dated as of November 28, 2003, between Euronet Worldwide, Inc. and EquiServe Trust Company, N.A. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 4, 2003, and incorporated by reference herein)
4.7	Indenture, dated as of December 15, 2004, between Euronet Worldwide, Inc. and U.S. Bank National Association (filed as exhibit 4.10 to the Company's Registration Statement on Form S-3/A filed on January 26, 2005 and incorporated by reference herein)
4.8	Purchase Agreement, dated as of December 9, 2004, among Euronet Worldwide, Inc. and Banc of America Securities LLC (filed as exhibit 4.10 to the Company's Registration Statement on Form S-3/A filed on January 26, 2005 and incorporated by reference herein)
4.9	Registration Rights Agreement, dated as of December 15, 2004, among Euronet Worldwide, Inc. and Banc of America Securities LLC (filed as exhibit 4.11 to the Company's Registration Statement on Form S-3/A filed on January 26, 2005 and incorporated by reference herein)
4.10	Specimen 1.625% Convertible Senior Debenture due 2024 (Certificated Security) (filed as exhibit 4.14 to the Company's Registration Statement on Form S-3/A filed on January 26, 2005 and incorporated by reference herein)

10.1	Agreement, dated November 20, 2003, between Euronet Worldwide, Inc. and Fletcher International, Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 25, 2003, and incorporated by reference herein)
10.2	Employment Agreement executed in October 2003, between Euronet Worldwide, Inc. and Michael J. Brown, Chief Executive Officer (filed as exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.3	Employment Agreement executed in October 2003, between Euronet Worldwide, Inc. and Daniel R. Henry, President and Chief Operating Officer (filed as exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.4	Employment Agreement executed in October 2003, between Euronet Worldwide, Inc. and Jeffrey B. Newman, Executive Vice President and General Counsel (filed as exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.5	Employment Agreement executed in October 2003, between Euronet Worldwide, Inc. and James P. Jerome, Executive Vice President (filed as exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.6	Services Agreement between e-pay and Paul Althasen, Executive Vice President and Co-Managing Director, e-pay (filed as exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.7	Services Agreement between e-pay and John Gardiner, Executive Vice President and Co-Managing Director, e-pay (filed as exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.8	Employment Agreement executed in June 2003, between Euronet Worldwide, Inc. and Miro Bergman, Executive Vice President & Managing Director, EMEA (filed as exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated by reference herein)
10.9	Employment Agreement executed in October 2003, between Euronet Worldwide, Inc. and Rick L. Weller, Executive Vice President and Chief Financial Officer (filed as exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated by reference herein)
10.10	Restricted Share Award Agreements between Euronet Worldwide, Inc. and Michael J. Brown, Daniel R. Henry, Rick L. Weller and Jeffrey B. Newman (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 20, 2004, and incorporated by reference herein)
10.11	Euronet Long-Term Incentive Stock Option Plan (1996), as amended (filed as exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.12	Euronet Worldwide, Inc. Stock Incentive Plan (1998), as amended (filed as exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated by reference herein)
10.13	Euronet Worldwide, Inc. 2002 Stock Incentive Plan (Amended and Restated) (incorporated by reference to Appendix B to the Company's Definitive Proxy Statement filed on April 20, 2004)
10.14	Rules and Procedures for Euronet Matching Stock Option Grant Program (filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended September 30, 2002 and incorporated by reference herein)
10.15	Employment Agreement executed in January 2003, between Euronet Worldwide, Inc. and John Romney, Managing Director, Europe, Middle-East and Africa (EMEA)
10.16	$10,000,000 U.S. Credit Agreement dated October 25, 2004 among Bank of America, N.A., Euronet Worldwide, Inc., PaySpot, Inc., Euronet USA, Inc., Prepaid Concepts, Inc. and Call Processing, Inc. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed on November 9, 2004)
10.17	$30,000,000 Euro/GBP Credit Agreement dated October 25, 2004 among Bank of America, N.A., Euronet Worldwide, Inc., e-pay Holdings Limited and Delta Euronet GmbH (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K filed on November 9, 2004)
10.18	Asset Purchase Agreement among Euronet Worldwide, Inc. and Meflur S.L. dated November 3, 2004 (incorporated by reference from Exhibit 10.17 to the Company's Annual Report on Form 10-K filed on March 15, 2005)
10.19	Revision to Service Agreement between Euronet Worldwide, Inc. and John Gardiner, dated April 12, 2005 (filed as exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 15, 2005, and incorporated by reference herein)

