EURONET WORLDWIDE INC
Form 10-Q/A
June 28, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended March 31, 2004

OR

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

Commission File Number: 000-22167

EURONET WORLDWIDE, INC.

(Exact name of the registrant as specified in its charter)

Delaware	**74-2806888**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**

4601 COLLEGE BOULEVARD, SUITE 300

LEAWOOD, KANSAS 66211

(Address of principal executive offices)

(913) 327-4200

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x No ¨

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of April 30, 2004, the Company had 30,723,667 common shares outstanding.

EXPLANATORY NOTE

This Amendment No. 1 amends the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 filed with the Securities and Exchange Commission on May 10, 2004. In the previous filing, the risk factors were attached thereto as Exhibit 99.1. The Registrant hereby amends that quarterly report by placing the same risk factors in Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations.

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

OVERVIEW

Company Overview

Euronet Worldwide offers ATM outsourcing services, integrated EFT software and related consulting services, network gateways, and electronic prepaid top-up services to financial institutions, mobile operators and retailers. We operate the largest independent pan-European ATM network and the largest national shared ATM network in India, and are one of the largest providers of prepaid processing, or top-up services, for prepaid mobile airtime. We have processing centers in the U.S., Europe and Asia, and process electronic top-up transactions at more than 150,000 POS terminals across over 60,000 retailers in Europe, Asia Pacific and the U.S. With corporate headquarters in Leawood, Kansas, USA, and 17 offices worldwide, Euronet serves clients in more than 60 countries.

Economic Factors, Industry Factors and Risks

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

- Technological and business developments in the local card, electronic and mobile banking and mobile phone markets affecting transaction and other fees that we are able to charge for our services as well as retention and maintenance of preferred technology for distribution of electronic services;

- Foreign exchange fluctuations;

- Competition from bank-owned ATM networks, outsource providers of ATM services, providers of prepaid mobile phone services, including mobile operators, and software providers;

- Our relationships with our major customers, sponsor banks in various markets, international card organizations and mobile operators, including the risk of assumption by mobile operators of direct distribution mobile phone time and contract terminations with major customers; and

- Changes in laws and regulations affecting our business.

These risks and other risks are described in Exhibit 99.1 to this Form 10-Q and our other filings with the SEC, which are incorporated herein by reference.

Lines of Business, Geographic Locations and Principal Products and Services

We operate in three principal business segments:

In our EFT Processing Segment, we process transactions for a network of 3,870 ATMs across Europe and in India. We provide comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM management solutions, and electronic recharge services for prepaid mobile airtime.

Through our Prepaid Processing Segment, we provide prepaid processing, or top-up services, for prepaid mobile airtime and other prepaid products. We operate a network of more than 150,000 POS terminals providing electronic processing of prepaid mobile phone airtime top-up services in the U.K., Australia, Poland, Ireland, New Zealand, Germany, the U.S., Malaysia and Indonesia.

Through our Software Solutions Segment, we offer a suite of integrated electronic financial transaction (EFT) software solutions for electronic payment and transaction delivery systems.

As of March 31, 2004 we had 10 principal offices in Europe, four in the Asia-Pacific region, two in the U.S. and one in Egypt. Our executive offices are located in Leawood, Kansas, U.S.A.

Sources of Revenues and Cash Flow

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

EFT Processing Segment Of total segment revenue, approximately 51% was derived from ATMs we owned (excluding those leased by us in connection with outsourcing agreements). We believe our strategy to shift from a largely proprietary, Euronet-owned ATM network to a greater focus on ATMs operated under outsourcing agreements will provide higher marginal returns on investments. On our proprietary network, we generally charge fees for four types of transactions that are processed on our ATMs:

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

Transaction fees for cash withdrawals vary from market to market but generally range from $0.60 to $2.70 per transaction. Transaction fees for the other three types of transactions are generally substantially less. We include transaction fees earned under the electronic recharge solutions that we distribute through our ATMs in EFT Processing Segment revenues. Fees for recharge transactions vary significantly from market to market and are based on the specific prepaid solution and the denomination of prepaid usage purchased. Generally, transaction fees vary from $0.40 to $1.80 per prepaid mobile recharge purchase and are shared with the financial institution and the mobile operator. Any or all of these fees may come under pricing pressure in the future.

Customer-owned ATMs operated under service agreements require a nominal up-front capital investment by us because we do not purchase the ATMs. We typically, but not necessarily in all cases, charge a per ATM management fee and a transaction fee for each ATM managed under our outsourcing agreements. Additionally, in many instances operating costs are the responsibility of the owner and, therefore, recurring operating expenses per ATM are lower.

Prepaid Processing Segment - The significant growth in the revenue and operating income in our Prepaid Processing Segment is the result of the acquisitions of e-pay, transact, AIM and Precept (see discussion below and Note 4 to the unaudited consolidated financial statements) together with the significant growth rates experienced at each of these businesses. During 2003, e-pay was still establishing contractual relationships with many large and small retailers to distribute mobile top-up services through POS terminals. Revenues have grown rapidly each quarter as the level of business at the retailers concerned has ramped up to full realization. Growth in the business is also attributable to the conversion by mobile operators from prepaid top-up using scratch card solutions to electronic processing solutions. We do not expect these growth rate levels to continue.

Revenue is recognized based on processing fees received from mobile and other telecommunication operators or from distributors of prepaid wireless products for the distribution and/or processing of prepaid mobile airtime and other telecommunication products. Due to certain provisions of the mobile phone operator agreements, mobile phone operators have the ability to reduce the overall processing fee paid on each top-up transaction. However, by virtue of our contracts with retailers, not all of these reductions are absorbed by us as commission rates paid to our retailers and distributors may also decline. In Australia, certain retailers negotiate directly with the mobile phone operators for their own commission rates. Our maintenance of agreements with mobile operators is important to the success of our business, because these agreements permit us to distribute top-up to the mobile operators customers.

Software Solutions Segment - The revenues from the Software Solutions Segment are derived from software license fees, professional service fees for providing customization, installation and consulting services to our customers, ongoing software maintenance fees and hardware sales revenues.

Opportunities, Challenges and Risks

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

The continued expansion and development of our ATM business will depend on various factors including, but not limited to, the following:

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

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

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

We plan to expand our prepaid mobile phone top-up business, which is currently focused on the U.K., Germany, the U.S., Ireland, Poland, New Zealand and Australia, into our other markets by taking advantage of our expertise together with existing relationships with mobile phone operators and retailers. This expansion will depend on various factors including, but not necessarily limited to, the following:

- the ability to negotiate new agreements for other markets with mobile phone operators and retailers;
- the continuation of the trend of increased use of electronic prepaid airtime among mobile phone users;
- the development of mobile phone networks in these markets and the increase in the number of mobile phone users;
- the availability of financing for expansion; and
- the rate and volume of conversion from prepaid top-up using scratch card solutions to electronic processing solutions.

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

Significant Events in the first quarter of 2004:

- Acquisition of Precept See Management s Discussion and Analysis, Prepaid Processing Segment on pages 17-18; see also Note 4 to the unaudited consolidated financial statements.
- Reduction of 12 3/8% Senior Debt See Management s Discussion and Analysis, Balance Sheet on page 27; see also Note 9 and Note 12 to the unaudited consolidated financial statements
- $10 million line of credit established with a U.S.-based financial institution See Contractual Obligations and Off-Balance Sheet Items on page 24; see also Note 9 to the unaudited consolidated financial statements

SEGMENT SUMMARY RESULTS OF OPERATIONS

	Three months ended March 31, (unaudited in thousands)			
	Revenues		Operating Income	
	2004	2003	2004	2003
EFT Processing	$ 14,940	$ 11,961	$ 1,990	$ 831
Prepaid Processing	62,919	17,372	6,379	1,524
Software Solutions	3,196	3,894	207	242
Corporate Services			(2,110)	(1,451)
Sub-total	81,055	33,227	6,466	1,146
Inter-segment eliminations		(127)	47	5
Total	$ 81,055	$ 33,100	$ 6,513	$ 1,151

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND MARCH 31, 2003

The following table presents the results of operations for the EFT Processing Segment for the three months ended March 31, 2004 and 2003:

EFT PROCESSING SEGMENT

	Three months ended March 31, (unaudited, in thousands)	
	2004	**2003**
Total revenues	$ 14,940	$ 11,961
Operating expenses:		
Direct operating cost	6,884	5,765
Salaries and benefits	3,523	3,067
Selling, general and administrative	708	452
Depreciation and amortization	1,835	1,846
Total operating expenses	12,950	11,130
Operating income	$ 1,990	$ 831

Revenues

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

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

Total segment revenues increased 25%, or $3.0 million, to $14.9 million in the first quarter 2004 from $12.0 million in the first quarter 2003. As of March 31, 2004, we operated 3,870 ATM s, an increase of 29% over 2,994 ATMs as of March 31, 2003. At March 31, 2004, we own 22% of these ATMs (excluding those leased by us in connection with outsourcing agreements), while the remaining 78% are operated under management outsourcing agreements. Transactions on machines owned or operated by us were 34.9 million for the first quarter 2004, an increase of 11.5 million, or 49%, over the 23.4 million transactions for the first quarter 2003. The increase in transaction growth is greater than the increase in ATM s operated and revenue growth due to an increase in ATMs that we operate under ATM management outsourcing agreements relative to ATMs we own during this period. The revenues generated from ATM management agreements often have a substantial monthly recurring fee as compared to a per transaction fee for our owned ATMs. This recurring fee generates both fixed and variable revenue components. As a result, transactions on these machines generally increase faster than the revenues.

