Connecting a World in Motion

Euronet Worldwide
Annual Report 2001

SECURE FINANCIAL TRANSACTIONS
ANY TIME, ANY PLACE

To Our Shareholders

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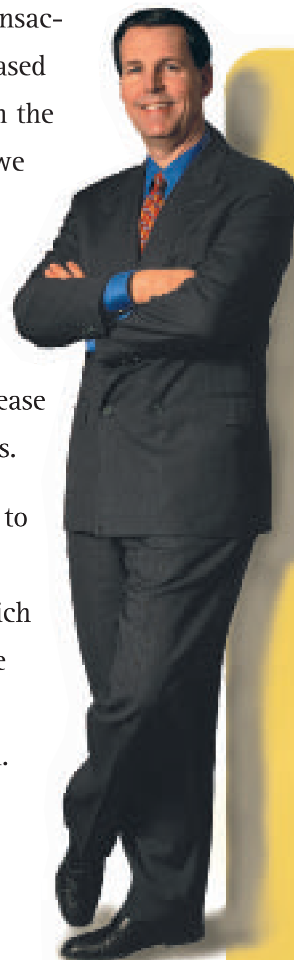
The year 2001 will be remembered as an exciting and pivotal year for Euronet Worldwide.

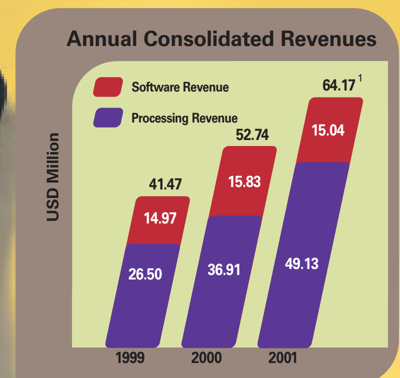
In 2001, Euronet Worldwide surpassed many significant milestones, proving that a company with 400 dedicated people can meet the challenges in today's ever-changing business environment. The sacrifices and achievements made have provided a foundation of strength and positioned us for continued growth.

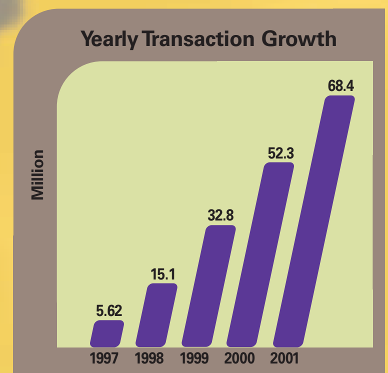
Throughout 2001, Euronet Worldwide continued to focus on processing secure electronic financial transactions via multiple touchpoints, such as ATMs, POS devices and mobile phones. The number of transactions we process has increased quarter-on-quarter through the last seven years. In 2001, we processed 68.42 million billable transactions, and our Processing Services division reported revenues of $49.13 million,[1] an increase of 33% over 2000 revenues.

This growth contributed to Euronet's $64.17 million[1] consolidated revenues, which represented a 22% increase over 2000 consolidated revenues of $52.74 million.

Hard work and persistence, combined with a clear strategy, culminated in solid financial results. With an $11 million increase in consolidated revenue in 2001, consolidated EBITDA[2] improved by $17 million and operating results improved by $19 million, respectively, compared to 2000.[3] We achieved these results through rigorous expense control combined with the leverage of our growing business, which sent large margins to the bottom line as we hit record transaction numbers in 2001.







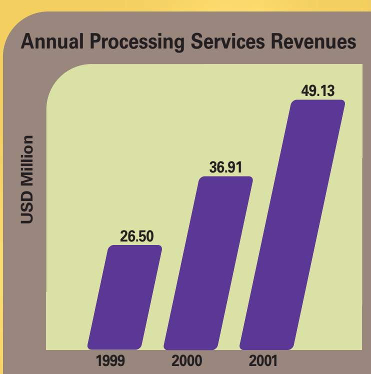
We also strengthened our balance sheet by achieving positive operating cash flow and reducing bond debt by $39 million. Additionally, in January and February 2002, the sale of Dash, our U.S.-based ATM network, and a private placement of common stock added approximately $20 million cash to our balance sheet.

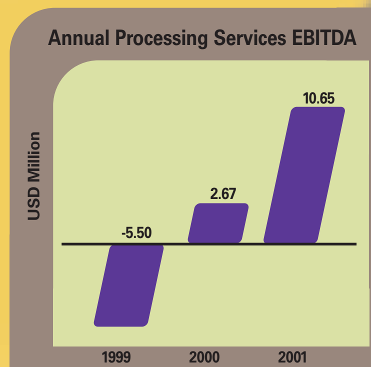
We continue to build on our financial successes and solidify our leadership position as a transaction processor. Euronet grows one new country, customer, product, ATM and transaction at a time. We added many new bank and mobile operator clients in 2001 and have entered 2002 with many opportunities.

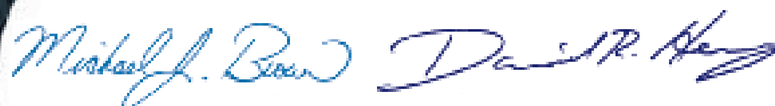
Euronet expanded its core processing business through ATM outsourcing contracts with clients such as BIG Bank GDANSKI and Multibank/BRE in Poland, HypoVereinsbank/Bank Austria in the Czech Republic and Alldays convenience stores in the U.K. Additionally, we successfully certified with the LINK Interchange Network Limited, the national ATM network in the U.K. Euronet also expanded with Debit Card program outsourcing opportunities with Deutsche Bank 24 and Inteligo Financial Services.

We strengthened our ties with mobile operators in 2001, primarily through Euronet Electronic Recharge, which enables consumers to add prepaid airtime to their mobile phones. Euronet has 12 contracted clients in seven countries, including subsidiaries of Vodafone, Deutsche Telekom and Bell Atlantic. Combined, these mobile operators cover a current prepaid subscriber base of 11.2 million. Considering that subscribers recharge their prepaid accounts an average of once a month, that is a lot of potential transactions.

We thank you for your continued interest in and support of our growing company! We are confident and excited about our business as we look forward to 2002 and beyond. We are building a powerful organization. By securing our sound competitive position and creating a comprehensive product portfolio, Euronet has established the strength to succeed.







Michael J. Brown
Chairman & CEO

Daniel R. Henry
President & COO

[1]The 2001 consoidated revenue amounts include a contract termination payment of $1.1 million received in the fourth quarter of 2001.

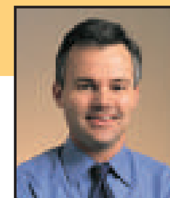
[2]EBITDA is earnings before interest, taxes, depreciation, amortization, net foreign exchange gain/(loss) and extraordinary items.

[3]Year 2000 EBITDA and operating loss amounts have been adjusted to exclude non-recurring items of $10.8 million, consisting primarily of asset write-downs of $12.0 million and a non-recurring gain of approximately $1.2 million, which was recorded as a component of direct operating costs.

Strength in Euronet's Vision

A conversation with Euronet executives, Mike Brown and Dan Henry, on the company's opportunities and challenges

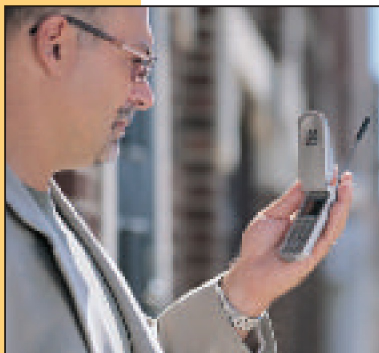
Michael J. Brown
Chairman & CEO



Daniel R. Henry
President & COO

How would you describe Euronet Worldwide's main business?

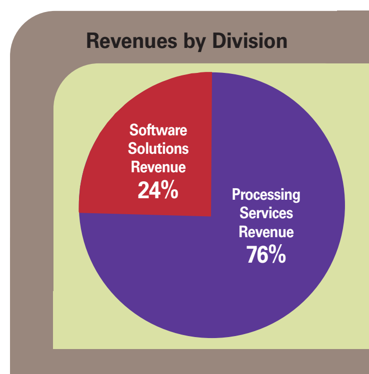
MB: Euronet Worldwide delivers convenient electronic payment solutions to forward-thinking institutions around the world. We develop innovative products and services to acquire and process personal financial transactions from ATMs, POS devices, telephones, the Internet and mobile phones. Our comprehensive outsourcing and software solutions help banks offer consumers greater freedom in accessing their financial accounts. The more solutions that we develop and install, the more transactions we process, the stronger we become.



We are a global company, supporting more than 200 clients in 60 countries with the only independent ATM network spanning multiple European countries. Our sophisticated, centralized operations center, based in Hungary, also provides ATM, POS and other financial transaction processing services for our client throughout Europe.

What were your greatest achievements in 2001?

DH: What a fantastic year 2001 was! Our greatest achievements centered on improvements in the company's financial results. First, after seven consecutive quarters of EBITDA improvements, we achieved a positive EBITDA in Q2 and have continued accelerating in that area. We also posted a positive operating profit in Q4 after increases over five consecutive quarters. Our balance sheet improved dramatically due to reductions in debt. Ultimately, our stockholders rewarded us for our efforts, and we saw a steady increase in share value. Our stock appreciated 267% in 2001.



What were you most proud of in 2001?

DH: What gives me a tremendous sense of pride is how all Euronet associates rose to the occasion in 2001. We made a conscious effort to reduce expenses last year, including a workforce reduction in January, and we still managed to grow the business with limited resources. It really shows the dedication and determination of each Euronet associate. Continuing forward, we will carefully choose where we allocate resources to get the biggest bang for the buck.

How has the recent economic slowdown affected your business?

MB: We were virtually untouched. Our business has been relatively recession proof. Most people average 3.5 ATM transactions a month—people need convenient ATM cash withdrawals through both good and bad times. Also people will continue to recharge their mobile airtime and to make purchases with debit and credit cards.

How will you continue to increase transactions, revenue and operating profit?

DH: We plan to continue to grow in all of these areas by generating more transactions globally. We are currently in markets that have significant organic growth, which will naturally increase transaction numbers. Additionally, we will pursue three avenues to acquire new transactions.

First, we will push transactions through more touchpoints. Currently, most of our transactions are generated through ATMs, but we have agreements with banks, such as Raiffesenbank in Croatia, to outsource POS and merchant management services. We expect POS devices and mobile devices to drive many additional transactions.

Second, we are creating more types of value-added transactions, such as Electronic Recharge and Bill Pay. These new transactions should be well received in cash-based societies looking for electronic payment convenience.

Third, we will generate more transactions by entering new markets, such as Egypt, which have great potential but don't require significant capital to launch. We have proven our business model in all three of these areas.

Describe the value of the software business to a transaction processor.

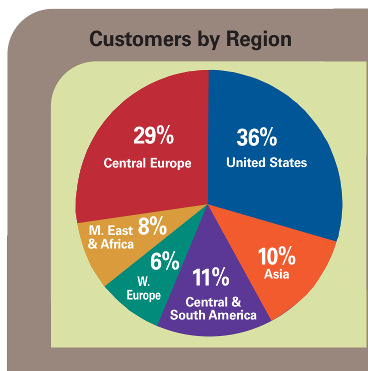
DH: Software completes our product offerings. It is a cornerstone for Euronet, and in 2001, it accounted for 24% of sales. By developing the software that drives our processing center, we can respond quickly to the needs of our clients. The software expertise helps us maintain a strong, competitive edge when creating new solutions. Also, our software clients often become full outsourcing clients or form a hybrid software and outsourcing relationship with Euronet.

What industry trend interests you the most?

MB: The biggest industry trend we see—I can't say this enough—is the movement to outsourcing. Banks are now being held more accountable for profitable growth, and they are forced to do more aggressive consumer marketing and fight off strong competition. These factors cause banks to reevaluate the entire way they do business—how they interact with customers, how they run their own P&L, how they quickly generate more kinds of transactions and more kinds of products and services. You can't do it all internally. You can't be a bank and the most innovative player in every one of your submarkets. Outsourcing is a viable alternative. Euronet is a low cost service provider, offering comprehensive solutions.

Why are you considering growing your business in Asia and the Middle East?

DH: We see some of these markets really expanding in two or three years. Through joint venture partnerships, we are developing these markets with little capital investment and limited personnel. We can leverage our expertise and existing infrastructure to gain significant market share with limited risk.



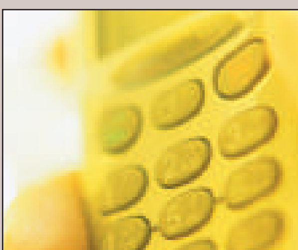
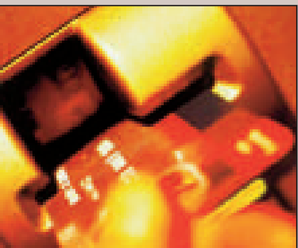
What indicators should be used to measure your success going forward?

MB: As we look forward into the next year, watch the number of ATMs we add to our network and how many outsourcing contracts we sign. With the latest outsourcing trends, we think we can grab a good share of several markets. Also, pay attention to how many mobile operators we add to the customer base. These touchpoints will create opportunities to acquire and process more and more transactions, as consumers transition to electronic payments.

What is your outlook for Euronet Worldwide?

MB: We are excited about our future. More deals are available than ever before. We are managing resources and growing carefully. I think the acceleration through 2001 has generated momentum. We have attained this momentum through seven years' experience in many difficult markets. We have cash on our balance sheet and Q-on-Q improvements in positive EBITDA and revenues. I think that we have proven that we have the strength to succeed.

Euronet At-A-Glance

Our Solutions	Descriptions	Offerings
PROCESSING SERVICES	Euronet's Processing Services division provides complete management and outsourcing solutions for distribution channels and transaction processing. This includes ATM networks, POS networks and card management services as well as access to major payment gateways and mobile operators.	■ ATM, POS and card outsourcing services ■ Owner and operator of Europe's largest independent ATM network ■ Euronet transaction network – Europe ■ Cakra transaction network – Asia Pacific ■ Cashnet transaction network – Middle East
MOBILE OPERATOR SOLUTIONS 	With mobile phone ownership at an all-time high, Euronet's mobile operator solutions provide mobile customers easy access to payment options. Our transaction expertise helps mobile operators supply consumers with the convenience of any time, any place transactions.	■ Mobile banking ■ Electronic recharge for prepaid airtime ■ Mobile bill payment
M- AND E-COMMERCE SOLUTIONS	Consumers are expecting more personalized service than ever before, including instant access to financial account information. Euronet's Account Access and Event Messaging products meet these demands with secure, efficient, integrated transaction and information delivery functions via mobile devices and the Internet.	■ Account access ■ Event messaging services ■ Internet banking ■ Electronic bill presentment and payment (EBPP)
EFT AND PAYMENTS SOFTWARE 	Euronet's suite of EFT and payment software offers one of the most secure, seamlessly integrated, real-time electronic payment solutions for financial institutions. Our product integrations enable customers to deliver up-to-the-minute, consistent information across multiple touchpoints, such as ATMs, POS terminals, IVR systems, the Internet and mobile devices.	■ ATM management ■ POS and merchant management ■ Credit card solutions ■ Debit card solutions ■ EMV support ■ Switching and settlement applications ■ Telephone banking ■ EBPP
PROFESSIONAL SERVICES	Euronet Worldwide is uniquely qualified to offer professional consulting services because of our day-to-day experience in the transactions business. Euronet's Professional Services Organization (PSO) supports institutions with EDGE, our proprietary, structured, phased methodology for implementing solutions.	■ Design ■ Gap analysis ■ Implementation ■ Management ■ Planning ■ Purchasing

Target Markets	Clients	
■ Banks ■ Credit unions ■ Independent ATM owners ■ Mobile operators ■ Payment associations ■ Retailers and merchants	■ ABN AMRO (CZE) ■ Bankgesellschaft/Inteligo (POL) ■ BIG Bank GDANSKI S.A. (POL) ■ BNP/Lukas Bank (POL) ■ Ceska Sporitelna a.s. (CZE) ■ Citibank (GRC, HUN, POL, CZE, EGY) ■ Credigen (HUN)	■ Deutsche Bank (HUN, POL) ■ Erste Bank (HUN) ■ GE/Budapest Bank (HUN) ■ HSBC (IDN) ■ ING/DiBa (DEU) ■ Posta Bank (HUN) ■ Raiffeisenbank (HRV, HUN, ROM)
■ Mobile operators ■ Third-party prepaid suppliers for mobile operators ■ Banks	■ Centertel (POL) ■ Eurotel (CZE) ■ Pannon GSM (HUN) ■ Polkomtel (POL) ■ Polska Telefonia Cyfrowa (POL)	■ Satelindo (IDN) ■ VIP-Net (HRV) ■ Vodafone Egypt (EGY) ■ Westel (HUN) ■ Zalto (NRW)
■ Banks ■ Credit unions ■ Credit card issuers ■ Investment community ■ Brokerages ■ Retailers and merchants ■ Mobile operators	■ Banco de Oro, Unibank (PHL) ■ Banco Mercantil (DOM) ■ Bank of Cyprus (GRC, GBR) ■ First Federal Savings Bank of LaCrosse (USA)	■ National Bank of Kuwait-Lebanon (LKA) ■ Maduro and Curiel's Bank N.V. (CUR)
■ Banks ■ Credit unions ■ EFT network ■ Independent ATM owners ■ Resellers ■ Retailers and merchants	■ ABC Professional Services A.E. (GRC) ■ ABN AMRO (GRC) ■ ALLTEL Information Services (USA) ■ Arab International Bank (EGY) ■ Arab African International Bank (ARE) ■ Banca Comerciala Romania SA (ROM) ■ Banco Comercial Portugues (MOZ) ■ Cayman National Bank (CYM)	■ Century Bank (ZWE) ■ Commercial Bank of Ceylon (LKA) ■ Dubrovacka Banka (HRV) ■ Egyptian American Bank (EGY) ■ Republic Bank (TTO) ■ Seylan Bank (LKA) ■ VIFI Card Services (USA) ■ Westpac Banking Corp (FJI, PNG)
■ Banks ■ Credit unions ■ Independent ATM owners ■ Retailers	■ CIBC Barbados (BRB) ■ Fortis Bank (POL) ■ ING Bank Śląski (POL) ■ Nova Bank (GRC)	■ Splitska Banka (HRV) ■ Union Bank Ltd. (PAK) ■ Union Banka (CZE)

Strength in Ever-Increasing Transactions

Euronet is continually innovating new transaction types and electronic capabilities, creating new payment options for an increasing array of customer touchpoints.

New, electronic financial solutions and additional transaction venues provide access and expediency to an expanding consumer base.

In today's world of gadgets, electronics and technology, consumers can pay bills, transfer funds and access their accounts with the press of a button. It all seems so simple. But behind that seemingly simple activity thrives an entire industry for processing transactions.

Euronet Worldwide's core business is securely processing electronic financial transactions. As each transaction routes through the Euronet Operations Center, we generate revenue. Every transaction counts.

Electronic transactions and financial convenience are becoming a way of life and are transforming cash-based societies. Euronet is continually innovating new transaction types and electronic capabilities for this burgeoning industry.