10.20	Revision to Service Agreement between Euronet Worldwide, Inc. and Paul Althasen, dated April 12, 2005 (filed as exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 15, 2005, and incorporated by reference herein)
31.1	Section 302 – Certification of Chief Executive Officer
31.2	Section 302 – Certification of Chief Financial Officer
32.1	Section 906 – Certification of Chief Executive Officer and Chief Financial Officer

Exhibit 10.15

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is made effective as of January 1, 2003 (the “Effective Date”) by and between Euronet Worldwide, Inc., a Delaware corporation (“Employer”), and Mr. John Romney, a U.S. citizen (US address is St. Louis, MO 63108) residing in Budapest, Hungary (“Employee”).

RECITALS

WHEREAS, Employee is currently employed by Employer and both Employer and Employee desire for Employee to continue such employment on certain terms and conditions.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the adequacy of which is hereby acknowledged, Employer and Employee, each intending to be legally bound, agree as follows:

1. **Term.** The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue indefinitely unless this Agreement is terminated as provided hereinafter.

2. Service. Employee shall serve as Senior Vice President, Regional Manager CEMEA, based in Budapest, Hungary and in such other positions and shall perform services in such other departments of Employer as requested by Employer’s Board of Directors (the “Board”), Chief Executive Officer or Chief Operating Officer. Employee shall perform such services as normally are associated with such positions.

3. Compensation and Benefits.

(a) Base Salary. During the Term, as compensation for services rendered by Employee under this Agreement, Employer shall pay Employee an annual base salary of $160,000, in installments in accordance with Employer’s general payroll practices (“Base Salary”).

(b) Other Compensation.

(i) During the Term, Employee shall receive a housing allowance of $18,000 annually while residing outside of the United States, paid in accordance with Employer’s general payroll practices (“Housing Allowance”)

(ii) During the Term, Employee shall be entitled to such comparable fringe benefits and perquisites as may be provided to Employer’s executive level employees pursuant to policies established from time to time by the Employer (including one round trip economy class airline ticket from Europe to any place in the United States once per year for Employee and Employee’s immediate family. Employee shall be eligible for bonuses under Employer's executive bonus plan, subject to meeting performance or other targets set by Employer with respect to such bonuses.

(iii) Employee and Employee's immediate family shall be provided by Employer with medical, dental and life insurance through and in accordance with the terms of Employer's group health insurance plan, subject to payment by Employee of a portion of the premiums in accordance with policies established by Employer from time to time.

(iv) Employee shall be entitled to a tax equalization payment compensating Employee for any excess of Hungarian or other foreign taxes over the amount of U.S. federal and state tax Employee would have paid if he had remained an employee in the United States, calculated in accordance with the policy of the Company attached as Exhibit A.

4. Other Benefits. Employee shall be entitled to annual vacation of 20 days, provided however that Employee may not use more than ten consecutive vacation days at one time and that Employee may accrue no more than five days of unused vacation from year to year.

