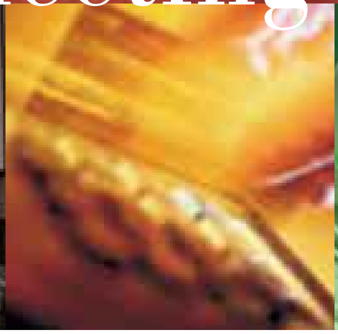
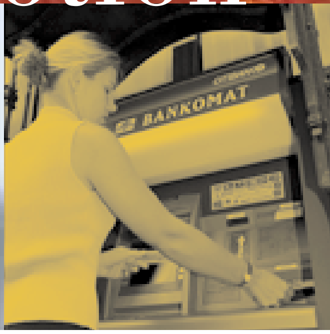
Connecting a World in Motion





Euronet Worldwide **Annual Report 2000**

Euronet
WORLDWIDE

SECURE FINANCIAL TRANSACTIONS ANY TIME, ANY PLACE

Corporate Profile

Financials

To Our Shareholders

In our report to you last year, we noted that Euronet's success has been built in large part on the question "Would you like another transaction?" The answer from our clients and their customers was a resounding "Yes!"

To reflect the rapid changes taking place in financial transactions worldwide, even that question has evolved. So in 2000, we also began asking "How would you like your next transaction?"

In 2000, Euronet Worldwide focused on providing ways people can access their financial accounts and transactions through various electronic touchpoints. New secure transaction types and touchpoints—ATMs, point-of-sale (POS) devices, the Internet and mobile phones—continued to fuel transaction growth every month. In 2000, we processed a record 52.7 million billable transactions, a 60% increase over 1999, and in December 2000, our transaction levels exceeded 5 million per month and continue to accelerate.

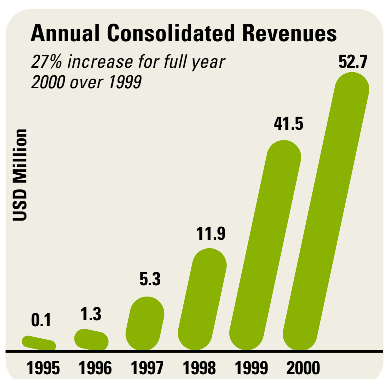
Taken together, our transaction growth and expanding number of consumer touchpoints translated into an accelerating and recurring revenue stream, which greatly improved our bottom line. Our 2000 revenue of $52.7 million represented a 27% increase over the company's 1999 revenue of $41.5 million. Euronet's 2000 EBITDA also improved $2.4 million, or 14.5%, over 1999.

This year we continued to focus on our core business of ATM driving and transaction processing, and we pursued new transactions through our mobile and Internet banking solutions. We also implemented our bill payment initiative, starting with electronic payments for prepaid mobile airtime. We are pleased to report that in 2000 our Network Services business turned EBITDA positive and posted revenue of $36.9 million, an increase of 39% over 1999 revenue.

Additional milestones were reached through several new strategic partnerships we announced late in the year. Gemplus, Sila Communications and Aether Systems chose Euronet mobile products to supplement their product offerings, proving the strength of Euronet's mobile products. Teaming up with these partners will further increase the sales penetration of our suite of mobile payment solutions around the world.

"In 2000 we took great pride in Euronet's Fast 500 ranking by Deloitte & Touche as the second fastest growing technology company in North America."

During 2000, we failed to meet our revenue target for our software division. In the Fourth Quarter, we initiated the steps necessary to rightsize our software business and to bring costs in line with ongoing revenue expectations. However, owning this software division gives us control of software development. It also provides the expertise and flexibility to adapt to emerging transaction needs and to bring new payment solutions quickly to market, which enhances our outsourcing opportunities. The software business is very valuable to Euronet and completes our service offering. We expect it to be a positive contributor to our bottom line going forward.



Since founding Euronet in 1994, we've worked hard to establish the company as a leader in the field of secure electronic financial transactions and to grow our presence worldwide. So in 2000 we took great pride in Euronet being ranked by Deloitte & Touche as the second fastest growing technology company in North America based on our five-year revenue growth of 66,790%.

We're continuing to build on our recurring revenue stream through transaction channels that reinforce our strengths as an electronic payments processor. Today, we're expanding the reach of our ATM networks, delivering innovative new mobile operator services and tapping the promise of mobile commerce with an expanding suite of wireless solutions. Based on this strong foundation, our future has more potential than ever before.

We're excited about the possibilities ahead as we continue to form the digital bridges that will position Euronet Worldwide as a global leader in secure electronic financial transactions.

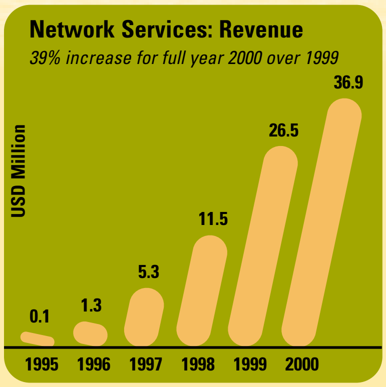
Michael J. Brown
Chairman & CEO

Daniel R. Henry
Chief Operating Officer

A conversation with Euronet's Chairman and CEO Michael J. Brown on the opportunities and challenges the company faces today.

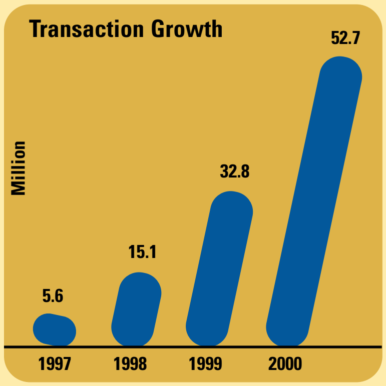
How would you summarize Euronet's main focus as a financial services provider?

Euronet Worldwide generates and processes financial transactions through secure electronic technology. We're more than just an ATM network or just a software company. We pursue a comprehensive set of solutions that help drive transactions, including network operations, outsourcing operations, software development — all incorporating the latest technology. As we introduce new methods of managing financial accounts through various electronic touchpoints, such as ATMs, the Internet and mobile phones, we continually increase transaction types and volumes in our processing centers. The more outsourcing and processing solutions that we provide, the more transactions we generate.



At Euronet, we've always emphasized the theme of "Building Bridges." I think that idea pretty well sums up Euronet's vision: to create digital bridges that connect people and their financial institutions electronically in a world that's increasingly on-line and on the move. We help people control their finances any time, any place—right from the palm of their hands.

How will you maintain your growth rate on your transactions and revenue?



A number of factors are driving additional transaction growth for us, from deployment of new ATMs to delivery of bill payment solutions. The primary factor is the organic growth in the emerging markets we are in, where more and more people are getting debit and credit cards for the first time. This growth will continue as we deliver new solutions and enter new markets that can generate more transactions.

More transactions equates to more revenue. During 2000 we have seen our business model mature and our expenses level off. Therefore, as our revenues increase, we are seeing higher percentages of revenue drop to the bottom line and contribute to our EBITDA performance.

What is your business strategy going forward?

Our strategy is to go into growing markets, whether geographic (like Greece, Poland or Egypt) or new product-entry markets (like mobile banking in the US). We have built the infrastructure and now we can enter these markets without having to make major financial investments.

We have also established network processing centers within geographic regions and will leverage those centers' capabilities and our software development to generate more transactions. We currently have processing centers in the US, Europe and Asia. The Network Services business generated $37 million in revenue last year – an increase of 39% over 1999 – and turned the corner to become EBITDA positive for the year 2000. We expect to continue to experience significant transaction growth in our ATM and POS processesing business. And, I get excited about the opportunity to expand our transaction base with our mobile banking, bill payment and mobile operator solutions.

The real value of our company is in our transaction processing. Because of the low incremental cost of connecting to a new customer, anytime we sign a new contract most of the incremental revenue will now be flowing to our bottom line. The infrastructure is in place to leverage additional growth and bring us closer to being EBITDA and cash flow positive in the near term.

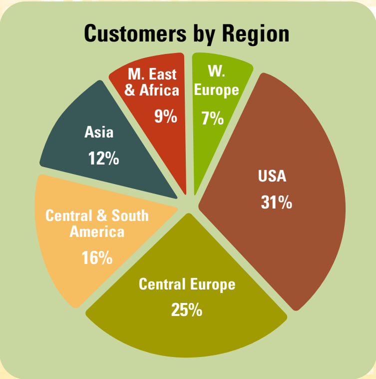
What role will strategic alliances play in extending your reach into new markets?

Alliances are an important part of our strategic direction. Recently, we announced several partnerships that help us expand sales channels and distribution of our products and services. Our partners were looking for wireless transaction solutions to complement their own offerings, and they selected Euronet's products, proving that our solutions are rock solid.

Gemplus, the world's number one provider of smart card-based solutions, chose us as their global partner to provide electronic recharge solutions to mobile operators. We also have agreements with Sila Communications to help us market our suite of mobile banking solutions throughout Europe, the Middle East and Asia Pacific and with Aether Systems which is offering our mobile banking solutions in the United States.

Why did you change your corporate name to Euronet Worldwide last year?

We became Euronet Worldwide to more accurately reflect the company's growing presence in the global marketplace. We are no longer focused solely on Europe, and today, deliver comprehensive solutions to more than 200 customers in over 60 countries.



What was your biggest challenge in 2000?

I think it was restructuring our software business late in the year. When Euronet purchased Arkansas Systems, Inc. over two years ago, the division was expected to achieve high growth. As banks began moving to outsourcing rather than purchasing software to manage their transactions, we realized that this high growth would not materialize. We've basically downsized to reduce expenses to better correspond to revenue expectations, so we expect this division to be an EBITDA contributor from this point forward. The trend towards outsourcing negatively impacted our software business, but positively benefits our network services division.

It's important to point out that our software is an asset to our business of selling transactions. For example, our software sales doubled in the Asia Pacific region over 1999. Relationships with large financial institutions like Westpac Banking Corporation have cemented our position in Asia Pacific as a leading supplier of transaction processing solutions.

Why is ATM outsourcing important?

Increasingly, financial institutions are choosing to outsource their ATM operations to free up resources and concentrate on their core banking business. Some analysts predict that outsourcing by the European banking and finance sector will total $91 billion by 2003. We are expanding our outsourcing business with wireless and Internet banking services.

Our outsourcing business is thriving. Currently we provide ATM outsourcing for some of the biggest banks in the world – banks like Citibank, ABN AMRO, Deutsche Bank, Millennium and Raiffeisenbank – as they expand into emerging markets. We have contracts with Citibank in five countries, most recently in Greece and the Czech Republic.

Budapest Bank in Hungary, owned by GE Capital, renewed a long-term contract with us after the original contract ended. In addition, our Indonesian-based Cakra network consolidated its activities in 2000 and is now expanding its offerings to include ATM outsourcing and mobile replenishment transaction processing.

Can you elaborate on Euronet's position on mobile recharge?

I can't say this enough: the market for distribution of prepaid mobile airtime is huge in Europe. Right now in that market there are more than 300 million mobile customers and more than 50% are prepaid customers. The mobile phone market in Europe is expected to grow to more than 460 million by 2005. Prepaid is also the fastest growing segment for mobile phone operators in the US, and approximately 80% of all mobile service in Indonesia is prepaid.

Currently, replenishment of prepaid mobile airtime is an expensive distribution nightmare for mobile operators. We offer several electronic payment solutions to mobile operators that enable their customers to conveniently add prepaid minutes through one of our various electronic touchpoints. As more operators in more countries adopt our recharge solutions, we expect them to make a strong contribution to our revenue.

What is Euronet's mobile banking opportunity?

Euronet's mobile banking product enables a bank's customers to gain full access to their accounts. In addition, those bank customers can receive instant messages about their account—such as deposit or overdraft notification—on a mobile device.

I want to emphasize that Euronet's wireless business is not some tangent we're taking that will stretch our resources. This opportunity is simply opening up another customer touchpoint where we can drive transactions. It's fully integrated with our other electronic touchpoints, such as ATM, Internet and POS devices, and allows us to offer a comprehensive set of electronic solutions to financial institutions. It's extremely exciting, and it's going to be very powerful.

What industry trends interest you the most?

As an electronic payments processor and outsource provider to banks and mobile operators, we see four major trends driving the growth of our business. One is the tremendous growth worldwide in electronic financial transactions, particularly in emerging markets that are going from cash-based to electronic payments. Two, increased bank consolidation in Europe is creating more ATM outsourcing opportunities. Three, we see a continuing market for off-premise convenience ATMs in retail locations. Four, a whole new customer base of mobile phone operators is creating another electronic payment bridge to generate transactions.