Transactions from more touchpoints

Access is key. With a population on the move now more than ever, consumers need the ability to access their financial accounts and perform transactions from a host of device types. New devices mean more transaction opportunities.

Today, financial institutions are faced with the tough realities of mergers, costly customer service and stiff competition vying for fickle customers. Differentiating themselves through consumer convenience is paramount to their success. With Euronet's expanded suite of touchpoints, consumers can interact with their financial institutions like never before.

The fastest growing touchpoint is the mobile telephone. The Yankee Group forecasts that the number of Internet-accessible wireless devices around the world will grow to 1.25 billion by 2003. Forward-thinking companies are adding mobile access now, showing their willingness to expand interaction between them and their customers.

Arab Bank, the largest bank in the Middle East region with locations in more than 27 countries, was one of the first financial institutions to offer mobile banking in Egypt. "The Mobile Banking distribution channel enhances our existing electronic touchpoints and helps differentiate us from our competitors," said Mr. Atef Sono, Arab Bank–Egypt Vice President, Management & Information System Manager.

The multiplicity of electronic channels is the key to Euronet's goal—any time, any place financial access—and it has proven to be a cost effective way for banks to provide services.

More types of transactions

Transactions generate revenue, and at Euronet, we are constantly devising new types of transactions. Banks view Euronet as a payments innovator. Euronet's Electronic Bill Presentment and Payment (EBPP) product line enables banking customers to make payments to merchants, utilities or individuals from ATMs, POS devices, the Internet, the telephone or mobile devices. Mobile operators and banks have endorsed Electronic Recharge, a version of bill payment that enables their customers to electronically add prepaid airtime to their mobile phones.

Ceska Sporitelna a.s., the largest bank in the Czech Republic, saw the vast volume potential for the recharge transaction type. "We chose Euronet's ATM Recharge because the transaction servicing creates a new revenue stream for us, without requiring any capital investment," said Marie Hesnaurova, Director of Business Department of Ceska Sporitelna a.s. "Our cardholders will enjoy the convenience with which they can increase their prepaid phone minutes, and our company will benefit from providing additional customer services."

Transactions from new markets

Euronet's mission—*To bring electronic financial payment convenience to millions of people who have not had it before*—leads Euronet into emerging markets, bringing the potential of millions of untapped electronic transactions. Euronet enables banks and mobile operators in these markets to quickly and easily introduce electronic payments to their customers.

As Euronet Worldwide expands into new territories, financial institutions can leverage Euronet's success with multiple languages, currencies and devices. Providing convenience leads to repetitive use of the touchpoint, which in turn leads to recurring transaction income for the institution and for Euronet.

BIG Bank GDANSKI S.A.

Additional Transactions Garner Customer Loyalty and Praise

BIG Bank GDANSKI S.A. (BBG) heard its customers' demands for convenience, so the Polish bank expanded its transaction set to include Electronic Bill Payment and Electronic Recharge opportunities with Euronet Worldwide. The bank's 927,000 convenience-minded customers enjoy the speed and practicality associated with automated banking, and their electronic transaction volume shows it.

"Around 50% of our customers' transactions are performed through alternative/automatic distribution channels," said Pedro Ribeiro, BIG Bank GDANSKI Vice-President of the Board. "Thanks to Euronet we can enhance customer convenience and benefit from an expanded transaction set and quick-to-market solutions."

Euronet's innovative transactions helped BBG gain recognition. In December 2000, BBG was recognized in a Polish survey published by Rzeczpospolita as one of the best and most available ATM networks, offering one of the most expanded transaction sets.

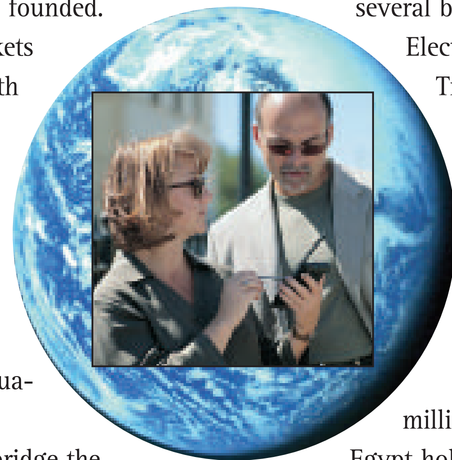
Strength in Geographic Market Selection

Taking a disciplined approach, we maintain our focus and the agility to extend our reach into new terrain.

Euronet systematically seeks out markets around the world with strong growth potential where we can quickly gain a substantial and sustainable market share.

Euronet seeks out developing trends and untapped potential as we deliver secure financial payment solutions in emerging markets and identify opportunities in established markets.

"Location! Location! Location!" Selecting and entering the right geographic markets—at the right time, with the right product—are essential to business expansion, and Euronet has strategically implemented these practices since the company was founded. We seek out markets with strong growth potential where we can gain a substantial and sustainable market share.



Through deliberate market evaluation, we identify opportunities to bridge the payment gap in emerging cash-based economies, to establish joint ventures with industry partners and to capitalize on evolving payment opportunities in established markets.

Entering emerging markets

Most of the world still predominantly relies on cash. Yet for many developing and transitional economies in Central and Eastern Europe, the Middle East, Africa, Asia-Pacific, Latin America and the Caribbean, the use of secure electronic transactions is gaining momentum, as consumers discover alternative methods to pay bills quickly and conveniently.

When entering any new market, Euronet identifies opportunities where the capital investment required is low and the potential demand for electronic payments is high. In Egypt, for example, Euronet is working with several banks to employ Electronic Funds Transfer (EFT) services and attract customer traffic, accounts and transactions.

"With 65 million people, Egypt holds great potential for EFT products," said John Romney, Euronet Worldwide Vice President and Southern Europe/Middle East Regional Manager. "Similar to Poland in the mid-1990s, Egypt is virtually undeveloped in terms of the number of ATMs deployed and cards issued. But Egypt is on the verge of significant growth as banks prepare to issue millions of debit cards and as the Egyptian government plans to automate salary payments for approximately 6 million civil servants through direct deposit and debit/salary cards. Through our combination of software and service offerings, Euronet is uniquely positioned to help influence and benefit from the explosive growth in the EFT

business in Egypt over the next few years."

Expanding via joint ventures

As we evaluate markets ready to transition from cash to electronic transactions, Euronet also looks for joint venture opportunities with industry partners already established in those markets. By combining each company's respective strengths and expertise, Euronet can address the market's individual needs.

Our joint venture with Hong Kong-based First Mobile Group enabled us to quickly enter the Malaysian market and offer Mobile Bill Pay and Electronic Recharge services as completely outsourced solutions to all of the country's mobile operators. Similarly, our Indonesian joint venture with Sigma Cipta Caraka is marketing mobile services to banks and mobile operators in Indonesia. Satelindo was the first mobile operator in that region to adopt Mobile Recharge.

Finding new opportunities in existing markets

Facing intense competition, retail banks and mobile operators in established markets such as the U.K., Germany, France, and the U.S. are challenged to create new, sustainable revenue streams. Each of these institutions must quickly and successfully adopt profitable new products and technologies to retain its demanding client base. Euronet is poised to help them reach their goals.

The U.K., a market whose citizens are highly dependent on cards yet where few retail ATMs exist outside bank branches, presents an exciting opportunity for Euronet. Certification from the national ATM network, LINK, enables us to provide more ATM installations and outsourcing services, while rapidly expanding our own ATM network across the country.

Likewise, prepaid mobile airtime represents the fastest growing market segment for mobile operators in Europe, the U.S. and other locations. "As more mobile operators and banks embrace our value-added payment solutions, Euronet's secure financial technology reaches into promising new sectors within established markets," said Dan Henry, Euronet Worldwide President and Chief Operating Officer. "These innovative products clearly demonstrate our commitment to helping these businesses connect their customers with additional payment opportunities."

U.K. Post Offices

Providing ATM Convenience in an Established Market

What's an ideal way to tap new transaction potential in a mature market? Make it possible for consumers to withdraw cash from a convenient location. The U.K. Post Office will soon feature Euronet ATMs at local branches across the country. The U.K. Post Office, with 18,000 branches, serves more than 28 million customers every week.

"Euronet's low-cost solution will help us meet our strategic goals of providing a new level of customer service," said Peter Davies, ATM Client Manager, Post Office Ltd. "This arrangement with Euronet will enable us to provide ATM services across the United Kingdom, including in many small and rural areas, where there is often no traditional access to banking."

Euronet already operates full-service ATMs in 65 Post Office branches and will add ATMs at approximately 100 locations, with plans to expand this program to more branches in the future.

Strength in Diverse Product Offerings

Moving swiftly in unison, we generate the speed, timing and momentum to sustain our competitive edge.

Along with our core expertise in secure financial transactions, Euronet is committed to a dynamic mix of products and services that help customers adapt to changing markets.

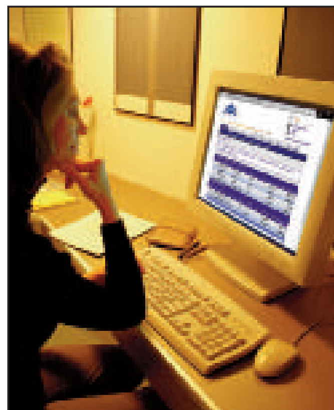
Innovative payment options help Euronet's customers compete successfully in an industry continually reshaped by changing technologies and consumer dynamics.

Euronet has created a dynamic mix of products and services that generate transactions and revenues. With our expertise in facilitating secure financial transactions, we provide end-to-end solutions through network operations, software development, consulting services and outsourcing, all of which help customers adapt quickly to changing market forces and generate new revenue virtually immediately.

Comprehensive processing services

More and more financial institutions are realizing the value of combining the use of Euronet's ATM network with outsourcing of their own ATMs. By basing these solutions on Euronet's core software, Euronet delivers innovative services that can help improve customer return on investment (ROI) and quickly increase efficiencies to meet tomorrow's transaction needs.

Euronet has the largest independently owned ATM network in Europe. Since 1995, we have installed 1,669 Euronet-branded ATMs in the most coveted, high-traffic retail locations across nine countries where many consumers perform over three transactions each month. This extensive network continuously generates transaction and advertising revenues.



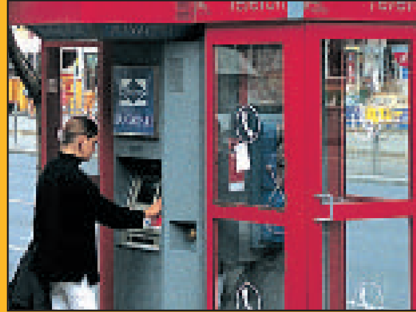
Financial institutions often look for additional distribution points where their cardholders can access their accounts. With a Euronet network participation agreement, banks can use Euronet's vast ATM network and instantly expand their customer reach. Through Euronet's network, consumers can benefit from acceptance of the widest range of cards, network reliability and an expanded transaction set including bill payment and recharge services.

Euronet recently teamed with Poland's Inteligo Financial Services S.A., a newly formed Internet bank backed by Bankgesellschaft Berlin (Polska) S.A., for ATM network participation in conjunction with a debit card program. "Euronet has helped us to build the infrastructure required to support our card operations in a very short period of time," said Grzegorz Dlugosz, Retail Banking Operations Director for Bankgesellschaft Berlin (Polska) S.A. "Now, we are able to offer our clients access to a more extensive set of financial transactions on Euronet's ATM network in Poland."

With experience managing secure electronic transactions, Euronet also offers comprehensive outsourcing programs that enable financial institutions to focus on their core business of banking. Euronet's clients outsource their electronic transaction services, including debit and credit card programs, ATM and POS networks, and mobile banking services.

These programs generate increased revenue and provide a competitive advantage, while giving their customers greater access to high-performance products. Outsourcing simplifies implementation and system administration, improves time-to-market and lowers the cost of entry and the total cost of ownership.

Poland's Deutsche Bank 24 S.A. recently signed a multiyear ATM outsourcing agreement, which supplements its current ATM program with value-added Bill Payment and ATM Recharge services. "Our customers want integrated solutions and freedom of choice in their banking as well as access to branch-based, mobile and online services," said Dr. Friedhelm Herb, President of the Board and CEO at Deutsche Bank 24 S.A.



Raiffensenbank Austria d.d.

Croatian Bank Integrates Software and Outsourcing Solutions

Following the successful launch of new debit and credit card services for customers, Raiffeisenbank Austria d.d. of Croatia planned to enhance its corporate banking program with POS services for merchants, retailers and other corporate clients.

The bank chose to expand on its current ATM outsourcing program already established with Euronet. By combining Euronet's POS (point-of-sale) outsourcing services and Integrated Merchant Management software, Raiffeisenbank was able to leverage the Euronet systems already installed at the bank and significantly reduce the time and costs associated with implementing these comprehensive programs.

"This outsourcing project is enabling Raiffeisenbank to meet the needs of our corporate clients and the ever-increasing card market," said Zdenko Adrovic, Raiffeisenbank President of the Management Board. "Based on our experiences with Euronet, I am confident that this project will be quickly and smoothly integrated with our ATM and Visa/Europay outsourcing programs."

Integrated software solutions

Euronet's Software division relies on 27 years of experience developing and producing financial transaction software products that meet the evolving needs of banks around the world. Banks need to balance investment in new secure payment schemes with enhancements to existing systems, while laying the groundwork to meet customers' future needs.

Euronet's comprehensive software suite helps financial institutions to seamlessly integrate ATM networks, POS and merchant systems, debit and credit card management, Internet and telephone banking, bill payment, mobile banking and event messaging. Euronet's core technology, Integrated Transaction Management® (ITM), enables banks to deliver a range of highly specialized applications through a central, interactive gateway. This advanced, scalable middleware offers speed to market and requires a low capital investment to provide flexibility for banks to expand their service offerings into additional customer delivery channels.

Westpac Pacific Banking has implemented Euronet's entire software suite, allowing customers in Fiji and Papua New Guinea to bank via ATMs, POS terminals, telephone and soon via the Internet. By taking advantage of these integrated software solutions, Westpac ensures the consistency of transaction and payment/balance information across widely diverse electronic touchpoints. "As we grow and expand our banking services, this approach helps us to streamline data entry with a single source, reduce software training costs and improve the overall quality of our customer service," said Peter Mills, Westpac's Head of Technology Distribution & Operations for the Pacific.

Strength in Vertical Market Focus

Applying our energy and experience, we rely on speed and flexibility to maximize every new opportunity.

As a premier provider of EFT solutions, Euronet is now successfully helping banks and mobile operators meet the evolving demand for new electronic payment options.

Euronet's electronic financial solutions target financial institutions and mobile operators, enabling payment ease in multiple markets.

Secure electronic payments are in demand. Institutions want to offer the latest conveniences using cost-effective and quick-to-market payment products and services. Euronet Worldwide provides those comprehensive transaction solutions for financial institutions and mobile operators.

Electronic transactions provide the key to customer satisfaction in the competitive banking industry where churn is high. With decades of developing EFT (Electronic Funds Transfer) software, Euronet stands as the premier provider of AS/400-based EFT solutions from card-based services to the latest in e- and m-commerce applications. Euronet offers integrated transactions from several touchpoints tailored to banks' evolving requirements.

Electronic payments also add convenience for consumers outside the financial arena. International Data Corp. predicts that in the next two years the electronic bill pay (EBP) industry will be worth $1 billion worldwide, and Euronet is positioned to dominate this booming market by generating transactions and revenue.

Euronet offers a comprehensive line of payment options, including Electronic Recharge services for increasing prepaid mobile airtime and Electronic Bill Pay and Presentment for any postpaid bill, such as utility bills. Our unique combination of transaction types and touchpoint venues enables consumers to initiate payments from the convenience of the ATM, POS device, the Internet and the ever-present mobile phone.

In the two years since Euronet launched Electronic Recharge, we have signed 12 mobile operators in seven countries, covering more than 23 million subscribers, including 11.2 million prepaid airtime users. With this product, consumers enjoy convenient payment options, while mobile operators save on costly distribution practices, eliminating the paper-based logistics associated with the production, delivery, and inventory management of scratch cards previously used for recharge.

Zalto Communications AS, Norway's second largest mobile service provider, recently implemented Euronet Mobile Recharge, enabling airtime purchases directly from the mobile phone. "Euronet's Mobile Recharge solution is an essential component of our competitive strategy that will significantly decrease the cost of selling prepaid airtime," said Morten Krarup Hansen, CEO of Zalto Communications AS. "We chose Euronet to launch us into the sphere of m-commerce because they have the skills, knowledge and experience to deliver and support the financial products necessary to secure our position as a market leader."

Selected Consolidated Financial Data

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

Consolidated Statements of Operations Data:

	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(in thousands, except for share and per share data)				
Revenues:					
ATM network and related revenue	$ 49,129	$ 36,913	$ 26,503	$ 11,525	$ 5,290
Software and related revenue	15,042	15,827	14,969	356	–
Total	64,171	52,740	41,472	11,881	5,290
Operating expenses:					
Direct operating costs	28,101	24,988	22,830	10,036	3,717
Salaries and benefits	24,874	29,265	24,350	9,723	3,796
Selling, general and administrative	8,051	11,531	10,725	8,650	4,468
Depreciation and amortization	9,112	10,384	10,238	4,955	1,731
In-process research and development write-off	–	–	–	1,020	–
Asset write-down	–	11,968	–	–	–
Share compensation expense	–	–	127	108	108
Total operating expenses	70,138	88,136	68,270	34,492	13,820
Operating loss	(5,967)	(35,396)	(26,798)	(22,611)	(8,530)
Other income/expenses:					
Interest income	282	1,089	1,950	2,514	1,609
Interest expense	(9,471)	(10,829)	(10,899)	(7,826)	(1,152)
Foreign exchange gain/(loss), net	5,300	(3,227)	(2,110)	(1,911)	8
Loss before income tax benefit/(expense)	(9,856)	(48,363)	(37,857)	(29,834)	(8,065)
Income tax benefit/(expense)	2,030	(1,188)	4,746	(1,430)	100
Loss before extraordinary item	(7,826)	(49,551)	(33,111)	(31,264)	(7,965)
Extraordinary gain, net	8,496	–	2,196	2,889	–
Net income/(loss)	$ 670	$ (49,551)	$ (30,915)	$ (28,375)	$ (7,965)
Income (loss) per share – basic and diluted:					
Loss before extraordinary item	$ (0.40)	$ (3.00)	$ (2.17)	$ (2.06)	$ (0.64)
Extraordinary gain	$ 0.43	$ –	$ 0.14	$ 0.19	–
Net income/(loss)	$ 0.03	$ (3.00)	$ (2.03)	$ (1.87)	$ (0.64)
Weighted average number of shares outstanding	19,719,253	16,499,699	15,252,030	15,180,651	12,380,962

Did You Know...

