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

FORM 8-KA
(AMENDMENT NO. 1)

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

DECEMBER 16, 1998
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

COMMISSION FILE NUMBER []

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

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

14-24 HORVAT U.
1027 BUDAPEST
HUNGARY
(Address of principal executive offices)

36-1-224-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

This Current Report on Form 8-K/A amends and supersedes, to the extent set forth herein, the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission December 16, 1998.

This Amendment No. 1 to the Registrant's Current Report on Form 8-K dated December 16, 1998 (the "REPORT"), relates to the Euronet Services Inc.'s (the "Company") completion of the acquisition of Arkansas Systems Inc., a corporation organized and existing under the laws of the State of Arkansas ("ARKSYS"), by means of a merger of AE Merger Corp., an Arkansas corporation and a wholly owned subsidiary of the Company ("Merger Sub"), with and into Arksys (the "Merger") with Arksys remaining as the surviving corporation, pursuant to the Agreement and Plan of Merger and Reorganization, December 2, 1998 (the "MERGER AGREEMENT"), among the Company, Merger Sub and ARKSYS. The purpose of this Amendment is to amend Item 7(b) to provide the required Financial Statements of the business acquired and pro forma financial information relating to the business combination between the Company and ARKSYS which was impracticable to provide at the time the Registrant filed this report.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits -

(a) Financial Statements of Business Acquired

The following audited financial statements of ARKSYS are contained on pages [] to [] of this report:

Report of Independent Auditors

Consolidated Balance Sheets as of December 30, 1997 and December 31, 1996

Consolidated Statements of Income for the years ended December 31, 1997 and 1996

Consolidated Statements of changes in Shareholders' Equity at December 31, 1997 and 1996

Consolidated Statements of Cash Flows for the years ended December 31, 1997 and 1996

Notes to Combined Financial Statements

The following unaudited financial statements of ARKSYS are contained on pages [] to [] of this report:

Consolidated Balance Sheet as of September 30, 1998

Consolidated Statements of Operations for the nine month periods ended September 30, 1998 and 1997

Consolidated Statements of Cash Flows for the nine month periods ended September 30, 1998 and 1997

(b) Pro Forma Financial Information (unaudited):

The following unaudited pro forma financial information is contained on pages [] to [] of this report:

Introduction to Unaudited Pro Forma Condensed Combined Financial Information;

Pro Forma Condensed Combined Balance Sheet as of September 30, 1998;

Pro Forma Condensed Combined Statement of Operations for the nine month period ended September 30, 1998

Pro Forma Condensed Combined Statement of Operations for the year ended December 30, 1997;

Notes to Unaudited Pro Forma Condensed Combined Financial Information.

FINANCIAL STATEMENTS OF BUSINESS ACQUIRED

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Arkansas Systems, Inc. and Subsidiaries d/b/a ARKSYS

We have audited the accompanying consolidated balance sheet of Arkansas Systems, Inc. and Subsidiaries d/b/a ARKSYS as of December 31, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. The financial statements of ARKSYS for the year ended December 31, 1996, were audited by other auditors whose report dated May 1, 1997, expressed an unqualified opinion on those statements.

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

In our opinion, the 1997 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ARKSYS as of December 31, 1997, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

March 30, 1998

By: /s/ Ernst & Young LLP

Ernst & Young LLP

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 1997
AND DECEMBER 31, 1996

| | DECEMBER 31 | |
|--|---------------------|---------------------|
| | 1997 | 1996 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$2,438,246 | \$ 579,308 |
| Investment securities | 57,660 | 4,700 |
| Accounts receivable: | | |
| Trade, less allowance for doubtful accounts of \$252,000 in 1997 and 1996 | 2,870,388 | 1,739,345 |
| Other | 33,622 | 32,215 |
| Note receivable from affiliate | 26,555 | 8,852 |
| Income taxes receivable | - | 286,930 |
| Costs and estimated earnings in excess of billings on software installation contracts | 640,165 | 346,138 |
| Deferred income taxes | 331,536 | 228,391 |
| Prepaid expenses and other assets | 116,281 | 171,436 |
| Total current assets | 6,514,453 | 3,397,315 |
| Investment in affiliates | 499,116 | 412,951 |
| Receivable from affiliates | 390,121 | 1,077,646 |
| Investment securities | - | 51,025 |
| Net property and equipment | 879,500 | 2,227,096 |
| Cash surrender value of life insurance policies | 847,620 | 801,387 |
| Total assets | \$9,130,810 | \$7,967,420 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 388,151 | \$ 442,226 |
| Income taxes payable | 189,055 | - |
| Accrued expenses | 1,153,549 | 742,078 |
| Advance payments on contracts | 1,253,385 | 947,903 |
| Billings in excess of costs and estimated earnings on software installation contracts | 316,713 | 239,507 |
| Total current liabilities | 3,300,853 | 2,371,714 |
| Deferred compensation | 476,790 | 404,195 |
| Deferred income taxes | - | 21,050 |
| Deferred rent | 68,573 | 43,917 |
| Total liabilities | 3,846,216 | 2,840,876 |
| Stockholders' equity: | | |
| Common stock, (\$.000167 par value, authorized 6,000,000 shares; issued and outstanding: 1997--2,654,461; 1996--2,651,691 | 442 | 442 |
| Additional paid in capital | 387,518 | 368,066 |
| Unrealized gain on investments (net of tax of \$1,524 in 1997 and \$959 in 1996) | 2,454 | 1,545 |
| Retained earnings | 6,632,772 | 6,388,778 |
| | 7,023,186 | 6,758,831 |
| Less treasury stock, at cost (1997--1,090,935 shares; 1996--1,071,388 shares) | (1,738,592) | (1,632,287) |
| Total stockholders' equity | 5,284,594 | 5,126,544 |
| Total liabilities and stockholders' equity | \$ 9,130,810 | \$ 7,967,420 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED
DECEMBER 31, 1997 AND 1996