What is your outlook for Euronet Worldwide?

I have never been as excited about our potential since we started this company. The world is changing around us, and Euronet is uniquely positioned to provide the secure, integrated solutions that meet the growing demand. Our core business is now at a point where it is essentially meeting its cash needs through its recurring revenue stream. Our core transaction business grew 39% last year. Now that we've hit a critical mass, we have more opportunities to pursue with bank and mobile operator markets, and we continue to build on recurring revenue generated by our transaction-processing engine.

We remain committed to our core business of ATM and POS outsourcing, as well as electronic bill payment solutions. We will continue to promote our unique capabilities to banks worldwide so that their customers can realize direct, secure connections through wireless and Internet banking. And, we will continuously evaluate new technology and market opportunities, such as mobile operator payment solutions, that help achieve our goal of increasing transactions. Euronet Worldwide is ready to capitalize on this fast-paced, ever-changing world.

So, let me ask you, how would you like your next transaction…

Our Solutions

Offerings

Network Services

Euronet's Network Services division provides complete solutions for management and outsourcing of distribution channels and transaction processing. These solutions include ATM networks, point-of-sale (POS) services and card management, as well as access to all major payment gateways and mobile operators.

- ATM, POS and card outsourcing
- Europe's largest independent ATM owner
- Euronet transaction network - Europe
- Dash transaction network - USA
- Cakra transaction network - Asia Pacific

EFT and Payments Software

Euronet's suite of EFT and payment software offers one of the most secure, seamlessly integrated, real-time solutions for financial institutions. Integration is essential for delivering data and electronic transactions for multiple touchpoints, such as ATMs, POS devices, interactive voice response (IVR) systems, Internet and mobile devices.

- ATM management
- Bill payment
- Credit card solutions
- Debit card management
- EMV support
- POS and merchant management
- Switching and settlement software
- Telephone banking

Mobile Operator Solutions

With mobile phone ownership at an all time high, Euronet's mobile operator solutions provide their customers easy access to payment options. Our transactions expertise helps mobile operators supply consumers with the convenience of any time, any place transactions.

- Bank account access
- Mobile phone recharge

M- & E-Commerce Solutions

Consumers are expecting more personalized service than ever before with 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
- Bill payment
- ePOS
- Event messaging service
- Internet banking

Professional Services

Euronet Worldwide is uniquely qualified to offer professional consulting services because of our day-to-day expertise as a secure transaction provider. Euronet's Professional Services Organization (PSO) supports institutions with EDGE, our proprietary, structured and 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	■ Bank Austria/Creditanstalt (CZE) ■ Budapest Bank (HUN) ■ Citibank (GRC, HUN, POL, CZE) ■ Deutsche Bank (HUN, POL) ■ DiBa (DEU) ■ Dillards Inc. (USA)	■ Metropolitan National Bank (USA) ■ Millennium Bank (POL) ■ Raiffeisenbank (HRV) ■ Saks Inc. (USA)
■ Banks ■ Credit unions ■ EFT networks ■ Independent ATM owners ■ Resellers ■ Retailers and merchants	■ ABN Amro (HUN, CUR) ■ Banco Comercial Português (MOZ) ■ Banco de Oro, Unibank (PHL) ■ Bank Slaski (POL) ■ Century Bank (ZWE) ■ Cayman National Bank (CYM) ■ Commercial Bank of Romania (ROM)	■ Maduro and Curiel's Bank N.V. (CUR) ■ Nova Bank (GRC) ■ Old National Service Corp. (USA) ■ Seylan Bank (LKA) ■ VIFI Card Services (USA) ■ WestPac Banking Corp. (FJI, PNG)
■ Mobile phone operators ■ Third-party prepaid suppliers for mobile phone operators	■ ALLTEL (USA) ■ Centertel (POL) ■ Eurotel (CZE) ■ ERA GSM (POL)	■ Old National Service Corp. (USA) ■ Plus GSM (POL) ■ VIPnet (HRV)
■ Banks ■ Brokerages ■ Credit card issuers ■ Credit unions ■ Investment community ■ Retailers and merchants	■ Bank of Cyprus (GRC, GBR) ■ Commercial Bank of Ceylon (LKA) ■ First Federal Savings Bank of LaCrosse (USA)	■ Maduro and Curiel's Bank N.V. (CUR) ■ National Bank of Kuwait-Lebanon (LBN)
■ Banks ■ Credit unions ■ Independent ATM owners ■ Retailers	■ Fortis Bank (POL) ■ ING/Bank Slaski (POL) ■ Oyak Bank (TUR)	■ Splitska Banka (HRV) ■ Union Bank Ltd. (PAK) ■ Union Banka (CZE)

Connecting innovation with bottom-line results through outsourcing

Banks and retailers are accelerating the adoption of outsourcing as a way to increase operational efficiency, gain competitive advantage and create shareholder value.

With the explosive growth of banking technologies and delivery channels, outsourcing the management and processing of financial transactions is fast becoming a worldwide phenomenon. Outsourcing enables companies to free up human resources and financial capital to focus on their core competencies.

Citibank Greece

Fast Track for ATM Outsourcing

A long-term agreement with Citibank N.A. to deploy and operate 250 ATMs in Greece now makes Euronet the largest independent provider of ATM outsourcing services in the country. With this comprehensive agreement, Citibank is launching its first ATM program in Greece. With record speed and efficiency, Euronet has provided complete ATM site identification and operating services for the ATMs.

"Outsourcing ATM deployment and management enables Citibank to control the quality and costs of this distribution channel without committing our own management resources," says Chris Vasilliades, Citibank Vice President.

Banks and retailers are embracing the outsourcing advantage, chiefly to achieve bottom-line reductions on direct and indirect costs. As a long-term strategy, outsourcing also affords companies immediate access to cutting-edge technology and the ability to leverage specialized expertise through outside suppliers and vendors.

Forbes magazine calls outsourcing "the wave of the future," and analysts forecast that by 2003 outsourcing in the banking and finance sector will total $91 billion in Europe and nearly $240 billion in the US.[1]

Euronet Worldwide continues to focus on complete end-to-end outsourcing solutions to help financial institutions bring together complex technologies and to further enhance the value of ATMs and web-based banking and transaction applications. Our cost-efficient outsourcing services enable any transaction-oriented business to deliver seamless, real-time transactions and event notifications via a state-of-the-art processing infrastructure.

Euronet's growing portfolio of outsourcing clients includes large global banks such as ABN AMRO, Citibank, ING Bank, GE Capital and Deutsche Bank; major regional financial institutions such as Raiffeisenbank, Banco Comercial Português (BCP) and Bank Austria/Creditanstalt; and retailers in the US such as the Dillard's Department Store chain and Saks Incorporated.

Outsourcing provides real value for banks and retailers seeking ways to drive efficiencies within their operations. With the staggering potential of new markets worldwide, we believe that leveraging our infrastructure and networks to deliver quality ATM, mobile and Internet banking solutions on an outsource basis is key to our strategy for growth.

[1] INPUT (March 2000)

Electronic payment solutions span prepaid distribution gap

New, sophisticated electronic payment solutions are providing multiple customer touchpoints for replenishing prepaid mobile airtime.

Prepaid service has become one of the fastest growing segments of the mobile phone market, enticing more and more consumers to become mobile phone clients. Recharge services are now appealing to mobile subscribers as an easy, convenient and flexible billing alternative.

The mobile phone market is enormous in Europe with 300 million subscribers,[1] where today as many as 57% of all mobile phone activations are prepaid.[2] In the United States, analysts expect an upsurge in the number of prepaid mobile subscribers to 34 million by 2003.[3]

One of the biggest challenges for mobile operators is to distribute mobile airtime to their customers. In many markets, the predominant recharge method for consumers still involves purchasing minutes via plastic or paper scratch-off cards. Euronet® Electronic ReCharge provides a secure, less costly alternative to traditional scratch-off cards with four electronic recharge solutions for mobile operators. Subscribers may purchase additional prepaid airtime in one step over their mobile handset, at a POS terminal, over the Internet or at any ATM operated by any financial institution.

Our growing list of ReCharge clients now includes EuroTel in the Czech Republic, Pannon GSM in Hungary and VIPnet in Croatia. In Poland, Euronet dominates the market, providing ReCharge services to all three mobile operators: Plus GSM, ERA GSM and Centertel. Through a strategic alliance with Gemplus, the world's number one provider of smart card-based solutions, Euronet's expanding suite of mobile payment solutions will be promoted to GSM mobile operators around the world.

Pannon GSM, Hungary

Convenient Prepaid Mobile Solutions

Pannon, one of the largest GSM mobile phone service companies in Hungary, now offers the convenience of purchasing prepaid mobile phone airtime at Euronet ATMs throughout the country. Up to 70% of Pannon's more than 1.2 million customers subscribe to prepaid services.

"We are astonished by our customers' response to Euronet's ReCharge service," says Tamás Tus, Sales Manager, Pannon GSM. "Sales have dramatically exceeded our expectations. And our customers love the convenience and ease-of-use. What a success!"

As the popularity of prepaid mobile airtime services continues to increase, the need for cost-effective electronic distibution methods becomes more and more critical to mobile operators. We believe that our ReCharge product line has unlimited global opportunities.

[1] GSM World (February 2001), [2] Business Wire (October 2000), [3] The Yankee Group (1999)

Bridging electronic payments in emerging markets

New business solutions are thriving as traditional banking environments transition rapidly from cash to electronic payments and transactions.

While credit is used for electronic transactions in Western Europe and North America, the model is quite different in many "cash-based" economies around the world. And that's where Euronet continues to look for new opportunities – particularly in the emerging markets of Central Europe, the Middle East, Africa, Asia-Pacific, Latin America and the Caribbean.

The Promise of Emerging Markets

Expanding Poland's Payment Infrastructure

Although still under-developed compared to western economies, Poland is one of the most dynamic and promising markets in all of Europe.

Since entering Poland in 1995, Euronet Worldwide has become one of the largest transaction processing service providers in the country, establishing a network of over 600 ATMs and providing software to eight major banks. Our agreement for electronic airtime distribution with all three mobile phone operators in the country – ERA GSM, Plus GSM and IDEA Centertel – further confirms that Euronet is embedded in the financial payments fabric in Poland.

Although bank card use is just starting in these markets, the demand for non-cash payment is gaining momentum. The foundation for this marketplace is rapidly taking shape with greater technology support, well-designed infrastructure and rapidly growing networks, as well as a critical mass of users. So the shift to new electronic payment channels is on, and the number of electronic financial transactions has grown tremendously.

Euronet Worldwide continuously monitors cash-based economies to identify their readiness to embrace electronic payment and transaction alternatives. With ATM, point-of-sale (POS), interactive voice response (IVR), Internet, mobile solutions and other innovative payment options, we can play a vital role in developing the electronic payments fabric of these countries.

In Greece, we are delivering ATM outsourcing solutions for a number of multinational banks with Greek operations. For Credigen Bank in Hungary, we are helping to open up the consumer credit market to a new base of shoppers who can perform POS and ATM transactions over Euronet's network. And in the Czech Republic we are providing outsourcing services for ABN AMRO's Visa Charge Card Program.

Looking ahead, we see great potential for extending Euronet's brand into cash-based markets and for connecting a new world of users to dynamic transaction services.

Linking consumers with any time, any place mobile banking

In today's increasingly wireless world, consumers are turning in record numbers to mobile devices for greater convenience and access to banking and information services.

With the freedom of mobile devices, bank customers can instantly obtain account balances, transfer money and even view a mini-bank statement–or set up instant alerts to monitor their daily account balances, deposit notifications and other personalized information 24 hours a day, 7 days a week.

The exciting potential of wireless is creating unprecedented opportunities for banks to connect with their customers. In Western Europe, the number of mobile banking accounts is expected to reach 31.8 million by 2004.[1] Expanding wireless capabilities are also helping to drive growth in North America, where the number of wireless financial services users is projected to skyrocket to 35 million by 2005.[2] The Asia-Pacific region is forecast at 12 million subscribers of wireless financial services alone in 2003.[3]

The quickly evolving market for mobile banking represents a tremendous opportunity for Euronet Worldwide. Last spring we introduced Euronet® Mobile Banking as the first financial application that offered both secure account access and a personalized accounting alerting system. Among our new mobile banking clients in 2000 were the Bank of Cyprus, for its branches in London and Greece, and the National Bank of Kuwait, for its Lebanon branch, who were both first to market in their regions.