5. Repatriation Benefits. In consideration of the Employee agreeing to serve in an overseas post for a period of at least two years following the Effective Date, the Employer agrees that, if at any time after the expiration of such two year period, the Employee requests in writing to return to the United States (a "Repatriation"), the Employer will either (i) provide the Employee with a position in the United States within a reasonable period of time, not to exceed 90 days, with a base salary that is at least equal to the Employee's compensation prior to such Repatriation, or (ii) with the agreement of the Employee, consent to an amendment of this Agreement under which (A) the term of this Agreement is amended to be a fixed term of one year following such Repatriation, (B) the then current Base Salary payable to the Employee is reduced by 50%, (C) the Employee's employment hereunder is made part-time employment and the Employee is entitled during the remaining term of this Agreement as so amended to obtain full time employment elsewhere, other than with a competitor of the Employer, and (D) any severance payable under Section 8(b)(i) hereof upon termination of such Agreement as amended shall not exceed 12 months Base Salary, as such Base Salary is reduced by such amendment. For the avoidance of doubt, it is understood that Employee shall remain an employee of Employer during the entire term of any amended Agreement as provided in subsection (ii) above, and all benefits, including without limitation vesting of options, shall continue during the term of any employment under such subsection. The benefit described in this Section shall be referred to as the "Repatriation Benefit." Employee shall be entitled to reimbursement of reasonable moving expenses from his country of residence back to the United States as part of the Repatriation Benefits.

6. Business Expense Reimbursement. Employer shall reimburse Employee for all reasonable and proper business expenses incurred by Employee in the performance of Employee's duties hereunder during the Term, in accordance with Employer's customary practices for executive level employees, and provided such business expenses are reasonably documented.

7. Restrictions on Employee's Conduct.

(a) Exclusive Services. During the Term, Employee shall at all times devote Employee's full-time attention, energies, efforts and skills to the business of Employer (which term shall hereinafter include each of Employer's subsidiaries) and shall not, directly or indirectly, engage in any other business activity, whether or not for profit, gain or other pecuniary advantages, without Employer's written consent, provided that such prior consent shall not be required with respect to: (i) business interests that neither compete with Employer nor interfere with the performance of Employee's duties and obligations under this Agreement; or (ii) Employee's charitable, philanthropic or professional association activities which do not interfere with the performance of Employee's duties and obligations under this Agreement.

(b) Confidential Information. During the Term and for the first 12 consecutive months after the expiration or earlier termination of the Term, Employee shall not disclose or use, directly or indirectly, any Confidential Information. For the purposes of this Agreement, "Confidential Information" shall mean all information disclosed to Employee, or known by him as a consequence of or through Employee's employment with Employer (under this Agreement or prior to this Agreement) where such information is not generally known in the trade or industry or was regarded or treated as confidential by Employer, and where such information refers or relates in any manner whatsoever to the business activities, processes, services or products of Employer. Confidential Information shall include business and development plans (whether contemplated, initiated or completed), information with respect to the development of technical and management services, business contacts, methods of operation, results of analysis, business forecasts, financial data, costs, revenues, and similar information. Upon termination of the Term, Employee shall immediately return to Employer all property of Employer and all Confidential Information, which is in tangible form, and all copies thereof.

(c) Business Opportunities and Conflicts of Interests.

(i) During the Term, Employee shall promptly disclose to Employer each business opportunity of a type which, based upon its prospects and relationship to the existing businesses of Employer, Employer might reasonably consider pursuing. After Termination of this Agreement, regardless of the circumstances thereof, Employer shall have the exclusive right to participate in or undertake any such opportunity on its own behalf without any involvement of Employee.

(ii) During the Term, Employee shall refrain from engaging in any activity, practice or act which conflicts with, or has the potential to conflict with, the interests of Employer, and he shall avoid any acts or omissions which are disloyal to, or competitive with Employer.

(d) Non-Solicitation. During the period of time with respect to which the Employee is receiving or has received severance payments under this Agreement (the “Severance Period”), Employee shall not, except in the course of Employee’s duties under this Agreement, directly or indirectly, induce or attempt to induce or otherwise counsel, advise, ask or encourage any person to leave the employ of Employer, or solicit or offer employment to any person who was employed by Employer at any time during the twelve-month period preceding the solicitation or offer.

(e) Covenant Not to Compete.