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

| | YEAR ENDED DECEMBER 31 | |
|---|------------------------|-------------|
| | 1997 | 1996 |
| Revenue: | | |
| Software, maintenance and related revenue | \$11,143,465 | \$9,192,581 |
| Gross profit on hardware sales | 292,045 | 412,876 |
| Total revenue | 11,435,510 | 9,605,457 |
| Operating expense: | | |
| Salaries, wages and employee benefits | 8,147,139 | 7,167,775 |
| Depreciation | 260,980 | 283,018 |
| Other general and administrative | 3,606,598 | 2,745,373 |
| Expenses billed to customers | (896,984) | (820,998) |
| Total operating expense | 11,117,733 | 9,375,168 |
| Earnings from operations | 317,777 | 230,289 |
| Other income (expense): | | |
| Interest income | 110,663 | 126,211 |
| Interest expense | (12) | (5,520) |
| Gain (loss) on sale of property | (157,306) | 69,525 |
| Other, net | 105,970 | 143,394 |
| Total other income | 59,315 | 333,610 |
| Income before equity in loss of affiliates and income taxes | 377,092 | 563,899 |
| Equity in loss of affiliates | (16,978) | (79,646) |
| Income before income taxes | 360,114 | 484,253 |
| Provision for income taxes: | | |
| Current | 240,315 | 5,570 |
| Deferred | (124,195) | 85,313 |
| | 116,120 | 90,883 |
| Net income | \$ 243,994 | \$ 393,370 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AT DECEMBER 31, 1997
AND 1996

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

| | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | UNREALIZED GAIN (LOSS) ON INVESTMENTS | RETAINED EARNINGS | TREASURY STOCK | TOTAL |
|--|-----------------|----------------------------------|---|----------------------|-------------------|-------------|
| Balance at January 1, 1996 | \$442 | \$346,766 | \$(2,143) | \$5,995,408 | \$(1,520,456) | \$4,820,017 |
| Net income for 1996 | - | - | - | 393,370 | - | 393,370 |
| Sales of stock to employees | - | 21,300 | - | - | - | 21,300 |
| Purchases of treasury stock--(16,090 shares at \$6.95 average per share) | - | - | - | - | (111,831) | (111,831) |
| Change in unrealized gain (loss) on investments | - | - | 3,688 | - | - | 3,688 |
| Balance at December 31, 1996 | 442 | 368,066 | 1,545 | 6,388,778 | (1,632,287) | 5,126,544 |
| Net income for 1997 | - | - | - | 243,994 | - | 243,994 |
| Sales of stock to employees | - | 19,452 | - | - | - | 19,452 |
| Purchases of treasury stock--(19,547 shares at \$5.44 average per share) | - | - | - | - | (106,305) | (106,305) |
| Change in unrealized gain (loss) on investments | - | - | 909 | - | - | 909 |
| Balance at December 31, 1997 | \$442 | \$387,518 | \$ 2,454 | \$6,632,772 | \$(1,738,592) | \$5,284,594 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 1997 AND 1996

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

| | YEAR ENDED DECEMBER 31 | |
|--|------------------------|------------|
| | 1997 | 1996 |
| ----- | | |
| OPERATING ACTIVITIES | | |
| Net income | \$ 243,994 | \$ 393,370 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: | | |
| Provision for bad debts | - | 52,000 |
| Depreciation | 260,980 | 283,018 |
| (Gain) loss on sale of property | 157,305 | (69,525) |
| Undistributed loss of affiliates | 16,978 | 79,646 |
| Deferred income taxes | (124,195) | 86,272 |
| Changes in operating assets and liabilities: | | |
| Accounts and other receivables | (1,132,450) | (737,798) |
| Receivable from affiliates | 669,822 | (477,062) |
| Income taxes receivable | - | 38,305 |
| Income taxes payable | 475,420 | - |
| Costs and estimated earnings in excess of billings on software installation contracts | (294,027) | (202,809) |
| Prepaid expenses and other assets | 55,155 | 84,315 |
| Cash surrender value of life insurance policies | (46,233) | 48,431 |
| Accounts payable and accrued expenses | 357,396 | (139,574) |
| Advance payments on contracts | 305,482 | 448,810 |
| Billings in excess of costs and estimated earnings on software installation contracts | 77,206 | (104,248) |
| Deferred compensation | 72,595 | (61,386) |
| Deferred rent | 24,656 | 43,917 |
| | ----- | |
| Net cash provided (used) by operating activities | 1,120,084 | (234,318) |
| INVESTING ACTIVITIES | | |
| Proceeds from sale and maturities of investment securities | - | 315,539 |
| Proceeds from sale of property and equipment | 963,783 | 193,520 |
| Purchases of property and equipment | (50,962) | (595,556) |
| Purchases of investment securities | (461) | (3,140) |
| Additional investment in affiliates | (86,653) | (265,480) |
| | ----- | |
| Net cash provided (used) by investing activities | 825,707 | (355,117) |
| FINANCING ACTIVITIES | | |
| Proceeds from sale of stock | 19,452 | 21,300 |
| Purchase of treasury stock | (106,305) | (111,831) |
| | ----- | |
| Net cash used by financing activities | (86,853) | (90,531) |
| | ----- | |
| Increase (decrease) in cash and cash equivalents | 1,858,938 | (679,966) |
| Cash and cash equivalents: | | |
| Beginning balance | 579,308 | 1,259,274 |
| | ----- | |
| Ending balance | \$ 2,438,246 | \$ 579,308 |
| | ===== | |

See accompanying notes.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

Founded in 1975 and managed by software professionals Arkansas Systems, Inc. and Subsidiaries d/b/a ARKSYS, ("ARKSYS" or the "Company") sells payment and financial transaction delivery systems worldwide. ARKSYS is a closely-held, independently controlled corporation that is owned 98%, directly and indirectly, by current employees.

ARKSYS provides payment and transaction processing solutions on the IBM AS/400 platform. Its core solution, Integrated Transaction Management ("ITM"), is a modular, comprehensive software architecture for ARKSYS' offerings. Offerings include:

- ATM and network processing software
- Electronic funds transfer software interfaces
- Electronic funds transfer switch control software
- Credit/debt card processing software
- Corporate cash management and personal financial management access products

Headquartered in Little Rock, Arkansas, ARKSYS has satellite offices in Budapest, Hungary, and Orlando, Florida. Arkansas-based marketing and regional sales representatives and a global network of distributors market and sell its offerings and services. Technical staff members, which include delivery, development, research and support personnel, are based in Little Rock.

ARKSYS' client base includes more than 350 active clients in the United States and approximately 70 countries worldwide. ARKSYS has approximately 140 employees.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Arkansas Systems, Inc. and its wholly owned subsidiary, Arkansas Systems, Inc. International (a Foreign Sales Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

ARKSYS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

INVESTMENT SECURITIES

All marketable securities are classified as available-for-sale and are available to support current operations or to take advantage of other investment opportunities. Those securities are stated at estimated fair value based upon market quotes. Unrealized gains and losses, net of tax, are computed on the basis of specific identification and are included in Retained Earnings. Realized gains, realized losses, and declines in value, judged to be other-than-temporary, are included in Other Income. The cost of securities sold is based on the specific identification method and interest earned is included in Other Income.