To further strengthen our capabilities, we announced strategic alliances to market and deliver Euronet's suite of mobile banking solutions with Aether Systems, Inc. for the US market and with Sila Communications for the European, Middle Eastern and Asian markets. In addition, we formed similar regional strategic alliances with companies like Stet Hellas Telecommunications S.A., a Greek mobile operator and subsidiary of Telecom Italia Mobile (TIM).

As next-generation mobile technology brings higher data speeds, personalization and other enhancements, we believe the future of mobile banking presents great opportunities for Euronet.

National Bank of Kuwait-Lebanon

First-to-Market Mobile Banking

To broaden its customer and account base, the National Bank of Kuwait-Lebanon (NBK-L) wanted to be first in their market with a mobile banking solution. In a tight race with a competing bank, Euronet's mobile solution was integrated quickly into the NBK-L's IT infrastructure, enabling the bank to be the first to deliver services in its market.

Together with GSM operator Libancell, NBK-L's new mobile banking system offers customers any time, any place access to their account information from their GSM telephones.

[1] International Data Corporation (September 2000), [2] TowerGroup (September 2000), [3] Meridien Research (August 1999)

Uniting ATM services and retail locations worldwide

Retailers are relying on automated teller machines (ATMs) to offer an expanding array of banking and e-commerce services and to open up new avenues of profit potential.

Ever since the world's first ATM, a simple cash dispenser, was installed in 1967, consumers have depended on electronic banking services. Now, both retailers and financial institutions recognize the benefits of placing ATMs in retail locations, so that consumers can get to money when they need it most—at the point of purchase.

Retail ATM Locations

Offsite ATMs Flourish in the United Kingdom

Western Europe offers high potential for off-premise ATMs, and the UK is a leading market for Euronet. Euronet was the first independent ATM owner in the UK, and now retail locations represent two-thirds of our UK ATM portfolio.

According to Diebold, a leading ATM manufacturer, the growing popularity of Western-style convenience stores is contributing to the demand for ATMs in the UK. Euronet has more than 350 ATMs located within the UK market, including both independent stores and multiple convenience store chains such as Spar, Alldays, T&S Stores, Jacksons, Costcutter and Star News.

Today, non-bank ATMs are installed virtually anywhere that commerce takes place: convenience stores, restaurants, hotels, post offices, transportation hubs, cinemas, casinos and so on. These retailers recognize the revenue opportunities and the benefits of locating ATMs on site—from instant cash for purchases to surcharge incomes. Up to 20% of the cash taken from our retail ATMs is spent at that those locations. In entertainment locations, we estimate almost 100% of ATM cash is spent on site.

Currently more than 865,000 machines are in operation today,[1] and industry analysts forecast 45% growth of ATM deployment worldwide by 2004.[2] Analysts also indicate that new ATMs soon could be deployed at more than two million existing consumer locations.[3]

As the largest independent ATM owner in Europe, Euronet has negotiated some of the most coveted real estate locations for installing our ATMs. In Germany, Euronet is providing services to retailers such as Wal-Mart, Metro AG and Lidl & Schwarz. In the UK, we operate ATMs in retail, convenience, entertainment and leisure locations. We have also established retail locations for ATMs in France, Greece, Croatia, Hungary, the Czech Republic and Poland.

In addition, Euronet leverages expertise earned as an independent ATM owner to offer ATM outsourcing and professional services to retailers, financial institutions looking for "off-premise" ATM locations and other independent ATM owners. We are providing these services for prestigious entities such as Citibank in Greece and Dillard's stores and Saks Incorporated in the United States.

[1] Retail Banking Research Ltd. (2000), [2] Retail Banking Research Ltd. (1999), [3] ATM Industry Association (2001)

Selected Consolidated Financial Data

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

Consolidated Statements of Operations Data:

	Year ended December 31,				
	2000	1999	1998	1997	1996
		(in thousands, except for share and per share data)			
Revenues:					
ATM network and related revenue	$ 36,913	$ 26,503	$ 11,525	$ 5,290	$ 1,261
Software and related revenue	15,827	14,969	356	—	—
Total revenues	52,740	41,472	11,881	5,290	1,261
Operating expenses:					
Direct operating costs	24,988	22,830	10,036	3,717	827
Salaries and benefits	29,265	24,350	9,723	3,796	989
Selling, general and administrative	11,531	10,725	8,650	4,468	2,459
Depreciation and amortization	10,384	10,238	4,955	1,731	481
In-process research and development write-off	—	—	1,020	—	—
Asset write down	11,968	—	—	—	—
Share compensation expense	—	127	108	108	4,172
Total operating expenses	88,136	68,270	34,492	13,820	8,928
Operating loss	(35,396)	(26,798)	(22,611)	(8,530)	(7,667)
Other income/expenses:					
Interest income	1,089	1,950	2,514	1,609	225
Interest expense	(10,829)	(10,899)	(7,826)	(1,152)	(378)
Foreign exchange (loss)/gain, net	(3,227)	(2,110)	(1,911)	8	(79)
Loss before income tax benefit/(expense)	(48,363)	(37,857)	(29,834)	(8,065)	(7,899)
	(1,188)	4,182	(1,430)	100	323
Loss before extraordinary item	(49,551)	(33,675)	(31,264)	(7,965)	(7,576)
Extraordinary gain, net	—	2,760	2,889	—	—
Net loss	$ (49,551)	$ (30,915)	$ (28,375)	$ (7,965)	$ (7,576)
Loss per share – basic and diluted:					
Loss before extraordinary item	$ (3.00)	$ (2.21)	$ (2.06)	$ (0.64)	$ (15.18)
Extraordinary gain	$ —	$ 0.18	$ 0.19	—	—
Net loss	$ (3.00)	$ (2.03)	$ (1.87)	$ (0.64)	$ (15.18)
Weighted average number of shares outstanding	16,499,699	15,252,030	15,180,651	12,380,962	499,100

Brooklyn Bridge, New York

B R I D G E   O F   D R E A M S

If you can dream it, build it.

Just as bridges shape the skylines of the world's cities, they also still deeply influence our cultures, our commerce and our lives. Today, consumers are demanding greater convenience, personalized transactions, up-to-the-minute information and privacy as never before through the Internet, wireless access and other exciting new technologies.

New types of bridges - electronic bridges - are emerging to link consumers with these services in innovative ways that redefine the financial transactions process. Now as we face a world constantly on the go, our mission is to create and implement flexible, secure solutions to connect people with their personal information.

Consolidated Balance Sheet Data:

	As of December 31, 2000	1999	1998	1997	1996
	(in thousands, except Summary Network Data)				
Cash and cash equivalents	$ 7,151	$ 15,037	$ 55,614	$ 7,516	$ 2,541
Restricted cash	2,103	10,929	12,972	847	152
Investment securities	—	750	3,149	31,944	194
Trade accounts receivable, net	9,485	7,888	5,681	647	172
Other current assets	5,346	5,180	4,614	1,857	433
Total current assets	24,085	39,784	82,030	42,811	3,492
Net property, plant and equipment	31,657	36,693	33,182	24,088	7,284
Intangible assets, net	2,604	16,259	12,464	—	—
Other long-term assets	2,544	4,108	5,762	3,134	1,158
Total assets	$ 60,890	$ 96,844	$ 133,438	$ 70,033	$ 11,934
Current liabilities	$ 20,466	$ 26,938	$ 18,739	$ 9,315	$ 2,861
Obligations under capital leases, excluding current installments	8,034	6,397	6,809	11,330	3,834
Notes payable	77,191	72,800	83,720	—	—
Other long-term liabilities	—	202	—	169	103
Total liabilities	105,691	106,337	109,268	20,814	6,798
Total stockholders' (deficit)/equity	(44,801)	(9,493)	24,170	49,219	5,136
	$ 60,890	$ 96,844	$ 133,438	$ 70,033	$ 11,934
Summary Network Data:					
Number of operational ATMs at end of period	2,634	2,283	1,271	693	166
ATM transactions during the period	52,663,000	32,938,000	15,467,000	5,758,000	1,138,000

CHAIN BRIDGE, Budapest

The Chain Bridge, built from 1839 to 1849, was the first bridge over the Danube, linking the cities Buda and Pest. Measuring 380 meters long and 15.7 meters wide, it is supported by pillars shaped like antique triumphal arches.

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

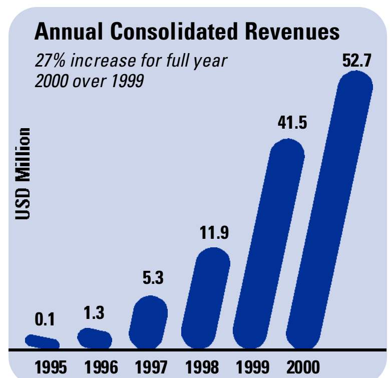
General Overview

Euronet Worldwide is a leading provider of secure electronic financial transaction solutions. The Company provides financial payment middleware, financial network gateways, outsourcing, and consulting services to financial institutions, retailers and mobile operators. The Company operates an independent automated teller machine ("ATM") network of over 2,600 ATMs in Europe and the United States, and through its software subsidiary, Euronet USA Inc. (formerly, Arkansas Systems, Inc.)("Euronet USA"), offers a suite of integrated software solutions for electronic payment and transaction delivery systems. Euronet Worldwide thus offers comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM management solutions and software solutions. Its principal customers are banks and other companies such as retail outlets that require transaction processing services. With eleven offices in Europe and three in the United States, the Company offers its solutions in more than 60 countries around the world.

Euronet Worldwide and its subsidiaries operate in two business segments: (1) a segment providing secure processing of financial transactions (the "Network Services Segment"); and (2) a segment producing application software for the processing of secure electronic financial transaction (the "Software Solutions Segment"). In addition, the Company's management divides the Network 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). 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"). 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 net loss. Prior period segment information has been restated to conform to the current period's presentation. (See Note 19 to the Consolidated Financial Statements - Business segment information.)

Comparison of Results of Operations for the Years Ended December 31, 2000, 1999 and 1998

Revenues The Company's total revenues increased to $52.7 million for the year ended December 31, 2000 from $41.5 million for the year ended December 31, 1999 and $11.9 million for the year ended December 31, 1998. The increase in revenues from 1999 to 2000 is primarily due to two factors: (1) a $10.4 million increase in Network Services Segment revenues resulting from the increase in transaction volumes in the Company owned ATMs and an increase in the number of ATMs operated by the Company during this period; and (2) an increase of $800,000 in Software Solutions Segment revenues. The increase in revenues from 1998 to 1999 is primarily due to two factors: (1) a $15.0 million increase in Network Services Segment revenues resulting from the increase in transaction volume attributable to an increase in the number of ATMs operated by the Company during this period; and (2) the addition of $14.6 million of Software Solutions Segment revenues. Revenues for the years ended December 31, 2000 and 1999 are discussed more fully in the Segment Results of Operations sections below.



Operating Expenses Total operating expenses increased to $88.1 million for the year ended December 31, 2000 from $68.3 million for the year ended December 31, 1999 and from $34.5 million for the year ended December 31, 1998. The increase from 1999 to 2000 can be broken down by segment as follows: (1) a $3.5 million increase in Network 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 write down of intangibles 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 expended operations. The increase from 1998 to 1999 can be broken down by segment as follows: (1) a $13.0 million increase in Network Services Segment operating costs, (2) the addition of $19.6 million of Software Solutions Segment operating costs, and (3) a $1.2 million increase in Corporate Services Segment operating costs. Operating expenses for the years ended December 31, 2000 and 1999 are discussed more fully in the Segment Results of Operations sections below.

Operating Loss The Company generated an operating loss of $35.4 million for the year ended December 31, 2000 compared to $26.8 million for the year ended December 31, 1999 and $22.6 million for the year ended December 31, 1998. The increased operating loss from 1999 to 2000 is due to the net effect of three factors: (1) a $6.8 million decrease in the operating loss from the Company's Network Services Segment; (2) a $14.3 million increase in the operating loss from the Company's Software Solutions Segment; and (3) a $1.1 million increase in the operating loss from the Company's Corporate Services Segment. The increased operating loss from 1998 to 1999 is due to the net effect of three factors: (1) a $1.9 million decrease in operating losses from the Company's Network Services Segment; (2) the addition of $4.8 million in operating losses from the Company's Software Solutions Segment; and (3) a $1.3 million increase in operating losses from the Company's Corporate Services Segment.

The results of segment operations expenses for the years ended December 31, 2000 and 1999 are discussed more fully in the Segment Results of Operations section below.