- **Studies predict that there will be 1.4 billion mobile phone subscribers by the end of 2002.**
- **By 2006, mobile phones will outnumber fixed lines worldwide — 1.6 billion mobile phone and 963 million fixed-line subscribers globally.**
- **At the end of 2000, studies have predicted 39 million mobile Internet users increasing to about 729 million by 2005.**
- **By 2007, 60% of people aged 15 to 50 in Europe and the U.S. will carry a wireless communications device for at least six hours a day.**

Source: Nokia, Gartner, Intermarket Group, IDG.net, 2002

Consolidated Balance Sheet Data:

	As of December 31,				
	2001	2000	1999	1998	1997
	(in thousands, except Summary Network Data)				
Cash and cash equivalents	$ 8,818	$ 7,151	$ 15,037	$ 55,614	$ 7,516
Restricted cash	1,877	2,103	10,929	12,972	847
Investment securities	–	–	750	3,149	31,944
Trade accounts receivable, net	9,292	9,485	7,888	5,681	647
Other current assets	6,130	4,459	4,928	4,614	1,857
Total current assets	26,117	23,198	39,532	82,030	42,811
Net property, plant and equipment	29,551	31,657	36,693	33,182	24,088
Intangible assets, net	1,975	2,604	16,259	12,464	–
Other long-term assets	3,748	3,431	4,360	5,762	3,134
Total assets	$ 61,391	$ 60,890	$ 96,844	$ 133,438	$ 70,033
Current liabilities	$ 23,289	$ 20,466	$ 26,938	$ 18,739	$ 9,315
Obligations under capital leases, excluding current installments	7,643	8,034	6,397	6,809	11,330
Notes payable	38,146	77,191	72,800	83,720	–
Other long-term liabilities	–	–	202	–	169
Total liabilities	69,078	105,691	106,337	109,268	20,814
Total stockholders' (deficit)/equity	(7,687)	(44,801)	(9,493)	24,170	49,219
	$ 61,391	$ 60,890	$ 96,844	$ 133,438	$ 70,033
Summary Network Data:					
Number of operational ATMs at end of period	2,999	2,634	2,283	1,271	693
ATM transactions during the period	68,388,780	52,663,000	32,938,000	15,467,000	5,758,000

DID YOU KNOW...

- **In 2001, Europe had 216 million debit cards.**
- **In the nine European countries in which Euronet has offices, debit card holders total 136.9 million.**
- **The highest number of cards per capita can be observed in Slovenia, Croatia, Hungary and the Czech Republic.**
- **Poland leads the Central and Eastern European countries in number of transactions per debit card.**
- **The number of cards issued in Central and Eastern Europe will nearly triple over five years corresponding to an annual growth rate of 22%.**

Source: Europay International 2000 and 2001

General Overview

We are a leading provider of secure electronic financial transaction solutions. We provide financial payment middleware, financial network gateways, outsourcing, and consulting services to financial institutions, retailers and mobile phone operators. We operate an independent automated teller machine, ATM, network of approximately 3,000 ATMs in Europe and, until January 2002, the United States. Through our software subsidiary, Euronet USA Inc. (formerly, Arkansas Systems, Inc.), we offer a suite of integrated software solutions for electronic payment and transaction delivery systems. We offer comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM management solutions and software solutions. Our principal customers are banks and other companies such as retail outlets that require transaction processing services. With 13 offices worldwide, we offer our solutions in more than 60 countries around the world.

We and our subsidiaries operate in two business segments: (1) a segment providing secure processing of financial transactions (the "Processing Services Segment"); and (2) a segment producing application software for the processing of secure electronic financial transactions (the "Software Solutions Segment"). In addition, our management divides the Processing Services Segment into three sub-segments: "Central European Sub-segment" (including Hungary, Poland, the Czech Republic, Croatia, Greece and Romania), "Western European Sub-segment" (including Germany, France and the United Kingdom) and "Other Processing Services Sub-segment" (including the United States and unallocated processing center costs). These business segments, and their sub-segments, are supported by a corporate service segment, which provides corporate and other administrative services that are not directly identifiable with the two business segments (the "Corporate Services Segment"). We evaluate performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. We have restated prior period segment information to conform to the current period's presentation (see Note 20 to the Consolidated Financial Statements—Business segment information).

Critical Accounting Policies

Our critical accounting policies are as follows:

Software Revenue Recognition Revenues from software licensing agreement contracts are recognized over the contract term using the percentage of completion method based on the percentage of services that are provided compared with the total estimated services to be provided over the entire contract. Revenue from time and material service contracts is recognized as the services are provided. Revenues from software licensing agreement contracts representing newly released products deemed to have a higher than normal risk of failure during installation are recognized on a completed contract basis whereby revenues and related costs are deferred until the contract is complete. Maintenance revenue is recognized over the contractual period or as services are performed. Revenue in excess of billings on software license agreements contracts is recorded as unbilled receivables and is included in current assets. Billings in excess of revenue on software license agreements contracts are recorded as deferred revenue and are included in current liabilities until such time the above revenue recognition criteria are met.

Capitalization of Software Development Costs We apply SFAS 2 and 86 in recording research and development costs. Research costs aimed at the discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service or a new process or technique or in bringing about significant improvement to an existing product or process are expensed as incurred (see Note 25 to the Consolidated Financial Statements—Research and Development). Development costs aimed at the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use are capitalized on a product-by-product basis when technological feasibility is established.

Technological feasibility of computer software products is established when we have completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements. Technological feasibility is evidenced by the existence of a working model of the product or by completion of a detail program design. The detail program design must (a) establish that the necessary skills, hardware, and software technology are available to produce the product, (b) be complete and consistent with the product design, and (c) have been reviewed for high-risk development issues, with any uncertainties related to identified high-risk development issues being adequately resolved.

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

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not that we will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2001.

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

Estimating the Impairment of Long Lived Assets We are required to evaluate long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to projected undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets on a discounted cash flow basis. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Future adverse changes in market conditions could result in an inability to recover the carrying amount of an asset, thereby possibly requiring an impairment charge in the future.

Comparison of Operating Results for the Years Ended December 31, 2001, 2000 and 1999 – Overview

Revenues Our total revenues increased by $11.5 million or 22% to $64.2 million for 2001 from $52.7 million for 2000. Such revenues increased by $11.2 million or 27% to $52.7 million for 2000 from $41.5 million for 1999. The increase in revenues from 2000 to 2001 was primarily due to two factors: (1) a $12.3 million increase in Processing Services Segment revenues resulting from the increase in transaction volumes in ATMs owned by us and an increase in the number of ATMs operated by us during this period; and (2) offset by a decrease of $0.8 million in Software Solutions Segment revenues. The increase in revenues from 1999 to 2000 was primarily due to two factors: (1) a $10.4 million increase in Processing Services Segment revenues resulting from the increase in transaction volumes in ATMs owned by us and an increase in the number of ATMs operated by us during this period; and (2) an increase of $0.8 million in Software Solutions Segment revenues. Revenues for 2001 and 2000 are discussed more fully in the Segment Results of Operations sections below.

Effective November 1, 2001, we entered into an agreement with ABN AMRO under which ABN AMRO agreed to pay us $1.1 million to terminate an ATM management agreement for 106 ATMs and a card agreement between our Hungarian subsidiary and ABN AMRO. This amount has been included in annual revenue in the fourth quarter 2001. The contracts that were terminated would have generated revenues in 2002 and 2003 of $0.9 million and $0.4 million, respectively. The principal reason for the termination of these agreements was that ABN AMRO merged with K&H Bank, and K&H Bank had existing relationships with a competing transaction processing switch service in Hungary.

Operating Expenses Total operating expenses decreased by $18.0 million or 20% to $70.1 million for 2001 from $88.1 million for 2000. Such expenses increased by $19.8 million or 30% to $88.1 million for 2000 from $68.3 million for 1999. The decrease from 2000 to 2001 can be broken down by segment as follows: (1) a $3.7 million increase in Processing Services Segment operating costs due to growth in the size of the network operations; (2) a $20.4 million decrease in the Software Services Segment due to write-down of certain intangible assets of $11.2 million in 2000 and reductions in personnel and resources in 2001; and (3) a $1.3 million decrease in Corporate Services Segment operating costs due to reductions in personnel and resources in 2001. The increase from 1999 to 2000 can be broken down by segment as follows: (1) a $3.5 million increase in Processing Services Segment operating costs due to growth in the size of the network operations; (2) a $15.2 million increase in Software Services Segment due to the write-down of certain intangible assets of $11.2 million and investment in personnel and resources; and (3) a $1.1 million increase in Corporate Services Segment operating costs due to the expanded operations. Operating expenses for 2001, 2000 and 1999 are discussed more fully in the Segment Results of Operations sections below.

Operating Loss We generated operating losses of $6.0 million for 2001 compared to operating losses of $35.4 million for 2000 and $26.8 million for 1999. The change from 2000 to 2001 was due to the net effect of three factors: (1) an $8.5 million improvement in the operating results which has generated an operating income in our Processing Services Segment; (2) a $19.6 million decrease in the operating loss from our Software Solutions Segment; and (3) a $1.3 million decrease in the operating loss from our Corporate Services Segment. The increased operating loss from 1999 to 2000 was due to the net effect of three factors: (1) a $6.8 million decrease in the operating loss from our Processing Services Segment; (2) a $14.3 million increase in the operating loss from our Software Solutions Segment; and (3) a $1.1 million increase in the operating loss from our Corporate Services Segment. The results of segment operations expenses for 2001, 2000 and 1999 are discussed more fully in the Segment Results of Operations section below.

Segment Results of Operations for the Years Ended December 31, 2001, 2000 and 1999

	Revenues Year Ended December 31,			Operating Income/(Loss) Year Ended December 31,		
	2001	2000	1999	2001	2000	1999
Processing Services		(in thousands)			(in thousands)	
Central Europe	$ 25,236	$ 18,599	$ 12,664	$ 1,612	$ (3,070)	$ (8,019)
Western Europe	21,595	16,615	12,637	1,490	(2,286)	(3,840)
Other	2,298	1,700	1,202	(673)	(709)	(1,048)
Total Processing Services	49,129	36,914	26,503	2,429	(6,065)	(12,907)
Software Solutions	15,222	16,006	15,149	(1,875)	(21,469)	(7,141)
Corporate Services	–	–	–	(6,521)	(7,862)	(6,750)
Inter segment eliminations	(180)	(180)	(180)	–	–	–
Total	$ 64,171	$ 52,740	$ 41,472	$ (5,967)	$ (35,396)	$ (26,798)

Comparison of Operating Results for the Years Ended December 31, 2001, 2000 and 1999 — By Business Segment

Processing Services Segment

Revenues Total segment revenues increased by $12.2 million or 33% to $49.1 million for 2001 from $36.9 million for 2000. Total segment revenues increased by $10.4 million or 39% to $36.9 million for 2000 from $26.5 million for 1999. The increase in revenues in 2001 and 2000 was due primarily to the significant increase in transaction volume and an increase in the number of ATMs operated by us during these periods. We had 2,283 ATMs installed as of December 31, 1999 and 2,634 ATMs installed as of December 31, 2000. We processed 32.9 million transactions in 1999, and processed 52.7 million transactions in 2000. In the year 2001, our owned and operated ATM network increased by 365 ATMs, or 14%, over 2000 to a total of 2,999 ATMs, of which 70% are owned by us and 30% are owned by banks or other financial institutions but operated by us through management agreements. We processed 68.4 million transactions for 2001, an increase of 15.7 million transactions, or 30%, over 2000.

Revenues for the Central European Sub-segment increased by $6.6 million or 35% to $25.2 million for 2001 from $18.6 million for 2000. Revenues for this sub-segment increased by $5.9 million or 46% to $18.6 million for 2000 from $12.7 million for 1999. The increase in revenues in 2001 and 2000 was largely the result of an increase in the number of ATMs operated by us over this period. We increased the number of ATMs that we operated from 1,203 at December 31, 1999 to 1,391 at December 31, 2000 and 1,440 at December 31, 2001.

Revenues for the Western European Sub-segment increased by $5.0 million or 30% to $21.6 million for 2001 from $16.6 million for 2000. Revenues for this sub-segment increased by $4.0 million or 32% to $16.6 million for 2000 from $12.6 million for 1999. The increase in revenues in 2001 and 2000 was largely the result of an increase in the number of ATMs operated by us over this period. We increased the number of ATMs that we operated from 621 at December 31, 1999 to 787 at December 31, 2000 and 1,009 at December 31, 2001. During this period we also increased transaction volumes and increased transaction fees in certain markets. Of the net 365 ATMs added to the network, 250 ATMs are located in the United Kingdom. Our aggressive roll-out of ATMs in the United Kingdom during 2001 was based on the ability to charge a transaction fee directly to the person using the ATMs in this market. The continuance of an aggressive roll-out of ATMs in the United Kingdom is dependent on our ability to find additional sites for ATMs that are capable of highly profitable transaction levels. Certain machines that we have installed recently in the United Kingdom had transaction levels that are lower that those of machines installed earlier. This is partially due to the fact that transaction levels are lower at ATM machines at Post Office sites and at sites at which cash is replenished by merchants. Although these ATMs are profitable, they are generating returns that are lower than we expected. We are examining a number of responses to this situation, including using lower cost machines at these sites or reducing our roll-out of machines in the United Kingdom. A decision to reduce our rate of roll-out of ATMs or the continuing weakness of performance of certain ATMs could result in a decrease in growth in our revenues and operating profits.

Revenues for the Other Processing Services Sub-segment increased by $0.6 million or 35% to $2.3 million for 2001 from $1.7 million for 2000. Revenues from these operations increased by $0.5 million or 42% to $1.7 million for 2000 from $1.2 million for 1999. All revenues from this segment are generated by the Dash network located in the United States. We sold the Dash network in January 2002 (see Note 29 to the Consolidated Financial Statements—Subsequent Events) and therefore no revenues will be realized from that business for the year 2002. As a result, we will no longer report on this Sub-segment.

Of total segment revenue, approximately 86% was attributable to ATMs owned by us for the year 2001, 87% for 2000 and 94% for the year 1999. Of total transactions processed, approximately 73% were attributable to ATMs owned by us for the year 2001, 78% for 2000 and 76% for the year 1999. We expect that in the future there will be a shift from a largely proprietary ATM network owned by us to a more balanced mix between proprietary ATMs and customer owned ATMs. We believe that this trend is a positive development and will provide higher marginal returns on investments.

The transaction fees that we charge vary for the three types of ATM transactions that are currently processed on our ATMs: cash withdrawals; balance inquiries; and transactions not completed because the relevant card issuer does not give authorization. Transaction fees for cash withdrawals vary from market to market but generally range from $0.60 to $2.15 per transaction. Transaction fees for the other two types of transactions are generally substantially less. Transaction fees payable under the electronic recharge solutions sold by us are included in Processing Services Segment revenues and vary substantially from market to market and based upon the specific prepaid solution and the denomination of prepaid hours purchased. Generally the range of transaction fees vary from $1.10 to $1.80 per prepaid mobile recharge

Operating Expenses Total segment operating expenses increased by $3.7 million or 9% to $46.7 million for 2001 from $43.0 million for 2000. Such expenses increased by $3.6 million or 9% to $43.0 million for 2000 from $39.4 million for 1999. The increases in 2001 and 2000 were due primarily to costs associated with the growth in the numbers of ATMs and expansion of our operations during the periods.

We recorded a $0.8 million write-down of certain ATM hardware assets associated with the purchase of the Budapest Bank ATM network in May 2000 and the Service Bank ATM network in March 1999 (see Note 10 to the Consolidated Financial Statements—Asset Write-Down). In addition, we recorded a one-time gain in our Central European Sub-segment of $1.2 million in 2000. The gain was related to a change in Hungarian law that eliminates a major portion of our liability for import taxes on ATM hardware to the Hungarian government. The gain was included as an element of direct operating costs.

The operating expenses for the Central European Sub-segment increased by $1.9 million or 9% to $23.6 million for 2001 from $21.7 million for 2000. Such expenses increased by $1.0 million or 5% to $21.7 million for 2000 from $20.7 million for 1999. The increase in operating expenses in 2001 and 2000 was largely the result of an increase in the number of ATMs operated by us over this period. We increased the number of ATMs that we operated from 1,203 at December 31, 1999 to 1,391 at December 31, 2000 and 1,440 at December 31, 2001.

The operating expenses for the Western European Sub-segment increased by $1.2 million or 6% to $20.1 million for 2001 from $18.9 million for 2000. Such expenses increased by $2.4 million or 15% to $18.9 million for 2000 from $16.5 million for 1999. The increase in operating expenses in 2001 and 2000 was largely the result of an increase in the number of ATMs operated by us over this period. We increased the number of ATMs that we operated from 621 at December 31, 1999 to 787 at December 31, 2000 and 1,009 at December 31, 2001.

The operating expenses for the Other Processing Services Sub-segment increased by $0.6 million or 25% to $3.0 million for 2001 from $2.4 million for 2000. Such expenses increased by $0.2 million or 9% to $2.4 million for 2000 from $2.2 million for 1999. The operating expenses from this segment are generated from the Dash network located in the United States and the unallocated costs associated with our processing facilities. We sold the Dash network in January 2002. (See Note 29 to the Consolidated Financial Statements—Subsequent Events).

Direct operating costs in the Processing Services Segment consist primarily of the following: ATM installation costs; ATM site rentals; and costs associated with maintaining ATMs, ATM telecommunications, interest on network cash and cash delivery and security services to ATMs. Such costs increased by $3.6 million or 15% to $28.0 million for 2001 from $24.4 million for 2000. Such costs increased by $2.5 million or 11% to $24.4 million for 2000 from $21.9 million for 1999. The increase in direct operating costs was primarily attributable to costs was associated with operating the increased number of ATMs in the network during the periods. Also, intercompany allocations were made to charge the ATM operations with transaction switching and bank connection fees associated with the operations central processing center in Budapest. These allocations totaled $4.8 million, $3.5 million and $2.9 million for 2001, 2000 and 1999, respectively. Direct operating costs for 2000 include a one-time gain of $1.2 million due to a change in Hungarian law that eliminates a major portion of our liability for import taxes on ATM hardware. The components of direct operating costs for 2001, 2000 and 1999 were:

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
ATM communication	$ 4,619	$ 4,183	$ 3,982
ATM cash filling and interest on network cash	7,511	7,426	5,900
ATM maintenance	4,259	3,987	2,967
ATM site rental	2,517	2,258	2,421
ATM installation	470	675	783
Transaction processing and ATM monitoring	7,091	5,242	4,205
Other	1,545	600	1,663
Total direct operating expenses	$ 28,012	$ 24,371	$ 21,921

As a percentage of network revenue, direct operating costs have continued to fall. Such costs fell from 83% to 66% for 1999 and 2000, respectively, to 57% for 2001. On a per ATM basis the direct operating costs fell from $12,872 per ATM and $9,807 per ATM for 1999 and 2000, respectively, to $9,340 per ATM for 2001, an improvement of 5% over 2000. On a per transaction basis the direct operating costs fell from $0.66 per transaction and $0.46 per transaction for 1999 and 2000 to $0.41 per transaction for 2001, an improvement of 11% over 2000.

Costs for segment salaries and benefits increased by $1.8 million or 24% to $9.2 million for 2001 from $7.4 million for 2000. Such expenses increased by $0.2 million or 3% to $7.4 million for 2000 from $7.2 million for 1999. The increase in the year-on-year expenses reflect the continued expansion of the operations to Western European markets with significantly higher labor costs than Central Europe as well as some increases in staff levels at the processing center required to maintain quality service in line with the rising transaction volumes. As a percentage of Processing Services Segment revenue, salaries and benefits fell from 27% and 20% for 1999 and 2000, respectively, to 19% for 2001.