INVESTMENT IN COMMON STOCK OF LIMITED LIABILITY COMPANIES

ARKSYS is accounting for its investments in Arkansas Systems Building Company, LLC, a 48.389% owned affiliate, Arkansas Systems Land Company, LLC, a 50% owned affiliate, Chenal Technology Center, LLC, a 17% owned affiliate, and EFT Network Services, LLC, a 33 1/3% owned affiliate, by the equity method of accounting. Under this method, ARKSYS's share of the net income or loss of each affiliate is recognized in ARKSYS's income statement and reflected in ARKSYS's investment account, and dividends received from an affiliate are treated as a reduction of the investment account.

RECOGNITION OF REVENUES

ARKSYS offers banking and financial software products under licensing agreements with monthly and annual maintenance support. Revenues from licensing agreement contracts are recognized on a percentage of completion basis whereby a pro rata portion of revenue and related costs are recognized as the work progresses. Maintenance agreement revenues are recognized over the terms of the maintenance contracts on a monthly basis. Licensing and maintenance contract revenues received before they are earned are included in the balance sheets as "Advance payments on contracts".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS WITH MARKET RISK AND CONCENTRATION OF CREDIT RISK

ARKSYS maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. ARKSYS has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Also, ARKSYS's investment portfolio is comprised primarily of U.S. Government obligations which are backed by the full faith and credit of the United States Government.

The concentration of credit risk in the Company's receivables with respect to the financial services industry is mitigated by the Company's credit evaluation policy, reasonably short collection terms and geographical dispersion of sales transactions. The Company generally does not require collateral or other security to support accounts receivables.

In 1997 and 1996, sales to foreign customers represented approximately 62% and 38% of total sales, respectively. No individual customer accounted for more than 10% of total sales in either year.

At December 31, 1997, 74% of the Company's total accounts receivable resulted from foreign sales. Customers in Hungary accounted for approximately 13% of the Company's total accounts receivable at December 31, 1997.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight line method. The building and building additions have been assigned depreciable lives of 10 to 30 years. The depreciable lives of automobiles, office furniture and data processing equipment are 3 to 8 years.

IMPAIRMENT OF ASSETS

The Company accounts for any impairment of its long-lived assets using SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-lived Assets to be Disposed Of". Under SFAS No. 121, impairment losses are recognized when information indicates the carrying amount of long-lived assets, identifiable intangibles and any goodwill related to those assets will not be recovered through future operations or sale.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development expenditures, consisting primarily of employee salaries and computer-related expenses, incurred for the development of new software systems, are expensed as incurred and amounted to approximately \$1,700,000 and \$1,600,000 in 1997 and 1996, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING COSTS

The Company expenses advertising costs as incurred. Advertising costs included in other general and administrative expenses totaled \$66,390 and \$33,318 in 1997 and 1996, respectively.

STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and accordingly, recognized no compensation expense for the stock option grants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued Statement No. 130 "Reporting Comprehensive Income", ("FAS 130"), and Statement No. 131 "Disclosure about Segments of an Enterprise and Related Information" ("FAS 131"). The Company is required to adopt these statements in 1998. FAS 130 establishes new standards for reporting and displaying comprehensive income and its components. FAS 131 requires disclosure of certain information regarding operating segments, products and services, geographic areas of operation and major customers. Adoption of these Statements is expected to have no impact on the Company's consolidated financial position, results of operations or cash flows.

RECLASSIFICATIONS

Certain December 31, 1996 amounts have been reclassified to conform to the December 31, 1997 presentation.

2. INVESTMENT SECURITIES

The cost and fair value of investments in debt and equity securities consist of the following as of December 31:

| | 1997 | | | |
|----------------------------------|-----------|------------------------|-------------------------|------------|
| | COST | GROSS UNREALIZED GAINS | GROSS UNREALIZED LOSSES | FAIR VALUE |
| Equity securities | \$ 3,791 | \$ 2,844 | \$ - | \$ 6,635 |
| Obligations of local governments | 49,891 | 1,134 | - | 51,025 |
| | \$ 53,682 | \$ 3,978 | \$ - | \$ 57,660 |

| | 1996 | | | |
|----------------------------------|-----------|------------------------|-------------------------|------------|
| | COST | GROSS UNREALIZED GAINS | GROSS UNREALIZED LOSSES | FAIR VALUE |
| Equity securities | \$ 3,330 | \$ 1,624 | \$ 254 | \$ 4,700 |
| Obligations of local governments | 49,891 | 1,134 | - | 51,025 |
| | \$ 53,221 | \$ 2,758 | \$ 254 | \$ 55,725 |

2. INVESTMENT SECURITIES (CONTINUED)

Debt securities at December 31, 1997 have a contractual maturity due date in 1998.

The fair market value of these financial instruments is based upon quoted market prices for these or similar investments.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

| | 1997 | 1996 |
|----------------------------------|-------------|--------------|
| | ----- | |
| Land | \$ 107,088 | \$ 346,502 |
| Building and improvements | 6,747 | 1,600,955 |
| Data processing equipment | 2,088,947 | 2,047,767 |
| Office equipment and automobiles | 591,935 | 651,545 |
| | ----- | |
| | 2,794,717 | 4,646,769 |
| Less accumulated depreciation | (1,915,217) | (2,419,673) |
| | ----- | |
| Net property and equipment | \$ 879,500 | \$ 2,227,096 |
| | ===== | |

4. CONTRACTS IN PROCESS

The software installation contracts in process consist of the following as of December 31:

| | 1997 | 1996 |
|---|--------------|--------------|
| | ----- | |
| Costs and estimated earnings on software installation contracts | \$ 3,911,139 | \$ 1,874,680 |
| Less billings to date | (3,587,687) | (1,768,049) |
| | ----- | |
| | \$ 323,452 | \$ 106,631 |
| | ===== | |

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

| | 1997 | 1996 |
|---|------------|------------|
| | ----- | |
| Costs and estimated earnings in excess of billings on software installation contracts | \$ 640,165 | \$ 346,138 |
| Billings in excess of costs and estimated earnings on software installation contracts | (316,713) | (239,507) |
| | ----- | |
| | \$ 323,452 | \$ 106,631 |
| | ===== | |