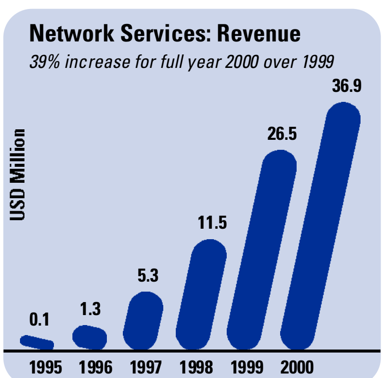
Segment Results of Operations for the Years Ended December 31, 2000 and 1999

(In thousands)	Revenues		Operating Loss	
Year ended December 31,	2000	1999	2000	1999
Network Services				
Central Europe	$ 18,599	$ 12,664	$ (3,070)	$ (8,019)
Western Europe	16,615	12,637	(2,286)	(3,840)
Other	1,700	1,202	(709)	(1,048)
Total Network Services	36,914	26,503	(6,065)	(12,907)
Software Solutions	16,006	15,149	(21,469)	(7,141)
Corporate Services	—	—	(7,862)	(6,750)
Inter segment eliminations	(180)	(180)	—	—
Total	$ 52,740	$ 41,472	$ (35,396)	$ (26,798)

Comparison of Operation Results for the Years Ended December 31, 2000 and 1999

Network Services Segment

Revenues Total segment revenues increased by $10.4 million or 39% to $36.9 million for the year ended December 31, 2000 from $26.5 million for the year ended December 31, 1999. The increase in revenues is due primarily to the significant increase in transaction volume and an increase in the number of ATMs operated by the Company during these periods. The Company had 2,283 ATMs installed as of December 31, 1999 and processed 32.9 million transactions for the year ended December 31, 1999. As of December 31, 2000, the Company's owned and operated ATM network increased by 351 ATMs, or 15%, to a total of 2,634 ATMs, of which 72% are owned by the Company and 28% are owned by banks or other financial institutions but operated by the Company through management agreements. The Company processed 52.7 million transactions for the year ended December 31, 2000, an increase of 19.8 million transactions, or 60%, over the year ended December 31, 1999.



Revenues for the Central European Sub-segment totaled $18.6 million for the year ended December 31, 2000 as compared to $12.7 million for the year ended December 31, 1999, an increase of 47%. The increase in revenues is largely the result of an increase in the number of ATMs operated by the Company from 1,203 at December 31, 1999 to 1,391 at December 31, 2000, and increased transaction volumes.

Revenues for the Western European Sub-segment totaled $16.6 million for the year ended December 31, 2000 as compared to $12.6 million for the year ended December 31, 1999, an increase of 31%. The increase in revenues is largely the result of an increase in the number of ATMs operated by the Company from 621 at December 31, 1999 to 787 at December 31, 2000, and increased transaction volumes.

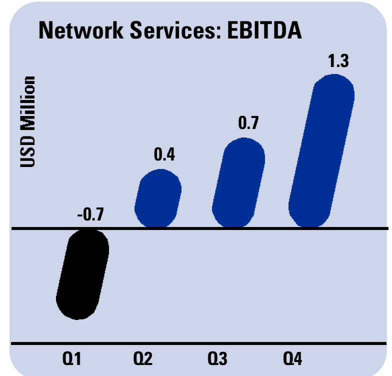
Revenues for the Other ATM Operations Sub-segment were $1.7 million for the year ended December 31, 2000 as compared to $1.2 million for the year ended December 31, 1999, an increase of 41%. The revenues from this segment are the result of the acquisition of the Dash network located in the United States in August 1999.

Of total segment revenue, approximately 87% is attributable to those ATMs owned by the Company for the year ended December 31, 2000 and 94% for the year ended December 31, 1999. Of total transactions processed, approximately 78% is attributable to those ATMs owned by the Company for the year ended December 31, 2000 and 76% for the year ended December 31, 1999. The Company believes the shift from a largely proprietary, Euronet Worldwide owned ATM network to a more balanced mix between proprietary ATMs and customer-owned ATMs is a positive development and will provide higher marginal returns on investments.

Transaction fees charged by the Company vary for the three types of ATM transactions that are currently processed on the Company's ATMs: cash withdrawals, balance inquiries and transactions not completed because the relevant card issuer does not give authorization. Transaction fees for cash withdrawals vary from market to market but generally range from $0.60 to $1.75 per transaction while transaction fees for the other two types of transactions are generally substantially less. Transaction fees payable under the electronic recharge solutions sold by the Company are included in Network 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 purchase.

Operating Expenses Total segment operating expenses increased to $43.0 million for the year ended December 31, 2000 from $39.4 million for the year ended December 31, 1999. The increases are due primarily to costs associated with the growth in the numbers of ATMs and expansion of the Company's operations during the period.

The Company recorded an $800,000 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, the Company recorded a one-time gain in its Central European Sub-segment of $1.2 million. The gain is related to a change in Hungarian law that eliminates a major portion of the Company's liability for import taxes on ATM hardware to the Hungarian government. The gain is included as an element of direct operating costs.



The operating expenses for the Central European Sub-segment totaled $21.7 million for the year ended December 31, 2000 as compared to $20.7 million for the year ended December 31, 1999, an increase of 5%. The increase in operating expenses is largely the result of an increase in the number of ATMs operated by the Company from 1,203 at December 31, 1999 to 1,391 at December 31, 2000, and increased transaction volumes.

The operating expenses for the Western European Sub-segment totaled $18.9 million for the year ended December 31, 2000 as compared to $16.5 million for the year ended December 31, 1999, an increase of 15%. The increase in operating expenses is largely the result of an increase in the number of ATMs operated by the Company from 621 at December 31, 1999 to 787 at December 31, 2000, and increased transaction volumes.

The operating expenses for the Other ATM Operations Sub-segment were $2.4 million for the year ended December 31, 2000 as compared to $2.2 million for the year ended December 31, 1999, an increase of 9%. The operating expenses from this segment are the result of the acquisition of the Dash network located in the United States in August 1999 and the unallocated costs associated with the Company's processing facilities.

Direct operating costs in the Network Services Segment consist primarily of: ATM installation costs; ATM site rentals; and costs associated with maintaining ATMs, ATM telecommunications, interest on network cash and cash delivery and security services to ATMs. Such costs increased to $24.4 million for the year ended December 31, 2000 from $21.9 million for the year ended December 31, 1999. The increase in direct operating costs is primarily attributable to costs associated with operating the increased number of ATMs in the network during the periods. Also, intercompany allocations were made to charge the ATM operations with transaction switching and bank connection fees associated with the operations central processing center in Budapest. These allocations totalled $3.5 million and $2.9 million for the years ended December 31, 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 the Company's liability for import taxes on ATM hardware. Direct operating costs also include a $657,000 gain realized in 1999 from the sale of the Croatian network assets. The components of direct operating costs for the years ended December 31, 2000 and 1999 were:

(in thousands)	Years ending December 31, 2000	1999
ATM communication	$ 4,183	$ 3,982
ATM cash filling and interest on network cash	7,426	5,900
ATM maintenance	3,987	2,967
ATM site rental	2,258	2,421
ATM installation	675	783
Transaction processing and ATM monitoring	5,242	4,205
Other	600	1,663
Total direct operating expenses	$ 24,371	$ 21,921

As a percentage of network revenue, direct operating costs fell from 83% for the year ended December 31, 1999 to 66% for the year ended December 31, 2000. On a per ATM basis the direct operating costs fell from $12,782 per ATM for the year ended December 31, 1999 to $9,807 per ATM for the year ended December 31, 2000, an improvement of 23%. On a per transaction basis the direct operating costs fell from $0.66 per transaction for the year ended December 31, 1999 to $0.46 per transaction for the year ended December 31, 2000, an improvement of 30%.

Segment salaries and benefits increased to $7.4 million for the year ended December 31, 2000 from $7.2 million for the year ended December 31, 1999, an increase of 3%. 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 Network Services Segment revenue, salaries and benefits fell from 27% for the year ended December 31, 1999 to 20% for the year ended December 31, 2000.

Selling, general and administrative costs allocated to the Network Services Segment decreased to $2.4 million for the year ended December 31, 2000 from $2.9 million for the year ended December 31, 1999. The $500,000 cost decrease for the year ended December 31, 2000 results from the net effect of (1) a $600,000 increase in the allocation of costs from the selling, general and administrative line of the Budapest processing center to the operating cost line, as discussed above, from $2.9 million for the year ended December 31, 1999 to $3.5 for the year ended December 31, 2000 and (2) a $100,000 increase in costs associated with the expansion of the Company's network operations.

Depreciation and amortization increased to $8.0 million for the year ended December 31, 2000 from $7.4 million for the year ended December 31, 1999. The increases are due primarily to the increase in the number of owned ATMs as discussed previously. The Company also recorded an $800,000 write-down of certain ATM hardware assets for the year ended December 31, 2000, as previously discussed.

Operating Loss The total Network Services Segment operating loss decreased to $6.1 million for the year ended December 31, 2000 from $12.9 million for the year ended December 31, 1999, an improvement of 53%, as a result of the factors discussed above. The Central European Sub-segment recorded an operating loss of $3.1 million for the year ended December 31, 2000 compared to a loss of $8.0 million for the year ended December 30, 1999, an improvement of 61%, as a result of the factors discussed above. The Western European Sub-segment operating loss decreased to $2.3 million for year ended December 31, 2000 compared to a loss of $3.8 million for the year ended December 31, 1999, an improvement of 39%, as a result of the factors discussed above. The Other ATM Operations Sub-segment incurred an operating loss of $700,000 for the year ended December 31, 2000 compared to a loss of $1.0 million for the year ended December 31, 1999, an improvement of 30%, as a result of the factors discussed above.

Software Solutions Segment

Software Solutions Revenue Revenues from the Software Solutions Segment totaled $16.0 million before inter-segment eliminations for the year ended December 31, 2000 as compared to revenue of $15.1 for the year ended December 31, 1999. 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 charged by the Company for the licensing of its proprietary application software to customers. Professional service fees are charged for customization, installation and consulting services provided to customers. Software maintenance fees are the ongoing fees charged to customers for the maintenance of the 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 the years ended December 31, 2000 and 1999 were:

(in thousands)	Years ending December 31, 2000	1999
Software license fees	$ 4,117	$ 2,430
Professional service fees	6,867	8,298
Maintenance fees	4,487	4,051
Hardware sales	535	370
Total direct operating expenses	$ 16,006	$ 15,149

The increases in software license fees from 1999 to 2000 can be attributed to an increased number of software sales contracts signed in 2000 as compared to 1999, primarily in the first half of the year 2000. Sales of the Company's core software products have dropped off substantially in the third and fourth quarter of 2000 and are expected to be soft again during 2001. The Company believes that revenues of the Software Solutions Segment will increasingly be derived from the Company's new set of software solutions, including its wireless banking solutions.
The decreases in professional service fees from 1999 to 2000 can be attributed to increased efficiency in the installation of software.

Software Sales Backlog The Company defines "software sales backlog" as fees specified in contracts which have been executed by the Company and for which the Company expects recognition of the related revenue within one year. At December 31, 2000 the revenue backlog was $3.5 million, as compared to December 31, 1999 the revenue backlog was $3.1 million. The increase in backlog from December 31, 1999 results principally from growth in software sales. It is management's intention to continue to focus on expediting delivery and implementation of software in an effort to reduce backlog while continuing sales growth.

There can be no assurance that the contracts included in backlog will actually generate the specified revenues or that the revenues will be generated within the 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 addition, the Company recorded a $11.2 million one-time write down of goodwill and other identifiable intangible assets associated with the Company's purchase of Euronet USA in December 1998 (see Note 10 to Consolidated Financial Statements – Asset Write Down). Total segment operating expenses increased to $37.5 million for the year ended December 31, 2000 from $22.3 million for the year ended December 31, 1999. The components of software solutions operating costs for the years ended December 31, 2000 and 1999 were:

(in thousands)	Years ending December 31, 2000	1999
Direct operating costs	$ 800	$ 1,089
Salaries and benefits	18,004	13,953
Selling, general and administrative	5,266	4,565
Depreciation and amortization	2,215	2,683
Asset write down	11,190	—
Total direct operating expenses	$ 37,475	$ 22,290

The Company has made planned increases in staff in order to increase sales, accelerate development of certain software enhancements and reduce delivery times for software. These staff increases have resulted in a significant increase in salaries and benefits, which has contributed to the net losses of the Software Solutions Segment for the years ended December 31, 2000 and 1999. In January 2001, a reduction in the work force took place with the objective being to reduce costs to bring them more in line with the anticipated revenue.