Selling, general and administrative costs allocated to the Processing Services Segment decreased $1.1 million or 46% to $1.3 million for 2001 from $2.4 million for 2000. Such expenses decreased $0.5 million or 17% to $2.4 million for 2000 from $2.9 million for 1999. The cost decrease for the year 2001 resulted from the net effect of (1) a $1.3 million increase in the allocation of costs from the selling, general and administrative line of the Budapest processing center to the operating cost line, from $3.5 million for 2000 to $4.8 million for 2001 and (2) a $0.2 million increase in costs associated with the expansion of our network operations. The $0.5 million cost decrease for 2000 resulted from the net effect of (1) a $0.6 million increase in the allocation of costs from the selling, general and administrative line of the Budapest processing center to the operating cost line, from $2.9 million for 1999 to $3.5 million for 2000 and (2) a $0.1 million increase in costs associated with the expansion of our network operations.

Depreciation and amortization increased by $0.2 million or 3% to $8.2 million for 2001 from $8.0 million for 2000. Such expenses increased by $0.6 million or 8% to $8.0 million for 2000 from $7.4 million for 1999. The increases were due primarily to the increase in the number of owned ATMs as discussed previously. We recorded a $0.8 million write-down of certain ATM hardware assets for the year ended December 31, 2000, as previously discussed.

Operating Profit/Loss The total Processing Services Segment posted an operating profit of $2.4 million for 2001 as compared to operating losses of $6.1 million and $12.9 million for 2000 and 1999, respectively, as a result of the factors discussed above. The Central European Sub-segment recorded an operating profit of $1.6 million for 2001 compared to operating losses of $3.1 million and $8.0 million for 2000 and 1999, respectively, as a result of the factors discussed above. The Western European Sub-segment had an operating profit of $1.5 million for 2001 compared to operating losses of $2.3 million and $3.8 million for 2000 and 1999, respectively, as a result of the factors discussed above.

The Other Processing Services Sub-segment incurred an operating loss of $0.7 million for 2000 and 2001, respectively, and an operating loss of $1.0 million for 1999, as a result of the factors discussed above.

Software Solutions Segment

Revenue Revenues from the Software Solutions Segment decreased by $0.8 million or 5% to $15.2 million before inter-segment eliminations for the 2001 from $16.0 million for 2000. Revenues from this segment increased $0.9 million or 6% to $16.0 million for 2000 from $15.1 million for the year ended December 31, 1999. The decrease in revenues from 2000 to 2001 is due to the decrease in sales while being partially offset by increased maintenance fees earned from sales in 2000 and prior. The increase in revenues from 1999 to 2000 is due to the increased sales generated by an expanded sales force employed in 1999 and 2000. Software revenues are grouped into four broad categories: software license fees, professional service fees, maintenance fees and hardware sales. Software license fees are the initial fees that we charged the licensing of our proprietary application software to customers. Professional service fees are charged for customization, installation and consulting services provided to customers. Software maintenance fees are the ongoing fees charged to customers for the maintenance of the software products. Hardware sales revenues are derived from the sale of computer products and are reported net of cost of sales. The components of software solutions revenue for 2001, 2000 and 1999 were:

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
Software license fees	$ 3,030	$ 4,117	$ 2,430
Professional service fees	6,765	6,867	8,298
Maintenance fees	5,045	4,487	4,051
Hardware sales	382	535	370
Total Software Revenues	$ 15,222	$ 16,006	$ 15,149

The decrease in software license fees from 2000 to 2001 reflects a decrease in sales and a change in the mix of contracts signed. In 2001, we signed an increasing number of contracts that have a larger share of professional services relative to the license fee. However, decreased overall sales in 2001 offset some of the mix-related change decreased above. Overall, revenue decreased slightly reflecting the decrease in sales although the recurring revenue stream represented by maintenance fees increased. We intend to secure long-term revenue streams through multi-year maintenance agreements with existing and new customers. We believe that the revenues of the Software Solutions Segment will increasingly be derived from our new set of software solutions, including our wireless banking solutions. The increases in software license fees from 1999 to 2000 were primarily attributable to an increased number of software sales contracts signed in 2000 as compared to 1999, primarily in the first half of 2000.

Professional service fees are generally realized in connection with the sale and installation of software, although increasingly professional service fees are being derived from contracts that do not necessarily have a software license component.

Software Sales Backlog We define “software sales backlog” as fees specified in contracts which have been executed by us and for which we expect recognition of the related revenue within one year. At December 31, 2001 the revenue backlog was $2.5 million, as compared to December 31, 2000 when the revenue backlog was $3.5 million and at December 31, 1999 when the revenue backlog was $3.1 million. The decrease in backlog from December 31, 2000 results principally from the timing of software sales. We intend to continue to focus on expediting delivery and implementing of software in an effort to deliver existing backlogged sales, while simultaneously replenishing the backlog through continuing product sales growth. The increase in backlog from December 31, 1999 as compared to 2000 resulted principally from growth and timing of software sales.

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

Operating Expenses Software Solutions Segment operating expenses consist primarily of salaries and benefits, selling, general and administrative, and depreciation and amortization. In 2000, we recorded a one-time write-down of goodwill and other identifiable intangible assets associated with our purchase of Euronet USA in December 1998. As a result of our inability to achieve operating improvements, including software license and service orders for Euronet USA’s traditional core product (ITM) and cost reductions, the Software Solutions Segment continued operating at a loss through 2000. We calculated the expected cash flows of our Software Solutions Segment, which identified an impairment of its long-lived assets. Accordingly, in 2000, we recorded an impairment charge based on the present value of expected cash flows of $11.2 million for the write-down of goodwill and other identifiable intangible assets recorded upon the acquisition of Euronet USA (see Note 10 to Consolidated Financial Statements—Asset Write Down). Total segment operating expenses decreased by $20.4 million or 54% to $17.1 million for 2001 from $37.5 million for 2000. Such expenses increased by $15.2 million or 68% to $37.5 million for 2000 from $22.3 million for 1999. The decrease from 2000 to 2001 is primarily the result of (1) the $11.2 million one-time write-down during 2000 discussed above, (2) a reduction in staffing in the first quarter of 2001, and (3) general cost-reduction efforts in our general operations. The increase from 1999 to 2000 is primarily the result of (1) the $11.2 million one-time write-down during 2000 discussed above, and (2) headcount increases intended to increase sales, accelerate development of certain software enhancements and reduce delivery times for software. The components of the Software Solutions Segment operating costs for 2001, 2000 and 1999 were:

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
Direct operating costs	$ 269	$ 800	$ 1,089
Salaries and benefits	12,329	18,004	13,953
Selling, general and administrative	3,754	5,266	4,565
Depreciation and amortization	744	2,215	2,683
Asset write-down	–	11,190	–
Total operating expenses	$ 17,096	$ 37,475	$ 22,290

These staff increases during 1999 and 2000 resulted in a significant increase in salaries and benefits, which contributed to the net losses of the Software Solutions Segment for 2000. During the first quarter of 2001 we reduced our workforce significantly with the primary objective of reducing costs in the Software Solutions Segment to bring the costs more in line with the anticipated revenue. The financial impact of these reductions can be seen throughout the results for 2001.

We have made an ongoing commitment to the development, maintenance and enhancement of our products and services. As a result of this commitment we have invested substantial amounts in research and development. In particular, we have invested and will continue to invest in new software products that will serve as the underlying application software that permits additional features and transactions on our ATM network. In addition, we continue to invest in the on-going development of products that were recently introduced to the market. Our research and development costs incurred for computer products to be sold, leased or otherwise marketed decreased $1.7 million or 25% to $5.0 million for 2001 from $6.7 million for 2000. Such costs increased $3.5 million or 109% to $6.7 million for 2000 from $3.2 million for 1999. Of these total figures, $1.3 million, $1.0 million and $0.3 million were capitalized, during the years ended December 31, 2001, 2000 and 1999 respectively, in accordance with our accounting policy requiring the capitalization of development costs on a product by product basis once technological feasibility is established. Technological feasibility of computer software products is established when we have completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements.

Operating Loss The Software Solutions Segment incurred an operating loss of $1.9 million for 2001, $21.5 million for 2000 and $7.1 million for 1999, as a result of the factors discussed above.

Corporate Services Segment

Operating Expenses Operating expenses for the Corporate Services Segment decreased by $1.4 million or 18% to $6.5 million for 2001 from $7.9 million for 2000. Such costs increased by $1.1 million or 16% to $7.9 million for 2000 from $6.8 million for 1999. The components of the Corporate Services Segment operating costs for 2001, 2000 and 1999 were

	Year Ended December 31,		
	2001	2000	1999
		(in thousands)	
Salaries and benefits	$ 3,362	$ 3,813	$ 3,335
Selling, general and administrative	3,017	3,841	3,270
Depreciation and amortization	142	208	145
Total direct operating expenses	$ 6,521	$ 7,862	$ 6,750

The cost control measures that were implemented in 2001 are the primary reasons for these decreased expenditures, including the workforce reductions during the first quarter of 2001. In 2000 due to the expansion in the company's network infrastructure there was an increase in corporate and administrative capabilities. In January 2001 we began to reclassify certain salary and benefits expense to the Processing Services Other Sub-segment to better reflect the actual job responsibilities performed.

Non-Operating Results

Interest Income Interest income decreased to $0.3 million for 2001 from $1.1 million for 2000 and from $2.0 million for 1999. The decreases are the result of lower average cash balances during 2001.

Interest Expense Interest expense decreased to $9.5 million for 2001 from $10.8 million for 2000 and $10.9 million for 1999. The decrease from 2000 to 2001 was due to a reduction in the notes payable as a result of significant debt/equity swaps during 2001 and exchange rate differences as the majority of the debt is denominated in Euro. The decrease from 1999 to 2000 was due to exchange rate differences as the majority of the debt is denominated in Euro.

Foreign Exchange Gain/Loss We had a net foreign exchange gain of $5.3 million for 2001, as compared to exchange losses of $3.2 million for 2000 and $2.1 million for 1999. Exchange gains and losses that result from re-measurement of certain assets and liabilities are recorded in determining net income or loss. A portion of our assets and liabilities are denominated in Euros, including capital lease obligations, notes payable (including the notes issued in our public bond offering), cash and cash equivalents, investments, and forward foreign exchange contracts. It is our policy to attempt to match local currency receivables and payables. The foreign currency denominated assets and liabilities give rise to foreign exchange gains and losses as a result of U.S. dollar to local currency exchange movements.

Extraordinary Gain During 2001, in sixteen separate transactions, we exchanged 97,700 units (principal amount of DM 97.7 million) of our Senior Discount Notes and 293,100 warrants for 3,238,650 shares of Common Stock. These exchanges were accounted for as an extinguishment of debt with a resulting $8.2 million (net of applicable income tax expense of $0.6 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain (pre-tax) represents the difference between the allocated carrying value of the debt and any related warrants extinguished ($39.0 million) and the fair market value of the Common Stock issued ($29.3 million), offset by the write-off of the allocated unamortized deferred financing costs ($0.9 million). These transactions were exempt from registration in accordance with Section 3(a)(9) of the Securities Act.

During 2001, in a single transaction, we exchanged 8,750 (principal face amount of DM 8.75 million) of our Senior Discount Notes for two new Senior discount notes having an aggregate face amount of $2.9 million (the "New Notes"). The interest, repayment and other terms of the New Notes are identical to those of the Senior Discount Notes for which they were exchanged, except that (i) the principal amount was reduced as indicated in the previous sentence, (ii) we have the right to prepay the New Notes at any time at our option by

paying the "Accreted Value" of the Notes, and (iii) the new notes are governed by a new Note Purchase Agreement rather than the indenture under which the Senior Discount Notes were issued and the New Notes therefore are not covered by any of the provisions of such indenture relating to action by the trustee, voting or maintenance of listing on a stock exchange. This exchange has been accounted for as an extinguishment of debt and issuance of new debt with a resulting $0.2 million (net of applicable income tax expense of $0.5 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain (pre-tax) represents the difference between the allocated carrying value of the debt extinguished ($3.3 million) and the fair market value of the New Notes issued ($2.5 million), offset by the write-off of the allocated unamortized deferred financing costs ($0.1 million). This transaction was exempt from registration in accordance with Section 3(a)(9) of the Securities Act.

During 2001, in a single transaction, we exchanged bonds with face amount $2.1 million of our Senior Discount Notes for 104,750 shares of Common Stock. This exchange has been accounted for as an extinguishment of debt with a resulting $0.1 million (net of applicable income tax expense of $0.1 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain (pre-tax) represents the difference between the allocated carrying value of the debt and any related warrants extinguished ($2.0 million) and the fair market value of the Common Stock issued ($1.7 million). These transactions were exempt from registration in accordance with Section 3(a)(9) of the Securities Act.

During 1999, we repurchased notes with a face value of DM 22.0 million and 65,850 warrants for a total purchase price of $5.2 million. This repurchase was accounted for as an extinguishment of debt with a resulting $2.2 million (net of income taxes of $0.6 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain represents the difference between the allocated carrying value of the debt extinguished ($8.1 million) and the consideration paid ($5.0 million), offset by the write-off of the allocated unamortized deferred financing costs ($0.3 million). Of the total purchase price of $5.2 million, $0.2 million was allocated to the warrants based on their fair market value at the time of purchase and recorded as an adjustment to additional paid-in capital.

The Senior Discount Notes that were acquired by us in the above exchanges have not been retired. We will consider additional repurchases of our Senior Discount Notes if opportunities arise to complete such transactions on favorable terms.

Net Income/Loss We recorded net income of $0.7 million for 2001, as compared to a $49.6 million net loss for 2000 and a $30.9 million net loss for 1999, as a result of the factors discussed above.

Liquidity and Capital Resources

Up to 2001 we had sustained negative cash flows from operations and had financed our operations and capital expenditures primarily through the proceeds from the 1998 issue of Deutsche Mark denominated notes payable, the 1997 public equity offering, equipment lease financing and private placements of equity securities. The net proceeds of such transactions, together with revenues from operations and interest income have been used to fund aggregate net losses of approximately $123.1 million, investments in property, plant and equipment of approximately $58.4 million and acquisitions of $24.6 million.

At December 31, 2001 we had cash and cash equivalents of $8.8 million included in working capital of $2.8 million. We had $1.9 million of restricted cash held as security with respect to cash provided by banks participating in our ATM network, to cover guarantees on financial instruments and as deposits with customs officials (See Note 6 to the Consolidated Financial Statements—Restricted Cash). In addition to the assets shown on the balance sheet at December 31, 2001 we held repurchased notes payable with a face value of 154.8 million Deutsche Marks ($70.1 million as at December 31, 2001 based on a USD to DM rate of 1:2.2079) and a fair market value at December 31, 2001 of $56.1 million (See Note 21 to the Consolidated Financial Statements—Financial Instruments).

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

A commitment fee was paid for an initial facility of 100,000 warrants issued pro-rata to the lenders with a warrant strike price set at the average share price, as quoted on NASDAQ for 10 trading days prior to the warrant issue date, less 10 percent. An additional 100,000, 50,000 and 50,000 warrants, on the same terms, were issued on January 2, 2001, on June 28, 2001, and on November 27, 2001 for the subsequent extensions of the facility. Warrants were issuable on similar terms and conditions for each draw on the facility at the rate of 80,000 warrants for each $1.0 million of funds drawn.

As of December 31, 2001, we have drawn $2.0 million and issued 160,000 warrants with respect to such draw. Amounts outstanding under the facility accrue interest at 10 percent per annum, payable quarterly. Repayment of the principal is due on June 28, 2002 and we expect to make this repayment on or before this date. The Credit Agreement was not renewed in December 2001.

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

We lease many of our ATMs under capital lease agreements that expire between 2002 and 2007 and bear interest at rates between 8% and 12%. As of December 31, 2001 we owed $12.4 million under such capital lease arrangements (see Note 15 to the Consolidated Financial Statements—Leases).

We expect that our capital requirements will continue in the future, although strategies that promote outsourcing and redeployment of underperforming ATMs will reduce some of these requirements. Acquisitions of related ATM businesses and investments in new markets will require additional capital expenditures. Fixed asset purchases for 2002, subject to our evaluation of acceptable returns on new ATM investment particularly in the United Kingdom, are currently estimated to be in the range of $10 to $13 million.

Effective July 1, 2001, we implemented our Employee Stock Purchase Plan ("ESPP"), under which employees have the opportunity to purchase common stock through payroll deductions according to specific eligibility and participation requirements. The ESPP was implemented by a series of offerings of three months duration with new offerings commencing on January 1, April 1, July 1, and October 1 of each year. The option price of common stock purchased under the ESPP is the lesser of 85% of the Fair Market Value (as defined in the ESPP) of the shares on the first day of each offering or the last date of each offering. Under the provisions of the ESPP, we have reserved 500,000 shares of common stock of which 175,000 shares had been issued as of December 31, 2001. We intend to qualify the Plan as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986 (See Note 18 to the Consolidated Financial Statement—Stock Plans).

In 2001, matching contributions of 32,550 shares of stock were made in conjunction with our 401(k) employee benefits plan for year 2000. Under the terms of such plan, employer match 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 the Board for a Plan Year and is allocated in proportion to employee Elective Deferrals. For 2001, employer match contributions (Basic Match) consisted of 16,275 shares and an equal number, 16,275 shares, were issued under the Discretionary Matching Contribution. Employer matching under the Plan for year 2001 is expected to be determined in the first quarter of 2002 (See Note 19 to the Consolidated Financial Statements—Employee Benefit Plans).

We reduced the aggregate amount of our 12 3/8% Senior Discount Notes payable from $77.2 million at December 31, 2000, to $38.1 million at December 31, 2001 through a series of debt-for-debt and debt-for-equity exchanges as more fully described in Note 11 to the Consolidated Financial Statements. Due to market and other factors, we may not be able to continue to successfully implement such exchanges in 2002 and beyond. We are required to commence cash payments of interest on Senior Discount Notes on January 1, 2003. At current debt levels, we will be required to make approximately $2.5 million in interest payments on a semi annual basis beginning January 1, 2003. The remaining principal balance of Senior Discount Notes of approximately $40 million (after accretion during 2002) will be due and payable on January 1, 2006.

We have no significant off balance sheet items (see Note 28 to the Consolidated Financial Statements—Commitments and Contingencies).

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

Subsequent Events In January 2002, we concluded two agreements with ALLTEL Information Services, Inc. ("AIS"), a wholly owned subsidiary of ALLTEL Corporation. The first agreement was an Asset Purchase Agreement whereby Dash sold substantially all of its assets to AIS for $6.8 million in cash subject to a working capital adjustment. Of this amount, $0.7 million is being held in escrow under the terms of a separate escrow agreement to provide for the payment of any damages that might arise from any breach of the representations and warranties contained in the Asset Purchase Agreement and certain post-closing adjustments. Revenues for Dash were $2.3 million for 2001 and were included in the revenue of the Other Processing Services Sub-segment (see Note 29 to the Consolidated Financial Statements—Subsequent Events).