Revenue per ATM was $4,139 for the first quarter 2004, compared to $3,988 for the first quarter 2003. Revenue per transaction was $0.43 for the first quarter 2004, compared to $0.51 for the first quarter 2003. These increases in revenue per ATM are primarily due to the increased transaction levels on ATMs combined with the continued increases in transactions and ATMs under network participation agreements and new outsourcing agreements throughout 2003 and into the first quarter of 2004. Certain new outsourcing agreements have fixed monthly or periodic fees and other professional fees during the roll out period. Although network participation agreements have transaction fees that are lower than our average fees, they produce increased transaction levels on currently existing ATMs. Our revenue from mobile phone top-ups at our ATM sites also continued to increase. Finally, we experienced per transaction fee increases in our western European market. The decline in revenue per transaction is the result of the continuing movement to ATM management agreements that have a substantial monthly recurring fee as compared to a per transaction fee. Of total segment revenue, approximately 47% is from ATMs we owned (excluding those leased by us in connection with outsourcing agreements) for the first quarter of 2004 and 57% for the first quarter of 2003. We believe our shift from a largely proprietary, Euronet-owned ATM network to operating ATMs under outsourcing arrangement is a positive development and will provide higher marginal returns on investments. Customer owned ATMs operated under service agreements require a nominal up front capital investment because the ATMs are not purchased by us. Additionally, in many instances operating costs are the responsibility of the owner and, therefore, recurring operating expenses per ATM are lower.

Operating Expenses

Total segment operating expenses increased 16%, or $1.9 million, to $13.0 million in the first quarter of 2004 from $11.1 million in the first quarter of 2003. The increase is primarily due to an increases in direct operating costs supporting revenue increases, in salaries to support our operational growth during the period, including an increase in incentive accruals based on performance, and in operating expenses to support in the Asia-Pacific markets. Total segment operating expenses as a percentage of revenues decreased to 87% for the first quarter of 2004 compared to 93% for the first quarter of 2003, reflecting expense management efforts and lower rates of operating expense increases compared to revenue growth. The increase in outsourced ATM s with lower operating costs in combination with our fixed cost structure, particularly relating to salaries and selling, general and administrative expenses, also contributed to the expense decrease in relation to revenues.

Direct operating costs increased 19%, or $1.1 million, to $6.9 for the first quarter 2004 compared to $5.8 million for first quarter 2003. This increase is primarily due to the increased cost of operating an additional 29% of ATMs in the first quarter 2004 compared to 2003. Direct operating costs as a percentage of revenues fell to 46% in the first quarter of 2004 from 48% in the first quarter of 2003. Direct operating costs per ATM declined slightly to $1,907 in the first quarter of 2004 from $1,926 in the first quarter of 2003. Direct operating cost per transaction fell 20% to $0.20 in the first quarter of 2004 from $0.25 in 2003.

Costs per transaction have decreased because of increasing transaction volumes on existing sites with a significant fixed direct operating cost structure, including fixed costs per ATM, such as maintenance, on these sites. Increasing transaction volumes on existing sites that have fixed direct operating expenses decreases our costs per transaction. In addition, the number of ATMs that we operate under ATM management agreements increased. These ATMs generally have lower direct operating expenses (telecommunications, cash delivery, security, maintenance and site rental) because, depending on the customer, our ATM management agreements cause us to bear some but not necessarily all expenses required to operate the ATM. Additionally, during 2003, we renegotiated certain maintenance, telecommunication and cash supply agreements with vendors to reduce fees per ATM and per transaction.

As a result of the factors mentioned above, gross margin per ATM (revenue less direct operating costs) increased to $2,232 for the first quarter 2004 from $2,086 for the first quarter 2003. Gross margin per transaction decreased to $0.23 for the first quarter 2004 from $0.26 for the first quarter 2003.

Salaries and benefits increased 15%, or $0.4 million, to $3.5 million in the first quarter of 2004 from $3.1 million in the first quarter of 2003 due to our growing Asia markets and certain incentive payments earned based on expected performance levels. These increases were necessary due to the increasing number of ATMs and transactions processed in connection with additional outsourcing agreements signed in late 2003. Salaries and benefits decreased as a percentage of revenue to 24% in the first quarter of 2004 from 26% in the first quarter of 2003, reflecting the scalability of human resource utilization in the EFT Processing Segment.

Selling, general and administrative costs increased $0.3 million in the first quarter of 2004 compared to the first quarter of 2003, largely due to expenses in our growing Asian markets.

Depreciation and amortization remained constant at approximately $1.8 million for the first quarter of 2004 and 2003.

Operating Income

The EFT Processing Segment operating income increased by $1.2 million to $2.0 million, or 13% of revenues, in the first quarter 2004 from $0.8 million, or 7% of revenues, in the first quarter 2003. This increase is generally the result of revenue increases of 25% from new ATM outsourcing and network participation agreements combined with leveraging certain management cost structures. Moreover, this also resulted in an increase in operating income per ATM to $551 in the first quarter of 2004 from $277 in the first quarter of 2003 and operating income per transaction rose to $0.06 in the first quarter of 2004 from $0.04 in the first quarter of 2003.

PREPAID PROCESSING SEGMENT

Acquisitions of Prepaid Processing companies

In 2003, we acquired e-pay, transact and AIM and in January 2004 we acquired Precept. These companies are in the business of electronic payment processing of prepaid mobile phone airtime top-up services throughout Europe, Asia Pacific and the United States. The transactions are more fully described in Note 4 to the unaudited consolidated financial statements.

The following table presents the results of operations for the first quarter of 2004 and 2003, including pro-forma results for first quarter 2003 as if all Prepaid Processing Segment acquired businesses were included in our consolidated results of operations as of January 1, 2003 (unaudited, in thousands):

	Three months ended March 31, 2004	Pro-forma three months ended March 31, 2003 (all acquisitions)	Actual two months ended March 31, 2003 (e-pay only)
Total revenues	$ 62,919	$ 31,286	$ 17,372
Operating expenses:			
Direct operating cost	49,712	24,360	14,007
Salaries and benefits	3,370	1,963	812
Selling, general and administrative	1,992	1,264	411
Depreciation and amortization	1,466	1,228	618
Total operating expenses	56,540	28,815	15,848
Operating income	$ 6,379	$ 2,471	$ 1,524

Summary

The actual first quarter 2004 actual results compared to first quarter 2003 actual and pro-forma results for the Prepaid Processing Segment reflect significant growth. This growth was predominately from e-pay in the U.K. and Australia as well as our entry into the German and U.S. markets. The U.K. and Australian mobile operators were among the first to aggressively promote the use of electronic top-up products over scratch-card products, e-pay was able to benefit significantly from their actions in this regard. Moreover, e-pay benefited from strong sales in both 2004 and 2003, during which time it was successful in signing e-top-up distribution agreements with several major U.K. and Australian retailers. The entire Prepaid Business Segment benefited in 2004 by the full quarter effects of retailer agreements signed and implemented throughout 2003. In addition, the significant growth in revenue and operating income for the quarter ended March 31, 2004 over March 31, 2003 is the result of the start-up of each of our acquired prepaid businesses complemented by the conversion of mobile operators from prepaid top-up using scratch card solutions to electronic processing solutions, such as those provided by e-pay.

Revenues

The Prepaid Processing Segment s 2004 revenues of $62.9 million reflected sequential quarterly growth throughout 2003 and continuing into 2004. Revenues for the first quarter 2004 reflect an increase of $45.5 million over actual first quarter 2003 revenues and $31.6 million over pro-forma first quarter 2003 results. This strong growth is the result of the acquisitions of e-pay, transact, AIM and Precept together with the significant growth rates experienced at each of these businesses. Specifically, first quarter 2004 s actual year-over-year revenue improvements included e-pay for all three months in the first quarter 2004 rather than only two months in the first quarter 2003, as well as $3.6 million from the November 2003 acquisition of transact, and $5.7 million from our U.S. prepaid operations, which were initiated in September 2003 with acquisition of AIM and followed with the January 2004 acquisition of Precept. Additionally, mobile operators continued to shift from scratch card solutions to electronic top-up solutions. The full quarter effects of large retailer agreements implemented in 2003 as well as the launch of prepaid business operations in New Zealand, Ireland and Poland subsequent to the first quarter 2003 have resulted in additional growth. We do not expect these growth rates to continue.