(i) During the Term, Employee shall not, without Employer’s prior written consent, directly or indirectly, either as an officer, director, employee, agent, advisor, consultant, principal, stockholder, partner, owner or in any other capacity, on Employee’s own behalf or otherwise, in any way engage in, represent, be connected with or have a financial interest in, any business which is, or to Employee’s knowledge, is about to become, engaged in any business with which Employer is currently or has previously done business or any subsequent line of business developed by Employer or any business planned during the Term to be established by Employer. Notwithstanding the foregoing, Employee shall be permitted to own passive investments in publicly held companies provided that such investments do not exceed five percent (5%) of any such company’s outstanding equity.

(ii) If Employer or Employee terminates this Agreement, Employee shall not, during the Severance Period, engage in competition with Employer, or solicit, from any person or entity who purchased any product or service from Employer during Employee’s employment hereunder, the purchase of any product or service in competition with then existing products or services of Employer.

(iii) For purposes of this Agreement, Employee shall be deemed to engage in competition with Employer if he shall directly or indirectly, either individually or as a stockholder, director, officer, partner, consultant, owner, employee, agent, or in any other capacity, consult with or otherwise assist any person or entity engaged in providing ATM or electronic financial transactions services or ATM software to banks. The provisions of this Section 7(e) shall apply in any location in which Employer has established, or is in the process of establishing, a subsidiary.

(f) Employee Acknowledgment. Employee hereby agrees and acknowledges that the restrictions imposed upon him by the provisions of this Section 7 are fair and reasonable considering the nature of Employer's business, and are reasonably required for Employer's protection.

(g) Invalidity. If a court of competent jurisdiction or an arbitrator shall declare any provision or restriction contained in this Section 7 as unenforceable or void, the provisions of this Section 7 shall remain in full force and effect to the extent not so declared to be unenforceable or void, and the court may modify the invalid provision to make it enforceable to the maximum extent permitted by law.

(h) Specific Performance. Employee agrees that if he breaches any of the provisions of this Section 7, the remedies available at law to Employer would be inadequate and in lieu thereof, or in addition thereto, Employer shall be entitled to appropriate equitable remedies, including specific performance and injunctive relief. Employee agrees not to enter into any agreement, either written or oral, which may conflict with this Agreement, and Employee authorizes Employer to make known the terms of Section 7 hereof to any person, including future employers of Employee.

8. Termination.

(a) Termination by Employer for Cause. Subject to the last sentence of this Section 8(a), at any time during the term of this Agreement, Employer may terminate Employee's employment for Cause, as defined below, upon at least fourteen (14) days written notice setting forth a description of the conduct constituting Cause. If Employee's employment is terminated for Cause, he shall be entitled to:

(i) payment of any unpaid portion of Employee's Base Salary through the effective date of such termination;

(ii) reimbursement for any outstanding reasonable business expense he has incurred in performing Employee's duties hereunder

(iii) the right to elect continuation coverage of insurance benefits to the extent required by law; and

(iv) payment of any accrued but unpaid benefits (including without limitation, any bonus due by virtue of having met all applicable performance targets prior to the effective date of such termination), and any other rights, as required by the terms of any employee benefit plan or program of Employer.

For purposes of this Agreement, "Cause" shall mean: (1) conviction of Employee of, or the entry of a plea of guilty or nolo contendere by Employee to, any felony, or any misdemeanor involving moral turpitude; (2) fraud, misappropriation or embezzlement by Employee; (3) Employee's wilful failure, gross negligence or gross misconduct in the performance of Employee's assigned duties for Employer; (4) wilful failure by Employee to follow reasonable instructions of any officer to whom Employee reports or the Euronet board; (5) Employee's gross negligence or gross misconduct in the performance of Employee's assigned duties for Employer. Notwithstanding the provisions of this Section 8(a) defining "Cause," in the event of a Change of Control, as defined hereafter, a Termination for Cause shall mean only a termination for an act of dishonesty by Employee constituting a felony which was intended to or resulted in gain or personal enrichment of Employee at Employer's expense.