The second agreement was a Software License Agreement whereby Euronet USA granted AIS a nonexclusive license to use, distribute and develop versions 1.5 and 2.2 of Euronet USA's GoldNet ITM ATM Network Processing Software ("GoldNet Software"). The License Agreement includes certain territorial and other restrictions on the use and distribution of the GoldNet Software by AIS. Under the terms of the License Agreement, AIS has agreed to pay license fees of $5 million, with 50% of the fees having been paid upon execution of the License Agreement, 40% to be paid six months from the date of the Agreement, and the remaining 10% twelve months from the date of the License Agreement.

In February 2002, we entered into subscription agreements for the sale of 625,000 new common shares of the Company. These agreements were signed with accredited investors in transactions exempt from registration pursuant to the exemptions provided in Section 4(2) and Regulation D of the Act. The purchase price of each share was $20.00. We received aggregate proceeds of approximately $12 million from the private placement (see Note 29 to the Consolidated Financial Statements—Subsequent Events).

Balance Sheet Items

Cash and Cash Equivalents The increase of cash and cash equivalents to $8.8 million at December 31, 2001 from $7.2 million at December 31, 2000 is due primarily to the net effects of working capital movements, foreign exchange gains and losses, capital expenditures and capital lease payments, and operating income for the year ended December 31, 2001. (See Note 22 to the Consolidated Financial Statements—Reconciliation of Net Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities, and the Consolidated Statements of Cash Flows).

Restricted Cash Restricted cash decreased to $1.9 million at December 31, 2001 from $2.1 million at December 31, 2000. The majority of restricted cash was held as security with respect to cash provided in Hungary and Poland by banks participating in our ATM network.

Trade Accounts Receivable Trade accounts receivable decreased to $9.3 million at December 31, 2001 from $9.5 million at December 31, 2000 due primarily to improvements in the collections process in 2001.

Property, Plant and Equipment Net property, plant and equipment decreased to $29.6 million at December 31, 2000 from $31.7 million at December 31, 2000. This decrease is due primarily to a reduction in the rate of installation of ATMs and recognizing fixed asset depreciation in excess of fixed asset additions.

Intangible Assets Net intangible assets decreased to $2.0 million at December 31, 2001, from $2.6 million at December 31, 2000. The decrease is the result of amortization of purchased goodwill in respect of the SBK and Dash acquisitions in 1999.

Current Liabilities Current liabilities increased to $23.3 million at December 31, 2001 from $20.5 million at December 31, 2000. This increase is due primarily to increases in accrued expenses and the credit facility.

Capital Leases Total capital lease obligations including current installments increased to $12.4 million at December 31, 2001 from $11.5 million at December 31, 2000. This increase is due primarily to additional fixed assets leased in excess of 2001 lease payments.

Notes Payable Notes payable decreased to $38.1 million at December 31, 2001 from $77.2 million at December 31, 2000. This is the result of several transactions as follows:

	(in millions)
Balance at December 31, 2000	$ 77.2
Unrealized foreign exchange gain (DM vs. USD)	(4.8)
Debt Equity Swaps	(41.1)
Accretion of bond interest	6.8
Balance at December 31, 2001	$ 38.1

Stockholders' Deficit Stockholders' deficit decreased to $7.7 million at December 31, 2001 from $44.8 million at December 31, 2000. This is due to the net income for the year ended December 31, 2001 of $0.7 million, $5.8 million received for options exercised and other equity and $31.0 million for the shares issued on the extinguishments of debt offset by an increase in the accumulated comprehensive loss of $0.4 million.

Impact of New Accounting Pronouncements Not Yet Adopted

SFAS 141 and 142 In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

We are required to adopt the provisions of Statement 141 immediately, and Statement 142 effective January 1, 2002. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement 142 accounting literature.

Statement 141 will require upon adoption of Statement 142 that we evaluate our existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. Upon adoption of Statement 142, we will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, we will be required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, Statement 142 will require us to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, we must identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. We will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and we must perform the second step of the transitional impairment test. In the second step, we must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141 to its carrying amount both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in our statement of earnings.

And finally, any unamortized negative goodwill existing at the date Statement 142 is adopted must be written off as the cumulative effect of a change in accounting principle.

As of the date of adoption, we expect to have unamortized goodwill in the amount of $2.0 million, which will be subject to the transition provisions of Statements 141 and 142. Because of the extensive effort needed to comply with adopting Statements 141 and 142, it is not practicable to reasonably estimate the impact of adopting these Statements on our financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

SFAS 143 Statement of Financial Accounting Standard (SFAS) No. 143, Accounting for Asset Retirement Obligations (SFAS No. 143), addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and for the associated asset retirement costs.

The Financial Accounting Standards Board (FASB) began this project in 1994 to address the accounting for the costs of nuclear decommissioning. The FASB subsequently expanded the scope of the project to include closure or removal-type costs in other industries. As a result, Statement No. 143 applies to all entities.

SFAS No. 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and or normal use of the assets. The enterprise also is to record a corresponding increase to the carrying amount of the related long-lived asset (i.e., the associated asset retirement costs) and to depreciate that cost over the life of the asset. The liability is changed at the end of each period to reflect the passage of time (i.e., accretion expense) and changes in the estimated future cash flows underlying the initial fair value measurement. Because of the extensive use of estimates, most enterprises will record a gain or loss when they settle the obligation. Enterprises are required to adopt Statement No. 143 for fiscal years beginning after June 15, 2002. We have not evaluated the impact on the consolidated financial statements of adopting this standard.

SFAS 144 SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, addresses financial accounting and reporting for the impairment or disposal of long lived assets. While SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, it retains many of the fundamental provisions of that Statement. SFAS No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale.

SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The Statement is to be applied prospectively. We have not yet determined the impact, if any, the adoption of this standard will have on our financial position or results of operations.

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

Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may materially differ from those in the forward-looking statements as a result of various factors, including: technological and business developments in the local card, electronic and mobile banking and mobile phone markets affecting the transaction and other fees which 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 services; our relationships with our major customers, sponsor banks in various markets and International Card Organizations; and changes in laws and regulations affecting our business. These risks, and other risks are described elsewhere in this document and our periodic filings with the Securities and Exchange Commission.

Quantitative and Qualitative Disclosures About Market Risk

Operational Risk; Security

Our business involves the operation and maintenance of a sophisticated computer network and telecommunications connections with banks, financial institutions and mobile operators. This, in turn, requires the maintenance of computer equipment and infrastructure, including telecommunications and electrical systems, and the integration and enhancement of complex software applications. There are certain operational risks inherent in this type of business which can require temporary shut-down of parts or all of our processing systems, including failure of electrical supply, failure of computer hardware and software errors. All of our ATMs other than our ATMs in Germany are operated through our processing center in Budapest so any operational problem there may have a significant adverse impact on the operation of our network generally. We have experienced operations and computer development staff and have created redundancies and procedures, particularly in our Budapest processing center, to mitigate such risks, but they cannot be eliminated entirely. Any technical failure that prevents operation of our systems for a significant period of time will prevent us from processing transactions during that period of time and will directly and adversely affect our revenues and financial results.

Our ATM network systems process electronic financial transactions using information read by ATMs or POS terminals from bank debit and credit cards or input into our systems by our customers in the registration process for mobile phone recharge services. We capture, transmit, handle and store this sensitive bank card information in performing services for our customers. In addition, our software is designed to permit the operation by our customers of electronic financial transaction networks similar to our network, so our software is used in handling such information. These businesses involve certain inherent security risks and in particular the risk of electronic interception and theft of the information for use in fraudulent card transactions. We have incorporated industry standard encryption technology and processing methodology into our systems and software to maintain high levels of security. Although this technology and

methodology mitigates security risks, they cannot be eliminated entirely as criminal elements apply increasingly sophisticated technology to attempt to obtain unauthorized access to the information handled by ATM and electronic financial transaction networks.

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

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

Foreign Exchange Exposure

In 2001, 32% of our total revenues were generated in Poland and Hungary, as compared to 30% in 2000 and 27% in 1999. The primary cause of this upward trend is continued revenue growth in our Polish operations during 2001. In Hungary, the majority of revenues received are denominated in Hungarian Forints while in Poland, the majority of revenues are denominated in Polish Zlotys. However, most of our foreign currency denominated contracts are linked to either inflation or the retail price index. While a significant portion of our expenditures continue to be denominated in U.S. Dollars, we are working to create higher matching levels between revenues and expenses denominated in local currencies in order to take advantage of the natural currency hedging this would provide.

We estimate that a further 10% depreciation in foreign exchange rates of the Euro, Hungarian Forint, Polish Zloty and the British Pound Sterling against the U.S. Dollar, would have the combined effect of a $2.9 million decrease in our reported net income. This was estimated using 10% of our net losses after adjusting for unusual impairment and other items including U.S. Dollar denominated or indexed expenses. We acknowledge that this quantitative measure has inherent limitations in that it does not take into account any governmental actions or changes in either customer purchasing patterns or our financing or operating strategies.

As a result of the introduction of the Euro on January 1, 2002, and continued European economic convergence, including the increased influence of the Euro, as opposed to the U.S. Dollar, on the Central European currencies, we expect that the currencies of the markets where we invest will fluctuate less against the Euro than against the U.S. Dollar. Accordingly, we believe that our Euro denominated debt provides, in the medium to long term, a closer matching of assets and liabilities than would U.S. Dollar denominated debt.

Inflation and Functional Currencies

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

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

Interest Rate Risk

The fair market value of our long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of our notes payable at December 31, 2001 was $32.7 million compared to a carrying value of $38.1 million. A 1% increase from prevailing interest rates at December 31, 2001 would result in a decrease in fair value of notes payable by approximately $1.5 million. Fair values were determined from quoted market prices and from investment bankers considering credit ratings and the remaining term to maturity (see Note 21 to the Consolidated Financial Statements—Financial Instruments).

First Interest Repayment

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

Independent Auditors' Report

The Board of Directors and Stockholders

Euronet Worldwide, Inc.:

We have audited the accompanying consolidated balance sheets of Euronet Worldwide Inc. and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' (deficit)/equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Euronet Worldwide Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with generally accepted accounting principles in the United States of America.

KPMG

KPMG Polska S.p. z o.o.

Warsaw, Poland

February 6, 2002

Euronet Worldwide, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2001	December 31, 2000
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 8,818	$ 7,151
Restricted cash (note 6)	1,877	2,103
Trade accounts receivable (less allowance for doubtful accounts of $675,000 in 2001 and $740,000 in 2000, note 17)	9,292	9,485
Costs and estimated earnings in excess of billings on software installation contracts (note 8)	331	1,117
Prepaid expenses and other current assets (note 7)	5,799	3,342
Total current assets	26,117	23,198
Property, plant, and equipment (note 10, 15, 20, 28, and 29):		
Equipment–Automated teller machines	45,465	41,691
Vehicles and office equipment	2,923	2,451
Computers and software	9,995	8,628
	58,383	52,770
Less accumulated depreciation and amortization	(28,832)	(21,113)
Net property, plant, and equipment	29,551	31,657
Goodwill and intangible assets, net (notes 9 and 10)	1,975	2,604
Deposits	41	45
Deferred income taxes (note 16)	429	424
Other assets, net (notes 3(h))	3,278	2,962
Total assets	$ 61,391	$ 60,890
Liabilities and Stockholders' Deficit		
Current liabilities:		
Trade accounts payable	$ 4,812	$ 5,233
Current installments of obligations under capital leases (note 15)	4,765	3,466
Accrued expenses and other current liabilities	7,386	6,397
Advance payments on contracts	2,266	2,155
Income taxes payable	90	350
Short term borrowings	513	–
Billings in excess of costs and estimated earnings on software installation contracts (note 8)	1,457	2,875
Credit facility (note 13)	2,000	–
Total current liabilities	23,289	20,466
Obligations under capital leases, excluding current installments (note 15)	7,643	8,034
Notes payable (note 11)	38,146	77,191
Total liabilities	69,078	105,691
Stockholders' deficit:		
Common stock, $0.02 par value. Authorized 60,000,000 shares; issued and outstanding 22,038,073 shares at December 31, 2001 and 17,814,910 at December 31, 2000 (note 12)	441	356
Additional paid in capital	117,940	81,327
Treasury stock	(145)	(140)
Employee loans for stock (note 26)	(463)	(561)
Subscription receivable	–	(59)
Accumulated deficit	(123,141)	(123,811)
Restricted reserve (note 5)	784	784
Accumulated other comprehensive loss	(3,103)	(2,697)
Total stockholders' deficit	(7,687)	(44,801)
Total liabilities and stockholders' deficit	$ 61,391	$ 60,890

See accompanying notes to consolidated financial statements.

Euronet Worldwide, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31,		
	2001	2000	1999
	(in thousands, except per share data)		
Revenues:			
ATM network and related revenue	$ 49,129	$ 36,913	$ 26,503
Software, maintenance and related revenue	15,042	15,827	14,969
Total revenues	64,171	52,740	41,472
Operating expenses:			
Direct operating costs	28,101	24,988	22,830
Salaries and benefits (note 18)	24,874	29,265	24,477
Selling, general and administrative	8,051	11,531	10,725
Depreciation and amortization	9,112	10,384	10,238
Asset write-down (note 10)	–	11,968	–
Total operating expenses	70,138	88,136	68,270
Operating loss	(5,967)	(35,396)	(26,798)
Other income/(expense):			
Interest income	282	1,089	1,950
Interest expense (note 11)	(9,471)	(10,829)	(10,899)
Foreign exchange gain/(loss), net (note 14)	5,300	(3,227)	(2,110)
	(3,889)	(12,967)	(11,059)
Loss before income tax and extraordinary item	(9,856)	(48,363)	(37,857)
Income tax benefit/(expense) (note 16)	2,030	(1,188)	4,746
Loss before extraordinary item	(7,826)	(49,551)	(33,111)
Extraordinary gain on early extinguishment of debt, net of applicable income taxes of $1.1 million in 2001, $0 in 2000 and $0.6 million in 1999 (note 11)	8,496	–	2,196
Net income/(loss)	670	(49,551)	(30,915)
Other comprehensive income:			
Translation adjustment	(406)	(247)	(2,515)
Comprehensive income/(loss)	$ 264	$ (49,798)	$ (33,430)
Loss per share - basic and diluted (note 3(n)):			
Loss before extraordinary item	$ (0.40)	$ (3.00)	$ (2.17)
Extraordinary gain on extinguishement of debt	0.43	–	0.14
Net income/(loss)	$ 0.03	$ (3.00)	$ (2.03)
Weighted average number of shares outstanding	19,719,253	16,499,699	15,252,030

See accompanying notes to consolidated financial statements.

Did You Know…

- **Euronet has 400 employees located in 16 countries.**
- **Euronet's diverse network of associates encompasses 25 nationalities.**
- **Currently, 53% of Euronet's employees have become company owners through the Employee Stock Purchase Plan.**

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

	No. of Shares		Common Stock		Employee Loans for Stock		Additional Paid in Capital		Treasury Stock
				(in thousands, except share data)					
Balance December 31, 1998	15,213,453	$	307	$	–	$	66,413	$	(4)
Share compensation expense (note 18)	–		–		–		127		–
Stock options exercised (note 18)	228,503		4		–		331		–
Sale of treasury stock	100,000		–		–		274		1
Warrants repurchase (note 11)	–		–		–		(176)		–
Employee loans for stock (note 26)	–		–		(794)		–		–
Translation adjustment	–		–		–		–		–
Net loss for 1999	–		–		–		–		–
Balance December 31, 1999	15,541,956	$	311	$	(794)	$	66,969	$	(3)
Stock options exercised (note 18)	390,231		8		–		941		–
Sale of common stock (note 12)	1,882,723		37		–		13,045		–
Warrants issue (notes 12 and 13)	–		–		–		372		–
Subscriptions	–		–		–		–		–
Employee loans for stock (note 26)	–		–		233		–		(137)
Translation adjustment	–		–		–		–		–
Net loss for 2000	–		–		–		–		–
Balance December 31, 2000	17,814,910	$	356	$	(561)	$	81,327	$	(140)
Stock options exercised (note 18)	292,643		6		–		1,446		–
Shares issued for extinguishment of debt	3,343,400		67		–		30,961		–
Private placement of shares	19,000		1		–		104		–
Warrants exercised	361,000		7		–		2,112		–
Employee loans for stock (note 26)	–		–		98		–		(5)
Sale of common stock (note 18)	207,120		4		–		1,990		–
Other	–		–		–		–		–
Translation adjustment	–		–		–		–		–
Net income for 2001	–		–		–		–		–
Balance December 31, 2001	22,038,073	$	441	$	(463)	$	117,940	$	(145)

See accompanying notes to the consolidated financial statements.

DID YOU KNOW...

- **There are 866,000 ATMs operating in the world today, and Western Europe accounts for 27% of the worldwide total.**
- **Between 1994 and 1999, the number of ATMs in Central and Eastern Europe nearly quintupled.**
- **The European ATM market has expanded to 234,000 machines.**
- **ATM growth is the strongest in Greece.**
- **As of 1999, Hungary had 2,358 ATMs functioning in the country, one third of which are installed in Budapest.**

Source: Retail Banking Research Ltd 2000 and Europay 2000

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

	Subscription Receivable	Accumulated Deficit	Restricted Reserve	Accumulated Other Comprehensive (Loss)/Income	Total
	(in thousands, except share data)				
Balance December 31, 1998	$ (50)	$ (43,345)	$ 784	$ 65	$ 24,170
Share compensation expense (note 18)	–	–	–	–	127
Stock options exercised (note 18)	–	–	–	–	335
Sale of treasury stock	–	–	–	–	275
Warrants repurchase (note 11)	–	–	–	–	(176)
Employee loans for stock (note 26)	–	–	–	–	(794)
Translation adjustment	–	–	–	(2,515)	(2,515)
Net loss for 1999	–	(30,915)	–	–	(30,915)
Balance December 31, 1999	$ (50)	$ (74,260)	$ 784	$ (2,450)	(9,493)
Share options exercised (note 18)	–	–	–	–	949
Sale of common stock (note 12)	–	–	–	–	13,082
Warrants issue (notes 12 and 13)	–	–	–	–	372
Subscriptions	(9)	–	–	–	(9)
Employee loans for stock (note 26)	–	–	–	–	96
Translation adjustment	–	–	–	(247)	(247)
Net loss for 2000	–	(49,551)	–	–	(49,551)
Balance December 31, 2000	$ (59)	$ (123,811)	$ 784	$ (2,697)	$ (44,801)
Stock options exercised (note 18)	–	–	–	–	1,452
Shares issued for extinguishment of debt	–	–	–	–	31,028
Private placement of shares	–	–	–	–	105
Warrants exercised	–	–	–	–	2,119
Employee loans for stock (note 26)	–	–	–	–	93
Sale of common stock (note 18)	–	–	–	–	1,994
Other	59	–	–	–	59
Translation adjustment	–	–	–	(406)	(406)
Net income for 2001	–	670	–	–	670
Balance December 31, 2001	$ –	$ (123,141)	$ 784	$ (3,103)	$ (7,687)

See accompanying notes to the consolidated financial statements.

DID YOU KNOW...