Total transactions processed by the Prepaid Processing Segment in first quarter 2004 were 48.5 million, compared to 12.0 million in the first quarter 2003. The first quarter 2003 included only two months of transactions due to the February, 2003 acquisition of e-pay. Revenue and gross margin per transaction averaged $1.30 and $0.27, respectively, during the first quarter of 2004, compared to $1.44 and $0.28 for the first quarter of 2003, respectively. Revenue per transaction has trended slightly downward due to the reductions of commission rates paid by the mobile operators in the U.K. Gross margin has trended downward due to increased transaction volumes from existing larger retailers who earn discounts consistent with higher transaction volumes. Transaction growth in the U.K. and Australia is expected to slow in the next 12 to 24 months as a result of our current association with nearly all of the larger retail merchants and as the conversion to electronic top-up from scratch-card vouchers begins to slow. New markets in Poland, Germany, Ireland, New Zealand and the U.S. are expected to experience higher transaction growth rates than the U.K. and Australia as the conversion to electronic top-up from scratch-card vouchers accelerates.

Operating Expenses

Direct operating expenses in the Prepaid Processing Segment include the distribution fee we pay to retail merchants. These expenditures vary directly with processed transactions. Communication and paper expenses required to operate terminals are also included.

The direct operating expense generally grew at rates slightly lower than revenue growth. Direct operating expenses were $49.7 million, or 79% of revenue, for the first quarter 2004, compared to $14.0 million, or 81% of revenues, for the first quarter of 2003. Higher transaction volumes and related commission expense directly attributable to increase in revenue were the primary reasons for the increase in the amounts of direct operating expenses. Direct operating expense per transaction decreased to $1.03 in the first quarter of 2004 from $1.17 per transaction in the first quarter of 2003. This decrease is generally due to two items: the mobile operator rate decrease in the U.K. which was passed through to the retailers, and; the addition transact to the Prepaid Processing Segment in the first quarter 2004. The majority of the transactions currently processed by transact earn revenues based on a transactional fee structure with no related direct costs. We expect transact s mix of the total prepaid business to continue to grow. However, we have no ability to estimate whether the mobile operators will change their commission structures nor can we accurately predict whether we will continue to be able to pass any such reduced commissions, if any, through to the retailers.

Segment salaries and benefits were $3.4 million, or 5%, of revenues for first quarter 2004, an increase of $2.6 million over $0.8 million, also 5% of revenues, for the first quarter 2003. Selling, general and administrative expenses were $2.0 million, or 3.0% of revenues, for the first quarter 2004, an increase of $1.6 million over the first quarter 2003 expense of $0.4 million, or 2% of revenues. These increases are generally due to the due to the inclusion in the first quarter 2004 of the full three months of the quarter for e-pay, the acquisitions of transact, AIM and Precept and the expansion of prepaid in the Polish and New Zealand markets.

Depreciation and amortization expense increased $0.9 million to $1.5 million for first quarter 2004 from $0.6 million for first quarter 2003. Depreciation and amortization includes $0.8 million and $0.3 million for the first quarter of 2004 and 2003, respectively, relating to amortization of assigned amortizable intangible assets resulting from purchase accounting allocations. The additional increase of $0.4 million relates to a full quarter in 2004 of e-pay, the acquisition of Transact, AIM and Precept and the depreciation on terminal and fixed asset additions in connection with the growing prepaid markets.

Operating Income

The Prepaid Processing Segment s operating income increased to $6.4 million, or 10% of revenues, in the first quarter 2004 from $1.5 million, or 9% of revenues, in the first quarter 2003 and, on a pro forma basis, from $2.5 million, or 8% of revenues, in the first quarter of 2003. Operating income per transaction remained constant at $0.13 for the first quarter of 2004 and 2003.

SOFTWARE SOLUTIONS SEGMENT

The following table presents the results of operations for the first quarter of 2004 and 2003 for our Software Solutions Segment:

	Three months ended March 31, (unaudited, in thousands)	
	2004	**2003**
Total revenues	$ 3,196	$ 3,894
Operating expenses:		
Direct operating cost	78	307
Salaries and benefits	2,161	2,375
Selling, general and administrative	529	695
Depreciation and amortization	221	275
Total operating expenses	2,989	3,652

Operating Income	$ 207	$ 242

Revenues and operating expenses.

The Software Solutions Segment s revenues consist of fees from licensing, professional services and maintenance of software and sales of hardware. Software license fees are the initial fees we charge to license our proprietary application software to customers. We charge professional service fees for providing customization, installation and consulting services to our customers. Software maintenance fees are the ongoing fees we charge for maintenance of our customers software products. Hardware sales revenues are derived from the sale of computer products.

The components of Software Solutions revenue for the three-month periods ended March 31, 2004 and 2003 were:

	Three months ended March 31, (unaudited, in thousands)	
	2004	**2003**
Software license fees	$ 423	$ 684
Professional service fees	1,330	1,496
Maintenance fees	1,427	1,555
Hardware sales	16	159
Total	$ 3,196	$ 3,894

Software revenues decreased in the first quarter of 2004 by $0.7 million compared to the first quarter of 2003. The decreases in all categories were due to an exceptionally strong fourth quarter in 2003 followed by fewer billable hours in professional services as well as fewer license contracts and maintenance contract fees in the first quarter of 2004. Additionally, in the first quarter of 2004 certain software development and professional service resources were redeployed to the Prepaid Processing and EFT Processing Segments due to the needs to develop and install certain new mobile and ATM product offerings and fulfill contract requirements. As a result, operating expenses also decreased $0.7 million in the first quarter of 2004 compared to the first quarter of 2003, in line with the revenue decrease. Operating income remained relatively constant.

Software Sales Backlog

We define software sales backlog as fees specified in contracts which we have executed and for which we expect recognition of the related revenue within one year. At March 31, 2004, the revenue backlog was $4.5 million as compared to $4.3 million at March 31, 2003. We cannot give assurances that the contracts included in backlog will actually generate the specified revenues or that the revenues will be generated within the one-year period.

CORPORATE SERVICES

	Three months ended March 31, (unaudited, in thousands)	
	2004	**2003**
Salaries and benefits	$ 1,033	$ 620
Selling, general and administrative	1,045	809
Depreciation and amortization	32	22
Total operating expenses	$ 2,110	$ 1,451

Operating Expenses

Operating expenses for Corporate Services increased to $2.1 million for the quarter ended March 31, 2004 from $1.5 million for the quarter ended March 31, 2003 primarily due to increases in professional fees, insurance and salary expense resulting from overall company growth annual compensation increases and incentive awards.

NON-OPERATING RESULTS

Interest Income

Interest income was $0.6 million for the first quarter of 2004, compared to $0.4 million for the first quarter of 2003, due to a marginal increase in the interest rate earned and a significant increase in the average balance on temporary cash investments held in trust in the growing Prepaid Processing Segment. Additionally, e-pay s first quarter 2003 amounts included only two months of activity, based on the February 2003 acquisition date.

Interest Expense

Interest expense increased marginally to $1.8 million for the first quarter of 2004 from $1.6 million for the first quarter of 2003. The increase was primarily due to the increase in the outstanding amount of our 12 3/8% Senior Discount Notes throughout 2003 as a result of the weakening of the U.S dollar relative to the euro during 2003. Additionally, the Precept acquisition indebtedness of $4.0 million was outstanding for the entire quarter.

Gain on Sale of Subsidiary

The gain on subsidiary of $18.0 million for the first quarter 2003 relates to the sale of our U.K. subsidiary in January 2003. This sale is more fully described in Note 5 to the unaudited consolidated financial statements.

Foreign Exchange Gain (Loss)

We had a net foreign exchange gain of $0.2 million for the first quarter 2004, compared to a net foreign exchange loss of $1.8 million for the first quarter of 2003. This gain is primarily due to the strengthening of the U.S. dollar, particularly relative to the euro and British pound sterling (GBP) during 2004. Exchange gains and losses that result from re-measurement of some of our assets and liabilities are recorded in determining net loss. A portion of the assets and liabilities are denominated in euros and GBP, including certain capital lease obligations, the Senior Discount Notes, acquisition debt and cash and cash equivalents. It is our policy to attempt to reasonably 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.

Income Tax (Expense) Benefit

Tax expense on income from continuing operations was $2.1 million for the first quarter of 2004 compared to $0.7 million for the first quarter 2003. Tax expense continues to grow due to the separate company profitability in the Prepaid Processing and EFT Processing Segments, especially in Western Europe and Australia, together with the inclusion of e-pay for a full quarter in the first quarter 2004 and the inclusion of transact, both profitable and tax paying entities. The effective tax rate for the first quarter 2004 is approximately 39%.

Net Income

In summary, net income was $3.3 million during the first quarter of 2004 compared to $15.4 million for the first quarter of 2003. This first quarter 2004 decrease of $12.1 million over first quarter 2003 was primarily due to:

- the one time gain on the sale of Euronet U.K. of $18.0 million in the first quarter of 2003;
- an increase in income tax expense in the first quarter of 2004 of $1.4 million; and
- an increase in corporate salary, general and administrative expenses in the first quarter of 2004 of $0.7 million, offset by increases in the first quarter of 2004 of:
  - operating income from the Prepaid Processing Segment of $4.9 million;
  - operating income of the EFT Processing Segment of $1.2 million; and
  - net foreign exchange gain over loss of $2.1 million.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2004, the Company had unrestricted cash and cash equivalents of $19.3 million, an increase of $0.1 million from $19.2 million as of December 31, 2003. Cash flow from operations contributed approximately $9.4 million in the first quarter of 2004, including approximately $4.2 million that was freed up due to the release of restricted cash held as collateral on standby letters of credit. The release of restricted cash occurred in connection with execution of a new $10.0 million unsecured revolving line of credit with a bank in the first quarter of 2004. Debt repayments reduced unrestricted cash by approximately $6.6 million during the quarter. Capital expenditures consumed approximately $2.0 million of cash during the quarter. Tax payments were approximately $2.0 million for the quarter. The balance of the uses of cash during the quarter came from additional changes in working capital.