The Company has an ongoing commitment to the development, maintenance and enhancement of its products and services. As a result of this commitment the Company has invested substantial amounts in research and development. In particular, the Company has 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 the Company's ATM network. In addition, the Company continues to invest in the on-going development of products that were recently introduced to the market. The Company's research and development costs incurred for computer products to be sold, leased or otherwise marketed increased to $6.7 million for the year ended December 31, 2000 from $3.2 million for the year ended December 31, 1999. Of this total figure, $1.0 million and $322,000 were capitalized, as at December 31, 2000 and 1999, respectively, in conjunction with the Company's accounting policy requiring the capitalization of development costs on a product by product basis once technological feasibility is established. Technological feasibility of computer software products is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements.

Operating Loss The Software Solutions Segment incurred an operating loss of $21.5 million for the year ended December 31, 2000 and $7.1 million for the year ended December 31, 1999 as a result of the factors discussed above

Corporate Services Segment

Operating Expenses Operating expenses for the Corporate Services Segment increased to $7.9 million for the year ended December 31, 2000 from $6.8 million for the year ended December 31, 1999. The components of corporate services operating costs for the years ended December 31, 2000 and 1999 were:

(in thousands)	Years ending December 31, 2000	1999
Salaries and benefits	$ 3,813	$ 3,335
Selling, general and administrative	3,841	3,270
Depreciation and amortization	208	145
Total direct operating expenses	$ 7,862	$ 6,750

The Company's expansion of its network infrastructure, and increases in corporate and administrative capabilities are the primary reasons for these increased expenditures.

Non-Operating Results for the Years Ended December 31, 2000 and 1999

Interest Income Interest income decreased to $1.1 million for the year ended December 31, 2000 from $2.0 million for the year ended December 31, 1999 and from $2.5 million for the year ended December 31, 1998. The decrease is the result of the decrease in investment securities and cash as a result of negative cash flow from operations and capital expenditures.

Interest Expense Interest expense decreased to $10.8 million for the year ended December 31, 2000 from $10.9 million for the year ended December 31, 1999 and increased from $7.8 million for the year ended December 31, 1998. The decrease from 1999 to 2000 is due to exchange rate differences as the majority of the debt is denominated in Deutsche Mark. The increase from 1998 to 1999 is the result of accretion of the Company's Notes Payable for a full year in 1999 in comparison to 6 months' accretion in 1998.

Foreign Exchange Gain/Loss The Company had a net foreign exchange loss of $3.2 million for the year ended December 31, 2000, as compared to $2.1 million for the year ended December 31, 1999, and $1.9 million for the year ended December 31, 1998. Exchange gains and losses that result from re-measurement of certain Company assets and liabilities are recorded in determining net loss. A portion of the assets and liabilities of the Company are denominated in Euros, including capital lease obligations, notes payable (including the Notes issued in the Company's public bond offering), cash and cash equivalents, investments, and forward foreign exchange contracts. It is the Company's policy to attempt to match local currency receivables and payables. The foreign currency denominated assets and liabilities give rise to foreign exchange gains and losses as a result of U.S. dollar to local currency exchange movements.

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

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

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

Net Loss The Company's net loss increased to $49.6 million for the year ended December 31, 2000, as compared to $30.9 million for the year ended December 31, 1999 and $28.4 million for the year ended December 31, 1998, as a result of the factors discussed above.

Liquidity and Capital Resources

Since its inception, the Company has sustained negative cash flows from operations and has financed its operations and capital expenditures primarily through the proceeds from the 1998 issue of Deutsche Mark denominated notes payable, the Company's 1997 public equity offering, equipment lease financing and private placements of equity securities. The net proceeds of such transactions, together with revenues from operations and interest income have been used to fund aggregate net losses of approximately $123.8 million, investments in property, plant and equipment of approximately $52.8 million and acquisitions of $24.6 million.

At December 31, 2000 the Company had cash and cash equivalents of $7.2 million and working capital of $3.6 million. The Company had $2.1 million of restricted cash held as security with respect to cash provided by banks participating in Euronet's ATM network, to cover guarantees on financial instruments and as deposits with customs officials (See Note 7 to the Consolidated Financial Statements – Restricted cash). In addition to the assets held on the balance sheet at December 31, 1999 the Company held repurchased notes payable with a face value of 48.4 million Deutsche Marks ($23.3 million as at December 31, 2000 based on a USD to DM rate of 1:2.08) and a fair market value at December 31, 2000 of $9.3 million (See Note 20 to the Consolidated Financial Statements – Financial instruments).

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 in the amount of $2.4 million; Hungarian-American Enterprise Fund in the amount of $1.0 million; and Michael J. Brown in the amount of $600,000. The facility was available to be drawn upon until December 28, 2000, with repayment of any draws being due June 28, 2001. On December 28, 2000 the facility was amended and renewed for a further six months and is available to be drawn until June 28, 2001 with repayments of any draws being due December 28, 2001. Draws on the facility will accrue interest at 10 percent per annum, payable quarterly. 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 fee of 100,000 warrants, on the same terms, was paid for the subsequent extension of the facility. Warrants are to be issued 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 March 1, 2001, the Company had not made any draws under the Credit Agreement.

On February 25, 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 those agreements took place on March 13, 2000. These agreements were signed with certain accredited investors in transactions exempt from registration under the exemptions provided in Section 4(2) and Regulation D of the Act. The purchase price of each share was $6.615, which represents ninety percent of the average closing price for the ten trading days prior to and including February 15, 2000. The aggregate amount of proceeds to the Company from the private placement 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.

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 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 purchaser was issued one warrant to purchase a share of Euronet common stock at a weighted average exercise price of $12.50, expiring in each case on the one year anniversary date of the subscription agreement.

In July 2000 the Company entered into subscription agreements for the sale of 877,946 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. Closing with respect to such sale took place on July 14 and August 29, 2000. 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.

The Company leases many of its ATMs under capital lease arrangements that expire between 2001 and 2005. The leases bear interest between 8% and 12% per annum. As of December 31, 2000 the Company owed $11.5 million under such capital lease arrangements. (See Note 15 to the Consolidated Financial Statements - Leases.)

The Company expects that its capital requirements will continue in the future but will not be as great as they were in the past, as the Company intends to continue to promote its outsourcing capabilities and re-deploy under-performing ATMs currently operating in the network. This strategy should reduce the Company's reliance on capital expenditures in the future as the business continues to grow. Fixed asset purchases and capital lease payments for 2001 are expected to be approximately $6.2 million in the Company's existing markets, notably Western and Central Europe. Acquisitions of related ATM business and investments in new markets in furtherance of the Company's strategy may require additional capital expenditures.

Based on the Company's current business plan and financial projections, the Company expects to continue to reduce operating losses and net cash used in operating activities in 2001. In the Network 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 that the benefits of a restructuring program commenced in the first quarter of 2001 will reduce the operating losses and bring operating costs more in line with anticipated revenues. The Company believes that the credit facility, certain asset sales and cash and cash equivalents will provide the Company with sufficient capital until it achieves positive cash flow. As a result, the Company believes it has sufficient liquidity resources to meet current and future cash requirements.

Balance Sheet Items

Cash and Cash Equivalents The decrease of cash and cash equivalents to $7.2 million at December 31, 2000 from $15.0 million at December 31, 1999 is due primarily to the net effects of working capital movements, foreign exchange gains and losses, the settlement of a forward foreign exchange contract, private placement of common shares, capital expenditures and capital lease payments, and operating losses for the year ended December 31, 2000. (See Note 21 to the Consolidated Financial Statements – Reconciliation of net loss to net cash used in operating activities and the Consolidated Statements of Cash Flows.)

Restricted Cash Restricted cash decreased to $2.1 million at December 31, 2000 from $10.9 million at December 31, 1999. The majority of restricted cash was held as security with respect to cash provided in Hungary by banks participating in Euronet's ATM network, to cover guarantees for financial instruments and as deposits with customs officials. The decrease resulted primarily from the settlement of the forward foreign exchange contracts using restricted cash and a release of restricted cash resulting from the posting of a surety bond with the Hungarian banking institution that supplies cash to the Company's ATM network in Hungary.

Trade Accounts Trade accounts receivable increased to $9.5 million at December 31, 2000 from $7.9 million at December 31, 1999 due primarily to sales from the Software Solutions Segment and increased Network Services Segment revenues.

Property, Plant and Equipment Net property, plant and equipment decreased to $31.7 million at December 31, 2000 from $36.7 million at December 31, 1999. This decrease is due primarily to a reduction in the rate of installation of ATMs and fixed asset additions. Fixed asset depreciation was in excess of fixed asset additions, and the write-off of $800,000 in ATM hardware further reduced the net fixed asset position.

Intangible Assets The decrease in net intangible assets to $2.6 million at December 31, 2000 from $16.3 million at December 31, 1999 is due primarily to the $11.2 million write-down of goodwill and other identifiable intangible assets associated with the Software Solutions Segment (see Note 9 to the Consolidated Financial Statements – Intangibles). In addition, the decrease is the result of amortization of purchased intangibles acquired in the Euronet USA acquisition in 1998, and the SBK and Dash acquisitions in 1999.

Current Liabilities Current liabilities decreased to $20.5 million at December 31, 2000 from $26.9 million at December 31, 1999. This decrease is due primarily to decreases in accrued expenses, billings in excess of costs and estimated earnings on software installation costs and settlement of the forward foreign exchange contracts.

Capital Lease Total capital lease obligations including current installments increased to $11.5 million at December 31, 2000 from $10.6 million at December 31, 1999. This increase is due primarily to additional capital leases resulting from the Company's purchase of Budapest Bank's ATM network, consisting of 147 ATMs on May 1, 2000.

Notes Payable Notes payable increased to $77.2 million at December 31, 2000 from $72.8 million at December 31, 1999. This is the result of several transactions as follows:

	(in millions)
Balance at December 31, 1999	$ 72.8
Unrealized foreign exchange gain (DEM vs. US$)	(4.4)
Accretion of bond interest	8.8
Balance at December 31, 2000	$ 77.2

Stockholder's Deficit Stockholders' deficit increased to $44.8 million at December 31, 2000 from $9.5 million at December 31, 1999. This is due to the net loss for the year ended December 31, 2000 of $49.6 million which was offset by an increase in additional paid in capital of $14.4 million due to the sale of 1,882,723 shares of common stock for proceeds of $13.0 million, the issue of $400,000 of warrants and the exercise of 390,231 stock options for proceeds of $900,000.

Year 2000 Compliance

The Company's European and U.S. Year 2000 compliance teams reported no material Year 2000 problems during the advent of the year 2000, either with Euronet's own systems or the systems of its customers. The Company is unaware of any material Year 2000 complications to date.

Impact of New Accounting Pronouncements Not Yet Adopted

SFAS 133 The Company is required to adopt Statement of Financial Accounting Standard (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138 for US GAAP reporting as of 1 January 2001. SFAS 133 and 138 establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives).

In accordance with SFAS No. 133, entities are required to carry all derivative instruments on the balance sheet at fair value. The accounting for movements in fair value of derivatives depends upon whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. If certain conditions are met, the Company may elect to designate a derivative instrument as a hedge of exposures. If the hedged exposure is a fair value exposure, movements in fair value are recognized in earnings with the offsetting gain or loss on the hedged item attributable to the hedged risk. If the hedged exposure is a cash flow exposure, the effective portion of the movement in fair value of the derivative instrument is initially reported as a component of other comprehensive income and subsequently reclassified into earnings at the time the forecasted transaction impacts earnings. Amounts excluded from the assessment of hedge effectiveness as well as the ineffective portion of movements in fair value of the derivative instrument are reported in earnings in the current period. Accounting for foreign currency hedges is similar to the accounting for fair value and cash flow hedges. If a derivative instrument is not designated as a hedge, movements in the fair value of derivative instruments are recognized in earnings.

Under the provisions of SFAS No. 133, the method that the Company will use to assess effectiveness of a hedge, as well as the measurement approach for determining the ineffectiveness of a hedge, must be established at the inception of a hedge. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objective and strategy for entering into the transaction. This process includes linking derivatives designated as fair value or cash flow hedges to specific assets, liabilities or firm commitments on forecasted transactions. This process is repeated on a periodic basis. If at any time the Company determines a hedge is no longer effective, hedge accounting is immediately discontinued and the derivative is marked to market with any gain or loss recorded in earnings.