5. INVESTMENT IN LIMITED LIABILITY COMPANIES (UNAUDITED)

Condensed financial information for Arkansas Systems Building Company, LLC; Arkansas Systems Land Company, LLC; EFT Network Services, LLC; and Chenal Technology Center, LLC consist of the following as of and for the year ended December 31:

| | 1997 | | | |
|------------------------------|------------------|--------------|------------------|-------------------|
| | BUILDING COMPANY | LAND COMPANY | NETWORK SERVICES | TECHNOLOGY CENTER |
| <hr/> | | | | |
| Assets | | | | |
| Cash | \$ 381,480 | \$ 267 | \$ 54,597 | \$ 17,352 |
| Property and equipment (net) | 11,467,503 | - | 201,297 | 168,460 |
| Other | - | 421,453 | 112,213 | 2,427,481 |
| <hr/> | | | | |
| Total assets | \$ 11,848,983 | \$ 421,720 | \$ 368,107 | \$ 2,613,293 |
| <hr/> | | | | |
| Liabilities and equity | | | | |
| Payable to ARKSYS | \$ 389,121 | \$ 1,000 | \$ 26,555 | \$ - |
| Other payables | - | - | 42,733 | 30,939 |
| Debt | 10,602,196 | 421,453 | - | 2,077,886 |
| Capital | 623,398 | 80,525 | 676,628 | 804,662 |
| Retained earnings (deficit) | 234,268 | (81,258) | (377,809) | (300,194) |
| <hr/> | | | | |
| Total liabilities and equity | \$ 11,848,983 | \$ 421,720 | \$ 368,107 | \$ 2,613,293 |
| <hr/> | | | | |
| Revenue | \$ 1,999,697 | \$ - | \$ 372,453 | \$ 303,100 |
| Cost of sales | - | - | 39,115 | 180,931 |
| Operating expenses | 1,823,436 | 41,719 | 567,892 | 216,723 |
| <hr/> | | | | |
| Net income (loss) | \$ 176,261 | \$ (41,719) | \$ (234,554) | \$ (94,554) |
| <hr/> | | | | |
| Percent owned by ARKSYS | 48.389% | 50% | 33.33% | 17% |
| <hr/> | | | | |

5. Investment in Limited Liability Companies (Unaudited) (continued)

| | 1996 | | | |
|------------------------------|------------------|--------------|------------------|-------------------|
| | BUILDING COMPANY | LAND COMPANY | NETWORK SERVICES | TECHNOLOGY CENTER |
| <hr/> | | | | |
| Assets | | | | |
| Cash | \$ 324,700 | \$ 383 | \$ 15,714 | \$ 7,597 |
| Property and equipment (net) | 10,696,012 | 421,453 | 336,846 | 2,508,737 |
| Other | 46,792 | - | 176,435 | 1,000 |
| <hr/> | | | | |
| Total assets | \$ 11,067,504 | \$ 421,836 | \$ 528,995 | \$ 2,517,334 |
| <hr/> | | | | |
| LIABILITIES AND EQUITY | | | | |
| Payable to ARKSYS | \$ 1,065,921 | \$ 1,000 | \$ 8,851 | \$ 1,874 |
| Other payables | 35,378 | 5,268 | 67,770 | 28,729 |
| Debt | 9,543,270 | 421,453 | - | 2,218,547 |
| Capital | 364,928 | 33,654 | 595,629 | 473,824 |
| Retained earnings (deficit) | 58,007 | (39,539) | (143,255) | (205,640) |
| <hr/> | | | | |
| Total liabilities and equity | \$ 11,067,504 | \$ 421,836 | \$ 528,995 | \$ 2,517,334 |
| <hr/> | | | | |
| Revenue | \$ 357,139 | \$ - | \$ 109,223 | \$ 11,003 |
| Cost of sales | - | - | (43,753) | - |
| Operating expenses | (299,132) | (39,539) | (208,726) | (216,643) |
| <hr/> | | | | |
| Net income (loss) | \$ 58,007 | \$ (39,539) | \$ (143,255) | \$ (205,640) |
| <hr/> | | | | |
| Percent owned by ARKSYS | 50% | 50% | 33.33% | 20% |
| <hr/> | | | | |

None of the debt incurred by the above entities is with recourse to the owners.

6. EMPLOYEE BENEFIT PLANS

ARKSYS has established a Profit Sharing and 401(k) plan for all employees who have completed one year of service. Each plan participant can contribute up to the maximum amount allowed by the Internal Revenue Service to the Plan through payroll deductions. ARKSYS's matching contribution to the plan is discretionary and is determined each year by the Board of Directors. The employees' vested percentage regarding the employer's contribution varies according to years of service. ARKSYS's expense for contributions to the plan for 1997 and 1996 was \$287,624 and \$230,009, respectively.

6. EMPLOYEE BENEFIT PLANS (CONTINUED)

ARKSYS maintains a self-funded health insurance program which covers all full-time employees and their families at no charge to the employees. In order to administer this program, ARKSYS has entered into a contractual agreement with a third party administrator by which ARKSYS pays a monthly service fee to the administrator based upon employee enrollment. ARKSYS has also purchased stop/loss insurance to limit ARKSYS's liability to \$25,000 per employee per year and a total loss on all claims to approximately \$21,400 per month. Health care claims are accrued as the services are rendered and, accordingly, the cost of claims incurred but not yet paid of approximately \$63,000 and \$40,000 at December 31, 1997 and 1996, respectively is included in accounts payable in the accompanying balance sheets.

Until October 1, 1996, ARKSYS also had a nonqualified, unfunded deferred compensation plan for certain key executives providing for payments upon retirement or death. The retirement benefit to be provided was based upon the length of service rendered and a fixed amount determined at the date of initial participation. The deferred compensation expense for 1996 was \$73,395. The liability had a present value, at an assumed discount rate of 9%, of \$404,195 at the date of termination ARKSYS had insured the lives of the participants in the deferred compensation plan to assist in the funding of the deferred compensation liability. On October 1, 1996, ARKSYS terminated the deferred compensation plan. As of December 31, 1996, five of the seven participants in the deferred compensation plan had received life insurance policies in their names, in full settlement of the related liability, which resulted in a loss of approximately \$55,000.