(b) Termination by Employer Without Cause or Constructive Termination Without Cause on Change of Control. At any time before a Change of Control, Employer may terminate Employee's employment without Cause, by giving written notice of termination. If Employee's employment is terminated without Cause, or if there is a constructive termination without Cause, as defined below, Employee shall be entitled to receive from Employer the following:

(i) severance benefits including:

(A) payment of the then current Base Salary for a period of 24 months following such termination in accordance with Employer's regular salary payment practices, and

(B) continuation of the vesting of any outstanding stock options and continuation of the Employee's rights to exercise any outstanding stock options, through the full 24 month Severance Period. Employee shall be considered to be an Employee of the Employer during the entire Severance Period, and shall abide by the Covenant Not to Compete of Section 7(e) of this Agreement.

(ii) reimbursement for any outstanding reasonable business expense Employee has incurred in performing his duties hereunder;

(iii) payment of any accrued but unpaid benefits up to and including the effective date of the termination (including without limitation, any tax equalization payments, bonus due up to the date on which the Severance Period commences), and any other rights, as required by the terms of any employee benefit plan or program of Employer;

(iv) the right to elect continuation coverage of insurance benefits to the extent required by law; and

(v) payment of COBRA premiums for medical benefits for a period of six (6) months following such termination, if Employee timely elects to continue those benefits under COBRA.

For purposes of this Agreement, termination "without Cause" shall mean involuntary termination of employment, at the direction of Employer, in the absence of "Cause" as defined above. For purposes of this Agreement, "constructive termination without Cause" shall mean a termination of Employee at Employee's own initiative following the occurrence, without Employee's prior written consent, of one or more of the following events not on account of Cause ("Constructive Termination Events"):

(1) a significant diminution in the nature or scope of Employee's authority, title, responsibilities or duties, unless Employee is given new authority or duties that are substantially comparable to Employee's previous authority or duties;

(2) a reduction in Employee's then-current Base Salary, or a significant reduction in Employee's opportunities for earnings under Employee's incentive compensation plans (not attributable to economic conditions or business performance at the time), or the termination or significant reduction of any Employee benefit or perquisite enjoyed by him (except as part of a general reduction that applies to substantially all similarly situated Employees or participants);

(3) a change in Employee's place of employment such that Employee is required to work more than 50 miles from Employee's then current place of employment; or

(4) the failure of Employer to obtain an assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of Employer within 45 days after a merger, consolidation, sale or similar transaction.

If Employee believes there exists a basis for a constructive termination without Cause, Employee shall provide Employer with thirty days' written notice describing such basis, and Employer shall be entitled to cure the cause of the constructive termination within such 30-day period. If the cause of the constructive termination is cured, then no constructive termination without Cause shall be found to have taken place.

(c) Voluntary Termination by Employee. Employee may terminate this Agreement at any time by giving 60 days' written notice to Employer. If Employee voluntarily terminates his employment for reasons other than Employee's death, disability, or constructive termination without Cause, he shall be entitled to:

(i) payment of any unpaid portion of Employee's then current Base Salary through the effective date of such termination;

(ii) reimbursement of any outstanding reasonable business expense Employee has incurred in performing Employee's duties hereunder.

(iii) the right to elect continuation coverage of insurance benefits to the extent required by law; and

(iv) payment of any accrued but unpaid benefits, and any other rights, as required by the terms of any employee benefit plan or program of Employer.

(d) Termination Due to Death. Employee's employment and this Agreement shall terminate immediately upon Employee's death. If Employee's employment is terminated because of Employee's death, Employee's estate or Employee's beneficiaries, as the case may be, shall be entitled to:

(i) payment of any unpaid portion of Employee's then current Base Salary through the effective date of such termination;

(ii) reimbursement for any outstanding reasonable business expense Employee incurred in performing Employee's duties hereunder;

(iii) the right to elect continuation coverage of insurance benefits to the extent required by law;

(iv) any pension survivor benefits that may become due pursuant to any employee benefit plan or program of Employer, and

(v) payment of any accrued but unpaid benefits and any other rights, and vesting of any outstanding stock options as provided by the terms of any employee benefit plan or program of Employer.