We have restricted cash of $37.6 million as of March 31, 2004, including $36.0 million of cash held in trust and/or cash held on behalf of others in connection with the receipt and disbursement activities in the Prepaid Processing Segment. Restricted cash decreased by approximately $20.7 million during the quarter due the release of $4.2 million in cash collateral that supported the letters of credit described above as well as the payment of approximately $14.0 million in trade accounts payable to mobile operators in January 2004 that resulted from the timing of mobile operator invoicing.

We reduced the amount of our 12 3/8% Senior Discount Notes outstanding to $37.4 million at March 31, 2004 from $43.6 million at December 31, 2003, as a result of a $5.0 million repurchase together with a $1.1 million benefit in foreign exchange rates due to the strengthening of the dollar against the euro during the quarter. Moreover, we repurchased an additional $5.0 million of the Senior Discount Notes in April 2004, bringing our balance outstanding to approximately $32.4 million at the end of April 2004, which is due and payable on July 1, 2006. At current debt levels, we will be required to make approximately $2.0 million in interest payments on a semi-annual basis through 2006 on January 1 and July 1 of each year.

Since July 1, 2002, we have had the option at any time exercise our right to partially or fully redeem the Senior Discount Notes for cash without restriction. Any redemption is subject to an early redemption premium as defined in the indenture governing our Senior Discount Notes. The early redemption premium decreases throughout the term of the Senior Discount Notes. As of March 31, 2004, the early redemption premium is 4%, reducing to 2% on July 1, 2004 and no premium from July 1, 2005 and thereafter.

We intend to continue to reduce our indebtedness under our Senior Discount Notes through periodic cash repurchases and equity exchanges as we have done in the past. In the event we are not able to exchange debt for equity or repay the debt through cash flows, we will attempt to refinance this debt to decrease interest costs and, if possible, extend its repayment period if reasonable terms are available.

In February 2003, we acquired e-pay and incurred indebtedness comprised of three separate elements totaling approximately $27 million. In January 2004, we acquired Precept and incurred indebtedness of $4.0 million. The terms of this new indebtedness are more fully described in Note 4 to the unaudited financial statements. All but $12.6 million of the e-pay indebtedness was repaid or converted to shares of our Common Stock prior to December 21, 2003. We currently expect to repay all amounts due from available cash flows or, if necessary, will seek to refinance of the debt. The remaining element of the e-pay acquisition debt of $12.6 million and the $4.0 million in Precept acquisition debt is due within the next 10 months and, accordingly, is classified as current in our balance sheet as of March 31, 2004. At the current level of this acquisition debt, we will be required to make semi-annual interest payments of approximately $0.6 million. We intend to repay this indebtedness from cash flows from operations. In the event we are not able to repay the debt through cash flows, we will attempt to refinance this debt.

Our Czech subsidiary entered into an overdraft facility with a bank for up to approximately $1.5 million to support additional ATM network cash needs during the fourth quarter holiday season. In the fourth quarter, we drew the full amount of the facility. As of March 31, 2004 the facility has been repaid in full.

In February 2004, we entered into a two-year unsecured revolving credit agreement providing a facility of up to $10 million with a U.S.-based financial institution. The proceeds from the facility can be used for working capital needs, acquisitions, and other corporate purposes. Interest accrues on any balances outstanding at a prime-based floating rate or LIBOR-based rates for 90-day periods. Certain financial performance covenants must be maintained under the agreement, and the $10 million is subject to certain advance rate restrictions. As of March 31, 2004 we were in compliance with these covenants, and the maximum amount allowable to borrow under the advance rate limitation is approximately $7.9 million. Subsequent to March 31, 2004, we borrowed $2.5 million under this bank agreement and utilized $2.5 million to secure stand by letters of credit, leaving approximately $2.9 million available for future borrowings.

We can give no assurances that we will be able to obtain favorable terms for refinancing of any of our debt as described above.

In the EFT Processing Segment, we lease many of our ATMs and certain computer equipment under capital lease arrangements that expire between 2003 and 2008. The leases bear interest between 4.0% and 12% per year. As of March 31, 2004, we owed $5.0 million under these capital lease arrangements. We expect that our capital requirements will continue in the future, although our strategy to focus on ATM outsourcing opportunities rather than ATM ownership and deployment as well as redeployment of under-performing ATMs will reduce capital requirements.

In the Prepaid Processing Segment, we own approximately 25,000 of the 150,000 POS devices that we operate. The remaining 125,000 represent integrated cash register devices of our major retail customers. As the prepaid processing business expands, we will continue to add terminals in certain independent retail locations at a price of approximately $300 per terminal. We expect the proportion of owned terminals to remain at a similar percent of total terminals operated.

Capital expenditures for 2004 are estimated to be approximately $13 to $15 million. This increase is largely driven by the expected purchase of approximately 725 ATMs from a bank for approximately $8.0 million under a multi-year ATM outsourcing agreement and an expected $4.0 to $6.0 million related the EMV/chip-card upgrades to enable certain micro-chip card technology for Smart Cards. With respect to the purchase of the 725 ATMs, our agreement with the bank provides for a simultaneous ATM sale/leaseback transaction with a leasing entity affiliated with the bank. The cost of the lease will be charged back to the bank customer. Our agreement further provides that in the event we, or the bank, terminate the ATM outsourcing agreement for any reason, the obligations under the lease agreement will automatically terminate and the ATMs revert back to the affiliated entity with no remaining obligation to us. With respect to the remaining capital expenditures, we anticipate that we will fund their purchases under lease terms acceptable to us or with cash.

Additionally, we may be required to issue additional shares of our Common Stock to the shareholders of transact and AIM under contingent earn-out payments in connection with our acquisitions of the shares of transact and assets of AIM. The number of shares issued under the earn outs will depend upon the performance of the businesses acquired and the trading price of our Common Stock at the time we make the earn out payments. We have estimated the earn out payment in the transact acquisition to be approximately $20 to $30 million (50% payable in cash and 50% in our Common Stock) and in the AIM transaction to be approximately $2 to $5 million (30% payable in cash and 70% payable in our Common Stock).

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

Effective July 1, 2001, we implemented our 2001 Employee Stock Purchase Plan, or ESPP, under which employees have the opportunity to purchase Common Stock through payroll deductions according to specific eligibility and participation requirements. This plan qualifies as an employee stock purchase plan under section 423 of the Internal Revenue Code of 1986. We completed a series of offerings of three months duration with new offerings commencing on January 1, April 1, July 1, and October 1 of each year. Under the plan, participating employees are granted options, which immediately vest and are automatically exercised on the final date of the respective offering period. The exercise price of Common Stock options purchased is the lesser of 85% of the fair market value (as defined in the ESPP) of the shares on the first day of each offering or the last date of each offering. The options are funded by participating employees payroll deductions or cash payments.

Under the provisions of the 2001 ESPP, we reserved 500,000 shares of Common Stock all of which we had issued as of December 31, 2002. In February 2003, we adopted a new ESPP and reserved 500,000 shares of Common Stock for issuance under that plan. During the first quarter 2004, we issued 13,073 shares at a price of $15.79 per share, resulting in proceeds to us of approximately $0.2 million.

In January 2004, we made matching contributions of 11,482 shares of stock in conjunction with our 401(k) employee benefits plan for the plan year 2003. Under the terms of this plan, employer-matching contributions consist of two parts, referred to as basic and discretionary. The basic matching contribution is equal to 50% of eligible employee elective salary deferrals between 4% and 6% of participating employee salaries for the plan year. The discretionary matching contribution is determined by our Board of Directors for a plan year and is allocated in proportion to employee elective deferrals. As of March 31, 2004, total employer matching contributions since inception of the plan has consisted of 81,693 shares under the plan.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ITEMS

The following table summarizes our contractual obligations as of March 31, 2004 (unaudited, in thousands):

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Senior notes	$ 70,602	$ 26,081	$ 44,521	$	$
Capital leases	6,888	2,916	3,085	747	140

Operating leases	9,068	2,430	4,111	2,353	174
Purchase obligations	17,180	7,945	6,020	2,208	1,007
Other long-term liabilities					
Total	$ 103,738	$ 39,372	$ 57,737	$ 5,308	$ 1,321

Purchase obligations include contractual amounts for ATM maintenance, cleaning, telecommunication and cash replenishment operating expenses. While contractual payments may be greater or less based on the number of ATMs and transaction levels, purchase obligations listed above are estimated based on current levels of such business activity. We have no other significant off-balance sheet items.