In 1997, the obligation related to the remaining two participants was converted into a new retirement agreement under which payments are to be made monthly beginning in 2012, for a maximum of 15 years, to either the employee or their beneficiary. The deferred compensation expense under this new agreement was \$72,595 for 1997. The liability had a present value, at an assumed discount rate of 9%, of \$476,790 at December 31, 1997. ARKSYS has insured the lives of the participants covered by the new retirement agreement to assist in funding of the deferred compensation liability by acquiring insurance contracts with a combined cash surrender value of \$504,400 at December 31, 1997. The assets and liabilities are reported gross in the accompanying balance sheets because the insurance contracts have not been irrevocably assigned to the employees or any plan or trust and accordingly, the insurance contracts are subject to the claims of creditors.

7. STOCK OPTION PLAN

In 1996, ARKSYS established a stock-based compensation plan under which stock options may be granted to officers and other key employees. The plan provides for option prices based on the fair value of the stock on the date the option is granted, as established by the Board of Directors based upon a formula which takes into consideration the Company's book value, gross sales and retained earnings. Options granted under this plan become exercisable in five equal installments commencing one year from the date of the grant.

Shares issued pursuant to options granted under this plan shall not exceed 1,000,000.

Transactions relating to the stock-based compensation plan are summarized as follows:

| | NUMBER OF SHARES | WEIGHTED AVERAGE PRICE PER SHARE |
|--|---------------------|--|
| Options outstanding at January 1, 1996 | - | \$ - |
| Granted | 60,250 | 6.46 |
| Exercised | - | - |
| Options outstanding at December 31, 1996 | 60,250 | 6.46 |
| Granted | 215,251 | 6.91 |
| Exercised | (200) | 6.46 |
| Terminated | (9,000) | 6.57 |
| Options outstanding at December 31, 1997 | 266,301 | \$ 6.82 |

As of December 31, 1997, options for 27,534 shares were exercisable and 733,499 shares were available for stock option grants under the 1996 plan.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards in 1997 and 1996 consistent with the provisions of SFAS 123, the Company's pro forma net income would have been \$197,131 and \$384,460, respectively.

7. STOCK OPTION PLAN (CONTINUED)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for grants in 1997: dividend yield of 0%; expected volatility of 0%; risk-free interest rate of 6.73% and expected life of 5 years. The following weighted-average assumptions were used for grants in 1996: dividend yield of 0%; expected volatility of 0%, risk-free interest rate of 6.55% and expected life of 5 years.

8. EMPLOYEE STOCK PLANS

The Company also has an employee stock purchase plan for purposes of providing employees with ownership opportunities. The Plan is a non-compensatory plan available to all employees who have completed three full quarters of employment. After meeting the length of employment requirement, an employee accrues rights at the rate of twenty shares per full quarter of employment if employed prior to March 1, 1991. Employees who were employed subsequent to February 28, 1991 accrue ten purchase rights per quarter. Employees who were employed prior to December 31, 1980 accrue four hundred rights per full quarter of employment. Rights granted on or after March 1, 1991 expire if not exercised within three years. Shares of stock purchased with these rights fully vest to the employee immediately upon purchase. All purchases and sales of stock are at values established by the Board of Directors based upon a formula which takes into consideration the Company's book value, gross sales, and retained earnings. The Company retains a right of first refusal on all proposed sales of Company stock.

The Board of Directors may also grant purchase rights to employees on a discretionary basis. Shares of stock purchased with these granted rights vest to the employee over a five year period.

There were rights to purchase 30,213 and 28,653 shares of stock outstanding at December 31, 1997 and 1996, respectively. Rights were exercised to purchase 2,570 shares in 1997 and 3,201 shares in 1996. During 1996, the Company purchased 113,441 rights from employees for \$1 per right with the purchase price recorded in operations.

9. LINE OF CREDIT

At December 31, 1997, ARKSYS had a \$1,500,000 unused line of credit with a bank to be drawn upon as needed, with interest at the lower of 10.0% or the New York Premium rate. The line expires on July 5, 1998.

10. FEDERAL AND STATE INCOME TAXES

Significant components of the Company's deferred tax liabilities and assets as of December 31, are as follows:

| | CURRENT | 1997 NONCURRENT | TOTAL |
|---------------------------------------|------------|--------------------|-------------|
| ----- | | | |
| Deferred tax liabilities: | | | |
| Property and equipment | \$ | \$(92,534) | \$ (92,534) |
| Deferred revenue | (123,850) | - | (123,850) |
| Other | - | (940) | (940) |
| Prepaid expenses | (4,323) | - | (4,323) |
| ----- | | | |
| Total deferred tax liabilities | (128,173) | (93,474) | (221,647) |
| Deferred tax assets: | | | |
| Bad debt reserve | 96,491 | - | 96,491 |
| Deferred rent | - | 26,257 | 26,257 |
| Deferred compensation | - | 182,563 | 182,563 |
| Accrued medical claims | 14,641 | - | 14,641 |
| Accrued bonuses | 111,274 | - | 111,274 |
| Accrued vacation | 118,756 | - | 118,756 |
| Other | 2,262 | 939 | 3,201 |
| ----- | | | |
| Total deferred tax assets | 343,424 | 209,759 | 553,183 |
| ----- | | | |
| Net deferred tax (liabilities)/assets | \$ 215,251 | \$116,285 | \$ 331,536 |
| ===== | | | |

| | CURRENT | 1996 NONCURRENT | TOTAL |
|---------------------------------------|------------|--------------------|-------------|
| ----- | | | |
| Deferred tax liabilities: | | | |
| Property and equipment | \$ | \$(200,285) | \$(200,285) |
| Deferred revenue | (132,535) | - | (132,535) |
| Other | (961) | - | (961) |
| ----- | | | |
| Total deferred tax liabilities | (133,496) | (200,285) | (333,781) |
| Deferred tax assets: | | | |
| Bad debt reserve | 96,491 | - | 96,491 |
| Deferred rent | - | 16,816 | 16,816 |
| Deferred compensation | - | 154,766 | 154,766 |
| Accrued medical claims | 14,703 | - | 14,703 |
| Accrued bonuses | - | - | - |
| Accrued vacation | 144,162 | - | 144,162 |
| Billings in excess of earnings | 91,707 | - | 91,707 |
| Other | 14,824 | 7,653 | 22,477 |
| ----- | | | |
| Total deferred tax assets | 361,887 | 179,235 | 541,122 |
| ----- | | | |
| Net deferred tax (liabilities)/assets | \$ 228,391 | \$ (21,050) | \$ 207,341 |
| ===== | | | |

10. FEDERAL AND STATE INCOME TAXES (CONTINUED)

A reconciliation of the statutory federal income tax rate to the Company's effective rate is presented below.

| | 1997 | 1996 |
|--|-----------|------------|
| Income tax at the statutory rate of 34% | \$122,439 | \$ 164,646 |
| Federal income tax effects of: | | |
| State income taxes | (3,637) | (5,988) |
| Nondeductible portion of meals and entertainment | 10,915 | 53,291 |
| Cash surrender value of life insurance | (15,719) | - |
| Benefit of nontaxable income from Arkansas Systems, Inc. | | |
| International | (37,563) | (104,752) |
| Other | 28,989 | (33,926) |
| Federal income taxes | 105,424 | 73,271 |
| State income taxes | 10,696 | 17,612 |
| Provision for income taxes | \$116,120 | \$ 90,883 |

Income taxes paid for the years ended December 31, 1997 and 1996 was \$6,500 and \$252,500, respectively.