- **Twelve mobile operators in seven countries have selected Euronet's Electronic Recharge products, enabling their more than 11.2 million prepaid customers to electronically purchase airtime.**
- **During 2001, 50 million consumer bills and 10 million B2B items were delivered using electronic bill presentment and payment (EBPP) services. By 2005, the total is expected to reach 2.4 billion items.**
- **Europe generated 6 million EBPP transactions in 2001, and this figure is predicted to reach 1.2 billion by 2005.**
- **More than 85% of households in Euronet's Central and Eastern European markets pay their bills in cash—in person, each month.**

Source: Tower Group, 2002

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2001	2000	1999
		(in thousands)	
Net cash provided by/(used in) operating activities (note 22)	$ 39	$ (16,357)	$ (20,371)
Cash flows from investing activities:			
Fixed asset purchases	(2,756)	(3,428)	(8,685)
Proceeds from sale of fixed assets	566	706	3,742
Purchase of investment securities	–	–	(5,373)
Proceeds from maturity of investment securities	–	–	7,772
Investment in subsidiaries, net of cash acquired	–	–	(7,316)
Net increase/(decrease) in loan receivable	–	(13)	28
Net cash used in investing activities	(2,190)	(2,735)	(9,832)
Cash flows from financing activities:			
Proceeds from the sale and leaseback of fixed assets	1,234	–	827
Proceeds from issuance of shares and other capital contributions	5,608	13,889	610
Proceeds from issuance of notes payable and warrants	(845)	378	–
Costs to obtain loans	–	–	(22)
Repurchase of notes payable and warrants	–	–	(5,202)
Repayment of obligations under capital leases	(4,756)	(3,677)	(5,660)
Proceeds from/(repayment of) borrowings	2,321	192	(300)
Decrease/(increase) in subscriptions receivable	59	(9)	–
Cash repaid by/(loaned to) employees for purchase of common stock	98	233	(794)
Net cash provided by/(used in) financing activities	3,719	11,006	(10,541)
Effect of exchange differences on cash	99	200	167
Net increase/(decrease) in cash and cash equivalents	1,667	(7,886)	(40,577)
Cash and cash equivalents at beginning of period	7,151	15,037	55,614
Cash and cash equivalents at end of period	$ 8,818	$ 7,151	$ 15,037
Supplemental disclosures of cash flow information (note 23):			
Interest paid during year	$ 2,292	$ 2,076	$ 1,133
Income taxes refunded during year	$ 894	$ –	$ 839

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(1) Organization

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

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

The subsidiaries of Euronet that are directly or indirectly wholly owned are:

- EFT Services Holding B.V., incorporated in the Netherlands
- Euronet Banktechnikai Szolgaltato Kft. (“Bank Tech”), incorporated in Hungary
- Euronet Adminisztracios Szolgaltato Kft. (“Administrative Services”) (formerly SatComNet), incorporated in Hungary
- Bankomat 24/Euronet Sp. z o.o. (“Bankomat”), incorporated in Poland

- EFT-Usluge d o.o., incorporated in Croatia
- Euronet Services GmbH, incorporated in Germany
- EFT Services France SAS, incorporated in France
- Euronet Services spol. s.r.o., incorporated in the Czech Republic
- Euronet Services SRL, incorporated in Romania
- Euronet Services (UK) Limited, incorporated in the United Kingdom
- Euronet USA Inc. (formerly Arkansas Systems, Inc.) ("Euronet USA") incorporated in Arkansas, United States of America
- EFT Processing Services LLC ("Dash"), incorporated in Arkansas, United States of America
- Euronet Holding N.V., incorporated in the Netherlands Antilles (in liquidation)
- Euronet Eft Services Hellas, incorporated in Greece.

Euronet also has indirect shareholdings in the following companies that are not wholly owned:

- Euronet Sigma Nusantara, incorporated in Indonesia, of which 80% of the shares are owned by EFT Services Holdings BV.
- CashNet Telecommunications Egypt SAE ("CashNet"), an Egyptian company limited by shares, of which 10% of the shares are owned by EFT Services Holdings BV. Cashnet was formed on April 11, 2000 with a equity investment of $1,1 million by National Telecommunications Company SAE ("NTC"), to own and/or operate and manage ATM machines and Point of Sale Terminals both for their own account and for the account of customer banks. The Company purchased its 10% investment on May 10, 2001 for $0.1 million from NTC and has an agreement to increase this ownership to 40% through additional equity payments totalling $0.3 million. The Company made payments in this respect of $47,158 on November 26, 2001 and $0.1 million on January 17, 2002 and the transfer of shares is in process. There are required payments of $0.2 million in 2002 for the Company to reach 40% ownership.

(2) Financial Position and Basis of Preparation

The Company generated an operating loss of $6.0 million for the twelve months ended December 31, 2001 primarily due to the significant costs associated with the expansion of its ATM network and investment support and research and development in its software. In addition, the Company generated positive cash flows from operations of $0.1 million for the twelve months ended December 31, 2001, as a result of these same factors. Based on the Company's current business plan and financial projections, the Company expects to further improve operating income and net cash provided by operating activities in 2002. In the Processing Services Segment, the Company anticipates that increased transaction levels in its ATM network will result in additional revenues without a corresponding increase in expenses. In addition, the Company expects to further expand its ATM outsourcing services and offer new value-added services, which will provide continued revenue growth without significantly increasing direct operating expenses or capital investments. In the Software Solutions Segment, the Company expects to continue its strategic repositioning of its software business from direct software sales to software-only customers to more integrated solutions combining the strengths of the Company's electronic financial transaction network system with its software development strengths.

The Company has a $4.0 million credit facility under an unsecured revolving credit agreement (see Note 13). As of December 31, 2001, the Company had drawn $2.0 million against such credit agreement. In addition, the Company holds repurchased notes payable with a face value of DM $154.8 million ($70.1 million) and a fair value at December 31, 2001 of $56.1 million. The Company believes that cash and cash equivalents at December 31, 2001, and the revolving credit agreement described above, and sustained positive cash flows from operations will provide the Company with sufficient cash resources to fulfill its financial and strategic business objectives. The Company will in light of these financial and strategic business objectives continue its policy of assessing opportunities for additional debt and equity financing as they arise.

In January 2002, the Company concluded two agreements with ALLTEL Information Services, Inc. ("AIS"), a wholly owned subsidiary of ALLTEL Corporation. The first agreement was an Asset Purchase Agreement whereby Dash sold substantially all of its assets to AIS for $6.8 million in cash subject to a working capital adjustment. Of this amount, $650,000 is being held in escrow under the terms of a separate escrow agreement. The second agreement was a Software License Agreement whereby AIS pays license fees of $5 million, with 50% of the fees being paid upon execution of the License Agreement, 40% to be paid six months from the date of the Agreement, and the remaining 10% twelve months from the date of the License Agreement (see note 29).

In February 2002, the Company entered into subscription agreements for the sale of 625,000 new common shares of the Company. The aggregate amount of proceeds to the Company from the private placement was approximately $12 million (see note 29).

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

(3) Summary of Significant Accounting Policies and Practices

(a) Principles of consolidation

The consolidated financial statements include the accounts of Euronet Worldwide, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The company's investments in companies which it does not control but has the ability to exercise significant influence over operating and financial policies are accounted for under the equity method.

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

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

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

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

(d) Forward foreign exchange contracts
Prior to the adoption of SFAS No. 133 (Accounting for Derivative Instruments and Hedging Activities) on January 1, 2001, forward foreign exchange contracts were recorded at fair values in the consolidated balance sheet in other current assets or other current liabilities with the related gain or loss recognized in the consolidated statement of operations, unless the contracts met certain hedging criteria. A foreign exchange contract was considered a hedge of an identifiable foreign currency commitment if (i) the contract was designated as, and was effective as, a hedge of foreign currency commitment and (ii) the foreign currency commitment was firm.

In addition, the significant characteristics of expected terms of the anticipated transaction were identified and it was probable that the anticipated transaction would occur. Gains and losses on foreign exchange contracts meeting these hedge accounting criteria were deferred and included in the measurement of the related foreign currency transaction. Losses were not deferred if, however, it was estimated that the deferral would lead to recognition of losses in later periods.

In 2000, the Company settled all outstanding forward foreign exchange contracts. As of December 31, 2001, and 2000, the Company had not entered into any forward foreign exchange contracts or any other derivative contracts.

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

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

Depreciation and amortization rates are as follows:

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

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

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

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

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

(g) Impairment of long-lived assets

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

(h) Other assets

Other assets include deferred financing costs, investments in affiliates, and capitalized software development costs. Deferred financing costs represent expenses incurred to obtain financing which have been deferred and amortized over the life of the loan using the effective interest method.

(i) Investments in affiliates

Investment in the common stock of EFT Processing services, LLC ("Dash"), a 33 1/3% owned affiliate until wholly acquired on August 13, 1999, was accounted for by the equity method until the date of acquisition. Under this method, the Company's share of net income or loss was reflected in the Company's investment account, and dividends received are treated as a reduction of the investment account. The fair value of the investment in excess of the underlying equity in net assets is amortized over 10 years. The acquisition on August 13, 1999 was accounted for under the purchase method of accounting (see note 4).

Substantially all of the assets of Dash were sold in January 2002 (see note 29).

Investment in the common stock of Cash Net Telecommunications Egypt, a 10% owned affiliate, was made on May 10, 2001 and accounted for using the cost method of accounting. Under this method, the original cost of the investment is reported on the balance sheet. No income or loss from the investment is reflected in other long term assets. Operations commenced in the third quarter of 2001.

(j) Income taxes

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

(k) Risks and uncertainties

The preparation of the consolidated 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 the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Significant estimates and assumptions are used to account for software revenue, software development costs, income taxes and impairments of long-lived assets. Because of the use of such estimates inherent in the financial reporting process actual results could differ from those estimates.

(l) Revenue recognition

Euronet recognizes revenue at the point at which the service is performed. Revenue from time and material service contracts is recognized as the services are provided. Revenues from software licensing agreement contracts are recognized over the contract term using the percentage of completion method based on the percentage of services that are provided compared with the total estimated services to be provided over the entire contract. The effect of changes to total estimated contract costs is recognized in the period such changes are determined. Provisions for estimated losses are made in the period in which the loss first becomes probable and estimable. Revenues from software licensing agreement contracts representing newly released products deemed to have a higher than normal risk of failure during installation are recognized on a completed contract basis whereby revenues and related costs are deferred until the contract is complete. Maintenance revenue is recognized over the contractual period or as services are performed. Revenue in excess of billings on software license agreements contracts is recorded as unbilled receivables and is included in current assets. Billings in excess of revenue on software license agreements contracts is recorded as deferred revenue and is included in current liabilities until such time the above revenue recognition criteria are met (see Note 8).

(m) Research and development costs

The Company applies SFAS 2 and 86 in recording research and development costs. Research costs aimed at the discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service or a new process or technique or in bringing about significant improvement to an existing product or process are expensed as incurred (see Note 25). Development costs aimed at the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use are capitalized on a product-by-product basis when technological feasibility is established.

Technological feasibility of computer software products is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements. Technological feasibility is evidenced by the existence of a working model of the product or by completion of a detail program design. The detail program design must (a) establish that the necessary skills, hardware, and software

technology are available to produce the product, (b) be complete and consistent with the product design, and (c) have been reviewed for high-risk development issues, with any uncertainties related to identified high-risk development issues being adequately resolved.

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

(n) Loss per share
Net loss per share has been computed by dividing net loss by the weighted average number of common shares outstanding. The effect of potential common stock (options and warrants outstanding) is antidilutive. Accordingly diluted net loss per share does not assume the exercise of outstanding stock options and warrants.

(o) Stock-based compensation
The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair market value of the Company's shares at the date of the grant over the exercise price. Such compensation cost is charged to expense on a straight-line basis over the vesting period of the respective options. If vesting is accelerated as a result of certain milestones, the unrecognized compensation would be recorded as expense on the date such milestones have or have been deemed to have been achieved. The Company has adopted the disclosure-only provisions of SFAS No. 123 (see Note 18).

(p) Reclassifications
Certain amounts have been reclassified in the prior year consolidated financial statements to conform to the 2001 consolidated financial statement presentation.

(4) Acquisitions

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

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

On August 13, 1999, Euronet USA purchased the remaining 66 2/3% interest in Dash for a consideration of $0.8 million payable in 24 equal monthly installments commencing on July 1, 1999. Euronet USA has delivered letters of credit to each of the sellers in the amount of the entire unpaid balance of the purchase price of Dash. As payments are made, the outstanding credit risk exposures related to the letters of credit are reduced proportionately. At December 31, 2001, Euronet USA owns a 100% interest in Dash.

The acquisition was accounted for as a purchase; accordingly, the results of operations have been included in the accompanying consolidated financial statements since July 1, 1999. The purchase price was allocated to assets acquired of $0.7 million based on their fair values. The excess of the purchase price over the fair value of the net assets acquired of $0.1 million has been recorded as goodwill and is amortized over ten years.

On January 4, 2002, The Company sold essentially all of the assets of Dash (see Note 29).

(5) Restricted Reserve

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

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

(6) Restricted Cash

The restricted cash balances as of December 31, 2001 and 2000, were as follows:

	December 31, 2001	December 31, 2000
	(in thousands)	
ATM deposits	$ 674	$ 710
Other	1,203	1,393
	$ 1,877	$ 2,103

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

(7) Prepayments

The prepayments balances as of December 31, 2001 and 2000, were as follows:

	December 31, 2001	December 31, 2000
	(in thousands)	
Prepayments	$ 4,399	$ 3,342
Non trade receivable	1,400	–
	$ 5,799	$ 3,342

(8) Contracts in Progress

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

The software installation contracts in progress consist of the following:

	December 31, 2001	December 31, 2000
	(in thousands)	
Costs and estimated earnings on software installation contracts	$ 8,746	$ 11,911
Less billings to date	(9,872)	(13,669)
	$ (1,126)	$ (1,758)

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

	December 31, 2001	December 31, 2000
	(in thousands)	
Costs and estimated earnings in excess of billings on software installation contracts	$ 331	$ 1,117
Billings in excess of costs and estimated earnings on software installation contracts	(1,457)	(2,875)
	$ (1,126)	$ (1,758)

(9) Goodwill and Intangible Assets

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

	December 31, 2001	December 31, 2000
	(in thousands)	
Goodwill	$ 2,973	$ 2,973
Less accumulated amortization	(998)	(369)
Total	$ 1,975	$ 2,604

See Note 10 for details of the write-down of goodwill and intangibles in 2000.

(10) Asset Write-Down

During the third quarter of 2000, the Company reduced the carrying value of certain assets in accordance with SFAS No. 121. The asset write-downs totaled $12.0 million, of which $11.2 million related to goodwill and other identifiable intangible assets associated with the Company's acquisition of Arkansas Systems, Inc. ("Euronet USA") in December 1998. The remaining $0.8 million write-down related to the Company's ATM hardware inventory acquired associated with the Company's acquisition of the SBK ATM network in Germany and the Budapest Bank ATM network in Hungary.

As a result of the Company's inability to achieve operating improvements, including software license and service orders for Euronet USA's traditional core product (ITM) and cost reductions, the Software Solutions Segment continued operating at a loss through 2000. The Company calculated the expected cash flows of the Company's Software Solutions Segment, which identified an impairment of its long-lived assets. Accordingly, in 2000, the Company recorded an impairment charge based on the present value of expected cash flows of $11.2 million for the write-down of goodwill and other identifiable intangible assets recorded upon the acquisition of Euronet USA. The Company considers the rapidly changing business environment surrounding electronic transaction payment systems software to be a primary indicator of any potential impairment of goodwill and other identifiable intangible assets related to the Company's Software Solutions Segment. The Company is in the process of repositioning Euronet USA in the market through development and release of a new set of products that leverage Euronet USA's traditional core product lines, including a new, platform independent Java based transaction processing software package with wireless banking and messaging modules and a set of mobile phone prepaid recharge solutions. It has become apparent, based on market reaction to these new products, that these new products and solutions rather than Euronet USA's traditional ITM solution will be the primary source of software solutions revenues in the future.

In order to determine the extent of the asset impairment and the related asset write-down, the Company estimated the discounted cash flows of the Software Solutions Segment products and services in determining the fair value of the goodwill and related identifiable intangible assets. The Company's estimate was based on historical results which have shown recurring operating losses since acquisition, current projections, and internal earnings targets, net of applicable taxes. The Company's discounted cash flow analysis indicated that the carrying value of intangible assets related to Euronet USA should be reduced to zero as of September 30, 2000. The net book value of the intangible assets prior to the write-down was $11.2 million.

The asset write-down was disclosed as a separate operating expense item in the Company's Consolidated Statements of Operations and Comprehensive Loss.

The Company periodically reviews the recorded values of its long-lived assets to determine if future cash flows to be derived from these assets will be sufficient to recover the remaining recorded asset values. A portion of the ATM hardware assets acquired with the Budapest Bank and Service Bank ATM network purchases were deemed technologically inferior relative to the Company's standards. Specifically, these assets were not technologically advanced to support the entire current and future set of transactions the Company typically offers to users of its ATM network. As a result of this analysis, the Company recorded a non-cash charge of $0.8 million related to a reduction in the carrying value of ATM hardware, adjusting to its net realizable value

(11) Notes Payable

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

Pursuant to the Company's indenture, the Company is subject to certain restrictions and covenants, including, without limitation, covenants with respect to the following matters: (i) limitation on additional indebtedness; (ii) limitation on restricted payments; (iii) limitation on issuance and sales of capital stock of restricted subsidiaries; (iv) limitation on transactions with affiliates; (v) limitation on liens; (vi) limitation on guarantees of indebtedness by restricted subsidiaries; (vii) purchase of Euronet notes upon a change of control; (viii) limitation on sale of assets; (ix) limitation on dividends and other payment restrictions affecting restricted subsidiaries; (x) limitation on investments in unrestricted subsidiaries; (xi) limitation on lines of business; and (xii) provision of financial statements and reports. The Company is in compliance with these covenants at December 31, 2001.

During 2001, in sixteen separate transactions, the Company exchanged 97,700 units (principal amount of DM 97.7 million) of its Senior Discount Notes and 293,100 warrants for 3,238,650 shares of its common stock, par value $0.02 per share. This exchange has been accounted for as an extinguishment of debt with a resulting $8.2 million (net of applicable income tax expense of $0.6 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain (pre-tax) represents the difference between the allocated carrying value of the debt and any related warrants extinguished ($39.0 million) and the fair market value of the common stock issued ($29.3 million), offset by the write-off of the allocated unamortized deferred financing costs ($0.9 million). These transactions were exempt from registration in accordance with Section 3(a)(9) of the Act. During 2001, in a single transaction, the Company exchanged 8,750 Senior Discount Notes (principal face amount of DM 8.75 million) of its Senior Discount Notes for two new Senior discount notes having an aggregate face amount of $2.9 million (the "New Notes"). The interest,

repayment and other terms of the New Notes are identical to those of the Senior Discount Notes for which they were exchanged, except that (i) the principal amount was reduced as indicated in the previous sentence, (ii) the Company has the right to prepay the New Notes at any time at its option by paying the "Accreted Value" of the Notes, and (iii) the new notes are governed by a new Note Purchase Agreement rather than the indenture under which the Senior Discount Notes were issued and the New Notes therefore are not covered by any of the provisions of such indenture relating to action by the trustee, voting or maintenance of listing on a stock exchange. This exchange has been accounted for as an extinguishment of debt and issuance of new debt with a resulting $0.2 million (net of applicable income tax expense of $0.5 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain (pre-tax) represents the difference between the allocated carrying value of the debt extinguished ($3.3 million) and the fair market value of the New Notes issued ($2.5 million), offset by the write-off of the allocated unamortized deferred financing costs ($0.1 million). This transaction was exempt from registration in accordance with Section 3(a)(9) of the Securities Act.