(f) Termination Due to Disability. Employer may terminate Employee's employment at any time if Employee becomes disabled, upon written notice by Employer to Employee. If Employee's employment is terminated because of Employee's disability, he shall be entitled to:

(i) payment of a lump-sum disability benefit equal to 12 months' then current Base Salary;

(ii) continuation of the vesting of any outstanding stock options and continuation of Employee's rights to exercise any outstanding stock options, through the effective date of such termination and for a period of 12 months following such termination.

(iii) reimbursement for any outstanding reasonable business expense he has incurred in performing Employee's duties hereunder;

(iv) the right to elect continuation coverage of insurance benefits to the extent required by law; and

(v) payment of any accrued but unpaid benefits and any other rights, and vesting of any outstanding stock options, as provided by the terms of any employee benefit plan or program of Employer.

"Disability," as used in this paragraph, means a physical or mental illness, injury, or condition that (a) prevents, or is likely to prevent, as certified by a physician, Employee from performing one or more of the essential functions of Employee's position, for at least 120 consecutive calendar days or for at least 150 calendar days, whether or not consecutive, in any 365 calendar day period, and (b) which cannot be accommodated with a reasonable accommodation, without undue hardship on Employer, as specified in the Americans with Disabilities Act.

(g) Payments Terminated. If the Board of Employer has determined in good faith that the Employee has failed to comply with the requirements of the Confidentiality, Non-Solicitation and Non-Competition provisions referenced in Section 7 hereof at any time following any Termination, other than a Termination Without Cause or following or in anticipation of a Change of Control, then Employer shall have no further obligation to pay any amounts or provide any benefits under this Agreement.

(h) Cash in Lieu of Benefits. If any benefit plan pursuant to which Employee is entitled to receive benefits pursuant to Section 8 shall by its terms not permit participation by Employee following a Termination, then Employer shall pay to Employee at the time such benefits would have been paid the value thereof in cash.

9. Change of Control.

(a) Definition of Change of Control. For purposes of this Section, a "Change of Control" shall be considered to have occurred if (i) the stockholders of Employer have approved a merger, consolidation or dissolution of Employer or a sale, lease, exchange or disposition of all or substantially all of Employer's assets, (ii) less than 75% of the members of the Board shall be individuals who were members of the Board on the Effective Date or whose election or nomination was approved by a vote of at least 75% of the members of the Board then still in office who were either members of the Board on the Effective Date or whose election or nomination was so approved, or (iii) any "person" (as such term is used in Sections 13(d) and 14(d) of the U.S. Securities Exchange Act of 1934 (the "Exchange Act") shall have become "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of Employer representing 40% or more (calculated in accordance with Rule 13d-3) of the aggregate voting power of Employer's then outstanding voting securities.

In addition, all outstanding options held by Employee under any stock option plan of Employer or its affiliates shall become immediately vested on the Control Change Date.

(b) Termination Without Cause After Change of Control. Notwithstanding any other provision of this Section 9, at any time after the Control Change Date, Employer may terminate the employment of Employee without Cause (the “Termination”), but within five days of the Termination, it shall pay to Employee his full Base Salary through the Termination, to the extent not theretofore paid, plus a lump sum amount (the “Special Severance Payment”) equal to the product (discounted to the then present value on the basis of a rate of 7.5% per annum) of his annual Base Salary and any portion thereof remaining in the Twenty-Four-Month Severance Period Specified Benefits to which Employee was entitled immediately prior to Termination shall continue until the end of the Twenty-Four-Month Period (or the Extended Period, if applicable); provided that: (i) if any plan pursuant to which Specified Benefits are provided immediately prior to Termination would not permit continued participation by Employee after Termination, then Employer shall pay to Employee within five days after Termination a lump sum payment equal to the amount of Specified Benefits Employee would have received if Employee had been fully vested an a continuing participant in such plan to the end of the Twenty-Four-Month Period or the Extended Period, if applicable; and (ii) if Employee obtains new employment following Termination, then following any waiting period applicable to participation in any plan of the new employer, Employee shall continue to be entitled to receive benefits pursuant to this sentence only to the extent such benefits would exceed those available to Employee under comparable plans of the Employee’s new employer (but Employee shall not be required to repay any amounts then already received by him).