Euronet Worldwide, Inc. regularly grants guarantees of the obligations of it wholly-owned subsidiaries. These obligations include financial obligations of subsidiaries under leases or other agreements (such as cash supply agreements), as well as guarantees of performance of executory commercial agreements entered into between Euronet subsidiaries and their customers. As of March 31, 2004, Euronet Worldwide Inc. had granted guarantees in the following amounts:

- Repayment of cash in various ATM networks - $13.5 million over the five to six year terms of the cash supply agreements; and

- Various vendor supply agreements - $1.1 million over the term of the vendor agreements.

Additionally, one of our Prepaid Processing subsidiaries, e-pay Limited, has guaranteed all commercial obligations of our Australian Prepaid Processing subsidiary, including PIN inventory held on consignment with our customers, of approximately $30 million as of March 31, 2004.

In certain instances in which we license proprietary systems to customers, we give certain warranties and infringement indemnities to the licensee, the terms of which vary depending on the negotiated terms of each respective license agreement, but which generally warrant that such systems will perform in accordance with their specifications. The amount of such obligations is not stated in the license agreements. Our liability for breach of such warranties may be subject to time and materiality limitations, monetary caps and other conditions and defenses.

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

- We have entered into purchase and service agreements with our vendors, and consulting agreements with providers of consulting services to us, pursuant to which we have agreed to indemnify certain of such vendors and consultants, respectively, against third party claims arising from our use of the vendor s product or the services of the vendor or consultant.

- In connection with our disposition of subsidiaries, operating units and business assets, we have entered into agreements containing indemnification provisions, the terms of which vary depending on the negotiated terms of each respective agreement, but which are generally described as follows: (i) in connection with acquisitions made by us, we have agreed to indemnify the seller against third party claims made against the seller relating to the subject subsidiary, operating unit or asset and arising after the closing of the transaction, and (ii) in connection with dispositions made by us, we have agreed to indemnify the buyer against damages incurred by the buyer due to the buyer s reliance on representations and warranties relating to the subject subsidiary, operating unit or business assets in the disposition agreement if such representations or warranties were untrue when made.

- We have entered into agreements with certain third parties, including banks, that provide fiduciary and other services to us or to our benefit plans. Under such agreements, we have agreed to indemnify such service providers for third party claims relating to the carrying out of their respective duties under such agreements.

- Pursuant to our corporate charter, we are obligated to indemnify the officers and directors of our company to the maximum extent authorized by Delaware law. The amount of such obligations is not stated in the charter or the resolutions and is subject only to limitations imposed by Delaware law.

At March 31, 2004, we had not accrued any liability on the aforementioned guarantees or indemnifications.

In the first quarter of 2004, we entered into a two-year unsecured revolving credit agreement, providing a facility of up to $10.0 million with a U.S.-based financial institution. The proceeds from the facility may be used for working capital needs, acquisitions and other corporate purposes. Certain financial performance covenants must be maintained under the credit agreement and the facility is subject to certain advance rate restrictions. Interest accrues on any balances outstanding at prime-based or LIBOR-based rates. As of April 30, 2004 we borrowed $2.5 million under this facility and utilized certain amounts to secure standby letters of credit.

The revolving credit agreement has permitted the release of approximately $4.2 million in restricted cash held as collateral as of December 31, 2003 for various letters of credit. As of March 31, 2004, banks have issued letters of credit of $4.5 million on the

Company s behalf. Subsequent to the March 31, 2004, $2.0 million in these letters of credit were cancelled, leaving $2.5 million outstanding at April 30, 2004.

Our Czech subsidiary entered into an overdraft facility with the a bank for up to approximately $1.7 million to support additional ATM network cash needs during the fourth quarter holiday season. In the fourth quarter 2003, we drew the full amount of the facility.

BALANCE SHEET ITEMS

Cash and cash equivalents

Cash and cash equivalents increased to $19.3 million at March 31, 2004 from $19.2 million at December 31, 2003 primarily due to the following activity:

Sources of cash:

- cash flow from operations of $5.2 million net of working capital changes but excluding restricted cash;
- proceeds from the release of cash collateral on letters of credit of $4.2 million; and
- proceeds from exercise of stock options, warrants and employee share purchases of $1.8 million.

Uses of cash:

- the acquisition of Precept for $2.6 million, net of cash acquired;
- the cash purchase of $2.0 million of fixed assets and other long-term assets; and
- debt and lease repayments of $6.5 million.

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

Restricted cash

Restricted cash decreased to $37.6 million at March 31, 2004 from $58.3 million at December 31, 2003 due the release of $4.2 million, held as cash collateral on letters of credit as well as the payment of approximately $14.0 payment in mobile operator accounts payable in January 2004 that were outstanding at December 31, 2003. At March 31, 2004, approximately $36.0 million of the restricted cash was held by our Prepaid Processing Segment companies on behalf of the mobile operators for which we process transactions. These balances are used in connection with the administration of customer collection and vendor remittance activities. The remainder is held as security with respect to cash provided by banks participating in our ATM network.

Trade accounts receivable

Trade accounts receivable increased to $77.1 million at March 31, 2004 from $75.7 million at December 31, 2003 primarily due to revenue growth in our Prepaid Processing Segment. Approximately $66.5 million of the balance at March 31, 2004 represents the trade accounts receivable of our Prepaid Processing Segment, which relates to Trust or similar cash arrangements to be collected on behalf of mobile operators.

Prepaid expenses and other current assets

Prepaid expenses and other current assets increased to $19.2 million as of March 31, 2004 from $11.5 million at December 31, 2003 primarily due to an increase in PIN (prepaid wireless minutes using a personal identification number) inventory as a result of the acquisitions of AIM, transact and Precept as well as prepayments of annual insurance premiums that were made in the first quarter of 2004.

Property, plant and equipment

Net property, plant and equipment increased to $21.0 million as of March 31, 2004 from $20.7 million at December 31, 2003. This marginal increase results from approximately $3.0 in fixed asset purchases, including approximately $1.2 million in POS terminals, $1.0 million in computer hardware and software, $0.5 million in ATMs and $0.2 million acquired with Precept, our most recent acquisition in the Prepaid Processing Segment. Additions are substantially offset by $2.8 million in depreciation and amortization. The remaining change is primarily due to foreign exchange rate movement.

Goodwill and Intangible assets

Total intangible assets (goodwill of $104.0 million and net amortizable intangible assets of $25.5 million) increased to $129.5 million at March 31, 2004 from $111.3 million at December 31, 2003 due to the acquisition of Precept in January 2004. Of the total Precept purchase price, $3.5 million has been allocated to amortizable intangible assets acquired and $15.2 million has been allocated to goodwill. Goodwill represents the excess of the purchase price of the acquired business over the fair value of the underlying net tangible and intangible assets. This increase of $18.7 million was offset by $0.8 million in amortization expense on all amortizable intangible assets. The remaining difference is due to foreign exchange rate fluctuations during the first quarter. A summary of activity for the three months ended March 31, 2004 and balances by subsidiary as of March 31, 2004 is presented below.

Goodwill and Intangible Assets
Reconciliation of Activity for the Three Months ended March 31, 2004

(unaudited, in thousands)

	Balance at December 31, 2003	Additions (Primarily Precept Acquisition)	Reductions (Amortization)	Balance at March 31, 2004
Goodwill	$ 88,512	$ 15,522	$	$ 104,034
Amortizable Intangibles	24,476	3,513		27,989
Accumulated Amortization	(1,704)		(825)	(2,529)
Total	$ 111,284	$ 19,035	$ (825)	$ 129,494

Subsidiary	Total Intangibles, Net	Goodwill	Amortizable Intangibles	Accumulated Amortization
Germany ATM	$ 2,131	$ 2,131	$	$
e-pay	76,547	61,272	17,328	(2,053)
transact	30,071	23,831	6,556	(316)
AIM	2,168	1,598	620	(49)
Precept	18,577	15,202	3,485	(111)
Total	$ 129,494	$ 104,034	$ 27,989	$ (2,529)

Deferred Tax Assets

Current and deferred tax assets remained constant between March 31, 2004 and December 31, 2003 at approximately $2.8 million.

Other assets

Other assets decreased marginally to $3.3 million at March 31, 2004 from $3.6 million at December 31, 2003 primarily due to amortization expense of software development costs.

Current liabilities and accrued expenses

Current liabilities and accrued expenses decreased to $130.0 million at March 31, 2004 from $136.4 million at December 31, 2003. This $6.4 million decrease is primarily due to an excess of payments over accruals of $16.8 million, most specifically the result of an accumulation in mobile operators accounts payable in the Prepaid Processing Segment prior to December 31, 2003, offset by the acquisition of Precept with approximately $9.8 million in accounts payable and accrued expenses at the acquisition date.

Income taxes payable

Income taxes payable increased to $4.8 million at March 31, 2004 from $3.3 million at December 31, 2003 primarily due to incremental tax expense related to our growing and profitable western European and Australian businesses.

Capital Leases and Notes Payable

As of March 31, 2004, our acquisition indebtedness for e-pay and Precept was classified as a current obligation as the $16.6 million in payments are due within the next 10 months. Total current debt obligations, including leases, as of March 31, 2004 are $21.6 million.