11. RELATED PARTY

During 1996, ARKSYS entered into an agreement with Arkansas Systems Building Company, LLC, an affiliate, to lease office space. The lease is classified as an operating lease and provides for specified annual percentage increases. Minimum future rental payments under this noncancelable operating lease as of December 31, 1997, for each of the next 5 years and in the aggregate are:

| | |
|--------------------------------------|--------------|
| 1998 | \$ 1,040,625 |
| 1999 | 1,071,844 |
| 2000 | 1,103,999 |
| 2001 | 1,137,119 |
| 2002 | 1,171,233 |
| Thereafter | 5,608,532 |
| Total minimum future rental payments | \$11,133,352 |

ARKSYS incurred \$1,071,242 and \$366,464 of lease expense in 1997 and 1996, respectively.

ESI PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 1998
(UNAUDITED)
(IN THOUSANDS)

12. COMMITMENTS

The Company has an agreement with a former shareholder to repurchase shares of the Company's common stock over a period extending through 2006. Under the terms of the agreement the Company will pay the former shareholder \$60,360 in 1998; \$60,321 in 1999; \$60,273 in 2000; \$60,306 in 2001; \$60,255 in 2002 and \$233,208 thereafter.

13. SUBSEQUENT EVENT

In February 1998, the Company entered into a Retirement and General Release Agreement with its former president. A lump sum payment of \$400,000 was made to the former president in February under the terms of the agreement. In addition, the agreement obligates the Company to repurchase shares of its common stock from the former president with an aggregate value up to \$1,000,000. The Company may repurchase as many shares in any given year as the former president is willing to sell, however, the Company's obligation to repurchase is limited to an amount equal to 38% of the net after-tax profits of the Company for the immediately preceding year.

14. YEAR 2000 CONSIDERATION--UNAUDITED

ARKSYS has developed a plan to modify its information technology to be ready for the year 2000 and has begun converting critical data processing systems. ARKSYS currently expects the project to be substantially complete by early 1999. ARKSYS does not expect this project to have a significant effect on operations.

ARKSYS CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 1998
 UNAUDITED
 (IN THOUSANDS)

ASSETS

| | |
|---|-------------------|
| Current assets | |
| Cash and Cash equivalents | \$ 1,689 |
| Investment securities | 7 |
| Accounts receivable, net | 3,553 |
| Note receivable from affiliate | 27 |
| Costs and estimated earnings in excess of billings on software installation contracts | 475 |
| Income taxes receivable | 139 |
| Deferred income taxes | 384 |
| Prepaid expenses and other assets | 125 |
| | ----- |
| Total current assets | 6,399 |
| Investment in affiliates | 353 |
| Net property and equipment | 825 |
| Cash surrender value of life insurance policies | 928 |
| | ----- |
| TOTAL ASSETS | \$ 8,505 ===== |

LIABILITIES

| | |
|---|-------------------|
| Current liabilities | |
| Accounts payable | \$ 364 |
| Accrued expenses | 1,029 |
| Advance payments on contracts | 1,384 |
| Billings in excess of costs and estimated earnings on software installation contracts | 293 |
| | ----- |
| Total Current Liabilities | 3,070 |
| Deferred compensation | 500 |
| Deferred rent | 175 |
| | ----- |
| Total Liabilities | 3,745 --- |
| | ----- |
| STOCKHOLDERS' EQUITY | |
| Common stock | 1 |
| Additional paid in capital | 393 |
| Retained earnings | 6,192 |
| Treasury stock | (1,826) |
| | ----- |
| Total Stockholders equity | 4,760 ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 8,505 ===== |

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE NINE MONTH PERIODS
 ENDED SEPTEMBER 30, 1998 AND 1997
 UNAUDITED
 (IN THOUSANDS)

| | Nine Months ended | |
|--|-----------------------|-----------------------|
| | September 30, 1998 | September 30, 1997 |
| | ---- | ---- |
| REVENUE | | |
| Software, maintenance and related revenue | \$ 8,618 | \$ 8,357 |
| Other | 331 | 53 |
| | ----- | |
| Total Revenue | 8,949 | 8,410 |
| OPERATING EXPENSE | | |
| Salaries, wages and employee benefits | 7,018 | 6,109 |
| Depreciation | 201 | 164 |
| Other general and administrative | 2,410 | 2,047 |
| | ----- | |
| Total Operating Expenses | 9,629 | 8,320 |
| Earnings (loss) from Operations | (680) | 90 |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 65 | 79 |
| | ----- | |
| Income (loss) before equity loss of affiliates and income taxes | (615) | 169 |
| Equity in loss of affiliates | (27) | (13) |
| | ----- | |
| (Loss) income before income taxes (benefit) expense: | (642) | 156 |
| | ----- | |
| Income tax (benefit) expense | (199) | 9 |
| | ----- | |
| NET (LOSS) INCOME | \$ (443) | \$ 147 |
| | ===== | |