The Company adopted the provisions of SFAS No. 133 on 1 January 2001 and this had no impact on the Company's consolidated financial statements as the Company does not have any derivative financial instruments. Future changes in the fair value for any remaining trading securities will be recorded through earnings. Changes in fair value of available for sale securities will be recorded in other comprehensive income.

SFAS 140 The FASB issued Statement of Financial Accounting Standard No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS No. 140). SFAS No. 140 replaces SFAS No. 125 as it revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001 and in certain limited instances can be applied early. SFAS No. 140 requires recognition and reclassification of collateral and for disclosures relating to securitzation and collateral for fiscal years ending after December 15, 2000.The Company does not expect SFAS No. 140 to have a material effect on its financial statements.

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

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Exposure

In 2000, 30% of the Company's revenues were generated in Poland and Hungary, as compared to 27% in 1999 and 73% in 1998. The 2000 figure has increased due to the increase in revenues for the Polish operations. In Hungary the majority of revenues received are denominated in Hungarian Forint and in Poland, the majority of revenues are denominated in Polish Zloty. However the majority of these foreign currency denominated contracts are linked either to inflation or the retail price index. While it remains the case that a significant portion of the Company's expenditures are made in or are denominated in U.S. Dollars the Company is also striving to achieve more of its expenses in local currencies to match its revenues.

The Company estimates that a further 10% depreciation in foreign exchange rates of the Deutsche Mark, Hungarian Forint, Polish Zloty and the British Pound Sterling against the U.S. dollar, would have the combined effect of a $7.1 million decrease in the reported net loss. This was estimated using 10% of the Company's net losses after adjusting for unusual impairment and other items including U.S. dollar denominated or indexed expenses. The Company believes that this quantitative measure has inherent limitations. It does not take into account any governmental actions or changes in either customer purchasing patterns or the Company's financing or operating strategies.

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

Inflation and Functional Currencies

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

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

Interest Rate Risk

The fair market value of the Company's long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's notes payable at December 31, 2000 was $37.5 million compared to a carrying value of $77.2 million. A 1% increase from prevailing interest rates at December 31, 2000 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 20 to the Consolidated Financial Statements - Financial Instruments)

Independent Auditors' Report

The Board of Directors and Stockholders
Euronet Services Inc.:

We have audited the accompanying consolidated balance sheets of Euronet Services Inc. and subsidiaries as of December 31, 2000 and 1999 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, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

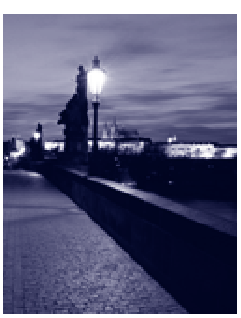
We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Euronet Services Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with generally accepted accounting principles in the United States of America.

KPMG

Warsaw, Poland

February 9, 2001



CHARLES BRIDGE, Prague

Dating back to the 14th century, the Charles Bridge is one of the jewels of Gothic architecture. This stone bridge, built by Charles IV, the Czech King and Holy Roman Emperor, created a reliable connection between the Lesser and the Old Town and gave way to the merging of life of both banks.

EURONET SERVICES INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2000	December 31, 1999
Assets	(in thousands)	
Current assets:		
Cash and cash equivalents (note 7)	$ 7,151	$ 15,037
Restricted cash (note 6)	2,103	10,929
Investment securities (note 7)	—	750
Trade accounts receivable (less allowance for doubtful accounts of $740,000 in 2000 and $381,000 in 1999, note 17)	9,485	7,888
Costs and estimated earnings in excess of billings on software installation contracts (note 8)	1,117	667
Income taxes receivable (note 16)	—	818
Prepaid expenses and other current assets	4,229	3,695
Total current assets	24,085	39,784
Property, plant, and equipment (note 10 and 15):		
Equipment–Automated teller machines	41,691	41,253
Vehicles and office equipment	2,451	2,363
Computers and software	8,628	7,806
	52,770	51,422
Less accumulated depreciation and amortization	(21,113)	(14,729)
Net property, plant, and equipment	31,657	36,693
Intangible assets, net (notes 9 and 10)	2,604	16,259
Deposits	45	1,355
Deferred income taxes (note 16)	424	460
Other assets, net (notes 3(i))	2,075	2,293
Total assets	$ 60,890	$ 96,844

	2000	1999
Liabilities and Stockholders' Deficit		
Current liabilities:		
Trade accounts payable	$ 5,233	$ 5,768
Current installments of obligations under capital leases (note 15)	3,466	4,188
Accrued expenses and other current liabilities	6,397	12,631
Advance payments on contracts	2,155	1,321
Income taxes payable (note 16)	350	—
Billings in excess of costs and estimated earnings on software installation contracts (note 8)	2,875	3,030
Total current liabilities	20,466	26,938
Obligations under capital leases, excluding current installments (note 15)	8,034	6,397
Notes payable (note 11)	77,191	72,800
Other long-term liabilities	—	202
Total liabilities	105,691	106,337
Stockholders' deficit (note 4):		
Common stock, $0.02 par value. Authorized 30,000,000 shares; issued and outstanding 17,814,910 shares in 2000 and 15,541,956 shares in 1999 (note 12)	356	311
Additional paid in capital (note 11)	81,327	66,969
Treasury stock	(140)	(3)
Employee loans for stock (note 25)	(561)	(794)
Subscription receivable	(59)	(50)
Accumulated deficit	(123,811)	(74,260)
Restricted reserve (note 5)	784	784
Accumulated other comprehensive loss	(2,697)	(2,450)
Total stockholders' deficit	(44,801)	(9,493)
Total liabilities and stockholders' deficit	$ 60,890	$ 96,844

See accompanying notes to consolidated financial statements.

EURONET SERVICES INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31, 2000	1999	1998
	(in thousands, except per share data)		
Revenues:			
ATM network and related revenue	$ 36,913	$ 26,503	$ 11,525
Software, maintenance and related revenue	15,827	14,969	356
Total revenues	52,740	41,472	11,881
Operating expenses:			
Direct operating costs	24,988	22,830	10,036
Salaries and benefits (note 18)	29,265	24,477	9,831
Selling, general and administrative	11,531	10,725	8,650
Depreciation and amortization	10,384	10,238	4,955
In-process research and development write-off (note 4)	—	—	1,020
Asset write down (note 10)	11,968	—	—
Total operating expenses	88,136	68,270	34,492
Operating loss	(35,396)	(26,798)	(22,611)
Other income/(expense):			
Interest income	1,089	1,950	2,514
Interest expense (note 11)	(10,829)	(10,899)	(7,826)
Foreign exchange loss, net (note 14)	(3,227)	(2,110)	(1,911)
	(12,967)	(11,059)	(7,223)
Loss before income tax and extraordinary item	(48,363)	(37,857)	(29,834)
Income tax (expense)/benefit (note 16)	(1,188)	4,182	(1,430)
Loss before extraordinary item	(49,551)	(33,675)	(31,264)
Extraordinary gain on early retirement of debt, net of applicable income taxes of $0 in 2000, $0 in 1999 and $1,488,000 in 1998 (note 11)	—	2,760	2,889
Net loss	(49,551)	(30,915)	(28,375)
Other comprehensive income:			
Translation adjustment	(247)	(2,515)	65
Comprehensive loss	$ (49,798)	$ (33,430)	$ (28,310)
Loss per share - basic and diluted (note 3(o)):			
Loss before extraordinary item	$ (3.00)	$ (2.21)	$ (2.06)
Extraordinary gain	—	0.18	0.19
Net loss	$ (3.00)	$ (2.03)	$ (1.87)
Weighted average number of shares outstanding	16,499,699	15,252,030	15,180,651

See accompanying notes to consolidated financial statements.

SYDNEY HARBOUR BRIDGE, Sydney

Since its opening in March 1932, the Sydney Harbour Bridge has held a special place for immigrants upon their arrival to Australia. This grand arch remains a distinctive landmark for what many consider to be the most beautiful harbour in the world.

EURONET SERVICES INC. AND SUBSIDIARIES

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

	No. of Shares	Common Stosk	Employee Loans for Stock	Additional Paid in Capital	Treasury Stock
			(in thousands, except share data)		
Balance December 31, 1997	15,133,321	$ 304	$ —	$ 63,358	$ (4)
Warrants issue (note 11)	—	—	—	1,725	—
Stock options exercised (note 18)	80,132	3	—	175	—
Stock options granted in Euronet USA acquisition (note 4)	—	—	—	96	—
Subscription paid	—	—	—	—	—
Translation adjustment	—	—	—	—	—
Tax benefit from exercise of stock options (note 16)	—	—	—	951	—
Share compensation expense (note 18)	—	—	—	108	—
Net loss for 1998	—	—	—	—	—
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 25)	—	—	(794)	—	—
Translation adjustment	—	—	—	—	—
Net loss for 1999	—	—	—	—	—
Balance December 31, 1997	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 25)	—	—	233	—	(137)
Translation adjustment	—	—	—	—	—
Net loss for 2000	—	—	—	—	—
Balance December 31, 2000	17,814,910	$ 356	$ (561)	$ 81,327	$ (140)

See accompanying notes to consolidated financial statements.

RIVER TYNE BRIDGES, Newcastle

Six bridges dominate the Tyne between Newcastle and Gateshead, enabling innovative railway and roadway advances over the past two centuries. At the time of its completion in 1929, the Tyne Bridge was the world's longest single span bridge.

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

	Subscription Receivable	Accumulated Deficit	Restricted Reserve	Accumulated Other Comprehensive (Loss)/Income	Total
			(in thousands)		
BalanceDecember 1, 1997	$ (253)	$ (14,970)	$ 784	$ —	$ 49,219
Warrants issue (note 11)	—	—	—	—	1,725
Stock options exercised (note 18)	—	—	—	—	178
Stock options granted in Euronet USA acquisitions (note 4)	—	—	—	—	96
Subscription paid	203	—	—	—	203
Translation adjustment	—	—	—	65	65
Tax benefit from exercise of stock options (note 16)	—	—	—	—	951
Share compensation expense (note 18)	—	—	—	—	108
Net loss for 1998	—	(28,375)	—	—	(28,375)
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 25)	—	—	—	—	(794)
Translation adjustment	—	—	—	(2,515)	(2,515)
Net loss for 1999	—	(30,915)	—	—	(30,915)
Balance December 31, 1999	$ (50)	$ (74,260)	$ 784	$ (2,450)	(9,493)
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 25)	—	—	—	—	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)

See accompanying notes to consolidated financial statements.

BROOKLYN BRIDGE, New York

The Brooklyn Bridge, proudly standing over the East River and connecting the boroughs of Brooklyn and Manhattan, endures as one of the most famous bridges in America. When completed in May 1883, the 5989-foot-long Brooklyn Bridge was the largest suspension bridge in the world.

Consolidated Statements of Cash Flows

	Year Ended December 31, 2000	1999	1998
		(in thousands)	
Net cash used in operating activities (note 21)	$(16,357)	$(20,371)	$(22,768)
Cash flows from investing activities:			
Fixed asset purchases	(3,428)	(8,685)	(9,740)
Proceeds from sale of fixed assets	706	3,742	543
Purchase of investment securities	—	(5,373)	(29,778)
Proceeds from maturity of investment securities	—	7,772	58,789
Investment in subsidiaries, net of cash acquired	—	(7,316)	(17,338)
Net increase/(decrease) in loan receivable	(13)	28	(8)
Net cash (used in)/provided by investing activities	(2,735)	(9,832)	2,468
Cash flows from financing activities:			
Proceeds from the sale and leaseback of fixed assets	—	827	—
Proceeds from issuance of shares and other capital contributions	13,889	610	178
Proceeds from issuance of notes payable and warrants	378	—	83,100
Costs to obtain loans	—	(22)	(3,294)
Repurchase of notes payable and warrants	—	(5,202)	(5,473)
Repayment of obligations under capital leases	(3,677)	(5,660)	(7,323)
Increase/(decrease) in short-term bank borrowings	192	(300)	142
(Increase)/decrease in subscriptions receivable	(9)	—	203
Cash loaned to employees for purchase of common stock	233	(794)	—
Net cash provided by/(used in) financing activities	(11,006)	(10,541)	67,533
Effect of exchange differences on cash	200	167	865
Net (decrease)/increase in cash and cash equivalents	(7,886)	(40,577)	48,098
Cash and cash equivalents at beginning of period	15,037	55,614	7,516
Cash and cash equivalents at end of period	$ 7,151	$ 15,037	$ 55,614
Supplemental disclosures of cash flow information (note 22):			
Interest paid during year	$ 2,076	$ 1,133	$ 1,907
Income taxes refunded during year	$ —	$ 839	$ —

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(1) Organization

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

Euronet Services Inc. and its subsidiaries (the "Company" or "Euronet") is a provider of electronic financial solutions and transaction processing services to banks, financial institutions, and 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 Services Inc., all of which are, directly or indirectly, wholly owned are:

- EFT Services Holding B.V., incorporated in the Netherlands
- Euronet Banktechnikai Szolgaltato Kft. ("Bank Tech"), incorporated in Hungary
- Euronet Adminisztracios Szolgaltato Kft. ("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 Network 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

(2) Financial Position and Basis of Preparation

The Company generated an operating loss of $35.4 million and negative cash flows from operations of $16.4 million for the year ended December 31, 2000, primarily due to the significant costs associated with its investment in delivery, support, research and development in its software subsidiary which was acquired in December 1998. Based on the Company's current business plan and financial projections, the Company expects to reduce operating losses and net cash used in operating activities in 2001. In the Network 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 reduced operating expenses and improved operating performance due to a cost restructuring program introduced in the first quarter of 2001. The Company believes that the credit facility (see note 13), certain asset sales and cash and cash equivalents at December 31, 2000 will provide the Company with sufficient cash resources until it achieves positive cash flow.