A summary of the activity in our debt obligations for the quarter ended March 31, 2004 is as follows:

Debt Obligations
Balances and activity for the three months ended March 31, 2004
(unaudited, in thousands)

		Acquisition Indebtedness					
	12 3/8% Senior Discount Notes	(e-pay note due Feb. 2005)	(Precept notes due Jan. 2005)	Operating and asset based Indebtedness	Lines of Credit	Capital Leases	Total
Balance at January 1, 2004	$ 43,521	$ 12,271	$	$ 2,005	$ 1,974	$ 5,191	$ 64,962
Add: Additional debt			4,000	414			4,414
Less: Payments	(4,981)			(138)	(1,202)	(229)	(6,550)
Adjust: Interest Accretion	(22)		30				8
Adjust: Foreign exchange loss (gain)	(1,095)	331					(764)
Balance at March 31, 2004	$ 37,423	$ 12,602	$ 4,030	$ 2,281	$ 772	$ 4,962	$ 62,070

Deferred Income Taxes

Current deferred tax liabilities increased to $1.5 million at March 31, 2004 from $1.4 million at December 31, 2003 and long-term deferred tax liabilities increased to $8.6 million at March 31, 2004 from $7.8 million at December 31, 2003. In combination, the $0.9 million increase is due to approximately $1.2 million of additions to deferred tax liabilities in connection with the amortizable intangible assets acquired with Precept, reduced by the amortization of all acquisition related deferred taxes of approximately $0.3 million.

Total Stockholders Equity

Total stockholders equity increased to $96.7 million at March 31, 2004 from $81.9 million at December 31, 2003. This $14.8 million increase is primarily the result of:

$3.3 million in net income for the three months ended March 31, 2004;

$9.8 million in Common Stock issued to the former shareholders of Precept in connection with the purchase of Precept; and

$1.8 million in proceeds from the exercise of options, warrants and employee stock purchases.

Operating cash flows

Net cash provided by operations was $5.2 million in 2004, excluding changes in restricted cash held as collateral, compared to $6.3 million in 2003. The 2004 decrease was primarily due to a $7.2 million decrease in working capital changes excluding the 2004 changes in restricted cash collateral, offset by additional operating cash flows from the Prepaid Processing Segment. e-pay operations were included for a full three months in 2004 versus two months in 2004 and AIM, transact and Precept were included for the full quarter in 2004 and not included in the first quarter of 2003 prior to their acquisition. We expect continued increases in cash flow from operations as our business grows but at a lesser rate; while we believe the business will continue to grow, we cannot predict the level or sustainability of the growth.

An additional $4.2 million increase in cash flow from operations in the first quarter of 2004 was due to the release of $4.2 million in cash collateral used to secure letters of credit.

Investing activity cash flow

Cash used in investing activities was approximately $4.6 million in the first quarter 2004 and $4.0 million in the first quarter 2003. The first quarter 2004 required approximately $2.6 million in cash to fund the acquisition of Precept and approximately

$2.0 million to fund fixed asset purchases. In the first quarter of 2003, the acquisition of e-pay required approximately $28.0 million in cash, offset by the sale of the U.K. ATM network providing $24.4 million in net cash proceeds.

Financing activity cash flows

Cash used in financing activities was $4.8 million for the first quarter 2004 and $0.1 million for the first quarter 2003. The 2004 uses were primarily to fund $6.6 million in debt obligation repayments, including a $5.0 million repurchase of our 12 3/8% Senior Discount Notes, offset by approximately $1.8 million in proceeds from employee stock purchases and stock option exercises. In the first quarter 2003, debt obligation repayments were substantially less at $1.1 million. We expect to continue to reduce our debt as cash flow permits.

Financing and investing sources and uses of cash in the future are primarily dependent on our acquisition of new businesses and the related financing needs.

FORWARD-LOOKING STATEMENTS

This document contains statements that constitute forward-looking statements within the meaning of section 27A of the Securities Act and section 21E of the U.S. Securities Exchange Act of 1934. All statements other than statements of historical facts included in this document are forward-looking statements, including statements regarding the following:

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

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

Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may materially differ from those in the forward-looking statements as a result of various factors, including, but not limited to, the following:

- technological and business developments in the local card, electronic and mobile banking and mobile phone markets affecting transaction and other fees that we are able to charge for our services;
- foreign exchange fluctuations;
- competition from bank-owned ATM networks, outsource providers of ATM services, software providers and providers of outsourced mobile phone prepaid services;
- our relationships with our major customers, sponsor banks in various markets and international card organizations, including the risk of contract terminations with major customers; and
- changes in laws and regulations affecting our business.

RISK FACTORS

Although we have reported net income in recent periods, we have incurred net losses for almost all of our operating history. We give no assurance that we will continue to report net income in future periods, and we may generate net losses while we concentrate on expansion of our business.

For the year quarter ended March 31, 2004, we had net income of approximately $3.3 million. For the years ended December 31, 2001 and 2003 we a net income of approximately $0.7 million and $11.8 million, respectively. For the years ended December 31, 2000 and 2002 we had net losses of $49.6 million and $6.5 million, respectively. Also, excluding the $18.0 million gain in 2003, this results in an aggregate net loss of approximately $58.3 million for the period January 1, 2000 through March 31, 2004. We may experience operating losses again while we continue to concentrate on expansion of our business and increasing our market share. If we cannot achieve and sustain operating profitability or positive cash flow from operations, we may not be able to meet our debt service or working capital requirements.

We have substantial indebtedness, and we will need a substantial increase in cash flows to continue to be able to meet our debt service obligations.

We have substantial indebtedness. As of March 31, 2004 our total liabilities were approximately $213.5 million and our total assets were $310.2 million. For the years ended December 31, 2003 and 2002, our total liabilities were approximately $221.9 million and $60.4 million, respectively, and our total assets were approximately $303.8 million and $66.7 million, respectively. We incurred this indebtedness in part as a result of our issuance of certain 12 3/8% Senior Discount Notes that fall due on July 1, 2006. Interest payments under these notes became due beginning on January 1, 2003. An additional $16.6 million in indebtedness was incurred in connection with the acquisition of e-pay and Precept, all of which is due within one year. Finally, in connection with the acquisitions of AIM and transact, there are certain additional cash payments, currently estimated to be between $11 million and $18 million, that may be required to be made if certain financial and other performance targets are met. At this time, there is no assurance that these targets will be met and we offer no assurance that these amounts, if due, will able to be paid on a timely basis through cash flow from operations or through refinancing.

We will be required to refinance a portion of our debt to ensure that we are able to repay such debt on a timely basis. In addition, if the opportunity of a strategic acquisition arises or if we enter into new contracts that require the installation or servicing of ATM machines on a faster pace than anticipated, we may require additional financing for these purposes and to fund our working capital needs. This additional financing may be in the form of additional indebtedness that would increase our overall leverage.

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

- we must substantially increase our net cash flow to meet our debt service obligations and to fund adequately our planned capital expenditures and operations;
- our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes may be limited or financing may be unavailable;
- a substantial portion of our cash flows must be dedicated to the payment of principal and interest on our indebtedness and other obligations and will not be available for use in our business;

our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate; and

our high degree of indebtedness will make us more vulnerable to changes in general economic conditions and/or a downturn in our business, thereby making it more difficult for us to satisfy our obligations.

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

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

We cannot assure you that we will be able successfully to integrate our recent acquisitions, including the e-pay, transact and Precept acquisition and our acquisition of e-pay, or any future acquisitions, which could aversely impact our long-term competitiveness and profitability. The integration of our recent acquisitions and any future acquisitions will involve a number of risks that could harm our financial condition, results of operations and competitive position. In particular:

- Our integration plan for our recent acquisitions assumes benefits based on analyses that involve assumptions as to future events, including leveraging our existing relationships with mobile phone operators and retailers, as well as general business and industry conditions, many of which are beyond our control and may not materialize. Unforeseen factors may offset components of our integration plan in whole or in part. As a result, our actual results may vary considerably, or be considerably delayed, compared to our estimates;

- The integration process could disrupt the activities of the businesses that are being combined. The combination of companies requires, among other things, coordination of administrative and other functions. In addition, the loss of key employees, customers or vendors of acquired businesses could materially and adversely impact the integration of the acquired business;

- The execution of our integration plans may divert the attention of our management from operating our business; and

- We may assume unanticipated liabilities and contingencies.

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

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

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

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

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

- the ability to locate appropriate ATM sites and obtain necessary approvals for the installation of ATMs;

- the ability to install ATMs in an efficient and timely manner;

- the expansion of our business into new countries as currently planned;

- entering into additional card acceptance and ATM management agreements with banks;

- the ability to obtain sufficient numbers of ATMs on a timely basis; and

- the availability of financing for the expansion.

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

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

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

- the ability to negotiate new agreements in these markets with mobile phone operators and retailers;

- the continuation of the trend of increased use of electronic prepaid airtime among mobile phone users;
- the development of mobile phone networks in these markets and the increase in the number of mobile phone users; and
- the availability of financing for the expansion.

In addition, our continued expansion may involve acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services. Our ability to manage our rapid expansion effectively will require us eventually to expand our operating systems and employee base. An inability to do this could have a material adverse effect on our business, growth, financial condition or results of operations.