During 2001, in a single transaction, the Company exchanged bonds with face amount $2.1 million of its Senior Discount Notes for 104,750 shares of its common stock, par value $0.02 per share. This exchange has been accounted for as an extinguishment of debt with a resulting $0.1 million (net of applicable income tax expense of $0.1 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain (pre-tax) represents the difference between the allocated carrying value of the debt and any related warrants extinguished ($2.0 million) and the fair market value of the common stock issued ($1.7 million). These transactions were exempt from registration in accordance with Section 3(a)(9) of the Securities Act.

During 1999, the Company repurchased notes with a face value of DM 22.0 million and 65,850 warrants for a total purchase price of $5.2 million. This repurchase was accounted for as an extinguishment of debt with a resulting $2.2 million (net of applicable income tax expense of $0.6 million) recognized as an extraordinary gain on such extinguishment. The extinguishment gain represents the difference between the allocated carrying value of the debt extinguished ($8.1 million) and the consideration paid ($5.0 million), offset by the write-off of the allocated unamortized deferred financing costs ($0.3 million). Of the total purchase price of $5.2 million, $0.2 million was allocated to the warrants based on their fair market value at the time of purchase and recorded as an adjustment to additional paid-in capital.

The Senior Discount Notes that were acquired by the Company in the above exchanges have not been retired. The Company will consider additional repurchases of its Senior Discount Notes if opportunities arise to complete such transactions on favorable terms.

The following table provides the composition of notes payable at December 31, 2001 and 2000:

	December 31,	
	2001	2000
	(in thousands)	
Principal amount	$ 40,885	$ 93,819
Unamortized discount	(2,739)	(16,628)
Carrying balance	$ 38,146	$ 77,191

The effective interest rate relating to the aforementioned notes payable was 13.06% for 2001 and 13.09% for the years ended 2000 and 1999. The interest expense was approximately $6.8 million, $8.8 million and $9.5 million for the years ended December 31, 2001, 2000 and 1999, respectively.

(12) Private Placement of Common Shares

In July 2000, the Company entered into subscription agreements for the sale of 877,946 new common shares of the Company. Closing with respect to such sale took place on July 14, 2000 and August 29, 2000. These agreements were signed with accredited investors in transactions exempt from registration pursuant to the exemptions provided in Section 4(2) and Regulation D of the Act. The purchase price of each share was $6.97. The aggregate amount of proceeds to the Company from the private placement was $6.1 million.

In April 2000, the Company entered into two separate subscription agreements for the sale of an aggregate of 354,777 new common shares of the Company. Of the total new shares, closing with respect to 254,777 shares took place on April 10, 2000, and closing with respect to 100,000 shares took place on May 4, 2000. These agreements were signed with certain foreign persons in transactions exempt from registration under the United States Securities Act of 1933 (the "Act") pursuant the exemption provided in Regulation S of the Act. The weighted average purchase price of each share was $7.50. The aggregate amount of proceeds to the Company from the private placement was $2.7 million. Under each of the agreements, for each two shares of common stock purchased in the private placement, the accredited investors were issued one warrant, expiring in each case on the one year anniversary date of the subscription agreement, to purchase a share of Euronet common stock at a weighted average exercise price of $12.50. The warrants issued under this agreement expired in 2001.

In February 2000, the Company entered into two subscription agreements for the sale of an aggregate of 650,000 new common shares of the Company. Closing under these agreements took place on March 13, 2000. These agreements were signed with certain accredited investors in transactions exempt from registration pursuant to the exemptions provided in Section 4(2) and Regulation D of the Act. The purchase price of each share was $6.615, which represents 90% of the average closing price for the ten trading days prior to and including February 15, 2000. The aggregate amount of proceeds to the Company from the private placement was $4.3 million. Under each of the agreements, for each two shares of common stock purchased in the private placement, the purchasers were issued one warrant to purchase a share of Euronet common stock at an exercise price of $11.615, expiring in each case on the one year anniversary date of the subscription agreement. The warrants issued under this agreement expired in 2001.

(13) Credit Facility

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

A commitment fee was paid for the initial facility of 100,000 warrants issued pro-rata to the lenders with a warrant strike price set at the average share price, as quoted on NASDAQ for 10 trading days prior to the warrant issue date, less 10 percent. An additional 100,000, 50,000 and 50,000 warrants, on the same terms, were issued on January 2, 2001, June 28, 2001, and November 27, 2001, respectively, for the subsequent extensions of the facility. Warrants are issuable on similar terms and conditions for each draw on the facility at the rate of 80,000 warrants for each $1.0 million of funds drawn.

As of December 31, 2001, the Company has drawn $2.0 million and issued 160,000 warrants in respect of such draw. Amounts outstanding under the facility accrue interest at 10 percent per annum, payable quarterly. Repayment of the principal is due on June 28, 2002. The Credit Agreement was not renewed in December 2001.

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

(14) Forward Foreign Exchange Contracts

On May 26, 1999, the Company entered into foreign currency call options with Merrill Lynch to purchase Euro 79.3 million for $85.9 million and foreign currency put options to sell $83.6 million for Euro 79.3 million on May 26, 2000 (the "Settlement Date"). Under such contracts, the Company would be required to make a cash payment to Merrill Lynch on May 31, 2000, should the Euro weaken against the U.S. Dollar and fall below $1.055 (the "Floor Rate") on the Settlement Date. At the same time, should the Euro strengthen against the U.S. dollar and rise above $1.0835 to the Euro (the "Ceiling Rate") the Company would receive a cash payment from Merrill Lynch depending upon the Euro/Dollar exchange rate on such Settlement Date.

In the week of March 13, 2000, the Company entered into put options with Merrill Lynch to sell Euro 79.0 million for $75.1 million on May 26, 2000. The contracts were purchased to limit the Company's exposure on the call option described above against a fall of the Euro below $0.95.

The Company was required to cash collateralize the net fair value of such options contracts measured on a mark-to-market basis, and on May 26, 2000, the Company had on deposit $8.3 million with Merrill Lynch.

On May 26, 2000, the rate of the Euro was $0.9118 and the Company settled the above option contracts in the amount of $8.3 million resulting in a total net loss on such contracts of $10.3 million inclusive of the cost of the contracts. At December 31, 2001 and 2000, the Company had not entered into any option or other formal foreign exchange contracts.

(15) Leases

(a) Capital leases

The Company leases many of its ATMs under capital lease agreements that expire between 2002 and 2007 and bear interest at rates between 8% and 12%. Lease installments are paid on a monthly, quarterly or semi-annual basis. Euronet has the right to extend the term of certain leases at the conclusion of the basic lease period.

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

	December 31,	
	2001	2000
	(in thousands)	
ATMs	$ 17,642	$ 13,924
Other	1,045	366
	$ 18,687	$ 14,290
Less accumulated amortization	(3,201)	(3,429)
Net book value	$ 15,486	$ 10,861

Depreciation of assets held under capital leases amounted to $2.1 million, $2.0 million, and $2.1 million for the years ended December 31, 2001, 2000, and 1999, respectively, and is included in depreciation and amortization expense.

(b) Operating leases

The Company also has noncancelable operating rental leases for office space which expire over the next 2 to 8 years. Rent expense under these leases amounted to $1.6 million, $1.4 million, and $2.1 million for the years ended December 31, 2001, 2000, and 1999, respectively.

(c) Future minimum lease payments

Future minimum lease payments under the capital leases and the noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2001 are:

	Capital Leases	Operating Leases
	(in thousands)	
Year ending December 31,		
2002	$ 6,080	$ 1,437
2003	4,145	1,042
2004	3,039	763
2005	917	638
2006	268	595
2007 and thereafter	51	1,039
Total minimum lease payments	$ 14,500	$ 5,514
Less amounts representing interest	(2,092)	
Present value of net minimum capital lease payments	12,408	
Less current installments of obligations under capital leases	(4,765)	
Long term capital lease obligations	$ 7,643	

(16) Taxes

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

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
United States	$ (2,154)	$ (30,227)	$ (19,866)
Netherlands Antilles	–	–	77
Europe	(7,702)	(18,136)	(18,068)
Loss before income tax and extraordinary item	$ (9,856)	$ (48,363)	$ (37,857)

Total income tax benefit/(expense) for the years ended December 31, 2001, 2000 and 1999 was allocated as follows:

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
Loss from continuing operations	$ 2,030	$ (1,188)	$ 4,746
Extraordinary item	(1,181)	–	(564)
	$ 849	$ (1,188)	$ 4,182

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

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
Current tax benefit/(expense):			
U.S. Federal	$ 2,154	$ (838)	$ 1,828
Europe	(124)	(350)	–
Total current	2,030	(1,188)	1,828
Deferred tax benefit/(expense):			
U.S. Federal	–	–	2,354
Europe	–	–	–
Total deferred	–	–	2,354
Total tax benefit/(expense)	$ 2,030	$ (1,188)	$ 4,182

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
Income tax benefit at statutory rates	$ 3,351	$ 16,443	$ 11,933
Permanent differences	(446)	(186)	1,078
Tax rate differences	(795)	(1,757)	(938)
Adjustment to deferred tax asset for enacted changes in tax rates	(293)	(1,909)	(443)
Correction of prior year deferred taxes	1,110	(716)	(1,700)
Tax refund received	973	–	–
Other	(166)	(2,115)	176
Change in valuation allowance	(1,704)	(10,948)	(5,360)
Actual income tax benefit/(expense)	$ 2,030	$ (1,188)	$ 4,746

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

	Year Ended December 31,	
	2001	2000
	(in thousands)	
Deferred tax assets:		
Tax loss carryforwards	$ 18,729	$ 14,325
Stock compensation expense	1,130	1,130
Unrealized exchange rate differences	2,457	4,614
Interest expense	3,081	7,164
Accrued expenses	2,238	1,548
Billings in excess of earnings	565	1,108
Other	3,512	2,145
Total deferred tax assets	31,712	32,034
Valuation allowance	(30,285)	(30,689)
Net deferred tax assets	1,427	1,345
Deferred tax liabilities:		
Property and equipment	–	26
Capitalized research and development costs	920	515
Earnings in excess of billings	78	380
Total deferred tax liabilities	998	921
Net deferred tax assets/liabilities	$ 429	$ 424

The valuation allowance for deferred tax assets as of January 1, 2001, 2000 and 1999 was $30.6 million, $19.7 million and $14.3 million, respectively. The net change in the total valuation allowance for the year ended December 31, 2001 was a decrease of $0.4 million and for the years ended December 31, 2000, and 1999 were increases of $10.9 million and $5.4 million, respectively.

The valuation allowance relates in part to deferred tax assets established under SFAS No. 109 for loss carryforwards at December 31, 2001, 2000 and 1999 of $65.6 million, $46.9 million and $45.0 million, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2001. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

At December 31, 2001 the Company has net operating loss carry forwards of approximately $65.6 million which will expire as follows:

Year Ended December 31,	(in thousands)
2002	1,910
2003	7,928
2004	9,671
2005	7,022
2006	7,718
2007	624
2008 and thereafter	30,776
Total	$ 65,649

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2001 will be allocated to income taxes in the consolidated statements of operations, except for $ 1.1 million, which will be allocated to additional paid in capital.

(17) Valuation and Qualifying Accounts

	Balance at January 1	Additions charged to expense	Amounts written off	December 31
		(in thousands)		
1999 Allowance for doubtful accounts	$ 291	$ 90	$ –	$ 381
2000 Allowance for doubtful accounts	$ 381	$ 408	$ 49	$ 740
2001 Allowance for doubtful accounts	$ 740	$ 717	$ 782	$ 675

(18) Stock Plans

(a) Employee stock option plans

The Company has established a share compensation plan that provides certain employees options to purchase shares of its common stock. The options vest over a period of five years from the date of grant. Options are exercisable during the term of employment or consulting arrangements with the Company and its subsidiaries. At December 31, 2001, the Company has authorized options for the purchase of 6,463,991 shares of common shares, of which 6,416,416 have been awarded to employees and 2,594,744 remain unexercised.

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

Upon the initial public offering of the Company on March 6, 1997, all milestone awards and milestone options granted under the milestone arrangement (with the exception of 49,819 options to certain key employees which vested equally over the two years following the initial public offering) vested and all shares became immediately issuable to beneficiaries of milestone awards and options. At that time, 800,520 milestone awards and 232,078 milestone options were exercised. As of December 31, 2001 1,412,756 milestone options remain unexercised.

Share option activity during the periods indicated is as follows:

	Number of Weighted-Average Shares	Exercise Price
Balance at December 31, 1998 (2,174,412 shares exercisable)	3,622,591	$ 3.46
Granted	1,140,830	5.02
Exercised	(228,503)	1.46
Forfeited	(233,194)	5.09
Balance at December 31, 1999 (2,379,729 shares exercisable)	4,301,724	$ 3.87
Granted	1,237,000	7.24
Exercised	(390,231)	2.43
Forfeited	(563,985)	6.00
Balance at December 31, 2000 (2,441,928 shares exercisable)	4,584,508	$ 4.65
Granted	1,321,968	8.32
Exercised	(292,643)	4.41
Forfeited	(693,698)	6.35
Balance at December 31, 2001 (2,594,744 shares exercisable)	4,920,135	$ 5.41

At December 31, 2001, the range of exercise prices, weighted-average remaining contractual life and number exercisable of outstanding options was as follows:

Range of Exercise Prices	Outstanding Shares as of Dec 31, 2001	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
0.00-1.64	347,586	2.6	$ 0.7634	347,586	$0.7634
1.65-3.28	1,518,834	5.2	2.1670	1,503,099	2.1558
3.28-4.92	20,700	6.7	3.5136	11,820	3.4952
4.92-6.56	1,659,396	8.1	5.6218	435,561	5.5503
6.56-8.20	799,500	8.3	7.1621	145,681	7.1441
8.20-9.84	57,000	8.3	8.4375	11,400	8.4375
9.84-11.48	49,214	5.6	10.6738	38,370	10.6914
11.48-13.12	125,859	8.4	12.3276	32,283	11.5809
13.12-14.76	85,496	5.3	13.9400	68,394	13.9400
14.76-16.40	256,550	9.9	16.4000	550	16.4000
	4,920,135	6.9	$ 5.4147	2,594,744	$ 3.4100

The Company applies APB Opinion No. 25 in accounting for its share option plans. The exercise price of the options is established generally based on the estimated fair value of the underlying shares at grant date. For options granted prior to the initial public offering, the fair value was determined by taking into consideration the per share price at which the most recent sale of equity securities was made by Euronet to investors. For options granted after the initial public offering, the fair value is determined by the market price of the share at the date of grant. However, in contemplation of the initial public offering in March 1997, compensation expense was recognized in 1996 relating to all options granted during the fourth quarter of 1996. Such compensation expense was calculated as the excess of the fair market value of the underlying shares (determined as $4.22, which is the cash price per share at which GE Capital subscribed for preferred shares of Euronet in February 1997) over the exercise price of $2.14 per share. Euronet recorded $4,172,000 of compensation expense in the 1997 consolidated financial statements and an additional compensation expense of $343,000 with respect to these options was recognized over the remaining vesting period of such options. Of this amount, $0, $0 and $127,000 have been expensed in the years ended December 31, 2001, 2000 and 1999, respectively.

(b) Employee stock purchase plans

The Company has established a qualified Employee Stock Purchase Plan (the “ESPP”) the terms of which allow for qualified employees (as defined by the ESPP) to participate in the purchase of designated shares of the Company’s common stock at a price equal to the lower of 85% of the closing price at the beginning or end of each quarterly offering period. The Company issued 174,570 shares of common stock during 2001 pursuant to the ESPP at an average price per share of $9.12.

The following table provides the fair value of options granted and shares granted under the employee stock purchase plan during 2001, 2000 and 1999 together with a description of the assumptions used to calculate the fair value using the Black-Scholes pricing model:

	Year Ended December 31,		
	2001	2000	1999
Expected volatility	62.7%	82.0%	100%
Average risk-free rate	5.63%	7.21%	6.61%
Average expected lives	5 years	5 years	5 years
Weighted-average fair value (per share)	$ 4.59	$ 5.10	$ 5.02

Had the Company determined compensation cost based on the fair value at the grant date for its stock options and shares granted under the employee stock purchase plan under SFAS No. 123, Euronet’s net income/(loss) and net income/(loss) per share would have been the amounts indicated below:

	Year Ended December 31,		
	2001	2000	1999
	(in thousands, except per share data)		
Net income/(loss) as reported	$ 670	$ (49,551)	$ (30,915)
Net loss-pro forma	$ (3,103)	$ (52,606)	$ (33,355)
Income/(loss) per share as reported	$ 0.03	$ (3.00)	$ (2.03)
Loss per share pro forma	$ (0.16)	$ (2.99)	$ (2.13)

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

(19) Employee Benefit Plans

The Company has established a Profit Sharing and 401(k) plan for all employees who have completed six months of service and are not otherwise covered by a retirement benefit plan (national or private) outside of the US. Each plan participant can contribute up to the maximum amount allowed by the Internal Revenue Service to the Plan through payroll deductions. The Company's matching contributions to the plan are made in stock and are discretionary and are determined each year by the Board of Directors. The employee's vested percentage regarding the employer's contribution varies according to years of service. The Company's contribution accrual to the Plan for the years ended December 31, 2001, 2000 and 1999 was $0.3 million, $0.2 million and $0.2 million respectively. The Company maintains a health insurance program, which covers all regular full-time and regular part-time employees at no charge to the employee. Coverage for eligible family members is available through employee contributions.

(20) Business Segment Information

Euronet and its subsidiaries operate in two business segments: (1) a segment that provides an independent shared ATM network and other electronic payment processing services to banks, retail and financial institutions (the "Processing Services Segment"); and (2) a segment that produces application software and solutions for payment and transaction delivery systems (the "Software Solutions Segment"). These business segments are supported by a corporate service segment which provides corporate and other administrative services which are not directly identifiable with the two business segments, (the "Corporate Services Segment"). The accounting policies of each segment are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. Prior period segment information has been restated to conform to the current period's presentation.

As the Processing Services Segment continued to grow throughout 1999, the Company's management began to divide the internal organization of the segment into Sub-segments. Accordingly, beginning in January 2000, the Company divided the Processing services Segment into three Sub-segments: "Central European Sub-segment" (including Hungary, Poland, the Czech Republic, Croatia, Greece and Romania), "Western European Sub-segment" (including Germany, France, and the United Kingdom) and "Other Operations Sub-segment" (including the United States and unallocated processing center costs). Where practical, certain amounts have been reclassified to reflect the change in internal reporting. The Company is unable to present Processing services Segment assets by Sub-segment as of December 31, 1999. Prior to January 1, 2000, certain assets that were used to provide support services to the Company as a whole were included in the assets in the balance sheet of the Company's wholly owned Hungarian subsidiary, Bank Tech. In order to segregate corporate assets from those of the Hungarian operations, these assets were transferred as of December 31, 1999, from Bank Tech to an existing Hungarian shell company, Administrative Services. Those assets are now shown under the Other Operations Sub-segment.