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

(3) Summary of Significant Accounting Policies and Practices

(a) Basis of presentation

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

All significant intercompany balances and transactions have been eliminated.

(b) Foreign currencies

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transactions. Assets and liabilitiesdenominated 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 aseparate component of consolidated stockholders' equity.

The financial statements of foreign subsidiaries where the functional currency is the U.S. dollar are remeasured using historical exchangerates 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) Investment securities

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

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

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

Dividend and interest income are recognized when earned.

(e) Forward foreign exchange contracts

Forward foreign exchange contracts are recorded at fair values in the consolidated balance sheet in other current assets or other current liabilities with the related gain or loss recognized in the consolidated statement of operations, unless the contracts meet certain hedging criteria. A foreign exchange contract is considered a hedge of an identifiable foreign currency commitment if (i) the contract is designated as, and is effective as, a hedge of foreign currency commitment and (ii) the foreign currency commitment is firm.

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

(f) Property, plant and equipment

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

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

Depreciation and amortization rates are as follows:

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

(g) Goodwill and other intangible assets

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

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

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

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

(h) 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.

(i) Other assets

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

(j) Investments in affiliates

Investment in the common stock of EFT Network Services, LLC ("Dash"), a 33 1/3% owned affiliate until wholly acquired on August 13, 1999, was accounted for by the equity method until the date of acquisition. Under this method, the Company's share of net income or loss 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).

(k) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit 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.

(l) Risks and uncertainties

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

(m) Revenue recognition

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

(n) Research and development costs

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

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

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

(o) Loss per share

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

(p) Stock-based compensation

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

(q) Reclassifications

Certain amounts have been reclassified in the prior year consolidated financial statements to conform to the 2000 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 $800,000 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. Euronet USA now 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 $680,000 based on their fair values. The excess of the purchase price over the fair value of the net assets acquired of $120,000 has been recorded as goodwill and is amortized over ten years.

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

The acquisition was accounted for as a purchase; accordingly, the results of operations are included in the accompanying consolidated financial statements since the date of acquisition. The purchase price was allocated to assets acquired ($7.5 million) and liabilities assumed ($6.0 million) based on their fair values. The excess of the purchase price over the fair value of the net assets acquired of $16.4 million was allocated $1.0 million to in-process research and development ("IPRD"), $8.7 million to other identifiable intangible assets and the remaining $6.7 million to goodwill (see Note 9). This allocation was based on independent valuations performed at the time of acquisition. In-process research and development was written-off to operations at the date of the acquisition. In the third quarter of 2000 the remaining book value of intangibles and goodwill of $11.2 million was written down in accordance with SFAS No. 121 (see Note 10).

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

(6) Restricted Cash

The restricted cash balances as of December 31, 2000 and 1999, were as follows:

	December 31, 2000	December 31, 1999
	(in thousands)	
ATM deposits	$ 710	$ 6,567
Deposits for financial instruments	—	3,649
Other	1,393	713
	$ 2,103	$ 10,929

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) Investment Securities

The amortized cost for short-term held-to-maturity and available-for-sale securities by class security type at December 31, 2000 and 1999, were as follows:

	December 31, 2000	December 31, 1999
	(in thousands)	
Held-to-maturity:		
U.S. Federal Agency obligations	$ —	$ 750
Corporate debentures	—	2,305
Total investments	$ —	$ 3,055

Securities totaling $2,305,000 and $750,000 have been recorded in cash and cash equivalents and investment securities, respectively, on the balance sheet at December 31, 1999. In 2000 and 1999 the Company recorded a realized loss of $0 and $40,780, respectively, resulting from the sale of available-for-sale securities.

(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, 2000	December 31, 1999
	(in thousands)	
Costs and estimated earnings on software installation contracts	11,911	7,872
Less billings to date	(13,669)	(10,235)
	$ (1,758)	$ (2,363)

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

	December 31, 2000	December 31, 1999
	(in thousands)	
Costs and estimated earnings in excess of billings on software installation contracts	$ 1,117	$ 667
Billings in excess of costs and estimated earnings on software installation contracts	(2,875)	(3,030)
	$ (1,758)	$ (2,363)

(9) Intangibles

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

	December 31, 2000	December 31, 1999
	(in thousands)	
Goodwill	$ 2,973	$ 10,641
Developed technology	—	5,700
Assembled workforce	—	1,130
Installed base	—	1,080
Distributor/agent relationships	—	380
Tradename	—	400
	2,973	19,331
Less accumulated amortization	(369)	(3,072)
Total	$ 2,604	$ 16,259

Refer to Note 10 for details of the write down of 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 $800,000 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 the first three quarters of 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 the third quarter of 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 are independent of 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 is 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 $800,000 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, 2000.

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 $2.7 million (net of income taxes of $0) recognized as an extraordinary gain on such extinguishment. The extinguishment gain represents the difference between the allocated carrying value of the debt extinguished ($8.1 million) and the consideration paid ($5.0 million), offset by the write-off of the allocated unamortized deferred financing costs ($300,000). Of the total purchase price of $5.2 million, $176,000 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. Of the total extinguishment gain, $803,000 was recorded in the fourth quarter of 1999 relating to the purchase of notes with a face value of DM 7.6 million on December 13, 1999.

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

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

	2000	1999
	(in thousands)	
Principal amount	$ 93,819	$ 100,113
Unamortized discount	(16,628)	(27,313)
Carrying balance	$ 77,191	$ 72,800

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

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.

(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 in the amount of $2.4 million; Hungarian-American Enterprise Fund in the amount of $1.0 million; and Michael J. Brown in the amount of $600,000. The facility was available to be drawn upon until December 28, 2000, and repayment of any draws was due June 28, 2001. On December 28, 2000 the facility was amended and renewed for a further six months and is available to be drawn until June 28, 2001 with repayment of any draws being due December 28, 2001. Draws on the facility will accrue interest at 10 percent per annum, payable quarterly. 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 fee of 100,000 warrants, on the same terms, was paid for the subsequent extension of the facility. Warrants are to be issued 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 March 1, 2001, the Company had not made any draws under the Credit Agreement.

(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 US 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, 2000, the Company had not entered into any further option contracts.

(15) Leases

(a) Capital leases

The Company leases many of its ATMs under capital lease agreements that expire between 2001 and 2005 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, 2000	1999
	(in thousands)	
ATM's	$ 13,924	$ 18,027
Other	366	768
	$ 14,290	$ 18,795
Less accumulated amortization	(3,429)	(4,813)
Net book value	$ 10,861	$ 13,982

Depreciation of assets held under capital leases amounted to $2.0 million, $2.1 million, and $2.9 million for the years ended December 31, 2000, 1999, and 1998, respectively, and is included in depreciation and amortization expense.

(b) Operating leases

The Company also has noncancelable operating rental leases for office space which expire over the next 3 to 9 years. Rent expense under these leases amounted to $1.4 million, $2.1 million, and $1.1 million for the years ended December 31, 2000, 1999, and 1998, respectively.

(c) Future minimum lease payments

Future minimum lease payments under the capital leases and the noncancelable operating lease (with initial or remaining lease terms in excess of one year) as of December 31, 2000 are:

	Capital Leases	Operating Leases
	(in thousands)	
Year ending December 31,		
2001	5,137	1,315
2002	4,470	1,049
2003	2,951	779
2004	1,512	515
2005	363	515
2006 and thereafter	—	82
Total minimum lease payments	14,433	
Less amounts representing interest	(2,933)	
Present value of net minimum capital lease payments	11,500	
Less current installments of obligations under capital leases	(3,466)	
Long term capital lease obligations	$ 8,034	

(16) Taxes

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

	Year Ended December 31, 2000	1999	1998
		(in thousands)	
United States	$ (30,227)	$ (19,866)	$ (8,985)
Netherlands Antilles	—	77	700
Europe	(18,136)	(18,068)	(21,549)
Loss before income taxes	$ (48,363)	$ (37,857)	$(29,834)

Total income tax benefit/(expense) for the years ended December 31, 2000, 1999 and 1998 was allocated as follows:

	Year Ended December 31, 2000	1999	1998
		(in thousands)	
Loss from continuing operations	$ (1,188)	$ 4,182	$ (1,430)
Extraordinary item	—	—	(1,488)
Stockholders' (deficit)/equity for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	—	—	951
	$ (1,188)	$ 4,182	$ (1,967)

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

	Year Ended December 31, 2000	1999	1998
		(in thousands)	
Current tax (expense)/benefit:			
U.S. Federal	$ (838)	$ 1,828	$ (1,430)
Europe	(350)	—	—
Total current	(1,188)	1,828	(1,430)
Deferred tax benefit/(expense):			
U.S. Federal	—	2,354	—
Total deferred	—	2,354	—
Total tax benefit/(expense)	$ (1,188)	$ 4,182	$ (1,430)

	Year Ended December 31, 2000	1999	1998
		(in thousands)	
Income tax benefit at statutory rates	$ 16,443	$ 11,933	$ 10,143
Permanent differences	(186)	1,078	(1,191)
Tax-exempt interest	—	—	520
Stock options exercised	—	—	(931)
Tax rate differences	(1,757)	(938)	(638)
Adjustment to deferred tax asset for enacted changes in tax rates	(1,909)	(443)	(191)
(Expiration)/utilization of tax loss carried forward	(716)	(1,700)	971
Other	(2,115)	176	(175)
Change in valuation allowance	(10,948)	(5,924)	(9,938)
Actual income tax benefit/(expense)	$ (1,188)	$ 4,182	$ (1,430)

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

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

	December 31, 2000	1999
	(in thousands)	
Deferred tax assets:		
Foreign tax loss carry forwards	$ 14,325	$ 11,526
Stock compensation expense	1,130	1,130
Unrealized exchange rate differences	4,614	2,559
Interest expense	7,164	4,327
Accrued expenses	1,548	2,936
Billings in excess of earnings	1,108	1,036
Other	2,145	16
Total deferred tax assets	32,034	23,530
Valuation allowance	(30,689)	(19,741)
Total deferred tax assets	1,345	3,789
Deferred tax liabilities:		
Property and equipment	26	660
Non-goodwill intangible assets	—	2,333
Capitalized research and development costs	515	109
Earnings in excess of billings	380	227
Total deferred tax liabilities	921	3,329
Net deferred tax assets	$ 424	$ 460

The valuation allowance for deferred tax assets as of January 1, 2000, 1999 and 1998 was $19.7 million, $14.3 million and $4.8 million, respectively. The net change in the total valuation allowance for the years ended December 31, 2000, 1999, and 1998 were increases of $10.9 million, $5.4 million and $9.5 million, respectively.