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

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

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

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

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

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

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

We have commenced prepaid processing operations in the U.S. The contribution of these operations to our financial results is currently insignificant, but we hope to expand this business rapidly. In the U.S., patent protection legislation permits the protection of processes. We employ certain processes in the U.S. that have been used in the industry by other parties for many years, and which we and other companies using the same or similar processes consider to be in the public domain. However, we are aware that certain parties believe they hold patents that cover some of the processes employed in the prepaid processing industry in the U.S. The question whether a process is in the public domain is a legal determination, and if this issue is litigated we cannot be certain of the outcome of any such litigation. If a person were to assert that it holds a patent covering any of the processes we use, we would be required to defend ourselves against such claim and if unsuccessful, would be required to either modify our processes or pay license fees for the use of such processes. This could materially and adversely affect our U.S. prepaid processing business and could result in our reconsidering the rate of expansion of this business in the U.S.

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

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

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

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

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

Retaining the founders of our company, and of e-pay and transact, and finding and retaining qualified personnel in Europe are essential to our continued success.

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

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

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

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

the increased issuance of credit and debit cards;

the increased acceptance of our ATM processing and management services in our target markets;

the maintenance of the level of transaction fees we receive;

the installation of larger numbers of ATMs; and

the continued use of our ATMs by credit and debit cardholders.

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

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

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

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

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

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

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

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

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

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

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

Our business involves the operation and maintenance of a sophisticated computer network and telecommunications connections with banks, financial institutions, mobile operators and retailers. This, in turn, requires the maintenance of computer equipment and infrastructure, including telecommunications and electrical systems, and the integration and enhancement of complex software applications. There are operational risks inherent in this type of business that can result in the temporary shutdown of part or all of our processing systems, such as failure of electrical supply, failure of computer hardware and software errors. Excluding our German ATMs, we operate all of our ATMs through our processing centers in Budapest, Hungary and Mumbai, India, and any operational problem in these centers may have a significant adverse impact on the operation of our network generally. In addition, we operate all of our top-up services through our processing centers in the U.K., Germany and the U.S., and any operational problem there could have a significant adverse impact on the operation of our top-up network.

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

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

We capture, transmit, handle and store sensitive information in conducting and managing electronic, financial and mobile transactions, such as card information and PIN numbers. These businesses involve certain inherent security risks, in particular the risk of electronic interception and theft of the information for use in fraudulent card transactions. We incorporate industry-standard encryption technology and processing methodology into our systems and software to maintain high levels of security. Although this technology and methodology decrease security risks, they cannot be eliminated entirely, as criminal elements apply increasingly sophisticated technology to attempt to obtain unauthorized access to the information handled by ATM and electronic financial transaction networks.

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

In addition to electronic fraud issues, the possible theft and vandalism of ATMs present risks for our ATM business. We install ATMs at high-traffic sites and consequently our ATMs are exposed to theft and vandalism. Although we are insured against these risks, exclusions or limitations in our insurance coverage may leave us bearing some or all of any loss arising from theft or vandalism of ATMs.

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

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

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

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

EFT Processing Segment Our principal EFT Processing Services Segment competitors include ATM networks owned by banks and national switches consisting of consortiums of local banks that provide outsourcing and transaction services only to banks and independent ATM deployers in that country. Large, well-financed companies that operate ATMs, such as EDS, American Express, First Data Corporation or Concord EFS may also establish ATM networks or offer outsourcing services that compete with us in various markets. Competitive factors in our EFT Processing Services Segment include network availability and response time, price to both the bank and to its customers, ATM location and access to other networks. Our competitors may introduce or expand their ATM networks in the future, which would lead to a decline in the usage of our ATMs.

There are certain independent (non bank-owned) companies providing electronic recharge on ATMs in individual markets in which we provide this service. We are not aware of any individual independent companies providing electronic recharge on ATMs across multiple markets in which we provide this service. In this area, we believe competition will come principally from the banks providing such services on their own ATMs through relationships with mobile operators or from card transaction switching networks that add recharge transaction capabilities to their offerings (as is the case in the U.K. through the LINK network). However, there are relatively few barriers to entry in this business and larger companies that have more financial resources than we do could successfully compete with us based on a number of factors, including price.

Prepaid Processing Segment Several companies offer electronic recharge services for mobile phone airtime on POS terminals in the markets where we do business. These companies include, but are not necessarily limited to, Alphyra, Paypoint, Omega Logic, Barclays Merchant Services and Anpost in the U.K.; On-Q and Ezipin in Australia; Milo, Kolporter and GTech in Poland; TeleCash Kommunikations-Service, GZS, ADT Jalex, ANTHROS and EVS in Germany; and PRE-Solutions, InComm and Everything Prepaid in the U.S.

We believe, however, that we currently have a competitive advantage due to various factors. First, in the U.K., Germany and Australia, our acquired subsidiaries have been in existence for longer than most of our competitors and has significant market share in those markets. We have approximately 35% of the POS recharge market in this U.K., 60% in Germany and 65% in Australia. In addition, we offer complementary ATM and mobile recharge solutions through our EFT processing centers. We believe this will improve our ability to solicit the use of networks of devices owned by third parties (for example, banks and switching networks) to deliver recharge services. In selected developing markets we hope to establish a first to market advantage by rolling out terminals rapidly before competition is established. We also have an extremely flexible technical platform that enables us to tailor point of sale solutions to individual merchant requirements where appropriate. The GPRS (wireless) technology, designed by our transact subsidiary, will also give us an advantage in remote areas where landline phone lines are of lesser quality or nonexistent.

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

As the volume of transactions increases, we believe the principal factor in competition will be quality and price, as competitors may offer lower commissions to secure business.

In addition to the above competitive factors, it is possible that mobile operators themselves may take over the distribution of their own prepaid mobile phone time. They would be able to terminate our contracts with them, which could have a material adverse impact on our business.

Software Solutions Segment We believe we are the leading supplier of electronic financial transaction processing software for the IBM iSeries (formerly AS/400) platform. Other suppliers service the software requirements of large mainframe systems and UNIX based platforms.

Competitors of the Software Solutions Segment compete across all EFT software components in the following areas: (i) ATM, network and point-of-sale software systems, (ii) Internet banking software systems, (iii) credit card software systems, (iv) wireless banking software systems, and (v) full EFT software, including Applied Communications Inc. (ACI), Mosaic Software and Oasis Software International.

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

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

Certain tax jurisdictions in which we operate in have complex rules regarding the valuation of inter-company services, payments between company-countries and the related effects on income tax, value added tax (VAT), transfer tax and share registration tax. From time to time, we may be reviewed by tax authorities and required to make additional tax payments should the review result in different interpretations, allocations or valuations of our services. We obtain legal, tax and regulatory advice as necessary to ensure compliance with tax and regulatory matters but cannot assure that such reviews will not result in additional tax liability.

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

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

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

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

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

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

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. Due to the significant reduction in the inflation rate of these countries in recent years, none of these countries are considered to have a hyper-inflationary economy. Nonetheless, rates of inflation in these countries may continue to fluctuate from time to time. The majority of our subsidiaries revenues are denominated in the local currency.

The terms of our certificate of incorporation and bylaws, and of Delaware law generally, may discourage the acquisition of our company and may impede a change in control of our company.

Among other things, the provisions of our certificate of incorporation and bylaws have the following effects:

- classify our board of directors into three classes serving staggered three-year terms;
- permit our board of directors, without further stockholder approval, to issue preferred stock;
- prohibit us from engaging in some types of business combinations with interested stockholders; and
- do not permit our stockholders to call special stockholder meetings.

These provisions could diminish the opportunities for a stockholder to participate in tender offers, including tender offers at a price above the market value of our Common Stock at the time of the offer. The issuance of preferred stock could also adversely affect the voting power of the holders of Common Stock and impede a change in control of our company. In addition, our board of directors recently adopted a stockholder rights plan, which may impede a change in control of our company.

Our directors and officers, together with the entities with which they are associated, owned about 21% of our Common Stock as of March 31, 2004, giving them significant control over decisions related to our company.

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

The sale of a substantial amount of our Common Stock in the public market could materially decrease the market price of our Common Stock, and about 34% of our outstanding Common Stock, while not currently traded publicly, could be publicly traded in blocks in the future.

If a substantial amount of our Common Stock were sold in the public market, or even targeted for sale, this could have a material adverse effect on the market price of our Common Stock and our ability to sell Common Stock in the future. As of March 31, 2004, we had approximately 30.4 million shares of Common Stock outstanding of which more than 10.6 million shares (including the shares we issued in the transact acquisition, the Fletcher financing and the Precept acquisition), or about 34%, are not currently traded on the public market. About 6.7 million of these shares are held by persons who may be deemed to be our affiliates and who would be subject to Rule 144 of the general rules and regulations of the SEC. Rule 144 limits the number of shares that affiliates can publicly sell during each 90-day period. However, over the course of time, these shares have the potential to be publicly traded, perhaps in large blocks. Moreover, some of these shareholders can require us to register transactions to sell their shares, which would permit them to sell shares without regard to the Rule 144 limitations.