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTH PERIODS
 ENDED SEPTEMBER 30, 1998 AND 1997
 UNAUDITED
 (IN THOUSANDS)

| | Nine months ended 1998 | September 30, 1997 |
|--|---------------------------|-----------------------|
| | ---- | ---- |
| OPERATING ACTIVITIES | | |
| Net income (loss) | \$ (-443) | \$ 147 |
| Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities: | | |
| Depreciation | 201 | 164 |
| Undistributed loss of affiliates | 27 | 13 |
| Loss from sale of property | -- | 157 |
| Deferred income taxes | (-52) | (-93) |
| Changes in operating assets and liabilities: | | |
| Accounts and other receivables | (-649) | (-1,246) |
| Receivable from affiliates | 389 | 689 |
| Income taxes receivable | (-139) | 19 |
| Income taxes payable | (-189) | 60 |
| Costs and estimated earnings in excess of billings on software installation contracts | 165 | (-118) |
| Note receivable from affiliate | -- | (-18) |
| Deferred income taxes | -- | 229 |
| Prepaid expenses and other assets | (-10) | 42 |
| Investment securities | | 51 |
| Cash surrender value of life insurance policies | (-81) | (-39) |
| Accounts payable and accrued expenses | (-149) | 20 |
| Advance payments on contracts | 131 | 316 |
| Billings in excess of costs and estimated earnings on software installation contracts | (-23) | (-3) |
| Deferred compensation | 23 | (-47) |
| Deferred rent | 107 | (-14) |
| | ----- | ----- |
| Net cash (used) provided by operating activities | (692) | 329 |
| | ----- | ----- |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | -- | 829 |
| Proceeds from maturity of investments | 50 | 16 |
| Purchases of property and equipment | (-146) | (-45) |
| Increase in investment in affiliates | 120 | 51 |
| | ----- | ----- |
| Net cash provided by investing activities | 24 | 851 |
| | ----- | ----- |
| FINANCING ACTIVITIES | | |
| Proceeds from sale of stock | 6 | 6 |
| Purchases of treasury stock | (-87) | (-50) |
| | ----- | ----- |
| Net cash used by financing activities | (-81) | (-44) |
| | ----- | ----- |
| (Decrease) increase in cash and cash equivalents | (749) | 1,136 |
| Cash and cash equivalents: | | |
| Beginning balance | 2,438 | 579 |
| | ----- | ----- |
| Ending balance | \$ 1,689 | \$ 1,715 |
| | ===== | ===== |

INTRODUCTION TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL
INFORMATION

The unaudited pro forma condensed combined financial information as of and for the nine months ended September 30, 1998 and for the year ended December 31, 1997 are set forth on the following pages. The unaudited pro forma financial information has been prepared utilizing the historical financial statements of Euronet Services Inc ("ESI") and Arkansas Systems Inc. ("ARKSYS"). Accordingly, the pro forma financial information gives pro forma effect to the acquisition of ARKSYS as if it had occurred as of January 1, 1997 for purposes of the statements of operations and the balance sheet.

The acquisition has been accounted for under the purchase method of accounting and the pro forma financial information has been prepared on such basis of accounting utilizing estimates and assumptions as set forth below and in the notes thereto.

The pro forma financial information is presented for informational purposes and is not necessarily indicative of the future financial position or results of operations of the combined companies, or of the financial position or the results of operations of the combined companies, that would have actually occurred had the acquisitions been consummated on such date or as of the periods described above.

The preliminary purchase price allocations reflected in the pro forma financial information have been based on preliminary estimates of the respective fair value of assets and liabilities which may differ from the actual allocations, and are subject to revision based on further studies and valuations. Certain valuations of significant tangibles and intangible assets are being carried out by independent valuation experts. Management has determined a preliminary allocation of the purchase price to goodwill, in-progress research and development, developed technology and other intangibles such as trademarks, assembled work force and the current installation base. Once the independent valuation is complete management believes that a portion of the intangibles may be reallocated. Certain amounts in the historical financial statements of ARKSYS have been reclassified to conform to the financial presentation of ESI.

ESI PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 1998
(UNAUDITED)
(IN THOUSANDS)

| | Euronet Services Inc. September 30, | Arkansas Systems Inc. September 30, | ESI/ ARKSYS Pro Forma | Pro Forma Combined September 30, |
|---|---|---|--|--|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents..... | \$60,791 | \$1,689 | \$(18,255) | \$44,225 |
| Restricted cash..... | 12,865 | - | | 12,865 |
| Trade accounts receivable, net..... | 1,299 | 3,482 | (228) | 4,553 |
| Costs and estimated earnings in excess of billings on software installation contracts | - | 475 | | 475 |
| Investment securities..... | 29,230 | 7 | | 29,237 |
| Prepaid expenses and other current assets..... | 3,471 | 362 | | 3,833 |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Total current assets..... | 107,656 | 6,015 | (18,483) | 95,188 |
| Property, plant and equipment, net..... | 29,902 | 825 | (601) | 30,126 |
| Deferred financing costs | 3,228 | - | | 3,228 |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| | Euronet Services Inc. September 30, 1998 | Arkansas Systems Inc. September 30, 1998 | ESI/ ARKSYS Pro Forma Adjustments | Pro Forma Combined September 30, 1998 |
| Purchased research and development | - | - | 1,500 (1,500) | - |
| Other intangibles, net | | | 11,967 | 11,967 |
| Investments in affiliates | - | 353 | (153) | 200 |
| Cash surrender value of life insurance policies | - | 928 | (500) | 428 |
| Deposits for ATM leases..... | 2,020 | - | | 2,020 |
| Deferred income taxes..... | 571 | 384 | 607 | 1,562 |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Total assets..... | \$ 143,377 | \$ 8,505 | \$ (7,163) | \$ 144,719 |
| <hr style="border-top: 3px double black;"/> | | | | |
| Liabilities and stockholders' equity | | | | |
| Current liabilities: | | | | |
| Trade accounts payable..... | \$ 5,056 | \$ 364 | \$ (228) | \$ 5,192 |
| Advance payments on contracts | - | 1,384 | | 1,384 |
| Billings in excess of costs and estimated earnings on software installation contracts | - | 293 | | 293 |
| Current installments of capital leases obligations.... | 4,035 | - | | 4,035 |
| Accrued expenses and other..... | 1,252 | 1,029 | | 2,281 |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Total current liabilities..... | 10,343 | 3,070 | (228) | 13,185 |
| Obligations under capital leases, excluding current installments..... | 8,041 | | | 8,041 |
| Notes Payable | 90,807 | | | 90,807 |
| Other long-term liabilities..... | - | 675 | (675) | - |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Total liabilities..... | 109,191 | 3,745 | (903) | 112,033 |
| Stockholders' equity: | | | | |
| Common stock, \$0.02 par value; 30,000,000 shares authorized; issued and outstanding 15,213,453 shares in 1998 and 15,133,321 shares in 1997..... | 306 | 1 | (1) | 306 |
| Warrants | 1,725 | - | | 1,725 |
| Treasury stock..... | (4) | (1,826) | 1,826 | (4) |
| Additional paid in capital..... | 63,468 | 393 | (393) | 63,468 |
| Subscription receivable..... | (51) | - | | (51) |
| Accumulated losses (retained earnings)..... | (32,138) | 6,192 | (7,692) | (33,638) |
| Restricted reserve | 784 | - | | 784 |
| Cumulative translation adjustment | 96 | - | | 96 |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Total stockholders' equity | 34,186 | 4,760 | (6,260) | (32,686) |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Total liabilities and stockholders' equity | \$ 143,377 | \$ 8,505 | \$ (7,163) | \$ (149,719) |
| <hr style="border-top: 3px double black;"/> | | | | |