The valuation allowance relates primarily to deferred tax assets established under SFAS No. 109 for loss carryforwards at December 31, 2000, 1999 and 1998 of $46.9 million, $45.0 million and $32.9 million, respectively. The tax operating loss carryforwards will expire through 2004 for EFT-Uslage d o.o., The tax operating loss carryforwards will expire through 2005 for Euronet Adminisztracios Szolgaltato Kft., Euronet Banktechnikai Szolgaltato Kft.,Bankomat 24/Euronet Sp. z o.o., Euronet SRL, and 2007 for Euronet Services spol. sro. The tax operating losses for Euronet Services Inc. and Euronet USA can be carried back two years and forward twenty years. The tax operating losses for Euronet Services Inc. and Euronet USA can be carried back two years and forward twenty years. The tax operating losses for Euronet GmbH and Euronet Services Ltd. can be carried forward indefinitely.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2000. 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, 2000 the Company has net operating loss carry forwards of approximately $46.9 million which will expire as follows:

Year ending December 31,	*(in thousands)*
2001	$ 1,479
2002	4,108
2003	7,860
2004	8,771
2005	7,541
2006	1,014
2007 and thereafter	16,162
Total	$ 46,935

(17) Valuation and Qualifying Accounts

	Balance at January 1	Additions charged to expense	Amounts written off	Balance at December 31
	(in thousands)			
1998				
Allowance for doubtful accounts	$ —	$ 291	$ —	$ 291
1999				
Allowance for doubtful accounts	$ 291	$ 90	$ —	$ 381
2000				
Allowance for doubtful accounts	$ 381	$ 408	$ 49	$ 740

(18) Stock Plans

The Company has established a share compensation plan that provides certain employees options to purchase shares of its common stock. The options vest over a period of five years from the date of grant. Options are exercisable during the term of employment or consulting arrangements with the Company and its subsidiaries. At December 31, 2000, the Company has authorized options for the purchase of 6,463,991 shares of common shares, of which 4,584,508 have been awarded to employees and 2,441,928 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, 2000 1,428,303 milestone options remain unexercised.

Share option activity during the periods indicated is as follows:

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

At December 31, 2000, the range of exercise prices, weighted-average remaining contractual life and number exercisable of outstanding options was as follows:

Range of Exercise Prices	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Remaining Life (years)	Number Exercisable	Weighted-Average Exercise Price
0-1.39	359,506	$ 0.73	3.5	359,506	$ 0.73
1.40-2.79	1,553,703	2.11	6.0	1,529,343	2.12
2.80-4.18	71,471	3.33	7.1	32,143	3.32
4.19-5.58	747,208	5.00	7.9	196,186	5.00
5.59-6.97	1,190,396	6.38	8.0	194,971	5.90
6.98-8.36	441,800	8.05	8.8	8,800	8.00
8.36-9.76	22,000	8.69	9.6	0	0
9.77-11.15	62,004	10.57	5.3	35,317	10.62
11.16-12.54	43,924	11.60	6.4	27,368	11.60
12.55-13.94	92,496	13.94	5.8	58,294	13.94
	4,584,508	$ 4.65	6.9	2,441,928	$ 3.00

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, $127,000 and $108,000 has been expensed in the years ended December 31, 2000, 1999 and 1998, respectively.

The following table provides the fair value of options granted during 2000, 1999 and 1998 together with a description of the assumptions used to calculate the fair value using the Black-Scholes pricing model:

	Year ended December 31, 2000	1999	1998
Expected volatility	82.0%	100%	100%
Average risk–free rate	7.21%	6.61%	8.80%
Average expected lives	5 years	5 years	5 years
Weighted–average fair value (per share)	$ 5.27	$ 1.71	$ 3.51

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

	Year ended December 31, 2000	1999	1998
	(in thousands, except per share data)		
Net loss–as reported	$ (49,551)	$ (30,915)	$ (28,375)
Net loss–pro forma	$ (50,280)	$ (32,606)	$ (29,067)
Loss per share–as reported	$ (3.00)	$ (2.03)	$ (1.87)
Loss per share–pro forma	$ (3.05)	$ (2.14)	$ (1.91)

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) 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 network services to banks, retail and financial institutions (the "Network 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 net loss. Prior period segment information has been restated to conform to the current period's presentation.

As the Network 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 Network 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 Network 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, 2000, 1999 and 1998.

	Year Ended December 31, 2000						
	Network Services						
	Central Europe	Western Europe	Other	Network Services 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, 2000						
	Network Services						
	Central Europe	Western Europe	Other	Network Services 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

	Year Ended December 31, 1998			
	Network Services	Software Solutions	Corporate Services	Total
	(in thousands)			
Total Revenues	$11,525	$ 371	$ —	$ 11,896
Total operating expenses	26,350	2,671	5,486	34,507
Operating loss	(14,825)	(2,300)	(5,486)	(22,611)
Interest income	193	1	2,320	2,514
Interest expense	(1,903)	—	(5,923)	(7,826)
Foreign exchange (loss)/gain, net	102	—	(2,013)	(1,911)
Net loss before income taxes	$(16,433)	$ (2,299)	$(11,102)	$ (29,834)
Segment assets	$57,828	19,493	$ 56,117	$ 133,438
Fixed assets	32,400	697	85	33,182
Depreciation and amortization	4,724	190	41	4,955

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

	Year ended December 31,		
	2000	1999	1998
	(in thousands)		
Revenues:			
Total revenues for reportable segments	$ 52,920	$ 41,652	$ 11,896
Elimination of inter-segment revenues	(180)	(180)	(15)
Total consolidated revenues	$ 52,740	$ 41,472	$ 11,881
Operating expenses:			
Total operating expenses for reportable segments	$ 88,316	$ 68,450	$ 34,507
Elimination of inter-segment expenses	(180)	(180)	(15)
Total consolidated operating expenses	$ 88,136	$ 68,270	$ 34,492

Total revenues and long-lived assets for the years ended December 31, 200, 1999 and 1998 for the Company analyzed by geographical location is as follows:

	Total Revenues			Long-lived Assets	
	Year ended December 31,			December 31,	
	2000	1999	1998	2000	1999
			(in thousands)		
United States	$ 17,442	$ 16,172	$ 356	$ 984	$ 1,155
Germany	9,984	11,160	2,394	4,800	6,635
Hungary	6,524	5,606	5,936	5,878	9,114
Poland	9,147	5,798	2,787	9,824	10,991
Other	9,643	2,736	408	10,171	8,798
Total	$ 52,740	$ 41,472	$ 11,881	$ 31,657	$ 36,693

Total revenues are attributed to countries based on location of customer for the ATM and related service 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.

(20) Financial Instruments

Most of Euronet's financial instruments (cash and cash equivalents, trade accounts receivable, investment securities, prepaid expenses and other current assets, trade accounts payable, accrued expenses and other current liabilities, advance payments on contracts, billings in excess of costs and estimated earnings on software installation contracts, costs and estimated earnings in excess of billings on software installation contracts) are short-term in nature. Accordingly, the carrying value of these instruments approximates their fair values. The fair value of notes payable was determined based on quoted market prices for the same issue and amounted to $37.5 million (carrying value of $77.2 million) at December 31, 2000 and $52.0 million (carrying value of $72.8 million) at December 31, 1999. See Note 14 for details of the Company's foreign exchange contracts.

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

The reconciliation of net loss to net cash used in operating activities for the years ended December 31, 2000, 1999, and 1998 follows.

	Year Ended December 31,		
	2000	1999	1998
		(in thousands)	
Net loss	$ (49,551)	$ (30,915)	$(28,375)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share compensation expense	—	127	108
Depreciation and amortization	10,383	10,238	4,955
Asset write downs	11,968	—	—
Unrealized foreign exchange (losses)/gains	(4,261)	(8,294)	5,690
Loss/(gain) on disposal of fixed assets	2,182	(715)	28
In-process research and development write-off	—	—	1,020
Amortization of deferred financing costs	232	269	147
Accretion of discount on notes payable	8,753	9,506	5,772
Extraordinary gain on extinguishment of debt	—	(2,760)	(4,377)
Realization of deferred tax benefit from stock compensation credited to additional paid-in capital	—	—	951
Decrease/(increase) in deferred income tax	36	(2,797)	—
Increase/(decrease) in income tax payable, net	818	(2,667)	1,969
Decrease/(increase) in restricted cash	9,755	2,043	(12,125)
Increase in trade accounts receivable	(1,597)	(2,028)	(473)
Increase/(decrease) in costs and estimated earnings in excess of billings on software installation contracts	(450)	78	(326)
Increase/(decrease) in prepaid expenses and other current assets	(457)	184	(1,692)
Decrease/(increase) in deposits for ATM leases	1,310	802	385
Decrease in cash surrender value of life insurance policies	—	—	489
(Decrease)/increase in trade accounts payable	(432)	1,119	94
Increase/(decrease) in advance payments on contracts	834	350	(32)
(Decrease)/increase in accrued expenses and other long term liabilities	(5,725)	3,049	2,523
(Decrease)/increase in billings in excess of costs and estimated earnings on software installation costs	(155)	2,040	501
Net cash used in operating activities	$ (16,357)	$ (20,371)	$(22,768)

(22) Non-Cash Financing and Investing Activities

Capital lease obligations of $5.1 million, $5.2 million and $3.9 million during the years ended December 31, 2000, 1999 and 1998, respectively, were incurred when the Company entered into leases primarily for new automated teller machines.

During the years ended December 31, 2000, 1999 and 1998, the Company issued warrants to purchase common stock totaling $ 372,000, $0, and $1,725,000, respectively.

(23) Concentrations of Business and Credit Risk

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

Cash and cash equivalents, and investment securities 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.

(24) Research and Development

The Company regularly engages in research and development activities aimed at the development and delivery of new products, services and processes to its customers including, but not limited to, bill payment and presentment, telephone banking products, applications for wireless application protocol ("WAP") enabled customer touch points, 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 $6.7 million, $3.2 million and $153,000 for the years ended December 31, 2000, 1999 and 1998, respectively. In 2000, $1.0 million was capitalized and appears on the Company's balance sheet in prepaid expenses and other assets, net of accumulated amortization of $137,000. In 1999, $322,000 was capitalized, net of accumulated amortization of $70,000.

(25) Employee Loans for Common Stock Program

In October 1999 the Company's Board of Directors approved and implemented a Loan Agreement Program ("Program") for certain employees under which the Company has loaned sums of money to participating employees in order for them to purchase shares of the Company's stock on the open market. The shares are pledged to the Company to secure the loans. As of December 31, 2000 166,195 shares are held by the Company as collateral for the loans. The loans carry five-year terms 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 term of the loans, the shares received by the Company will be recorded as treasury stock.

(26) Sale of Croatian Network

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

(27) Employee Benefit Plans

Euronet has established a Profit Sharing and 401(k) plan for all employees who have completed six months of service and are not otherwise covered by a retirement benefit plan (national or private) outside of the US. Each plan participant can contribute up to the maximum amount allowed by the Internal Revenue Service to the Plan through payroll deductions. Euronet's matching contribution to the plan is discretionary and is determined each year by the Board of Directors. The employee's vested percentage regarding the employer's contribution varies according to years of service. Euronet's contribution accrual to the Plan for the years ended December 31, 2000, 1999 and 1998 was $213,000, $159,000 and $26,000 respectively.

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

Directors and Officers

Board of Directors

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

Daniel R. Henry
Chief Operating Officer
Euronet Services Inc.

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

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

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

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

Executive Officers

Michael J. Brown
President and Chief Executive Officer

Daniel R. Henry
Chief Operating Officer

Jeffery B. Newman
Executive Vice President
and General Counsel

Miro Bergman
Executive Vice President,
Managing Director - EMEA

Ronald G. Ferguson
Executive Vice President,
Managing Director - North America

Thierry Michel
Vice President,
Managing Director - New Technologies

James P. Jerome
Vice President,
Managing Director - Software Solutions

Corporate Information

Professional Offices

Independent Auditors
KPMG
LIM Center, IX Floor
Al. Jerozolimskie 65/79
00-697 Warsaw, Poland

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

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

James McCroy
Managing Director Investor Relations
Euronet Services Inc.
Tel: 913-327-4232
Fax: 913-327-1921
jmccroy@euronetworldwide.com

Common Stock Information

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

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

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

Corporate Offices

Corporate Headquarters

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

European Headquarters

Horvát u. 14-24.
1027 Budapest, Hungary
Tel: 36-1-224-1000
Fax: 36-1-224-1013

Software Division

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Little Rock, Arkansas 72223-9138
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Fax: 501-218-7302

Web Site

For further information, visit:
www.euronetworldwide.com

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Fax: 385-1-63-26-778

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

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92200 Neuilly-sur-Seine, France
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Fax: 33-1-47-22-32-82

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10117 Berlin, Germany
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Fax: 401-310-3383

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Meydan Sokak No 28
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Tel: 90-212-335-2512 or 2513

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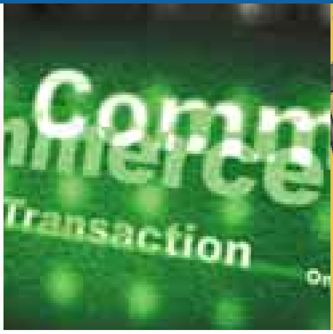

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