(c) Expenses. If any dispute should arise under this Agreement after the Control Change Date involving an effort by Employee to protect, enforce or secure rights or benefits claimed by Employee hereunder, Employer shall pay (promptly upon demand by Employee accompanied by reasonable evidence of incurrence) all reasonable expenses (including attorney’s fees) incurred by Employee in connection with such dispute, without regard to whether Employee prevails in such dispute except that Employee shall repay Employer any amounts so received if a court having jurisdiction shall make a final, non-appealable determination that Employee acted frivolously or in bad faith by such dispute

(d) Successors in Interest. The rights and obligations of Employer and Employee under this Section 9 shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of Employer and Employee, regardless of the manner in which such successors or assigns shall succeed to the interest of Employer or Employee hereunder and this Section 9 shall not be terminated by the voluntary or involuntary dissolution of Employer or any merger or consolidation or acquisition involving Employer, or upon any transfer of all or substantially all of Employer’s assets, or terminated otherwise than in accordance with its terms. In the event of any such merger or consolidation or transfer of assets, the provision of this Section 9 shall be binding upon and shall inure to the benefit of the surviving corporation or the corporation or other person to which such assets shall be transferred.

(e) Payment. Employee shall receive payment of any amounts to which he is entitled within five business days of the Control Change Date.

10. <u>Deductions and Withholding</u>. Employee agrees that Employer may withhold from any and all payments required to be made by Employer to Employee under this Agreement all taxes or other amounts that Employer is required by law to withhold in accordance with applicable laws or regulations from time to time in effect.

11. <u>Arbitration</u>. Whenever a dispute arises between the Parties concerning this Agreement or any of the obligations hereunder, or Employee's employment generally, Employer and Employee shall use their best efforts to resolve the dispute by mutual agreement. If any dispute cannot be resolved by Employer and Employee, it shall be submitted to arbitration to the exclusion of all other avenues of relief and adjudicated pursuant to the American Arbitration Association's Rules for Employment Dispute Resolution then in effect. The decision of the arbitrator must be in writing and shall be final and binding on the Parties, and judgment may be entered on the arbitrator's award in any court having jurisdiction thereof. The expenses of the arbitration shall be borne by the losing Party to the arbitration and the prevailing Party shall be entitled to recover from the losing Party all of its or Employee's own costs and attorney's fees with respect to the arbitration. Nothing in this Section 11 shall be construed to derogate Employer's rights to seek legal and equitable relief in a court of competent jurisdiction as contemplated by section 7(h).

12. <u>Non-Waiver</u>. It is understood and agreed that one Party's failure at any time to require the performance by the other Party of any of the terms, provisions, covenants or conditions hereof shall in no way affect the first Party's right thereafter to enforce the same, nor shall the waiver by either Party of the breach of any term, provision, covenant or condition hereof be taken or held to be a waiver of any succeeding breach.

13. <u>Severability</u>. If any provision of this Agreement conflicts with the law under which this Agreement is to be construed, or if any such provision is held invalid or unenforceable by a court of competent jurisdiction or any arbitrator, such provision shall be deleted from this Agreement and the Agreement shall be construed to give full effect to the remaining provisions thereof.

14. <u>Survivability</u>. Unless otherwise provided herein, upon termination or expiration of the Term, the provisions of Sections 7(b), (d) and (e) above shall nevertheless remain in full force and effect.

15. <u>Governing Law</u>. This Agreement shall be interpreted, construed and governed according to the laws of the State of Delaware without regard to the conflict of law provisions thereof.