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE
NINE MONTH PERIOD ENDED SEPTEMBER 30, 1998
(UNAUDITED)
(IN THOUSANDS)

| | Euronet Services Inc. Nine Months Ended September 30, 1998 | Arkansas Systems Inc. Nine Months Ended September 30, 1998 | ESI/ ARКСYS Pro Forma Adjustments | Pro Forma Combined Nine Months Ended September 30, 1998 |
|--|---|---|--|--|
| Revenue: | | | | |
| Transaction revenue | \$7,214 | \$ - | \$ - | \$7,214 |
| Software, maintenance and related revenue | - | 8618 | (-301) | 8,317 |
| Other | 537 | 331 | - | 868 |
| | | | | |
| Total revenue | 7,751 | 8,949 | (301) | 16,399 |
| Operating expenses: | | | | |
| ATM Operating costs | 9,226 | - | - | 9,226 |
| Salaries and benefits | 5,973 | 7018 | - | 12,991 |
| Rent and utilities | 1,023 | 988 | - | 2,011 |
| Professional fees | 1,414 | 168 | - | 1,582 |
| Travel & meals | 974 | 429 | - | 1,403 |
| Amortization of intangibles | - | - | 1,254 | 1,254 |
| Depreciation | 906 | 201 | (16) | 1,091 |
| Other income/expense | 2,092 | 825 | - | 2,917 |
| | | | | |
| Total SG&A | 21,608 | 9,629 | 1,238 | 32,475 |
| Financial Costs: | | | | |
| Interest expense | 4,606 | - | - | 4,606 |
| Equity in loss of affiliates | - | 27 | - | 27 |
| Foreign exchange loss | 409 | - | - | 409 |
| Interest income | (1,704) | (-65) | - | (1,769) |
| | | | | |
| Total financial costs | 3,311 | (38) | - | 3,273 |
| Deferred tax benefit | - | (-199) | - | (199) |
| | | | | |
| Net (Loss) | \$(17,168) | \$ (443) | \$(1,539) | \$(19,150) |
| | | | | |
| Loss per common outstanding..... | | | | \$ (1.26) |
| Weighted average shares outstanding..... | | | | 15,168 |

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE
YEAR ENDED DECEMBER 31, 1997
(UNAUDITED)
(IN THOUSANDS)

| | Euronet Services Inc. Year ended December 30, 1997 | Arkansas Systems Inc. Year ended December 30, 1997 | ESI/ ARKSYS Pro Forma Adjustments | Pro Forma Combined Year ended December 30, 1997 |
|--|--|--|--|---|
| REVENUE: | | | | |
| Transaction revenue | | | | |
| Software, maintenance and related revenue | - | 11,143 | (358) | 10,785 |
| Other | \$4,627 | \$ - | \$ - | \$4,627 |
| | 663 | 241 | | 904 |
| Total revenue | 5,290 | 11,384 | (358) | 16,316 |
| OPERATING EXPENSES: | | | | |
| ATM Operating costs | 5,180 | - | - | 5,180 |
| Salaries and benefits | 3,796 | 8,147 | - | 11,943 |
| Rent and utilities | 783 | 1,039 | - | 1,822 |
| Professional fees | 1,166 | 177 | - | 1,343 |
| Travel and meals | 701 | 568 | - | 1,269 |
| Amortization of intangibles | - | - | 1,672 | 1,672 |
| Depreciation | 268 | 261 | (17) | 512 |
| Other income/expense | 1,926 | 925 | - | 2,851 |
| Total SG&A | 13,820 | 11,117 | 1,655 | 26,592 |
| Financial Costs: | | | | |
| Interest expense | 1,152 | - | - | 1,152 |
| Equity in loss of affiliates | - | 17 | - | 17 |
| Foreign exchange gain | (8) | - | - | (8) |
| Interest income | (1,609) | (111) | - | (1,720) |
| Total financial income | (465) | (94) | - | (559) |
| Deferred tax (benefit)/expense | (100) | 116 | - | 16 |
| Net Income (Loss) | \$(7,965) | \$ 245 | \$(2,013) | \$(9,733) |
| Loss per common outstanding..... | | | | \$ (0.79) |
| Weighted average shares outstanding..... | | | | 12,381 |

Balance Sheet

- 1) Cash and cash equivalents. Adjusted to reflect the cash paid to acquire ARKSYS.
- 2) Trade accounts receivable. Elimination of inter-company balances as at balance sheet date.
- 3) Property, plant and equipment. Elimination of ARKSYS software capitalized by ESI and assets (land) not acquired in Merger.
- 4) Purchased research and development. Records the initial allocation of identified acquired in-progress research and development of \$1,500,000 and the one time write-off of that amount. This amount has been charged through the opening retained earnings.
- 5) Other intangibles. To record the allocation of the purchase price to identified intangibles including developed technology (approximately \$5,000,000), goodwill (approximately \$4,000,000), trademarks, install base and assembled workforce.
- 6) Investments in affiliates. Records the elimination of certain affiliates not acquired in the Merger and the write-up to gain market value of the one affiliate retained.
- 7) Cash surrender value of life insurance policies. Records the elimination of deferred compensation related to the portion not acquired in the Merger.
- 8) Trade accounts payable. Elimination of inter-company balances as at balance sheet date.
- 9) Other long term liabilities. Records the elimination of deferred compensation related to the portion not acquired in the Merger and the elimination of deferred rent to adjust to fair market value.
- 10) Total stockholder's equity. To eliminate ARKSYS' equity.

Statement of operations

- 1) Software, maintenance and related revenue. To eliminate inter-company transactions for the periods.
- 2) Amortization of intangibles. To record the amortization of acquired identifiable intangibles over periods of four to ten years.
- 3) Depreciation. To eliminate depreciation charges in the period related to inter-company assets.