The following tables present the segment results of the Company's operations for the years ended December 31, 2001, 2000 and 1999.

	Year Ended December 31, 2001						
	Processing Services						
	Central Europe	Western Europe	Other	Total	Software Solutions	Corporate Services	Total
	(in thousands)						
Total revenues	$ 25,236	$ 21,595	$ 2,298	$ 49,129	$ 15,222	$ -	$ 64,351
Total operating expenses	(23,625)	(20,105)	(2,971)	(46,701)	(17,096)	(6,521)	(70,318)
Operating income/(loss)	1,611	1,490	(673)	2,428	(1,874)	(6,521)	(5,967)
Interest income	81	51	10	142	36	104	282
Interest expense	(977)	(344)	(25)	(1,346)	-	(8,125)	(9,471)
Foreign exchange gain/(loss), net	237	(216)	545	566	(26)	4,760	5,300
Net income/(loss) before income taxes	$ 952	$ 981	$ (143)	$ 1,790	$ (1,864)	$ (9,782)	$ (9,856)
Segment assets	$ 25,548	$ 17,561	$ 4,150	$ 47,259	$ 8,409	$ 5,723	$ 61,391
Fixed assets	14,956	12,178	1,116	28,250	1,243	58	29,551
Depreciation and amortization	3,969	3,202	1,051	8,222	744	146	9,112

	Year Ended December 31, 2000						
	Processing Services						
	Central Europe	Western Europe	Other	Total	Software Solutions	Corporate Services	Total
	(in thousands)						
Total Revenues	$ 18,599	$ 16,615	$ 1,700	$ 36,914	$ 16,006	$ -	$ 52,920
Total operating expenses	(21,669)	(18,901)	(2,409)	(42,979)	(37,475)	(7,862)	(88,316)
Operating loss	(3,070)	(2,286)	(709)	(6,065)	(21,469)	(7,862)	(35,396)
Interest income	289	65	190	544	103	442	1,089
Interest expense	(1,016)	(168)	(150)	(1,334)	-	(9,495)	(10,829)
Foreign exchange (loss)/gain, net	(616)	(494)	(155)	(1,265)	1	(1,963)	(3,227)
Net loss before income taxes	$ (4,413)	$ (2,883)	$ (824)	$ (8,120)	$ (21,365)	$ (18,878)	$ (48,363)
Segment assets	$ 25,697	$ 16,755	$ 3,652	$ 46,104	$ 9,433	$ 5,353	$ 60,890
Fixed assets	17,145	11,707	1,682	30,534	968	155	31,657
Depreciation and amortization	3,977	2,884	1,100	7,961	2,215	208	10,384
Asset write-down	668	110	-	778	11,190	-	11,968

	Year Ended December 31, 1999						
	Processing Services						
	Central Europe	Western Europe	Other	Total	Software Solutions	Corporate Services	Total
	(in thousands)						
Total Revenues	$ 12,664	$ 12,637	$ 1,202	$ 26,503	$ 15,149	$ -	$ 41,652
Total operating expenses	(20,683)	(16,477)	(2,250)	(39,410)	(22,290)	(6,750)	(68,450)
Operating loss	(8,019)	(3,840)	(1,048)	(12,907)	(7,141)	(6,750)	(26,798)
Interest income	448	16	103	567	148	1,235	1,950
Interest expense	(981)	(101)	(51)	(1,133)	-	(9,766)	(10,899)
Foreign exchange (loss)/gain, net	(399)	(19)	(146)	(564)	2	(1,548)	(2,110)
Net loss before income taxes	$ (8,951)	$ (3,944)	$ (1,142)	$ (14,037)	$ (6,991)	$ (16,829)	$ (37,857)
Segment assets	n/a	n/a	n/a	$ 56,658	$ 21,527	$ 18,659	$ 96,844
Fixed assets	n/a	n/a	n/a	35,438	1,113	142	36,693
Depreciation and amortization	n/a	n/a	n/a	7,410	2,683	145	10,238

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

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
Revenues:			
Total revenues for reportable segments	$ 64,351	$ 52,920	$ 41,652
Elimination of inter-segment revenues	(180)	(180)	(180)
Total consolidated revenues	$ 64,171	$ 52,740	$ 41,472
Operating expenses:			
Total operating expenses for reportable segments	$ 70,318	$ 88,316	$ 68,450
Elimination of inter-segment expenses	(180)	(180)	(180)
	$ 70,138	$ 88,136	$ 68,270

Total revenues and long-lived assets for the years ended December 31,2001, 2000 and 1999 for the Company analyzed by geographical location is as follows:

	Total Revenues Year Ended December 31,			Long-lived Assets December 31,	
	2001	2000	1999	2001	2000
	(in thousands)			(in thousands)	
United States	$ 17,516	$ 17,442	$ 16,172	$ 1,274	$ 984
Germany	10,492	9,984	11,160	3,705	4,800
Hungary	8,323	6,524	5,606	4,306	5,878
UK	10,210	5,535	1,199	7,688	4,902
Poland	12,309	9,147	5,798	9,275	9,824
Other	5,321	4,108	1,537	3,303	5,269
Total	$ 64,171	$ 52,740	$ 41,472	$ 29,551	$ 31,657

Total revenues are attributed to countries based on location of customer for the Processing Services Segment. For revenues generated by the Euronet USA software solutions segment, all revenues are attributed to the United States. Long lived assets consist of property, plant, and equipment, net of accumulated depreciation.

(21) Financial Instruments

Most of Euronet's financial instruments (cash and cash equivalents, trade accounts receivable, prepaid expenses and other current assets, trade accounts payable, accrued expenses and other current liabilities, advance payments on contracts, billings in excess of costs and estimated earnings on software installation contracts, costs and estimated earnings in excess of billings on software installation contracts) are short-term in nature. Accordingly, the carrying value of these instruments approximates their fair values. The fair value of notes payable was determined based on quoted market prices for the same issue and amounted to $32.7 million (carrying value of $38.1 million) at December 31, 2001 and $37.5 million (carrying value of $77.2 million) at December 31, 2000.

(22) Reconciliation of Net Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities

The reconciliation of net income/(loss) to net cash provided by/(used in) operating activities for the years ended December 31, 2001, 2000, and 1999 follows.

	Year Ended December 31,		
	2001	2000	1999
	(in thousands)		
Net income/(loss)	$ 670	$ (49,551)	$ (30,915)
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:			
Share compensation expense	–	–	127
Depreciation and amortization	9,112	10,383	10,238
Asset write-downs	–	11,968	–
Unrealized foreign exchange losses	(4,596)	(4,261)	(8,294)
Loss/(gain) on disposal of fixed assets	102	2,182	(715)
Amortization of deferred financing costs	(116)	232	269
Accretion of discount on notes payable	6,813	8,753	9,506
Extraordinary gain on extinguishment of debt	(8,496)	–	(2,196)
Tax effect of extraordinary gain on extinguishment of debt	(1,181)	–	(564)
Decrease/(increase) in deferred income tax	–	36	(2,797)
(Decrease)/increase in income tax payable, net	(849)	818	(2,667)
Decrease/(increase) in restricted cash	222	9,755	2,043
Decrease/(increase) in trade accounts receivable	194	(1,597)	(2,028)
Decrease/(increase) in costs and estimated earnings in excess of billings on software installation contracts	786	(450)	78
Increase/(decrease) in prepaid expenses and other current assets	(2,111)	(457)	184
Decrease in deposits for ATM leases	–	1,310	802
(Decrease)/increase in trade accounts payable	(192)	(432)	1,119
Increase/(decrease) in advance payments on contracts	1,018	834	350
Increase/(decrease) in accrued expenses and other liabilities	80	(5,725)	3,049
(Decrease)/increase in billings in excess of costs and estimated earnings on software installation costs	(1,417)	(155)	2,040
Net cash provided by/(used in) operating activities	$ 39	$ (16,357)	$ (20,371)

(23) Non-Cash Financing and Investing Activities

Capital lease obligations of $5.7 million, $5.1 million and $5.2 million during the years ended December 31, 2001, 2000 and 1999, respectively, were incurred when the Company entered into leases primarily for new automated teller machines.

During the years ended December 31, 2001, 2000 and 1999, the Company issued warrants to purchase common stock totaling $0.9 million, $0.4 million, and nil, respectively.

During 2001 there were various non cash extinguishments of the 12 3/8% Senior Discount Notes (see Note 11).

(24) Concentrations of Business and Credit Risk

Euronet is subject to concentrations of business and credit risk. Euronet's financial instruments mainly include trade accounts receivables and cash and cash equivalents. Euronet's customer base, although limited, includes the most significant international card organizations and certain banks in the markets in which it operates. Therefore, the Company's operations are directly affected by the financial condition of those entities.

Cash and cash equivalents are placed with high credit quality financial institutions or in short-term duration, high quality debt securities. Euronet does not require collateral or other security to support financial instruments subject to credit risk. Management believes that the credit risk associated with its financial instruments is minimal due to the control procedures which monitor credit worthiness of customers and financial institutions.

(25) Research and Development

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

The Company's research and development costs incurred for computer products to be sold, leased or otherwise marketed totaled $5.0 million, $6.7 million and $3.2 million for the years ended December 31, 2001, 2000 and 1999, respectively. As of December 31, 2001, $2.3 million was capitalized and appears on the Company's balance sheet in other long term assets, net of accumulated amortization of $0.6 million. As of 2000 and 1999, $1.0 million and $0.3 million was capitalized, net of accumulated amortization of $0.1 million and $0.1 million, respectively. Related amortization expense of capitalized software costs amounted to $0.5 million, $0.1 million and $0.1 million for the years 2001, 2000, and 1999, respectively. During 2000, approximately $0.3 million of previous capitalized costs were written down to reflect estimated net realizable value.

(26) Employee Loans for Common Stock Program

In October 1999 the Company's Board of Directors approved and implemented a Loan Agreement Program ("Program") for certain employees under which the Company has loaned sums of money to participating employees in order for them to purchase shares of the Company's stock on the open market. The shares are pledged to the Company to secure the loans. As of December 31, 2001, 137,851 shares are held by the Company as collateral for the loans. The loans carry five-year terms and are non-recourse, non-interest bearing loans. The shares vest to the employees in five equal tranches of 20 percent of the shares for five years, commencing at the date each employee began employment with the Company. As the shares vest, the employees are entitled to pay off the loans and free the shares of the pledge. These loans are considered an award of stock options as the loans are non- recourse and the employee is not obligated to pay any interest on the loans. The loans have been accounted for as a separate component of stockholders' deficit. In the event that any one of the employees defaults on the terms of the loans, or leaves the Company prior to vesting, the shares received by the Company or the unvested shares will be recorded as treasury stock.

(27) Sale of Croatian Network

On November 19, 1999, the Company completed the sale of its Croatian ATM network to Raiffeisenbank Austria, d.d., a Croatian financial institution ("RBA"), for consideration of $2.7 million. The carrying value of the Croatian assets was $2.0 million, resulting in a gain to the Company of $0.7 million, recorded as an offset to operating costs. Subsequent to the sale of the network assets, the Company and RBA entered into an ATM services agreement whereby the Company will provide ATM management and other related services to RBA for an initial term of 15 years.

(28) Commitments and Contingencies

As of December 31, 2001, the Company has caused the issuance of a performance bond on its behalf and has collateralized the obligation under the performance bond to the extent of $0.4 million. The collateral consists of certain assets in the UK.

The company has commitments to make capital contributions to Cash Net Telecommunications Egypt, of $0.2 million.

(29) Subsequent Events

In January 2002, the Company entered into an Asset Purchase Agreement with ALLTEL Information Services, Inc. ("AIS"), wholly owned subsidiary of ALLTEL Corporation, whereby Dash sold substantially all of its assets to AIS for $6.8 million, in cash, subject to a working capital adjustment. Of this amount, $0.7 million is being held in escrow under the terms of a separate escrow agreement to provide for the payment of any damages that might arise from any breach of the representations and warranties contained in the Asset Purchase Agreement and certain post-closing adjustments. Dash, Euronet USA and AIS are parties to the Asset Purchase Agreement. The Company expects to record a gain of approximately $5.9 million related to this transaction.

In January 2002, the Company entered into a Software License Agreement (the "License Agreement") whereby Euronet USA granted AIS a nonexclusive license to use, distribute and develop versions 1.5 and 2.2 of Euronet USA's GoldNet ITM ATM Network Processing Software ("GoldNet Software"). The License Agreement includes certain territorial and other restrictions on the use and distribution of the GoldNet Software by AIS. Under the terms of the License Agreement, AIS has agreed to pay license fees of $5 million. The License Agreement does not restrict the ability of Euronet USA to continue to sell its GoldNet Software, except that Euronet USA may not sell to former Dash customers or new AIS network processing customers. Revenue from the license fee and related services will be recognized under the percentage of completion contract accounting method. The Company expects to recognize approximately 70% - 80% of the fees in Revenues during 2002 with the remaining to be recognized in 2003.

In February 2002, the Company entered into subscription agreements for the sale of 625,000 new common shares of the Company. These agreements were signed with accredited investors in transactions exempt from registration pursuant to the exemptions provided in Section 4(2) and Regulation D of the Act. The purchase price of each share was $20.00. The aggregate amount of proceeds to the Company from the private placement was approximately $12 million.

(30) Related Party Transactions

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

In 2000, Michael J. Brown, the CEO and a Director of the Company, pledged approximately $4.0 million of marketable securities (not including any common stock of the Company) that he owns in order to obtain the release to the Company of cash collateral in the amount of $4.8 million held by a bank providing cash to the Company's ATM network in Hungary. No consideration is payable for providing this security.

For the year ended December 31, 2001, the Company recorded $0.3 million in revenue related to CashNet with respect to a data processing and technical services agreement.

Selected Quarterly Data (Unaudited)

	Year Ended December 31, 2001			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share)			
Net revenues	$ 14,823	$ 15,939	$ 15,681	$ 17,728
Operating (loss)/income	(3,648)	(1,630)	(938)	249
Net (loss)/income before extraordinary items	(1,841)	1,123	(7,505)	397
Net (loss)/income per common share before extraordinary items				
Basic	$ (0.13)	$ 0.06	$ (0.37)	$ 0.02
Diluted	$ (0.13)	$ 0.05	$ (0.37)	$ 0.02

	Year Ended December 31, 2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share)			
Net revenues	$ 11,938	$ 12,918	$ 14,026	$ 13,858
Operating				
loss	(7,199)	(6,293)	(16,895)	(5,009)
Net loss before extraordinary items	(11,285)	(10,500)	(15,778)	(11,988)
Net (loss)/income per common share before extraordinary items				
Basic	$ (0.72)	$ (0.64)	$ (0.90)	$ (0.67)
Diluted	$ (0.72)	$ (0.64)	$ (0.90)	$ (0.67)

Directors and Officers

Board of Directors

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

Daniel R. Henry
President and Chief Operating Officer
Euronet Worldwide, Inc.

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

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

M. Jeannine Strandjord
Senior Vice President, Finance
Long Distance Division
Sprint Corporation

Dr. Andrzej Olechowski
Senior Advisor
Central Europe Trust, Poland
Appointed March 2002

Steven J. Buckley
Managing Partner
Innova Capital LLC
(advisor to Poland Partners venture capital fund)
Resigned March 2002

Executive Officers

Michael J. Brown
Chairman and
Chief Executive Officer

Daniel R. Henry
President and
Chief Operating Officer

Kendall D. Coyne
Chief Financial Officer

Jeffery B. Newman
Executive Vice President
and General Counsel

Miro I. Bergman
Executive Vice President,
Managing Director –
EMEA Region

James P. Jerome
Executive Vice President,
Managing Director –
Software Solutions

Corporate Information

Professional Offices

Independent Auditors
KPMG Polska Sp. zo.o.
ul. Chlodna 51
00-867 Warsaw, Poland

Transfer Agent
EquiServe
P.O. Box 9187
Canton, Massachusetts 02021-9187
Shareholder Inquiries:
Tel: 877-282-1169 (within the U.S.)
Tel: 781-575-3226 (outside the U.S.)

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

Serri Helm
Director Investor Relations
Euronet Worldwide, Inc.
4601 College Boulevard, Suite 300
Leawood, Kansas 66211
Tel: 913-327-4261
Fax: 913-327-1921

Common Stock Information

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

2001	High	Low
First Quarter	$ 8.06	$ 4.50
Second Quarter	$ 9.00	$ 5.40
Third Quarter	$ 14.00	$ 8.45
Fourth Quarter	$ 18.20	$ 11.54

2000	High	Low
First Quarter	$ 10.63	$ 6.00
Second Quarter	$ 10.00	$ 5.25
Third Quarter	$ 9.13	$ 6.94
Fourth Quarter	$ 8.25	$ 4.00

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

Corporate Offices

Corporate Headquarters

4601 College Boulevard, Suite 300
Leawood, Kansas 66211
Tel: 913-327-4200
Fax: 913-327-1921

European Headquarters

Alkotás u. 48-50.
1123 Budapest, Hungary
Tel: 36-1-224-4600
Fax: 36-1-224-4603

Software Division

17300 Chenal Parkway, Suite 200
Little Rock, Arkansas 72223-9138
Tel: 501-218-7300
Fax: 501-218-7302

Web Site

For further information, visit:
www.euronetworldwide.com

Global Sales Offices

Croatia
Zelinske 3
10000 Zagreb, Croatia
Tel: 385-1-63-26-777
Fax: 385-1-63-26-778

Czech Republic
IBC - Pobrezní 3
186 00 Prague 8, Czech Republic
Tel: 420-2-2483-2252
Fax: 420-2-2323-954

France
120 avenue Charles de Gaulle
24522 Neuilly-sur-Seine, France
Tel: 33-1-41-92-95-55
Fax: 33-1-47-22-32-82

Germany
Charlottenstrasse 18
10117 Berlin, Germany
Tel: 49-30-2039-6800
Fax: 49-30-2039-6855

Greece
38 Evritanias St.
Ampelokipi 11523
Athens, Greece
Tel: 30-10-698-5213
Fax: 30-10-698-5217

Hungary
Alkotás u. 48-50.
1123 Budapest, Hungary
Tel: 36-1-224-4600
Fax: 36-1-224-4603

Egypt
11 Gamal El Dine Abou El Mahasen
Garden City, Cairo, Egypt
Tel: 20-2792-1808
Fax: 20-2792-1801

Poland
ul. Emilii Plater 28
00-688 Warsaw, Poland
Tel: 48-22-690-5100
Fax: 48-22-690-5101

Romania
13-17, Sevastopol St.
Bucharest 1, Romania 78118
Tel: 40-1-310-3363
Fax: 40-1-310-3383

United Kingdom
Unit 1 The Beacons
Beaconsfield Road
Hatfield, Hertfordshire AL10 8RS
United Kingdom
Tel: 44-0-1707-632-800
Fax: 44-0-1707-632-801

USA
4601 College Boulevard, Suite 300
Leawood, Kansas 66211
Tel: 913-327-4200
Fax: 913-327-1921

17300 Chenal Parkway, Suite 200
Little Rock, Arkansas 72223-9138
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1123 Budapest, Hungary
Tel: 36-1-224-4600
Fax: 36-1-224-4603

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