16. <u>Construction</u>. The Section headings and captions contained in this Agreement are for convenience only and shall not be construed to define, limit or affect the scope or meaning of the provisions hereof. All references herein to Sections shall be deemed to refer to numbered sections of this Agreement.

17. Entire Agreement. This Agreement contains and represents the entire agreement of Employer and Employee and supersedes all prior agreements, representations or understandings, oral or written, express or implied with respect to the subject matter hereof. This Agreement may not be modified or amended in any way unless in a writing signed by each of Employer and Employee. No representation, promise or inducement has been made by either Employer or Employee that is not embodied in this Agreement, and neither Employer nor Employee shall be bound by or liable for any alleged representation, promise or inducement not specifically set forth herein.

18. Assignability. Neither this Agreement nor any rights or obligations of Employer or Employee hereunder may be assigned by Employer or Employee without the other Party's prior written consent. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of Employer and Employee and their heirs, successors and assigns.

19. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed properly given if delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, or sent by telegram, telex, telecopy or similar form of telecommunication, and shall be deemed to have been given when received. Any such notice or communication shall be addressed:

if to Employer, to	Euronet Worldwide, Inc. Attention: General Counsel 4601 College Boulevard, Ste. 300 Leawood, Kansas 66211
if to Employee, to	Mr. John Romney

or to such other address as Employer or Employee shall have furnished to the other in writing.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement, to be effective as of the date first above written.

/s/ John Romney
John Romney

Euronet Worldwide, Inc.
a Delaware Corporation

/s/ Daniel R. Henry
By: Daniel R. Henry
Its: Chief Operating Officer and President

EXHIBIT A

Tax Equalization

Euronet recognizes that the tax burden may be higher in the country from which an Employee is recruited to work for Euronet than in the Employee's original country of residence. As part of its compensation policy, Euronet will "equalize" the tax position of Employees who are considered "expatriate" Employees, such that the Employee will not bear more tax than he/she would bear if he/she were earning his/her salary in the original country of residence.

As an example, assume a U.S. expatriate Employee is working for Euronet in Hungary. The tax equalization policy will be applied as follows:

(i) "Theoretical" U.S. tax will be calculated based on the salary received by the Employee, assuming the Employee is a resident of the U.S. and his salary was earned from services performed there. Both federal and State tax will be calculated as will compulsory social security contributions. The State tax rate will be that applicable in the State of the Employee's last residence in the United States. For purposes of determining exemptions and deductions, this calculation will take into account the Employee's actual personal/marital status and will assume he/she contributes the highest permissible amount to retirement through an IRA or 401(k) plan, whichever was available at the Employee's last place of employment. No deductions for items such as mortgage interest, business expenses, etc. will be allowed.

(ii) The theoretical U.S. tax will be compared with the actual combined Hungarian and U.S. tax (including social security) paid by the Employee. Euronet will reimburse the Employee for the excess of such actual tax over the theoretical tax, and for the tax due on such reimbursement.

With respect to social security charges, where applicable, Euronet will be entitled to require that the Employee opt out of coverage to reduce the overall social security tax charge. If it so requires, Euronet will provide private health coverage to the Employee. Euronet will not be required to provide any pension or retirement coverage.

EXHIBIT 31.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER

I, Michael J. Brown, Chairman and Chief Executive Officer, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Euronet Worldwide, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 4, 2005

/s/ MICHAEL J. BROWN

Michael J. Brown
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER

I, Rick L. Weller, Chief Financial Officer and Principal Accounting Officer, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Euronet Worldwide, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: May 4, 2005

/s/ RICK L. WELLER

Rick L. Weller
Chief Financial Officer and Chief Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Euronet Worldwide, Inc. (the “Company”) for the period ended March 31, 2005 filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL J. BROWN

Michael J. Brown
Chief Executive Officer

May 4, 2005

In connection with the Quarterly Report on Form 10-Q of Euronet Worldwide, Inc. (the “Company”) for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICK L. WELLER

Rick L. Weller
Chief Financial Officer and Chief Accounting Officer

May 4, 2005