An additional 7.4 million shares of Common Stock could be added to the total outstanding Common Stock through the exercise of options and warrants or the issuance of additional shares of our Common Stock to the selling stockholders. This could dilute the ownership percentage of current stockholders. Also, once they are outstanding, these shares of Common Stock could be traded in the future and result in a material decrease in the market price of our Common Stock.

As of January 5, 2004, we had an aggregate of 5.5 million options outstanding held by our directors, officers and employees, which entitles these holders to acquire an equal number of shares of our Common Stock on exercise. Of this amount, 2.9 million options are currently vested, which means they can be exercised at any time. We have 254,010 warrants outstanding in connection with our issuance of 12 3/8% Senior Discount Notes. Additionally, we may be required to issue additional shares of our Common Stock to Fletcher International Ltd. (to which we issued shares in a private placement) as well as cash and additional shares of Common Stock to the shareholders of transact and AIM under contingent earn-out payments in connection with our acquisitions of the shares of transact and assets of AIM. The number of shares issued under the earn outs will depend upon the performance of the businesses acquired and the trading price of our Common Stock at the time we make the earn out payments. We have estimated the earn out payment in the transact acquisition to be approximately \$20 to \$30 million (50% payable in cash and 50% in our Common Stock) and in the AIM transaction to be approximately \$2 to \$5 million (30% payable in cash and 70% payable in our Common Stock). Therefore, approximately 7.4 million shares could potentially be added to the total current outstanding Common Stock through the exercise of options and warrants or the issuance of additional shares to the selling stockholders, and thereby dilute the ownership percentage of current owners.

Of the 5.5 million total options outstanding, an aggregate of 1.8 million options are held by persons who may be deemed to be our affiliates and who would be subject to Rule 144. Thus, upon exercise of their options, these affiliates shares would be subject to the trading restrictions imposed by Rule 144. For the remainder of the options, the warrants and the shares issuable to the selling stockholders described above, the Common Stock issued on their exercise or conversion would be freely tradable in the public market. Over the course of time, all of the issued shares have the potential to be publicly traded, perhaps in large blocks.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2004. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures were effective as of such date.

CHANGE IN INTERNAL CONTROLS

There has been no change in our internal control over financial reporting during the quarter ended March 31, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K

a) Exhibits

The exhibits that are required to be filed or incorporated herein by reference are listed on the Exhibit Index below. Exhibits 10.1 to 10.9 are managements contracts or compensatory plan arrangements required to be incorporated by reference herein.

(b) Reports on Form 8-K

On February 25, 2004 the Company files a current report on Form 8-K reporting events and information under Item 5 (Other Events and Regulation FD Disclosure) and Item 7 (Exhibits).

On February 20, 2004 the Company files a current report on Form 8-K reporting events and information under Item 5 (Other Events and Regulation FD Disclosure) and Item 7 (Exhibits).

On February 9, 2004 the Company files a current report on Form 8-K/A to amend the Form 8-K filed by the Company on November 25, 2003 to add information pursuant to Item 7(a) (Financial Information) and Item 7(b) (Pro Forma Financial Information).

On January 5, 2004 the Company files a current report on Form 8-K/A to amend the Form 8-K filed by the Company on January 5, 2004 to add information pursuant to Item 5 (Other Events and Regulation FD Disclosure).

On January 5, 2004 the Company files a current report on Form 8-K reporting events and information under Item 5 (Other Events and Regulation FD Disclosure) and Item 7 (Exhibits).

SIGNATURES

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

June 28, 2004

By: /s/ MICHAEL J. BROWN
Michael J. Brown

Chief Executive Officer

By: /s/ RICK L. WELLER
Rick L. Weller

Chief Financial Officer

Exhibit	Description
2.1	Agreement for the Purchase of the Entire Issued Share Capital of E-Pay Limited between the Registrant and the Shareholders of E-Pay Limited dated February 19, 2003 (filed as Exhibit 2.1 to the Registrant s current report on Form 8-K filed on March 6, 2003 and incorporated by reference herein)
2.2	Share Purchase and Transfer Agreement, dated November 19/20, 2003, among the Registrant, Delta Euronet GmbH, Eft Services Holding B.V. and the shareholders of transact Elektronische Zahlungssysteme GmbH (filed as Exhibit 2.1 to the Registrant s current report on Form 8-K filed on November 25, 2003, and incorporated by reference herein)
2.3	Asset Purchase Agreement among Alltel Information Services, Inc., Euronet USA and EFT Network Services LLC (DASH) dated January 4, 2002 relating to the sale of assets of DASH (filed as Exhibit 2.1 to the Registrant s current report on Form 8-K filed on January 4, 2002 and incorporate by reference herein)
2.4	Asset Purchase Agreement among Euronet Worldwide, Inc. and Austin International Marketing and Investments, Inc. and Joseph P. Bodine and David Hawkins dated August 23, 2003 (filed as Exhibit 2.4 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
3.2	Certificate of Incorporation of the Registrant, as amended (filed as Exhibit 3.1 to the Registrant s annual report on Form 10-K for the year ended December 31, 2001, and incorporated by reference herein)
3.3	Bylaws of the Registrant (filed as Exhibit 3.2 to the Registrant s registration statement on Form S-1 filed on December 18, 1996 (Registration No. 333-18121), and incorporated by reference herein)
3.4	Amendment No. 1 to Bylaws of the Registrant (filed as Exhibit 3(ii) to the Registrant s quarterly report on Form 10-Q for the fiscal period ended March 31, 1997, and incorporated by reference herein)
3.5	Amendment No. 2 to Bylaws of the Registrant (filed as Exhibit 3.1 to the Registrant s current report on Form 8-K filed on March 24, 2003, and incorporated by reference herein)
4.1	Indenture dated as of June 22, 1998 between Euronet Services Inc. and State Street Bank and Trust Company, as Trustee (filed as Exhibit 4.3 to the Registrant s S-l/A filed on June 16, 1998, and incorporated by reference herein)
4.2	Warrant Agreement dated as of June 22, 1998 between Euronet Services Inc. and State Street Bank and Trust Company, as Warrant Agent (filed as Exhibit 4.4 to the Registrant s S-1/A filed on June 16, 1998, and incorporated by reference herein)
4.3	Form of Certificate issued to the shareholders of transact Elektronische Zahlungssysteme GmbH, dated November 19/20, 2003 (filed as Exhibit 4.1 to the Registrant s current report on Form 8-K filed on November 25, 2003, and incorporated by reference

	herein)
4.4	Certificate of Additional Investment Rights issued to Fletcher International, Ltd. on November 21, 2003 (filed as Exhibit 4.2 to the Registrant s current report on Form 8-K filed on November 25, 2003, and incorporated by reference herein)
4.5	Agreement, dated November 20, 2003, between the Registrant and Fletcher International, Ltd. (filed as Exhibit 10.1 to the Registrant s current report on Form 8-K filed on November 25, 2003, and incorporated by reference herein)
4.6	Rights Agreement, dated as of March 21, 2003, between the Registrant and EquiServe Trust Company, N.A. (filed as Exhibit 4.1 to the Registrant s current report on Form 8-K filed on March 24, 2003, and incorporated by reference herein)
4.7	First Amendment to Rights Agreement, dated as of November 28, 2003, between the Registrant and EquiServe Trust Company, N.A. (filed as Exhibit 4.1 to the Registrant s current report on Form 8-K filed on December 4, 2003, and incorporated by reference herein)
10.1	Employment Agreement executed in October 2003, between the Registrant and Michael J. Brown, CEO (filed as Exhibit 10.1 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.2	Employment Agreement executed in October 2003, between the Registrant and Daniel R. Henry, COO (filed as Exhibit 10.2 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.3	Employment Agreement executed in October 2003, between the Registrant and Jeffrey B. Newman, Executive Vice President (filed as Exhibit 10.3 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.4	Employment Agreement executed in October 2003, between the Registrant and James P. Jerome, Executive Vice President (filed as Exhibit 10.4 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.5	Services Agreement between e-pay Ltd. and Paul Althasen, Executive Vice President and Co-Managing Director, e-Pay (filed as Exhibit 10.5 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.6	Services Agreement between e-pay Ltd. and John Gardiner, Executive Vice President and Co-Managing Director, e-Pay (filed as Exhibit 10.6 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.7	Euronet Long Term Incentive Stock Option Plan (1996), as amended (filed as Exhibit 10.7 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.8	Euronet Worldwide, Inc. Stock Incentive Plan (1998), as amended (filed as Exhibit 10.8 to the Registrant s Annual Report on Form 10-K filed on March 15, 2004, and incorporated by reference herein)
10.9	Euronet Worldwide, Inc. 2002 Stock Incentive Plan (filed as Exhibit A to the Registrant s Definitive Proxy Statement for Annual Meeting of Stockholders held on May 8, 2002 and incorporated by reference herein)
10.10	Rules and Procedures for Euronet Matching Stock Option Grant Program (filed as Exhibit 10.3 to Registrant s Form 10-Q for the quarter ended September 30, 2002 and incorporated by reference herein)
31.1	Section 302 Certification of Chief Financial Officer
31.2	Section 302 Certification of Chief Executive Officer
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer