

EURONET WORLDWIDE INC
Form 10-K
February 27, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

Commission File Number 001-31648

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

DELAWARE
(State or other jurisdiction of incorporation or
organization)

74-2806888
(I.R.S. Employer Identification No.)

3500 COLLEGE BOULEVARD
LEAWOOD, KANSAS
(Address of principal executive offices)

66211
(Zip Code)

(913) 327-4200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.02 par value	Nasdaq Stock Market, LLC
Preferred Stock Purchase Rights	Nasdaq Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2012, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$845.1 million. The aggregate market value was determined based on the closing price of the Common Stock on June 29, 2012.

At February 25, 2013, the registrant had 49,604,922 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2013 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2012, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

ITEM 1. BUSINESS

OVERVIEW

General Overview

Euronet Worldwide, Inc. (“Euronet,” the “Company,” “we,” “our” or “us”) is a leading electronic payments provider. We offer payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Our primary product offerings include: comprehensive automated teller machine (“ATM”), point-of-sale (“POS”), card outsourcing, card issuing and merchant acquiring services, software solutions, electronic distribution of prepaid mobile airtime and other electronic payment products; and global consumer money transfer services.

Core Business Segments

We operate in the following three business segments as of December 31, 2012:

The EFT Processing Segment processes transactions for a network of 17,600 ATMs and approximately 67,000 POS terminals across Europe, the Middle East and Asia Pacific. We provide comprehensive electronic payment solutions consisting of ATM cash withdrawal services; ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing, and card issuing and merchant acquiring services. In addition to our core business, we offer a variety of value added services, including dynamic currency conversion, advertising, Customer Relationship Management (“CRM”), mobile top-up, bill payment, fraud management and foreign remittance payout. Through this segment, we also offer a suite of integrated electronic financial transaction (“EFT”) software solutions for electronic payment and transaction delivery systems. In 2012, the EFT Processing Segment accounted for approximately 19% of Euronet's consolidated revenues.

The epay Segment provides electronic distribution and processing of prepaid mobile airtime and other electronic payment products and collection services for various payment products, cards and services. We operate a network that includes approximately 680,000 POS terminals that enable electronic processing of prepaid mobile airtime “top-up” services and other non-mobile content in Europe, the Middle East, Asia Pacific, North America and South America. We also provide vouchers and physical gift fulfillment services in Europe. Through this segment, we believe we are the world's leading international network for distribution of prepaid mobile airtime. In 2012, the epay Segment accounted for approximately 56% of Euronet's consolidated revenues.

The Money Transfer Segment provides global consumer-to-consumer money transfer services, mostly under the brand name Ria and AFEX. We offer this service through a network of sending agents and Company-owned stores (mostly in North America and Europe), disbursing money transfers through a worldwide correspondent network that includes approximately 177,000 locations. In addition to money transfers, we also offer customers bill payment services (mostly in the U.S.), mobile top-up, payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services for a wide variety of issued checks, and competitive foreign currency exchange services. We are one of the largest global money transfer companies in terms of revenues and transaction volumes. In 2012, the Money Transfer Segment accounted for approximately 25% of Euronet's consolidated revenues.

Euronet conducts business globally, serving customers in approximately 150 countries. We have nine transaction processing centers, including four in Europe, two in Asia Pacific, two in North America and one in the Middle East. We also maintain 49 business offices that are located in 36 countries. Our corporate offices are located in Leawood,

Kansas, USA.

Historical Perspective

Euronet was established in 1994 as Euronet Bank Access Kft., a Hungarian limited liability company. Operations began in 1995 when we established a processing center in Budapest, Hungary and installed our first ATMs in Hungary, followed by Poland and Germany in 1996. Euronet was reorganized on March 6, 1997, in connection with its initial public offering, and at that time, our operating entities became wholly owned subsidiaries of Euronet Services, Inc., a Delaware corporation. We changed our name from Euronet Services, Inc. to Euronet Worldwide, Inc. in August 2001.

Initially, most of Euronet's resources were devoted to establishing and expanding the ATM network and ATM management services business in Europe. In December 1998, we acquired Arkansas Systems, Inc. (now known as "Euronet USA"), a U.S.-based company that produces electronic payment and transaction delivery systems software for retail banks internationally, which resulted in significant ongoing savings in third-party licensing, services and maintenance costs. By the end of 1998, we were doing business in Hungary, Poland, Germany, the Czech Republic, and Croatia.

In 2005, we expanded the product offerings of the EFT Processing Segment through the acquisition of Instreamline S.A., a Greek company that provides credit card and POS outsourcing services in addition to debit card and transaction gateway switching services in Greece and the Balkan region. In 2007, we combined our EFT and Software segments as both businesses are strategically aligned due to the fact that our software segment primarily supports our EFT service offerings and processing centers. Expansion continued, and by 2010, Euronet's network of ATMs had expanded to include Greece, Slovakia, Romania, Bulgaria, Serbia, Ukraine, the Middle East, India and China.

In 2003, Euronet added a complementary business line through the acquisition of epay Limited ("epay"), which had offices in the U.K. and Australia. Through subsequent acquisitions between 2003 and 2010, the epay Segment continued to expand in Europe (Germany, Romania, Spain and the U.K.), the U.S., the Middle East, Asia and Brazil, and established new offices in New Zealand, Poland, India, and Italy. We believe the epay Segment is the world's leading international network for distribution and processing of prepaid mobile airtime (top-up) as well as other electronic payment products and services.

In 2007, we established the Money Transfer Segment after completing the acquisition of Los Angeles-based Ria, one of the largest global money transfer companies in terms of revenues and transaction volumes. Established in 1987, Ria originates and terminates transactions through a network of sending agents and Company-owned stores located around the world. In November 2009, Ria obtained a payment services license from the U.K. Financial Services Authority, which allowed Ria to operate under one license and one regulator for all European countries. The license also facilitated expansion into new markets through the sales of money transfers through agents in countries where the use of agents was not previously permitted. In addition to expanding the money transfer network, the segment expanded its product portfolio to offer complementary non-money transfer products such as bill payment and check cashing, and prepaid services in conjunction with the epay Segment.

2012 Developments

In January 2012, Euronet acquired the remaining 51% of the common stock of Euronet Middle East W.L.L., increasing our ownership percentage to 100%.

On October 11, 2012, Euronet increased the aggregate commitments under its senior secured revolving credit facility by \$125 million. In the process, additional financial institutions were added as lenders under the credit agreement. Borrowing capacity under the senior secured revolving credit facility increased from \$275 million to \$400 million, and Euronet remains entitled to increase its revolving borrowing capacity by an additional \$80 million. All other terms of the credit agreement remained unchanged.

On October 15, 2012, Euronet repurchased \$167.9 million in principal amount of 3.50% debentures due 2025 submitted to the Company for repurchase. Under the terms of the debentures, holders had the right to require the Company to repurchase some or all of their debentures on such date.

In November 2012, Euronet completed the acquisition of certain assets and retail contracts of a leading New Zealand full service gift card provider, ezi-pay Limited ("ezi-pay"). ezi-pay is New Zealand's largest full-service provider of gift card issuing, processing and distribution services for global and New Zealand-specific brands. ezi-pay distributes over 90 branded gift cards and mobile top-up through more than 1,200 large retail outlets in New Zealand. The acquisition elevates Euronet to the largest distributor of both prepaid mobile and non-mobile content in New Zealand.

BUSINESS SEGMENT OVERVIEW

For a discussion of operating results by segment, please see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 16, Business Segment Information, to the consolidated financial statements.

EFT PROCESSING SEGMENT

Overview

Our EFT Processing Segment provides comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing; card issuing and merchant acquiring services. In addition to our core business, we offer a variety of value added services, including dynamic currency conversion, advertising, CRM, mobile top-up, bill payment, fraud management and foreign remittance payout. We provide these services either through our Euronet-owned ATMs or through contracts under which we operate ATMs on behalf of financial institutions. Through this segment, we also offer a suite of integrated EFT software solutions for electronic payment and transaction delivery systems.

The major source of revenues generated by our ATM network is recurring monthly management fees, transaction-based fees and margins earned on dynamic currency conversion transactions. We receive fixed monthly fees under many of our outsourced management contracts. The EFT Processing Segment also generates revenues from POS operations and merchant management, card network management (for credit, debit, prepaid and loyalty cards), prepaid mobile airtime recharge on ATMs and ATM advertising. We primarily service financial institutions in the developing markets of Central, Eastern and Southern Europe (Hungary, Poland, the Czech Republic, Croatia, Romania, Slovakia, Serbia, Greece, Bulgaria and Ukraine), the Middle East and Asia Pacific (India, China and Pakistan), as well as certain developed countries of Western Europe. As of December 31, 2012, we operated 17,600 ATMs compared to 14,224 at December 31, 2011. The increase was largely due to growth in India and expansion of our Independent ATM Deployed (IAD) networks in several Eastern European countries.

We monitor the number of transactions made by cardholders on our ATM network. These include cash withdrawals, balance inquiries, deposits, prepaid mobile airtime recharge purchases and certain denied (unauthorized) transactions. We do not bill certain transactions on our network to financial institutions, and we have excluded these transactions for reporting purposes. The number of transactions processed over our entire ATM network has increased over the last five years at a compound annual growth rate ("CAGR") of approximately 14% as indicated in the following table:

(in millions)	2008	2009	2010	2011	2012
EFT Processing transactions per year	672	703	794	943	1,156

Our processing centers for the EFT Processing Segment are located in Budapest, Hungary; Mumbai, India; Beijing, China; and Karachi, Pakistan. They operate 24 hours a day, seven days a week and consist of production IBM iSeries computers, which run the Euronet Integrated Transaction Management ("ITM") software package.

EFT Processing Products and Services

Outsourced Management Solutions

Euronet offers outsourced management services to financial institutions, retailers, mobile phone operators and other organizations using our processing centers' electronic financial transaction processing software. Our outsourced management services include management of existing ATM networks, development of new ATM networks, management of POS networks, management of automated deposit terminals, management of credit and debit card

databases and other financial processing services. These services include 24-hour monitoring of each ATM's status and cash condition, managing the cash levels in each ATM, coordinating the cash delivery and providing automatic dispatches for necessary service calls. We also provide real-time transaction authorization, advanced monitoring, network gateway access, network switching, 24-hour customer service, maintenance, cash settlement and reconciliation, forecasting and reporting. Since our infrastructure can support a significant increase in transactions, any new outsourced management services agreements should provide additional revenue with lower incremental cost.

Our outsourced management services agreements generally provide for fixed monthly management fees and, in most cases, fees payable for each transaction. The transaction fees under these agreements are generally lower than those under card acceptance agreements.

Euronet-Branded ATM Transaction Processing

Our Euronet-branded ATM networks, also known as Independent ATM Deployed (IAD) networks, are primarily managed by a processing center that uses our internally developed ITM core software solution. The ATMs in our IAD networks are able to process transactions for holders of credit and debit cards issued by or bearing the logos of financial institutions and international card organizations such as American Express®, Visa®, MasterCard®, Diners Club International®, Discover® and China Union Pay, as well as international ATM networks such as PULSE®. This ability is accomplished through our agreements and relationships with these institutions, international credit and debit card issuers and international card associations.

When a bank cardholder conducts a transaction on a Euronet-owned ATM, we receive a fee from the cardholder's bank for that transaction. The bank pays us this fee either directly or indirectly through a central switching and settlement network. When paid indirectly, this fee is referred to as the "interchange fee." All of the banks in a shared ATM and POS switching system establish the amount of the interchange fee by agreement. We receive transaction-processing fees for successful transactions and, in certain circumstances, for transactions that are not completed because they fail to receive authorization. The fees paid to us by the card issuers are independent of any fees charged by the card issuers to cardholders in connection with the ATM transactions.

We generally receive fees or earn margin from our customers for five types of ATM transactions:

- Cash withdrawals,
- Balance inquiries,
- Transactions not completed because the relevant card issuer does not give authorization,
- Dynamic currency conversion, and
- Prepaid telecommunication recharges.

Card Acceptance or Sponsorship Agreements

Our agreements with financial institutions and international card organizations generally provide that all credit and debit cards issued by the customer financial institution or organization may be used at all ATMs that we operate in a given market. In most markets, we have agreements with a financial institution under which we are designated as a service provider (which we refer to as "sponsorship agreements") for the acceptance of cards bearing international logos, such as Visa and MasterCard. These card acceptance or sponsorship agreements allow us to receive transaction authorization directly from the card issuing institution or international card organization. Our agreements generally provide for a term of three to seven years and are automatically renewed unless either party provides notice of non-renewal prior to the termination date. In some cases, the agreements are terminable by either party upon six months' notice. We are generally able to connect a financial institution to our network within 30 to 90 days of signing a card acceptance agreement. Generally, the financial institution provides the cash needed to complete transactions on the ATM. Euronet is generally liable for the cash in the ATM networks.

Under our card acceptance agreements, the ATM transaction fees we charge vary depending on the type of transaction and the number of transactions attributable to a particular card issuer. Our agreements generally provide for payment in local currency. Transaction fees are sometimes denominated in euros or U.S. dollars. Transaction fees are billed to financial institutions and card organizations with payment terms typically no longer than one month.

Dynamic Currency Conversion

We offer dynamic currency conversion (“DCC”) over our IAD networks, ATM networks that we operate on an outsourced basis for banks, and over bank's ATM networks or Point of Sale ("POS") device as a stand-alone service. DCC is a feature of the underlying ATM or POS transaction that is offered to customers completing transactions using a foreign debit or credit card in another country. The customer is offered a choice between two alternatives for the foreign exchange conversion of the funds delivered at ATM or transactions completed through the POS terminal by the transaction acquirer, which result in a pre-defined amount of the customer's local currency being charged to their card, or they may have the transaction converted in the ordinary way, in which the amount of foreign currency is communicated to the card issuing bank and the card issuing bank make the conversion. In this latter case, the customer generally is not informed of the exchange rate used by the card issuing bank until settlement of the transaction.

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When a customer chooses DCC at an ATM or POS transaction and Euronet acts as the acquirer, we receive all or a portion of the foreign exchange margin on the conversion of the transaction. On our IAD ATMs, Euronet or processor receives the entire exchange margin. On ATMs or POSs that are operated for banks, or where we offer DCC as a stand-alone service to banks or retailers, we share the foreign exchange margin. The foreign exchange margin on a DCC transaction can substantially increase the amount Euronet earns from the underlying ATM or POS transaction or increase the profitability of those ATMs on which DCC is offered.

Other Products and Services

Our network of owned or operated ATMs allows for the sale of financial and other products or services at a low incremental cost. We have developed value added services in addition to basic cash withdrawal and balance inquiry transactions. These value added services include dynamic currency conversion, mobile top-up, fraud management, bill payment, CRM, foreign remittance payout, and advertising. We are committed to the ongoing development of innovative new products and services to offer our EFT processing customers.

Euronet offers multinational merchants a Single European Payments Area (“SEPA”) compliant cross-border transaction processing solution. SEPA is an area in which all electronic payments can be made and received in euros, whether between or within national boundaries, under the same basic conditions, rights and obligations, regardless of their location. This single, centralized acquiring platform enables merchants to benefit from cost savings and faster, more efficient payments transfer. Although many European countries are not members of the Eurozone, the platform can serve the merchants in these countries as well, through its multi-currency functionality.

Software Solutions

We also offer a suite of integrated software solutions for electronic payments and transaction delivery systems. We generate revenues for our software products from licensing, professional services and maintenance fees for software and sales of related hardware, primarily to financial institutions around the world. We have been able to enter into agreements under which we contribute the right to use our ITM software in lieu of cash as our initial capital contributions to new transaction processing joint ventures. Such contributions permit us to enter new markets without significant cash outlays.

Additionally, our software products are an integral part of the EFT Processing Segment product lines, and our investment in research, development, delivery and customer support reflects our ongoing commitment to an expanded customer base both internally and externally. Our ITM software is used by processing centers in our EFT Processing Segment, resulting in cost savings and added value compared to third-party license and maintenance options.

EFT Processing Segment Strategy

The EFT Processing Segment maintains a strategy to expand the network of ATMs and POS terminals into developed and developing markets that have the greatest potential for growth. In addition, we follow a supporting strategy to increase the penetration of value-added (or complementary) services across our existing customer base, including dynamic currency conversion, advertising, fraud management, bill payment, prepaid mobile top-up, CRM and foreign remittance payout.

Growth opportunities are driven through financial institutions that are receptive to outsourcing the operation of their ATM, POS and card networks. The operation of these devices requires expensive hardware and software and specialized personnel. These resources are available to us, and we offer them to financial institutions under outsourcing contracts. The expansion and enhancement of our outsourced management solutions in new and existing markets will remain an important business opportunity for Euronet. Increasing the number of non-owned ATMs that we operate under management services agreements and continued development of our credit and debit card

outsourcing business should provide continued growth while minimizing our capital investment.

We continually strive to make our own ATM networks more efficient by eliminating underperforming ATMs and installing ATMs in more desirable locations. We will make selective additions to our own ATM network if we see market demand and profit opportunities. In recent years, the need for “all-in” services has increased. Banks, particularly smaller banks, are increasingly looking for integrated ATM, POS and card issuing processing and management services. Euronet is well positioned for this opportunity as it can offer a full end-to-end solution to the potential partners.

The EFT Processing Segment's line of services is strengthened through complementary services offered by our epay Segment, where we provide prepaid mobile airtime top-up services through POS terminals. We will continue to expand our technology and business methods into other markets where we operate and further leverage our relationships with mobile phone operators and financial institutions to facilitate that expansion.

Seasonality

Our business is significantly impacted by seasonality during the fourth quarter and first quarter of each year due to higher transaction levels during the holiday season and lower levels after the holiday season in the second quarter of the year. We have estimated that, absent significant fluctuations in foreign currency exchange rates or unusual circumstances, such as the impact of new acquisitions or unusually high levels of growth due to market factors, the overall revenue realized in the EFT Processing Segment is likely to be approximately 5% to 10% lower during the first quarter of each year than in the fourth quarter of the year. Additionally, mostly in Europe, we usually experience our heaviest demand for dynamic currency conversion, during the third quarter of the fiscal year, coinciding with the tourism season. As a result, revenues earned in the third quarter of the year will usually be greater than other quarters of the fiscal year.

Significant Customers and Government Contracts

No individual customer of the EFT Processing Segment makes up greater than 10% of consolidated total revenues. In India, we have contracts with government-owned banks to provide certain ATM services, including mobile airtime recharge services. Additionally, certain government-owned banks are members of our shared ATM network in India.

Competition

Our principal EFT Processing competitors include ATM networks owned by financial institutions and national switches consisting of consortiums of local banks that provide outsourcing and transaction services to financial institutions and independent ATM deployers in a particular country. Additionally, large, well-financed companies that operate ATMs offer ATM network and outsourcing services, and those that provide card outsourcing, POS processing and merchant acquiring services also compete with us in various markets. Small local operators have also recently begun offering their services, particularly in the independent ATM deployment market. None of these competitors has a dominant market share in any of our markets. Competitive factors in our EFT Processing Segment include breadth of service offering, network availability and response time, price to both the financial institution and to its customers, ATM location and access to other networks.

EPAY SEGMENT

Overview

We currently offer prepaid mobile airtime top-up services and other prepaid and payment products on a network of approximately 680,000 POS terminals across approximately 339,000 retailer locations in Europe, the Middle East, Asia Pacific, North America and South America. We believe we are the world's leading international network for distribution of prepaid mobile airtime (top-up). Our processing centers for the epay Segment are located in Basildon, U.K.; Martinsried, Germany; Milan, Italy; and Kansas City, Missouri, USA.

Since 2003, we have continually expanded our prepaid business in new and existing markets by drawing upon our depth of experience to build and expand relationships with mobile phone operators, prepaid content providers and retailers. In addition to prepaid mobile airtime, we offer a wide range of products across our retail networks, including prepaid debit cards, gift cards, prepaid vouchers, transport payments, lottery payments, prepaid digital content such as music, games and software, prepaid long distance and bill payment.

Sources of Revenues

The epay Segment generates commissions or processing fees received from telecommunications service providers for the sale and distribution of prepaid mobile airtime, which is a significant source of revenues for this segment. We also generate revenues as commissions earned from the distribution of electronic payment products referenced in the preceding paragraph.

Customers using mobile phones generally pay for their usage in two ways:

- ¶Through “postpaid” accounts, where usage is billed at the end of each billing period; and
- ¶Through “prepaid” accounts, where customers pay in advance by crediting their accounts prior to usage.

Although mobile phone operators in the U.S. and certain European countries have provided service principally through postpaid accounts, the norm in many other countries in Europe and the rest of the world is to offer wireless service on a prepaid basis. Prior to 2004, scratch cards were the predominant method of crediting mobile phone accounts in most developed markets.

Prepaid mobile phone credits are generally distributed using personal identification numbers or "PINs." We distribute PINs in two ways. First, we purchase PINs from the mobile operator which are electronically sent to our processing platform. We establish an electronic connection with the POS terminals in retailer locations and our processing platform provides the terminal with a PIN when the mobile top-up is purchased. We maintain systems that monitor transaction levels at each terminal. As sales of prepaid mobile airtime to customers are completed, the inventory on the platform is reduced by the PIN purchased. The customer pays the retailer and the retailer becomes obligated to make settlement to us of the principal amount of the mobile airtime sold. We maintain systems that know the amount of mobile top-up sold by the retailer which allows us in turn to bill that retailer for the mobile top-up sold.

Second, we establish an electronic connection to the mobile operator and the retailer. When the sale to a customer is initiated, the terminal requests the PIN from the mobile operator via our transaction processing platform. These transactions obtain the PIN directly from the mobile operator and, therefore, Euronet does not carry PIN inventory. The customer payment and settlement with the retailer are the same as described above.

We expand our distribution networks through the signing of new contracts with retailers, and in some markets, through the acquisition of existing networks. We are continuing to focus on our growing network of distributors, generally referred to as Independent Sales Organizations that contract with retailers in their network to distribute prepaid mobile airtime or other content from their POS terminals. We continue to increase our focus on direct relationships with chains of supermarkets, convenience stores, petrol stations, and other larger scale retailers, where we can negotiate agreements with the merchant on a multi-year basis.

epay Products and Services

Prepaid Mobile Airtime Transaction Processing

We process prepaid mobile airtime top-up transactions on our POS network across Europe, the Middle East, Asia Pacific, North America and South America for two types of clients: distributors and retailers. Both types of client transactions start with a consumer in a retail store. The retailer uses a specially programmed POS terminal in the store, the retailer's electronic cash register (ECR) system, or web-based POS that is connected to our network to buy prepaid mobile airtime. The customer will select a predefined amount of mobile airtime from the carrier of choice, and the retailer enters the selection into the POS terminal. The consumer will pay that amount to the retailer (in cash or other payment methods accepted by the retailer). The POS device then transmits the selected transaction to our processing center. Using the electronic connection we maintain with the mobile phone operator or drawing from our inventory of PINs, the purchased amount of mobile airtime will be either credited to the consumer's account or delivered via a PIN printed by the terminal and given to the consumer. In the case of PINs printed by the terminal, the consumer must then call the mobile phone operator's toll-free number to activate the purchased airtime to the consumer's mobile account.

One difference in our relationships with various retailers and distributors is the way in which we charge for our services. For distributors and certain very large retailers, we charge a processing fee. However, the majority of our

transactions occur with smaller retailers. With these clients, we receive a commission on each transaction that is withheld from the payments made to the mobile phone operator, and we share that commission with the retailers.

Retailer and Distributor Contracts

We provide our prepaid services through POS terminals or web-based POS installed in retail outlets or, in the case of major retailers, through direct connections between their ECR systems and our processing centers. In markets where we operate proprietary technology (the U.K., Germany, Australia, Poland, Ireland, New Zealand, Spain, Greece, India, Italy, Brazil and the U.S.), we generally own and maintain the POS terminals. In certain countries in Europe, the terminals are sold to the retailers or to distributors who service the retailer. Our agreements with major retailers for the POS services typically have one to three-year terms. These agreements include terms regarding the connection of our networks to the respective retailer's registers or payment terminals or the maintenance of POS terminals, and obligations concerning settlement and liability for transactions processed. Generally, our agreements with individual or small retailers have shorter terms and provide that either party can terminate the agreement upon three to six months' notice.

In Germany, distributors are key intermediaries in the sale of mobile top-up. As a result, our business in Germany is substantially concentrated in, and dependent upon, relationships with our major distributors. The termination of any of our agreements with major distributors could materially and adversely affect our prepaid business in Germany. However, we have been establishing agreements with independent German retailers in order to diversify our exposure to such distributors.

Other Products and Services

Our POS network can be used for the distribution of other products and services. Although prepaid mobile airtime is the primary product distributed through our epay Segment, additional products include long distance calling card plans, prepaid Internet plans, debit cards, gift cards, prepaid vouchers, transport payments, lottery payments, bill payment and digital content such as music, games and software. Through our cadooz subsidiary, we also distribute vouchers and physical gifts. In certain locations, the terminals used for prepaid services can also be used for electronic funds transfer to process credit and debit card payments for retail merchandise. For 2012, gross profit from products other than prepaid mobile airtime comprised approximately 29% of the epay Segment's gross profit.

The number of transactions processed on our entire POS network has increased over the last five years at a CAGR of approximately 12% as indicated in the following table:

(in millions)	2008	2009	2010	2011	2012
epay processing transactions per year	713	777	891	1,064	1,113

epay Segment Strategy

The global strategy for the epay Segment is to grow market share by defending mature markets, focusing expansion activity in growth markets and adding positive operating income in all other developing markets.

In addition to maintaining and growing market share in prepaid mobile airtime top-up, our growth strategy is achieved through the introduction of new products and content. New product initiatives focus on products outside of prepaid mobile airtime top-up and processing, including gift card malls, prepaid debit cards, transport and digital content, including music, software and games. Strategic execution behind new products includes the development of relationships with global consumer product brands. This strategy leverages the global scale of the epay business allowing global brands to be sold in many or all of the countries in which we have a presence. Examples of global brands include Apple and Microsoft.

Telecommunications companies and retail companies have a substantial opportunity to increase revenues by diversifying the products and services currently offered to their merchant base. epay is deploying additional content

through its POS network to retailers and distributors all over the world. The reach, capabilities and quality of the epay network are appealing as a global distribution channel. We are one of the largest worldwide multi-country operators, and have a distinct competitive advantage from the existing relationships that we maintain with prepaid content providers and retailers.

Seasonality

The epay business is significantly impacted by seasonality during the fourth quarter and first quarter of each year due to the higher transaction levels during the holiday season and lower levels following the holiday season. We expect that, absent significant fluctuations in foreign currency exchange rates or unusual circumstances, such as the impact of new acquisitions or unusually high levels of growth due to market factors, the overall revenue realized is likely to be approximately 5% lower

during the first quarter than in the fourth quarter of the year. We have historically experienced minimal differences between the second and third quarters of each year.

Significant Customers and Government Contracts

No individual customer of our epay Segment makes up greater than 10% of consolidated total revenues. epay has a contract for the technology and distribution infrastructure for six state-owned lotteries in Germany. In addition, epay has contracts with the state of Florida's (USA) Turnpike partners, the Transport for London in the U.K. and Queensland Motorways in Australia. In New Zealand, we have a contract with Glo Bug prepaid power to allow customers to purchase prepaid power through various retail locations. Through Glo Bug, we have a contract with Mercury Energy, the power provider, which is a subsidiary of the government-owned enterprise, Mighty River Power. In Germany, cadooz has a contract with Deutsche Bahn, which is majority owned by the German State. We also have a contract for the distribution of mobile airtime with a Saudi company, which is majority owned by the Saudi government. There are no other government contracts in the epay Segment.

Competition

We face competition in the prepaid business in all of our markets. We compete with a few multinational companies that operate in several of our markets. In other markets, our competition is from smaller, local companies. The mobile operators in all of our markets have retail distribution networks, and in some markets, on-line distribution of their own through which they offer top-up services for their own products.

We believe our size and market share are competitive advantages in many markets. In addition, our platforms are a competitive advantage. We have extremely flexible technical platforms that enable us to tailor POS solutions to individual merchant and mobile operator requirements where appropriate. Our platforms are also able to provide value added services other than processing which makes us a more valuable partner to the mobile operators and merchants. We have begun to introduce new digital products into the marketplace. Many of these products are not offered by our competitors and in many countries, these are new products. We are capitalizing on being the first to market and only distributor of these products.

The principal competitive factors in the epay Segment include price (that is, the level of commission paid to retailers for each transaction), breadth of products 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. We are seeing signs that some mobile operators are expanding their distribution networks to provide top-up services on-line or via mobile devices, which provides other alternatives for consumers to use; and in doing so, they become competitors.

MONEY TRANSFER SEGMENT

Overview

We provide consumer-to-consumer money transfer services through a global network of more than 177,000 locations. Transfers are originated through sending agents in approximately 21 countries, with money transfer delivery completed in 133 countries. The initiation of money transfers occurs through retail agents or Company-owned stores, while the delivery of money transfers can occur with bank correspondents, retailer agents or from certain ATMs. Transferred funds are delivered in foreign currency.

We monitor the number of transactions made through our money transfer networks. The number of transactions processed on our entire network has increased over the last five years at a CAGR of approximately 15% as indicated in the following table:

(in millions)	2008	2009	2010	2011	2012
Money transfer transactions per year	17.8	19.1	21.1	24.3	30.7

Our sending agent network includes a variety of agents, including large/medium size regional retailers, convenience stores, bodegas, multi-service shops and phone centers, which are predominantly found in areas with a large immigrant population. Each money transfer transaction is processed using the Company's proprietary software system and checked for security, completeness and compliance with federal regulations at every step of the process. Senders can track the progress of their transfers through Ria's customer service representatives, and funds are delivered quickly to their beneficiaries via our extensive payout network, which includes large banks and non-bank financial institutions, post offices and large retailers. Our processing center for the Money Transfer Segment is located in Buena Park, California, USA, and we operate call centers in Buena Park,

California; Antiguo Cuscatlán, El Salvador; and Madrid, Spain and provide multi-lingual customer service for both our agents and consumers.

Money Transfer Products and Services

Money Transfer products and services are sold primarily through three channels at agent locations and Company-owned stores: via computer (“Ria Online”), by phone (“TeleRia”), and card-based over a POS terminal (“Rialink”).

In an on-line transaction, customers provide the required information to the agent who enters the data into our on-line platform via a computer using a unique username and password. The real-time on-line connection we maintain with the agent enables the agent to generate a receipt and complete the transaction.

Through our TeleRia service, customers connect to our call center from a telephone available at an agent location or Ria store and a representative collects the information over the telephone and enters it directly into our secure proprietary system. As soon as the data capture is complete, our central system automatically faxes a confirmation receipt to the agent location for the customer to review and sign and the customer pays the agent the money to be transferred, together with a fee. The agent then faxes the signed receipt back to Ria to complete the transaction.

Transactions through Rialink are similar to on-line transactions, but are initiated over a POS terminal once the customer has completed a one-time enrollment over the phone with our customer service representative. Rialink has shown good results in high volume stores and agent locations due to the speed, efficiency and ease of use of the POS transfer method.

In addition to money transfers, we also offer customers bill payment services, mobile top-up services, payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services for a wide variety of issued checks, along with competitive foreign currency exchange services. These services are all offered through our Company-owned stores while select services are offered through our agents in certain markets.

Ria money orders are widely recognized and exchanged throughout the United States, South America, and around the world. Our check cashing services cover payroll and personal checks, cashier checks, tax refund checks, government checks, insurance drafts and money orders. Our bill payment services offer timely posting of customer bills for over 100 companies, including electric and gas utilities and telephone/wireless companies. Bill payment services are offered primarily in the U.S.

Sources of Revenues

Revenues in the Money Transfer Segment are primarily derived through the charging of a transaction fee, as well as a margin earned from purchasing foreign currency at wholesale exchange rates and selling the foreign currency to consumers at retail exchange rates. Sending agents and receiving agents (bank correspondents or retailers) each earn fees for cash collection and distribution services. Euronet recognizes these fees as direct operating costs at the time of sale.

We are one of the largest global money transfer companies in terms of revenues and transaction volumes. Our Money Transfer Segment processed approximately \$7.7 billion in money transfers in 2012.

Money Transfer Segment Strategy

The Money Transfer Segment's strategy is to increase the volume of money transfers processed by leveraging our existing banking and merchant/retailer relationships to expand our agent and correspondent networks in existing corridors. In addition, we pursue expansion into high-potential money transfer corridors from the U.S. and internationally beyond the traditional U.S. to Mexico corridor. Further, we expect to continue to take advantage of cross-selling opportunities with our epay and EFT Processing Segments by providing prepaid services through Ria's stores and agents, and offering our money transfer services at select prepaid retail locations and ATMs we operate in key markets. We will continue to make investments in our systems to support this growth.

Seasonality

Our money transfer business is significantly impacted by seasonality that varies by region. In most of our markets, we experience increased money transfer transaction levels during the month of May and in the fourth quarter of each year, coinciding with various holidays. Additionally, in the U.S. to Mexico corridor, we usually experience our heaviest volume during the May through October timeframe, coinciding with the increase in worker migration patterns, and our lowest volumes during the first quarter. During the first quarter of each year, we have historically experienced a 5% to 10% decrease in overall transactions when compared to the fourth quarter.

Significant Customers and Government Contracts

No individual customer of our Money Transfer Segment makes up greater than 10% of consolidated total revenues. The Money Transfer Segment maintains correspondent relationships with a number of financial institutions whose ownership includes governments of the correspondents' countries of origin. Those countries include Bangladesh, Brazil, Cape Verde, Costa Rica, Cote d'Ivoire, Croatia, Ecuador, Egypt, Eritrea, Ethiopia, Ghana, Guatemala, Guyana, Hungary, Indonesia, Mali, Mexico, Mongolia, Pakistan, Poland, Portugal, Romania, Rwanda, Senegal, Serbia, Slovenia, Thailand, Togo, Tunisia, Turkey, Uganda, Ukraine and Vietnam.

Competition

Our primary competitors in the money transfer and bill payment business include other independent processors and electronic money transmitters, as well as certain major national and regional banks, financial institutions and independent sales organizations. Our competitors include The Western Union Company, MoneyGram International Inc. and others, some of which are larger than we are and have greater resources and access to capital for expansion than we have. This may allow them to offer better pricing terms to customers, agents or correspondents, which may result in a loss of our current or potential customers or could force us to lower our prices. In addition to traditional money payment services, new technologies are emerging that may effectively compete with traditional money payment services, such as stored-value cards, debit networks and Web-based services. Our continued growth also depends upon our ability to compete effectively with these alternative technologies.

PRODUCT RESEARCH, DEVELOPMENT AND ENHANCEMENT

In the EFT Processing Segment, development has historically focused on expanding the range of services offered to our bank customers from ATM and POS outsourcing to card processing and software services.

We are committed to the maintenance and improvement of our software products. We regularly engage in software product development and enhancement activities aimed at the development and delivery of new products, services and processes to our customers. Our research and development costs for software products to be sold, leased or otherwise marketed totaled \$5.8 million, \$3.7 million, and \$3.6 million in 2012, 2011 and 2010, respectively. Development costs that were capitalized totaled \$3.9 million, \$2.6 million and \$2.2 million in 2012, 2011 and 2010, respectively.

In our epay Segment, development has focused on expanding the types of electronic payment products and services available to consumers over our network to include, for example, prepaid vouchers, transport payments, lottery payments, gift and debit cards, and bill payment capabilities. This is intended to make our offerings more attractive to retailers.

FINANCIAL INFORMATION BY GEOGRAPHIC AREA

For information on results of operations, property and equipment, and total assets by geographic location, please see Note 16, Business Segment Information, to the consolidated financial statements. Additionally, see Item 1A - Risk Factors, for risk factors related to foreign operations.

EMPLOYEES

We had approximately 3,900, 3,800 and 3,100 employees as of December 31, 2012, 2011, and 2010, respectively. We believe our future success will depend in part on our ability to continue to recruit, retain and motivate qualified management, technical and administrative employees. Currently, no union represents any of our employees, except in our Spanish subsidiary. We experienced no work stoppages or strikes by our workforce in 2012 and we consider relations with our employees to be good.

GOVERNMENT REGULATION

As discussed below, certain of our business activities are subject to regulation in some of our current markets. In the Money Transfer Segment, we are subject to a wide variety of laws and regulations of the U.S., individual U.S. states and foreign governments. These include international, federal and state anti-money laundering laws and regulations, money transfer and payment instrument licensing laws, escheat laws, laws covering consumer privacy, data protection and information security and consumer disclosure and consumer protection laws. Our operations have also been subject to increasingly strict requirements intended to help prevent and detect a variety of illegal financial activity, including money laundering, terrorist financing, unauthorized access to personal customer data and other illegal activities. The more significant of these laws and regulations are discussed below. Noncompliance with these laws and requirements could result in the loss or suspension of licenses or registrations required to provide money transfer services by either Ria or its agents. For more discussion, see Item 1A - Risk Factors.

Any expansion of our activity into areas that are qualified as “financial activity” under local legislation may subject us to licensing and we may be required to comply with various conditions to obtain such licenses. Moreover, the interpretations of bank regulatory authorities as to the activity we currently conduct might change in the future. We monitor our business for compliance with applicable laws or regulations regarding financial activities.

Certain of our businesses, including in particular, our money transfer services, merchant acquiring, certain card services and bill payment are subject to the Payment Services Directive (“PSD”) as implemented in each European Country. The PSD initiative requires a license to be obtained to perform certain defined “payment services” in a European country and such license may be extended throughout the European Economic Area Member States (“member states”) through “passporting.” Conditions for obtaining the license include minimum capital requirements, establishment of procedures for safeguarding of funds, and certain governance and reporting requirements. In addition, certain regulations relating to internal controls and the conduct of business, in particular, consumer disclosure requirements and certain rules regarding the timing and settlement of payments, must be met. We have obtained authorization as a payment institution in the U.K., Germany, and Spain and are complying with these requirements. We are applying for additional payment services licenses. To date, we have passported our U.K. authorization to sixteen host member states operating under the PSD.

Certain of our businesses involve the maintenance of electronic accounts. In Europe, such businesses require an “e-money” license and we have obtained an e-money license in the U.K. That license imposes certain requirements similar to those of the payment services license, including minimum capital requirements, consumer disclosure and internal controls.

Money Transfer and Payment Instrument Licensing

Licensing requirements in the U.S. are generally driven by the various state banking departments regulating the businesses of money transfers and issuances of payment instruments. Typical requirements include the meeting of minimum net worth requirements, maintaining permissible investments (e.g., cash, agent receivables, and government-backed securities) at levels commensurate with outstanding payment obligations and the filing of a security instrument (typically in the form of a surety bond) to offset the risk of default of trustee obligations by the license holder. We are required by many regulators to file interim reports of licensed activity, most often on a quarterly basis, that address changes to agent and branch locations, operating and financial performance, permissible investments and outstanding transmission liabilities. These periodic reports are utilized by the regulator to monitor ongoing compliance with state licensing laws. A number of major state regulators also conduct periodic examinations of license holders and their authorized delegates, generally with a frequency of every one to two years. Examinations are most often comprehensive in nature, addressing both the safety and soundness and overall compliance by the license holder with regard to state and federal regulations. Such examinations are typically performed on-site at the

license holder's headquarters or operations center; however, a number of states will choose to perform examinations off-site.

Money transmitters, issuers of payment instruments and their agents are required to comply with U.S. federal, state and/or foreign anti-money laundering laws and regulations. In summary, our Money Transfer Segment, as well as our agent network, is subject to regulations issued by the different state and foreign national regulators who license us, Office of Foreign Assets Control ("OFAC"), the Bank Secrecy Act as amended by the USA PATRIOT ACT ("BSA"), the Financial Crimes Enforcement Network ("FINCEN"), as well as any existing or future regulations that impact any aspect of our money transfer business.

A similar set of regulations applies to our money transfer businesses in most of the foreign countries in which we originate transactions. These laws and regulations include monetary limits for money transfers into or out of a country, rules regarding the foreign currency exchange rates offered, as well as other limitations or rules for which we must maintain compliance.

Regulatory bodies in the U.S. and abroad may impose additional rules on the conduct of our Money Transfer Segment that could have a significant impact on our operations and our agent network. In this regard, the U.S. federal government has proposed new U.S. federal regulations for electronic money transfers. Prior to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act on July 21, 2010 (“Dodd-Frank Act”), international money transfers were generally not addressed by existing federal consumer protection regulations. The Dodd-Frank Act expanded the scope of the Electronic Fund Transfer Act to provide protections for senders of remittance transfers. On January 20, 2012, the Consumer Financial Protection Bureau, established under the Dodd-Frank Act on July 21, 2011 with authority to implement the new consumer protective measures, adopted a new rule designed to increase protections for consumers sending money to foreign countries. This rule provides new protections, including disclosures and error resolution and cancellation rights, to consumers who send remittance transfers abroad.

Escheat Regulations

Our Money Transfer Segment is subject to the unclaimed or abandoned property (i.e., “escheat”) regulations of the U.S. and certain foreign countries in which we operate. These laws require us to turn over property held by the Company on behalf of others remaining unclaimed after specified periods of time (i.e., “dormancy” or “escheat” periods). Such abandoned property is generally attributable to the failure of beneficiary parties to claim money transfers or the failure to negotiate money orders, a form of payment instrument. We have policies and programs in place to help us monitor the required information relating to each money transfer or payment instrument for possible eventual reporting to the jurisdiction from which the order was originally received. In the U.S., reporting of unclaimed property by money service companies is performed annually, generally with a due date of on or before November 1. State banking department regulators will typically include a review of Company escheat procedures and related filings as part of their examination protocol.

Privacy and Information Security Regulations

Our Money Transfer Segment operations involve the collection and storage of certain types of personal customer data that are subject to privacy and security laws in the U.S. and abroad. In the United States, we are subject to the Gramm-Leach-Bliley Act (“GLBA”), which requires that financial institutions have in place policies regarding the collection, processing, storage and disclosure of information considered nonpublic personal information. Laws in other countries include those adopted by the member states of the European Union under Directive 95/46 EC of the European Parliament and of the Council of 24 October 1995 (the “Directive”), as well as the laws of other countries. The Directive prohibits the transfer of personal data to non-European Union member nations that do not provide adequate protection for personal data. In some cases, the privacy laws of an EU member state may be more restrictive than the Directive and may impose additional requirements that we must comply with to operate in the respective country. Generally, these laws restrict the collection, processing, storage, use and disclosure of personal information and require that we safeguard personal customer data to prevent unauthorized access.

We comply with the GLBA and state privacy provisions. In addition, we comply with the Directive using the safe harbor permitted by the Directive by filing with the U.S. Department of Commerce, publicly declaring our privacy policy for information collected outside of the U.S., posting our privacy policy on our Web site and requiring our agents in the European Union to notify customers of the privacy policy.

Recently, as identity theft has been on the rise, there has been increased public attention to concerns about information security and consumer privacy, accompanied by laws and regulations addressing the issue. We believe we are compliant with these laws and regulations; however, this is a rapidly evolving area and there can be no assurance that we will continue to meet the existing and new regulations, which could have a material, adverse impact on our Money Transfer Segment business.

Anti-corruption and Bribery

We are subject to the Foreign Corrupt Practices Act ("FCPA"), which prohibits U.S. and other business entities from making improper payments to foreign government officials, political parties or political party officials. We are also subject to the applicable anti-corruption laws in the jurisdictions in which we operate, such as the U.K. Bribery Act, thus potentially exposing us to liability and potential penalties in multiple jurisdictions. The anti-corruption provisions of the FCPA are enforced by the United States Department of Justice. In addition, the Securities and Exchange Commission requires strict compliance with certain accounting and internal control standards set forth under the FCPA. Because our services are offered in many countries throughout the world, we face a higher risk associated with FCPA, the U.K. Bribery Act and other similar laws than many other companies. Any determination that we have violated these laws could have an adverse effect on our business, financial position and results of operations. Failure to comply with the FCPA and other laws can expose the Company and/or individual employees to potentially severe criminal and civil penalties. Such penalties could have a material adverse effect on our business, financial condition and results of operations.

Money Transfer Compliance Policies and Programs

We have developed risk-based policies and programs to comply with the existing, new or changed laws, regulations and other requirements outlined above, including having dedicated compliance personnel, training programs, automated monitoring systems and support functions for our offices and agents. To assist in managing and monitoring our money laundering and terrorist financing risks, we continue to have our compliance programs, in many countries, independently examined on an annual basis. In addition, we continue to enhance our anti-money laundering and counter-terrorist financing compliance policy, procedures and monitoring systems.

INTELLECTUAL PROPERTY

Each of our three operating segments utilizes intellectual property which is protected in varying degrees by a combination of trademark, patent and copyright laws, as well as trade secret protection, license and confidentiality agreements.

The brand names of “Ria,” “Ria Financial Services” and “Ria Envia,” derivations of those brand names and certain other brand names are material to our Money Transfer Segment and are registered trademarks and/or service marks in most of the markets in which our Money Transfer Segment operates. Consumer perception of these brand names is important to the growth prospects of our money transfer business. We also hold a U.S. patent on a card-based money transfer and bill payment system that allows transactions to be initiated primarily through POS terminals and integrated cash register systems.

With respect to our EFT Processing Segment, we have registered or applied for registration of our trademarks, including the names “Euronet” and “Bankomat” and/or the blue diamond logo, as well as other trade names in most markets in which these trademarks are used. Certain trademark authorities have notified us that they consider these trademarks to be generic and, therefore, not protected by trademark laws. This determination does not affect our ability to use the Euronet trademark in those markets, but it would prevent us from stopping other parties from using it in competition with Euronet. We have registered the “Euronet” trademark in the class of ATM machines in Germany, the U.K. and certain other Western European countries. We have filed pending patent applications for a number of our new software products and our new processing technology, including our recharge services.

With respect to our epay Segment, we have filed trademark applications for the “epay” brand in the U.S., U.K., the European Union (“E.U.”) through a Community Trademark application, Brazil, India, Australia and New Zealand. The epay trademark has issued to registration in the U.S., U.K., the E.U., Australia and New Zealand. The trademark applications in the other jurisdictions are still pending. We also hold trademarks for our prepaid operating subsidiaries in other jurisdictions, including PaySpot, Inc. in the U.S. We cannot be certain that we are entitled to use the epay trademark in any markets other than those in which we have registered the trademark. We have filed patent applications for some of our POS recharge and certain other products in support of epay technology. Certain patents have been granted while others have been refused or are still pending. We also hold a patent license covering certain of epay's operations in the U.S.

Technology in the areas in which we operate is developing very rapidly, and we are aware that many other companies have filed patent applications for products, processes and services similar to those we provide. The procedures of the U.S. patent office make it impossible for us to predict whether our patent applications will be approved or will be granted priority dates that are earlier than other patents that have been filed for similar products or services. Moreover, many “process patents” have been filed in the U.S. over recent years covering processes that are in wide use in the money transfer, EFT and prepaid processing industries. If any of these patents are considered to cover technology that has been incorporated into our systems, we may be required to obtain additional licenses and pay royalties to the holders of such patents to continue to use the affected technology or be prohibited from continuing the offering of such services if licenses are not obtained. This could materially and adversely affect our business.

EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age, period of service and position held by each of our Executive Officers as of February 26, 2013 are as follows:

Name	Age	Served Since	Position Held
Michael J. Brown	56	July 1994	Chairman and Chief Executive Officer
Kevin J. Caponecchi	46	July 2007	President
Rick L. Weller	55	November 2002	Executive Vice President - Chief Financial Officer
Jeffrey B. Newman	58	December 1996	Executive Vice President - General Counsel
Juan C. Bianchi	42	April 2007	Executive Vice President - Managing Director, Money Transfer Segment
Nikos Fountas	49	September 2009	Executive Vice President - Managing Director, Europe EFT Processing Segment

MICHAEL J. BROWN, Chairman and Chief Executive Officer. Mr. Brown is one of the founders of Euronet and has served as our Chairman of the Board and Chief Executive Officer since 1996. He also co-founded our predecessor company in 1994. Mr. Brown has been a Director of Euronet since our incorporation in December 1996 and previously served on the boards of Euronet's predecessor companies. In 1979, Mr. Brown founded Innovative Software, Inc., a computer software company that was merged in 1988 with Informix. Mr. Brown served as President and Chief Operating Officer of Informix from February 1988 to January 1989. He served as President of the Workstation Products Division of Informix from January 1989 until April 1990. In 1993, Mr. Brown was a founding investor of Visual Tools, Inc. Visual Tools, Inc. was acquired by Sybase Software in 1996. Mr. Brown received a B.S. in Electrical Engineering from the University of Missouri - Columbia in 1979 and a M.S. in Molecular and Cellular Biology at the University of Missouri - Kansas City in 1997.

KEVIN J. CAPONECCHI, President. Mr. Caponecchi joined Euronet as President in July 2007. Prior to joining Euronet, Mr. Caponecchi served in various capacities with subsidiaries of General Electric Company for 17 years. From 2003 until June 2007, Mr. Caponecchi served as President of GE Global Signaling, a provider of products and services to freight, passenger and mass transit systems. From 1998 through 2002, Mr. Caponecchi served as General Manager - Technology for GE Consumer & Industrial, a provider of consumer appliances, lighting products and electrical products. Mr. Caponecchi holds degrees in physics from Franklin and Marshall College and industrial engineering from Columbia University.

RICK L. WELLER, Executive Vice President, Chief Financial Officer. Mr. Weller has been Executive Vice President and Chief Financial Officer of Euronet since he joined Euronet in November 2002. From January 2002 to October 2002, he was the sole proprietor of Pivotal Associates, a business development firm. From November 1999 to December 2001, Mr. Weller held the position of Chief Operating Officer of ionex telecommunications, inc., a local exchange company. He is a certified public accountant and received his B.S. in Accounting from the University of Central Missouri.

JEFFREY B. NEWMAN, Executive Vice President, General Counsel. Mr. Newman has been Executive Vice President and General Counsel of Euronet since January 2000. He joined Euronet in December 1996 as Vice President and General Counsel. Prior to this, he practiced law with the Washington, D.C. based law firm of Arent Fox Kintner Plotkin & Kahn and the Paris based law firm of Salans Hertzfeld & Heilbronn. He is a member of the District of Columbia, California and Paris, France bars. He received a B.A. in Political Science and French from Ohio University in 1976 and law degrees from Ohio State University and the University of Paris.

JUAN C. BIANCHI, Executive Vice President - Managing Director, Money Transfer Segment. Mr. Bianchi joined Euronet subsequent to the acquisition of Ria in 2007. Prior to the acquisition, Mr. Bianchi served as the Chief Executive Officer of Ria and has spent his entire career at either Ria or AFEX Money Express, a money transfer company purchased by Ria's founders. Mr. Bianchi began his career at AFEX in Chile in 1992, joined AFEX USA's operations in 1996, and became chief operating officer of AFEX-Ria in 2003. Mr. Bianchi studied business at the Universidad Andres Bello in Chile and completed the Executive Program in Management at UCLA's John E. Anderson School of Business.

NIKOS FOUNTAS, Executive Vice President - Managing Director, Europe EFT Processing Segment. Mr. Fountas has been Executive Vice President of the Company's EFT Processing Segment in Europe since December 2012. Mr. Fountas joined Euronet subsequent to the Company's 2005 acquisition of Instreamline S.A. (now Euronet Card Services) in Greece. He served as managing director of the Company's Greece EFT subsidiary, responsible for Euronet's European card processing and cross-border acquiring operations until September 2009. In September 2009, Mr. Fountas took over responsibilities as managing

director of Euronet's Europe EFT Processing Segment. Prior to joining Euronet, Mr. Fountas spent over 20 years working in management and executive-level positions in the IT field for several companies, including IBM for 12 years. He has a degree in computer science (Honors) from York University in Canada and post graduate studies in business administration from Henley Management School and IBM Business Professional Institute.

AVAILABILITY OF REPORTS, CERTAIN COMMITTEE CHARTERS AND OTHER INFORMATION

Our Web site addresses are www.euronetworldwide.com and www.eeft.com. We make available all Securities and Exchange Commission ("SEC") public filings, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act") on our Web site free of charge as soon as reasonably practicable after these documents are electronically filed with, or furnished to, the SEC. The information on our Web site is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the SEC. In addition, our SEC filings are made available via the SEC's EDGAR filing system accessible at www.sec.gov.

The charters for our Audit, Compensation, and Corporate Governance and Nominating Committees, as well as the Code of Business Conduct & Ethics for our employees, including our Chief Executive Officer and Chief Financial Officer, are available on our Web site at www.euronetworldwide.com in the "Investor Relations" section.

ITEM 1A. RISK FACTORS

Our operations are subject to a number of risk and uncertainties, including those describe below. You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not necessarily organized in order of priority or probability.

If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our Common Stock could decline substantially.

This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below and elsewhere in this Annual Report.

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

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

• The integration plans for our acquisitions are based on benefits 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 plans 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 businesses;

•The execution of our integration plans may divert the attention of our management from other key responsibilities;

•We may assume unanticipated liabilities and contingencies; or

Our acquisition targets could fail to perform in accordance with our expectations at the time of purchase.

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 or other 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 four separate areas: (i) our network of owned and operated ATMs; (ii) outsourced ATM management contracts; (iii) our prepaid mobile airtime and other electronic payment services; and (iv) our money transfer and bill payment 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 include value added services on new and existing ATMs;
- 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 outsourcing agreements with banks;
- the ability to renew existing agreements with customers;
- the ability to obtain sufficient numbers of ATMs on a timely basis; and
- the availability of financing for the expansion.

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 or maintain outsourcing contracts with us. Banks are very deliberate in negotiating these agreements, and the process of negotiating and signing outsourcing agreements typically takes several months. Banks evaluate a wide range of matters when deciding to choose an outsource vendor and generally this decision is subject to extensive management analysis and approvals. The process is also affected 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 entry into or termination of these management contracts. In this regard, the timing of both current and new contract revenues is uncertain and unpredictable. Increasing consolidation in the banking industry could make this process less predictable.

We currently offer prepaid mobile airtime top-up and other electronic payment services in Europe, the Middle East, Asia Pacific, North America and South America. We plan to expand in these and other markets by taking advantage of our existing relationships with mobile phone operators, banks and retailers and by offering additional electronic payment products. This expansion will depend on various factors, including the following:

- the ability to negotiate new agreements, and renew existing agreements, in these markets with mobile phone operators, banks and retailers;
- the acceptance and popularity of additional electronic payment products such as prepaid gift and debit cards, prepaid vouchers, transport payments, lottery payments, bill payments and digital content such as music, games, and software;
- the continuation of the trend of increased use of electronic prepaid mobile airtime among mobile phone users;
- the continuation of the trend of increased use of electronic money transfer and bill payment among immigrant workers;
- the increase in the number of prepaid mobile phone users; and
- the availability of financing for the expansion.

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

We are subject to business cycles, seasonality and other outside factors that may negatively affect our business.

A recessionary economic environment in any of our market or other outside factors could have a negative impact on mobile phone operators, retailers and our customers and could reduce the level of transactions, which could, in turn, negatively impact our financial results. If mobile phone operators and financial institutions experience decreased demand for their products and services, or if the locations where we provide services decrease in number, we will process fewer transactions, resulting in lower revenues. In addition, a recessionary economic environment could reduce the level of transactions taking place on our networks, which will have a negative impact on our business.

Our experience is that the level of transactions on our networks is also subject to substantial seasonal variation. Transaction levels have consistently been much higher in the fourth quarter of the fiscal year due to increased use of ATMs, prepaid mobile airtime top-ups and money transfer services during the holiday season. Generally, the level of transactions drops in the first quarter, during which transaction levels are generally the lowest we experience during the year, which reduces the level of revenues that we record. Further, in the EFT Processing Segment, mostly in Europe, we usually experience our heaviest demand for value added services, including dynamic currency conversion, during the third quarter of the fiscal year; coinciding with the tourism season. As a result, revenues earned in the third quarter of the year will usually be greater than other quarters of the fiscal year for our EFT Processing Segment. In the Money Transfer Segment, we experience increased transaction levels during the May through October timeframe coinciding with the increase in worker migration patterns. 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.

Additionally, economic or political instability, civil unrest, terrorism and natural disasters may make money transfers to, from or within a particular country more difficult. The inability to timely complete money transfers could adversely affect our business.

A prolonged economic slowdown or lengthy or severe recession in the U.S. or elsewhere could harm our operations.

Concerns over the slow economic recovery, level of U.S. national debt and structural deficits, European sovereign debt crisis, the U.S. mortgage market, inflation levels, energy costs and geopolitical issues have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices, reduced business and consumer confidence and continued high unemployment, have negatively impacted the world economy. A prolonged economic downturn or recession could materially impact our results from operations. A recessionary economic environment could have a negative impact on mobile phone operators, retailers and our other customers and could reduce the level of transactions processed on our networks, which would, in turn, negatively impact our financial results. If mobile phone operators and financial institutions experience decreased demand for their products and services, or if the locations where we provide services decrease in number, we will process fewer transactions, resulting in lower revenues.

We have indirect exposure to the European sovereign debt crisis.

Although Euronet has no direct investments in European sovereign debt, we are indirectly exposed to its risks. Many of the customers of our EFT Segment are banks who may hold investments in European sovereign debt. To the extent those customers are negatively impacted by those investments, they may be less able to pay amounts owed to us or renew service agreements with us. Such developments could negatively affect our business. Further, to the extent that sovereign debt concerns depress economic activity, it may negatively impact the number of transactions processed on our epay and money transfer networks, resulting in lower revenue.

Retaining the founder and key executives of our company, and of companies that we acquire, and finding and retaining qualified personnel is important to our continued success.

The development and implementation of our strategy has depended in large part on the co-founder of our company, Michael J. Brown. The retention of Mr. Brown is important to our continued success. In addition, the success of the expansion of businesses that we acquire may depend in large part upon the retention of the founders of those businesses. Our success also depends in part on our ability to hire and retain highly skilled and qualified management, operating, marketing, financial and technical personnel. The competition for qualified personnel in the 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, which grant incentive stock options and/or restricted stock 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.

We have a substantial amount of debt and other contractual commitments, and the cost of servicing those obligations could adversely affect our business, and such risk could increase if we incur more debt. We may be required to prepay our obligations under the secured syndicated credit facility.

We have a substantial amount of indebtedness. As of December 31, 2012, total liabilities were \$1,025.0 million, of which \$286.7 million represents long-term debt obligations, and total assets were \$1,551.5 million. We may not have sufficient funds to satisfy all such obligations as a result of a variety of factors, some of which may be beyond our control. If the opportunity of a strategic acquisition arises or if we enter into new contracts that require the installation or servicing of infrastructure, such as processing centers, ATM machines or POS terminals on a faster pace than anticipated, we may be required to incur additional debt for these purposes and to fund our working capital needs, which we may not be able to obtain. The level of our indebtedness could have important consequences to investors,

including the following:

our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes may be limited or financing may be unavailable;

a substantial portion of our cash flows must be dedicated to the payment of principal and interest on our indebtedness and other obligations and will not be available for use in our business;

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

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

because a portion of our debt bears interest at a variable rate of interest, our actual debt service obligations could increase as a result of adverse changes in interest rates.

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

Restrictive covenants in our credit facilities may adversely affect us. Our credit facility contains three financial covenants that we must meet as defined in the agreement: (1) Consolidated Total Leverage Ratio, (2) Consolidated Senior Secured Leverage Ratio and (3) Consolidated Fixed Charge Coverage Ratio. To remain in compliance with our debt covenants, we may be required to increase EBITDA, repay debt, or both. We cannot assure you that we will have sufficient assets, liquidity or EBITDA to meet or avoid these obligations, which could have an adverse impact on our financial condition.

Our ability to secure additional financing for growth or to refinance any of our existing debt is also dependent upon the availability of credit in the marketplace, which has experienced severe disruptions due to the recent economic crisis. If we are unable to secure additional financing or such financing is not available at acceptable terms, we may be unable to secure financing for growth or refinance our debt obligations, if necessary.

In the event that we need debt financing in the future, recent uncertainty in the credit markets could affect our ability to obtain debt financing on reasonable terms.

In the event we were to require additional debt financing in the future, the ongoing uncertainty in the credit markets, including the European sovereign debt crisis, could materially impact our ability to obtain debt financing on reasonable terms. The inability to access debt financing on reasonable terms could materially impact our ability to make acquisitions, refinance existing debt or materially expand our business in the future.

Increases in interest rates will adversely impact our results of operations.

For the \$74.5 million amount outstanding under the term loan, as well as borrowings incurred under our revolving credit facility and other variable rate borrowing arrangements, increases in variable interest rates will increase the amount of interest expense that we pay for our borrowings and have a negative impact on our results of operations.

We may be required to recognize additional impairment charges related to long-lived assets and goodwill recorded in connection with our acquisitions, which would adversely impact our results of operations.

Our total assets include approximately \$565.1 million or 36% of total assets, in goodwill and acquired intangible assets recorded as a result of acquisitions. We assess our goodwill, intangible assets and other long-lived assets as and when required by accounting principles generally accepted in the U.S. to determine whether they are impaired. In 2010, we determined that certain goodwill assets of our epay businesses in the U.K., Spain and Romania were impaired and we recorded \$70.9 million of non-cash impairment charges. In 2012, we determined that certain goodwill and acquired intangible assets of our epay business in Brazil were impaired and we recorded \$28.7 million of non-cash impairment charges. If operating results in any of our key markets, including the U.S., U.K., Germany, Spain, Australia, Poland, and Romania, deteriorate or our plans do not progress as expected when we acquired these entities or if capital markets depress our value or that of similar companies, we may be required to record additional impairment write-downs of goodwill, intangible assets or other long-lived assets. This could have a material adverse effect on our results of operations and financial condition.

The processes and systems we employ may be subject to patent protection by other parties, and any claims could adversely affect our business and results of operations.

In certain countries, including the U.S., patent protection legislation permits the protection of processes and systems. We employ processes and systems in various markets that have been used in the industry by other parties for many years, and which we or other companies that use the same or similar processes and systems consider to be in the public domain. However, we are aware that certain parties believe they hold patents that cover some of the processes and systems employed in the prepaid processing industry in the U.S. and elsewhere. We believe the processes and systems we use have been in the public domain prior to the patents we are aware of. The question of whether a process or system 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 or systems we use, we would be required to defend ourselves against such claim. If unsuccessful, we may be required to pay damages for past infringement, which could be trebled if the infringement was found to be willful. We may also be required to seek a license to continue to use the processes or systems. Such a license may require either a single payment or an ongoing license fee. No assurance can be given that we will be able to obtain a license which is reasonable in fee and scope. If a patent owner is unwilling to grant such a license, or we decide not to obtain such a license, we may be required to modify our processes and systems to avoid future infringement. Any such occurrences could materially and adversely affect our prepaid processing business in any affected markets and could result in our reconsidering the rate of expansion of this business in those markets.

We conduct a significant portion of our business in Central and Eastern European countries, and we have subsidiaries in the Middle East, Asia Pacific and South America, 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.

We have subsidiaries in Central and Eastern Europe, the Middle East, Asia Pacific and South America. We expect to continue to expand our operations to other countries in these regions. We sell software in many other markets in the developing world. Some of these countries have undergone significant political, economic and social change in recent years and the risk of new, unforeseen changes in these countries remains greater than in the U.S. or Western Europe. In particular, changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, growth, financial condition or results of operations.

For example, currently there are no limitations on the repatriation of profits from any of the countries in which we have subsidiaries, but foreign currency 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 Central Europe have been, and continue to be, substantially revised. 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.

We conduct business in many international markets with complex and evolving tax rules, including value added tax rules, which subjects us to international tax compliance risks.

While we obtain advice from legal and tax advisors as necessary to help assure compliance with tax and regulatory matters, most tax jurisdictions that we operate in have complex and subjective rules regarding the valuation of intercompany services, cross-border payments between affiliated companies and the related effects on income tax, value-added tax (“VAT”), transfer tax and share registration tax. Our foreign subsidiaries frequently undergo VAT reviews, and from time to time undergo comprehensive tax reviews and may be required to make additional tax payments should the review result in different interpretations, allocations or valuations of our services.

Increases in taxes could negatively impact our operating results.

As a result of recent economic downturns, tax receipts have decreased and/or government spending has increased in many of the countries in which we operate. Consequently, governments may increase tax rates or implement new taxes in order to compensate for gaps between tax revenues and expenditures. Additionally, governments may prohibit or restrict the use of certain legal structures designed to minimize taxes. Any such tax increases, whether borne by us or our customers, could negatively impact our operating results or the demand for our products.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act.

Our business operations in countries outside the United States are subject to anti-corruption laws and regulations, including restrictions imposed by the FCPA. The FCPA and similar anti-corruption laws in other jurisdictions, such as the U.K. Bribery Act, generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices.

Our employees and agents interact with government officials on our behalf, including interactions necessary to obtain licenses and other regulatory approvals necessary to operate our business, import or export equipment and resolve tax disputes. These interactions create a risk that actions may occur that could violate the FCPA or other similar laws.

Although we have implemented policies and procedures designed to ensure compliance with local laws and regulations as well as U.S. laws and regulations, including the FCPA, there can be no assurance that all of our employees, consultants, contractors and agents will abide by our policies. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in international jurisdictions, either due to our own acts or out of inadvertence, or due to the acts or inadvertence of others, we could suffer from criminal or civil penalties which could have a material and adverse effect on our results of operations, financial condition and cash flows.

Because we are a multinational company conducting a complex business in many markets worldwide, we are subject to legal and operational risks related to staffing and management, as well as a broad array of local legal and regulatory requirements.

Operating outside of the U.S. creates difficulties associated with staffing and managing our international operations, as well as complying with local legal and regulatory requirements. Because we operate financial transaction processing networks that offer new products and services to customers, the laws and regulations in the markets in which we operate are subject to rapid change. Although we have local staff in countries in which we deem it appropriate, we cannot assure you that we will continue to be found to be operating in compliance with all applicable customs, currency exchange control regulations, data protection, transfer pricing regulations or any other laws or regulations to which we may be subject. We also cannot assure you that these laws will not be modified in ways that may adversely affect our business.

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

We attempt to match any assets denominated in a currency with liabilities denominated in the same currency. However, a significant amount of our cash outflows, including the acquisition of ATMs, executive salaries, certain long-term contracts and a significant portion of our debt obligations, are made in U.S. dollars, while most of our revenues are denominated in other 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. Exchange rate policies have not always allowed for the free conversion of currencies at the market rate. Future fluctuations in the value of the U.S. dollar could have an adverse effect on our results.

Our Money Transfer Segment is subject to foreign currency exchange risks because our customers deposit funds in one currency at our retail and agent locations worldwide and we typically deliver funds denominated in a different, destination country currency. Although we use foreign currency forward contracts to mitigate a portion of this risk, we cannot eliminate all of the exposure to the impact of changes in foreign currency exchange rates for the period between collection and disbursement of the money transfers.

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We have various mechanisms in place to discourage takeover attempts, which may reduce or eliminate our stockholders' ability to sell their shares for a premium in a change of control transaction.

Various provisions of our certificate of incorporation and bylaws and of Delaware corporate law may discourage, delay or prevent a change in control or takeover attempt of our company by a third party to which our management and board of directors opposes. Public stockholders who might desire to participate in such a transaction may not have the opportunity to do so. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change of control or change in our management and board of directors. These provisions include:

- preferred stock that could be issued by our board of directors to make it more difficult for a third party to acquire, or to discourage a third party from acquiring, a majority of our outstanding voting stock;

- classification of our directors into three classes with respect to the time for which they hold office;

- supermajority voting requirements to amend the provision in our certificate of incorporation providing for the classification of our directors into three such classes;

- non-cumulative voting for directors;

- control by our board of directors of the size of our board of directors;

- limitations on the ability of stockholders to call special meetings of stockholders; and

- advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted upon by our stockholders at stockholder meetings.

We have also approved a stockholders' rights agreement (the "Rights Agreement") between Euronet and EquiServe Trust Company, N.A., (subsequently renamed Computershare Limited) as rights agent. Pursuant to the Rights Agreement, holders of our Common Stock are entitled to purchase one one-thousandth (1/1,000) of a share (a "Unit") of Junior Preferred Stock at a price of \$57.00 per Unit upon certain events (the "Right"). The purchase price is subject to appropriate adjustment for stock splits and other similar events. Generally, in the event a person or entity acquires, or initiates a tender offer to acquire, at least 15% of Euronet's then-outstanding Common Stock, the Rights will become exercisable for Common Stock having a value equal to two times the exercise price of the Right, or effectively at one-half of Euronet's then-current stock price. The existence of the Rights may discourage, delay or prevent a change of control or takeover attempt of our company by a third party that is opposed by our management and board of directors.

Our Rights Agreement expires on April 3, 2013. We may or may not renew or replace that Rights Agreement with a new Rights agreement with similar characteristics.

We are authorized to issue up to a total of 90 million shares of Common Stock, potentially diluting equity ownership of current holders and the share price of our Common Stock.

We believe that it is necessary to maintain a sufficient number of available authorized shares of our Common Stock in order to provide us with the flexibility to issue Common Stock for business purposes that may arise as deemed advisable by our Board. These purposes could include, among other things, (i) to declare future stock dividends or stock splits, which may increase the liquidity of our shares; (ii) the sale of stock to obtain additional capital or to acquire other companies or businesses, which could enhance our growth strategy or allow us to reduce debt if needed; (iii) for use in additional stock incentive programs and (iv) for other bona fide purposes. Our Board of Directors may

issue the available authorized shares of Common Stock without notice to, or further action by, our stockholders, unless stockholder approval is required by law or the rules of the NASDAQ Global Select Market. The issuance of additional shares of Common Stock may significantly dilute the equity ownership of the current holders of our Common Stock. Further, over the course of time, all of the issued shares have the potential to be publicly traded, perhaps in large blocks. This may result in dilution of the market price of the Common Stock.

An additional 7.2 million shares of Common Stock, representing 15% of the shares outstanding as of December 31, 2012, could be added to our total Common Stock outstanding through the exercise of options or the issuance of additional shares of our Common Stock pursuant to existing convertible debt and other agreements. Once issued, these shares of Common Stock could be traded into the market and result in a decrease in the market price of our Common Stock.

As of December 31, 2012, we had an aggregate of 5.9 million options and restricted stock awards outstanding held by our directors, officers and employees, which entitle these holders to acquire an equal number of shares of our Common Stock upon exercise. Of this amount, 1.9 million options are vested and exercisable as of December 31, 2012. Approximately 0.5 million additional shares of our Common Stock may be issued in connection with our employee stock purchase plan. Upon the occurrence of certain events, another 88,587 shares of Common Stock could be issued upon conversion of the Company's Convertible Debentures issued in October 2005; in certain situations, the number of shares issuable could be higher.

Accordingly, based on current trading prices of our Common Stock, approximately 6.6 million shares could potentially be added to our total current Common Stock outstanding through the exercise of options or the issuance of additional shares, which could adversely impact the trading price for our stock.

Of the 5.9 million total options and restricted stock awards outstanding, an aggregate of 3.2 million options and restricted shares 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 or sale of shares for which restrictions have lapsed, these affiliates' shares would be subject to the trading restrictions imposed by Rule 144. The remainder of the common shares issuable under option and restricted stock arrangements 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.

Our competition in the EFT Processing Segment, epay Segment and Money Transfer Segment includes large, well-financed companies and financial institutions larger than us with earlier entry into the market. As a result, we may lack the financial resources and access to capital needed to capture increased market share.

EFT Processing Segment - Our principal EFT Processing competitors include ATM networks owned by banks and national switches consisting of consortiums of local banks that provide outsourcing and transaction services only to banks and independent ATM deployers in that country. Large, well-financed companies offer ATM network and outsourcing services that compete with us in various markets. In some cases, these companies also sell a broader range of card and processing services than we, and are in some cases, willing to discount ATM services to obtain large contracts covering a broad range of services. Competitive factors in our EFT Processing Segment include network availability and response time, breadth of service offering, price to both the bank and to its customers, ATM location and access to other networks.

For our ITM product line, we are a leading supplier of electronic financial transaction processing software for the IBM iSeries platform in a largely fragmented market, which is made up of competitors that offer a variety of solutions that compete with our products, ranging from single applications to fully integrated electronic financial processing software. Additionally, for ITM, other industry suppliers service the software requirements of large mainframe systems and UNIX-based platforms, and accordingly are not considered competitors. We have specifically targeted customers consisting of financial institutions that operate their back office systems with the IBM iSeries.

Our software solutions business has multiple types of competitors that compete across all EFT software components in the following areas: (i) ATM, network and POS software systems, (ii) Internet banking software systems, (iii) credit card software systems, (iv) mobile banking systems, (v) mobile operator solutions, (vi) telephone banking, and (vii) full EFT software. Competitive factors in the software solutions business include price, technology development and the ability of software systems to interact with other leading products.

epay Segment - We face competition in the epay business in all of our markets. A few multinational companies operate in several of our markets, and we therefore compete with them in a number of countries. In other markets, our competition is from smaller, local companies. Major retailers with high volumes are in a position to demand a larger share of commissions or to negotiate directly with the mobile phone operators, which may compress our margins. Additionally, certain of our content providers, including mobile phone operators have shown interest in entering into direct contracts with retailers and/or developing processing technology that could diminish or eliminate the need for intermediate processors and distributors.

Money Transfer Segment - Our primary competitors in the money transfer and bill payment business include other independent processors and electronic money transmitters, as well as certain major national and regional banks, financial institutions and independent sales organizations. Our competitors include The Western Union Company, MoneyGram International Inc. and others, some of which are larger than we are and have greater resources and access to capital for expansion than we have. This may allow them to offer better pricing terms to customers, which may result in a loss of our current or potential customers or could force us to lower our prices. Either of these actions could have an adverse impact on our revenues. In addition, our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies that provide improved functionality and features to their product and service offerings. If successful, their development efforts could render our product and services offerings less desirable, resulting in the loss of customers or a reduction in the price we could demand for our services. In addition to traditional money payment services, new technologies are emerging that may effectively compete with traditional money payment services, such as stored-value cards, debit networks and web-based services. Our continued growth depends upon our ability to compete effectively with these alternative technologies.

If processing fees and commissions in our epay business continue to decline, our financial results may be adversely affected.

Our epay Segment derives revenues based on processing fees and commissions from mobile phone operators and other content providers. Growth in our prepaid mobile business in any given market is driven by a number of factors, including the overall pace of growth in the prepaid mobile phone market which is impacted by competing postpaid services, our market share of the retail distribution capacity, the level of commission that is paid to the various intermediaries in the prepaid mobile airtime distribution chain, and the value provided to the retailers through the types of products offered and the level of integration with their systems. Also, competition among prepaid mobile distributors results in retailer churn and the reduction of commissions paid by prepaid content providers, although a portion of such reductions can be passed along to retailers. In recent years, processing fees and commissions per transaction have declined in most markets, and we expect that trend to continue. We have generally been able to mitigate that trend due to substantial growth in the number of transactions, driven by acquisitions and organic growth. If we cannot continue to increase our transaction levels and per-transaction fees and commissions continue to decline, the combined impact of these factors could adversely impact our financial results.

Our epay and money transfer businesses may be susceptible to fraud and/or credit risks occurring at the retailer and/or consumer level, which could adversely affect our results of operations.

In our epay Segment, we contract with retailers that accept payment on our behalf, which we then transfer to a trust or other operating account for payment to content providers. In the event a retailer does not transfer to us payments that it receives for prepaid content sales, whether as a result of fraud, insolvency, billing delays or otherwise, we are responsible to the content provider for the cost of the product sold. We can provide no assurance that retailer fraud or insolvency will not increase in the future or that any proceeds we receive under our credit enhancement 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.

With respect to our money transfer business, our business is primarily conducted through our agent network, which provides money transfer services directly to consumers at retail locations. Our agents collect funds directly from consumers and in turn, we collect from the agents the proceeds due to us resulting from the money transfer transactions. Therefore, we have credit exposure to our agents. Additionally, our Company-owned stores transact a significant amount of business in cash. Although we have safeguards in place, cash transactions have a higher exposure to fraud and theft than other types of transactions. The failure of agents owing us significant amounts to remit funds to us or to repay such amounts, or the loss of cash in our stores could have a material adverse effect our business, financial condition and results of operations.

Because we typically enter into short-term contracts with content providers and retailers, our epay business is subject to the risk of non-renewal of those contracts, or renewal under less favorable terms.

Our contracts with content providers to distribute and process content, including prepaid mobile airtime recharge services, typically have terms of less than three years. Many of those contracts may be canceled by either party upon three months' notice. Our contracts with content providers are not exclusive, so these providers may enter into contracts with other service providers. In addition, our service contracts with major retailers typically have terms of one to three years, and our contracts with smaller retailers typically may be canceled by either party upon three to six months' notice. The cancellation or non-renewal of one or more of our significant content provider 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. The renewal of contracts under less favorable payment terms, commission terms or other terms could have a material adverse impact on our working capital requirements and/or results from operations. In addition, our contracts generally permit operators to reduce our fees at any time. Commission revenue or fee reductions by any of the content providers could also have a material adverse effect on our business, financial condition or results of operations.

The growth and profitability of our epay business may be adversely affected by changes in state, federal or foreign laws, rules and regulations.

As we continue to expand our electronic payment product offerings, certain of those products may become regulated by state, federal or foreign laws, rules and regulations. Certain new product offerings may be considered to be money transfer related products which would require licensure for entities distributing or processing such products. If such products become more highly regulated and ultimately require licensure, our epay business may be adversely affected. Further, if regulations regarding the expiration of gift vouchers change in the countries where we offer them, the revenue epay recognizes from unredeemed vouchers may be negatively affected.

Our continued growth in our epay business may be contingent on product differentiation and our ability to offer new electronic payment products.

The prepaid marketplace is currently experiencing high growth in the differentiation of product offerings. While our epay business is focused on expanding and differentiating its suite of prepaid product offerings on a global basis, there can be no assurance that we will be able to enter into relationships on favorable terms with additional content providers or renew or expand current relationships and contracts on favorable terms. Inability to continue to grow our suite of electronic payment product offerings could have a material adverse effect on our business, financial condition and results of operations.

The stability and growth of our EFT Processing Segment 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 EFT Processing Segment depends 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. Our existing contracts generally have terms of five to seven years and a number of them will expire or be up for renewal each year for the next few years. 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 whether those 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.

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. 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.

Transaction fees from banks, customers and international card organizations for transactions processed on our ATMs have historically accounted for a substantial majority of our revenues. These fees are set by agreement among all banks in a particular market. 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;

- the continued use of our ATMs by credit and debit cardholders;

- our ability to generate revenues from interchange fees and from other value added services, including dynamic currency conversion; and

- our ability to adjust to changes in the regulatory environment affecting our ATM business and the various value added services we provide via our ATM network.

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, surcharges or cash withdrawal related services that are set by the central ATM processing switch or various card organizations. The banks that participate in these switches or the card organizations that enable the services or transactions set the interchange fee and/or establish the rules regarding the services allowed, and we are not in a position in any market to greatly influence these fees or rules, which may change over time. A significant decrease in the interchange fee, or limitations placed on our ability to offer value added services via our ATM network, in any market could adversely affect our results in that market.

Although we believe that the volume of transactions in developing countries may 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 attempt to 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, including new value added services, to the sets of transactions that are available on our ATMs. However, we may not be successful in materially increasing transaction levels through these measures. Per-transaction fees paid by international card organizations have declined in certain markets in recent years and competitive factors have required us to reduce the transaction fees we charge customers. If we cannot continue to increase our transaction levels and per-transaction fees generally decline, our results would be adversely affected.

Additionally, the evolving regulatory environment may change the competitive landscape across various jurisdictions and adversely affect our financial results. If governments implement new laws or regulations, or organizations such as Visa and MasterCard issue new rules, that effectively limit our ability to provide certain value added services or set fees and/or foreign currency exchange spreads, then our business, financial condition and results of operations could be materially and adversely affected. In addition, changes in regulatory interpretations or practices could increase the risk of regulatory enforcement actions, fines and penalties and such changes may be replicated across multiple jurisdictions.

Developments in electronic financial transactions could materially reduce our transaction levels and revenues.

Certain developments in the field of electronic financial transactions may reduce the need for ATMs, prepaid mobile phone POS terminals and money transfer agents. These developments may reduce the transaction levels that we experience on our networks in the markets where they occur. Financial institutions, retailers and agents could elect to increase fees to their customers for using our services, which may cause a decline in the use of our services and have an adverse effect on our revenues. If transaction levels over our existing network of ATMs, POS terminals, agents and other distribution methods do not increase, growth in our revenues will depend primarily on increased capital investment for new sites and developing new markets, which 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 distribution 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 airtime could materially and adversely affect our business.

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, and any failure by them to provide the required cooperation could result in our inability to obtain settlement of funds relating to transactions.

Our ATMs dispense cash relating to transactions on credit and debit cards issued by banks. We have in place arrangements for the settlement to us of all of those transactions, but in some cases, we do not have a direct relationship with the card-issuing bank and rely for settlement on the application of rules that are administered by international card associations (such as Visa or MasterCard) or national transaction processing switching networks. If a bankcard association fails to settle transactions in accordance with those rules, we are dependent upon cooperation from such organizations or switching networks to enforce our right of settlement against such banks or card associations. Failure by such organizations or switches to provide the required cooperation could result in our inability to obtain settlement of funds relating to transactions and adversely affect our business. Moreover, international card associations and issuers of their cards (and, in the case of Visa, member banks) have the ability to change or apply their rules in ways that could negatively impact our business. As an example, DCC is not permitted on certain cards in certain geographically territories, and the scope of such restrictions could be extended. Any such change or application of the rules of international card association rules could materially and adversely affect our business.

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 financial institutions, mobile phone operators, retailers and agents. This, in turn, requires the maintenance of computer equipment and infrastructure, including telecommunications and electrical systems, and the integration and enhancement of complex software applications. Our ATM segment also uses a satellite-based system that is susceptible to the risk of satellite failure. There are operational risks inherent in this type of business that can result in the temporary shutdown of part or all of our processing systems, such as failure of electrical supply, failure of computer hardware and software errors. Excluding Germany, transactions in the EFT Processing Segment are processed through our Budapest, Beijing, Mumbai and Karachi processing centers. Transactions in the ePay Segment are processed through our Basildon, Martinsried, Milan and Kansas City, Missouri processing centers. Transactions in our Money Transfer Segment are processed through our Buena Park, California processing center. Any operational problem in these centers may have a significant adverse impact on the operation of our networks. Even with disaster recovery procedures in place, these risks cannot be eliminated entirely, and 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 are subject to the risks of liability for fraudulent bankcard and other card transactions involving a breach in our security systems, breaches of our information security policies or safeguards, as well as for ATM theft and vandalism.

We capture, transmit, handle and store sensitive information in conducting and managing electronic, financial and mobile transactions, such as card information and PIN numbers. These businesses involve certain inherent security risks, in particular: the risk of electronic interception and theft of the information for use in fraudulent or other card transactions by persons outside the Company or by our own employees; and the use of fraudulent cards on our network of owned or outsourced ATMs and POS devices. We incorporate industry-standard encryption technology and processing methodology into our systems and software, and maintain controls and procedures regarding access to our computer systems by employees and others, to maintain high levels of security. Although this technology and methodology decrease security risks, they cannot be eliminated entirely as criminal elements apply increasingly sophisticated technology to attempt to obtain unauthorized access to the information

handled by ATM and electronic financial transaction networks. In addition, the cost and timeframes required for implementation of new technology may result in a time lag between availability of such technology and our adoption of it. Further, our controls, procedures and technology may not be able to detect when there is a breach, causing a delay in our ability to mitigate it. As described elsewhere in this filing, we have been the subject of a computer security breach and cannot exclude the possibility of additional breaches in the future.

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

We also collect, transfer and retain consumer data as part of our money transfer business. These activities are subject to certain consumer privacy laws and regulations in the U.S. and in other jurisdictions where our money transfer services are offered. We maintain technical and operational safeguards designed to comply with applicable legal requirements. Despite these safeguards, there remains a risk that these safeguards could be breached resulting in improper access to, and disclosure of, sensitive consumer information. Breaches of our security policies or applicable legal requirements resulting in a compromise of consumer data could expose us to regulatory enforcement action, subject us to litigation, limit our ability to provide money transfer services and/or cause harm to our reputation.

In addition to electronic fraud issues and breaches of our information security policies and safeguards, 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 such risks, deductibles, exclusions or limitations in such insurance may leave us bearing some or all of any losses arising from theft or vandalism of ATMs. In addition, we have experienced increases in claims under our insurance, which has increased our insurance premiums.

Deliberate, malicious acts, including terrorism, could damage our facilities, disrupt our operations or injure employees, contractors, customers or the public and result in liability to us.

Intentional acts of destruction could hinder our sales. Our facilities could be damaged or destroyed, requiring us to repair or replace our facilities at substantial cost. Employees, contractors and the public could suffer substantial physical injury for which we could be liable. Governmental authorities may impose security or other requirements that could make our operations more difficult or costly. The consequences of any such actions could adversely affect our operating results and financial condition.

We could incur substantial losses if one of the third party depository institutions we use in our operations were to fail.

As part of our business operations, we maintain cash balances at third party depository institutions. We could incur substantial losses if a financial institution in which we have significant deposits fails.

We are required under certain national laws 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 Germany or any other market could prevent us from doing business in that market.

Under the laws of some countries, only a licensed financial institution may operate ATMs. Because we are not a licensed financial institution we are required to have a "sponsor" bank to conduct ATM operations in those countries. 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" 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. If we are unable to secure "sponsor" arrangements in any market, we could be prevented from doing business in that market.

Competition in our EFT Processing Segment has increased over the last several years, increasing the risk that certain of our long-term bank outsourcing contracts may be terminated or not renewed upon expiration.

The developing markets in which we have done business have matured over the years, resulting in increasing competition. In addition, as consolidation of financial institutions in Central and Eastern Europe continues, certain of our customers have established or are establishing internal ATM management and processing capabilities. As a result of these developments, negotiations regarding renewal of contracts have become increasingly challenging and in certain cases we have reduced fees to extend contracts beyond their original terms. In certain other cases, contracts have been, and in the future may be, terminated by 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. Although we have historically considered the risk of non-renewal of major contracts to be relatively low because of complex interfaces and operational procedures established for those contracts, the risk of non-renewal or early termination is increasing.

Our operating results in the money transfer business depend in part on continued worker immigration patterns, our ability to expand our share of the existing electronic market and to expand into new markets and our ability to continue complying with regulations issued by the Office of Foreign Assets Control (“OFAC”), Bank Secrecy Act (“BSA”), Financial Crimes Enforcement Network (“FINCEN”), PATRIOT Act regulations or any other existing or future regulations that impact any aspect of our money transfer business.

Our money transfer business primarily focuses on workers who migrate to foreign countries in search of employment and then send a portion of their earnings to family members in their home countries. Changes in U.S. and foreign government policies or enforcement toward immigration may have a negative effect on immigration in the U.S. and other countries, which could also have an adverse impact on our money transfer revenues.

Both U.S. and foreign regulators have become increasingly aggressive in the enforcement of the various regulatory regimes applicable to our businesses and the imposition of fines and penalties in the event of violations. Our ability to continue complying with the requirements of OFAC, BSA, FINCEN, the PATRIOT Act and other regulations (both U.S. and foreign) is important to our success in achieving growth and an inability to do this could have an adverse impact on our revenues and earnings. Anti-money laundering regulations require us to be responsible for the compliance by agents with such regulations. Although we have training and compliance programs in place, we cannot be certain our agents will comply with such regulations and we may be held responsible for their failure to comply, resulting in fines and penalties.

Future growth and profitability depend upon expansion within the markets in which we currently operate and the development of new markets for our money transfer services. Our expansion into new markets is dependent upon our ability to successfully apply our existing technology or to develop new applications to satisfy market demand. We may not have adequate financial and technological resources to expand our distribution channels and product applications to satisfy these demands, which may have an adverse impact on our ability to achieve expected growth in revenues and earnings.

Changes in state, federal or foreign laws, rules and regulations could impact the money transfer industry, making it more difficult for our customers to initiate money transfers.

We are subject to regulation by the U.S. states in which we operate, by the U.S. federal government and by the governments of the other countries in which we operate. Changes in the laws, rules and regulations of these governmental entities, and our ability to obtain or retain required licensure, could have a material adverse impact on our results of operations, financial condition and cash flow.

Changes in banking industry regulation and practice could make it more difficult for us and our agents to maintain depository accounts with banks.

The banking industry, in light of increased regulatory oversight, is continually examining its business relationships with companies who offer money transfer services and with retail agents who collect and remit cash collected from end consumers. Should banks decide to not offer depository services to companies engaged in processing money transfer transactions, or to retail agents who collect and remit cash from end customers, our ability to administer and collect fees from money transfer transactions could be adversely impacted.

If we are unable to maintain our money transfer agent and correspondent networks, our business may be adversely affected.

Our money transfer based revenues are primarily generated through the use of our agent and correspondent networks. Transaction volumes at existing locations may increase over time and new agents provide us with additional revenues. If agents or correspondents decide to leave our network or if we are unable to sign new agents or correspondents, our revenue and profit growth rates may be adversely affected. Our agents and correspondents are also subject to a wide variety of laws and regulations that vary significantly, depending on the legal jurisdiction. Changes in these laws and regulations could adversely affect our ability to maintain the networks or the cost of providing money transfer services. In addition, agents may generate fewer transactions or less revenue due to various factors, including increased competition. Because our agents and correspondents are third parties that may sell products and provide services in addition to our money transfer services, they may encounter business difficulties unrelated to the provision of our services, which may cause the agents or correspondents to reduce their number of locations or hours of operation, or cease doing business altogether.

If consumer confidence in our money transfer business or brands declines, our business may be adversely affected.

Our money transfer business relies on consumer confidence in our brands and our ability to provide efficient and reliable money transfer services. A decline in consumer confidence in our business or brands, or in traditional money transfer providers as a means to transfer money, may adversely impact transaction volumes which would in turn be expected to adversely impact our business.

Our money transfer service offerings are dependent on financial institutions to provide such offerings.

Our money transfer business involves transferring funds internationally and is dependent upon foreign and domestic financial institutions, including our competitors, to execute funds transfers and foreign currency transactions. Changes to existing regulations of financial institution operations, such as those designed to combat terrorism or money laundering, could require us to alter our operating procedures in a manner that increases our cost of doing business or to terminate certain product offerings. In addition, as a result of existing regulations and/or changes to those regulations, financial institutions could decide to cease providing the services on which we depend, requiring us to terminate certain product offerings.

The Dodd-Frank Act could have an adverse effect on our ability to hedge risks associated with our business.

The Dodd-Frank Act establishes federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The act requires the U.S. Commodity Futures Trade Commission ("CFTC") to institute broad new position limits for futures and options traded on regulated exchanges. As the law favors exchange trading and clearing, the Dodd-Frank Act also may require us to move certain derivatives transactions to exchanges where no trade credit is provided and also comply with margin requirements in connection with our derivatives activities that are not exchange traded, although the application of those provisions to us is uncertain at this time. The Dodd-Frank Act also requires many counterparties to our derivatives instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty, or cause the entity to comply with the capital requirements, which could result in increased costs to counterparties such as us. The Dodd-Frank Act and any new regulations could (i) significantly increase the cost of derivative contracts (including requirements to post collateral, which could adversely affect our available liquidity); (ii) reduce the availability of derivatives to protect against risks we encounter; and (iii) reduce the liquidity of foreign currency related derivatives.

If we reduce our use of derivatives as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Increased volatility may make us less attractive to certain types of investors. Any of these

consequences could have a material adverse effect on our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our executive offices are located in Leawood, Kansas. As of December 31, 2012, we also maintained principal operational offices in Sao Paulo, Brazil; Montréal, Canada; Antiguo Cuscatlán, El Salvador; Mexico City, Mexico; Buena Park, California; Leawood, Kansas; Little Rock, Arkansas; Sydney, Australia; Beijing and Shanghai, China; Mumbai and Pune, India; Auckland, New Zealand; Brussels, Belgium; Sofia, Bulgaria; Zagreb, Croatia; Prague, Czech Republic; Paris, France; Berlin, Hamburg, Martinsried and Munich, Germany; Athens, Greece; Budapest, Hungary; Dublin, Ireland; Milan and Rome, Italy; Warsaw and Kraków, Poland; Bucharest, Romania; Belgrade, Serbia; Bratislava, Slovakia; Madrid, Spain; Stockholm, Sweden; Geneva, Switzerland; Basildon and London, U.K.; Kiev, Ukraine; Cairo, Egypt; Karachi, Pakistan; Dakar, Sengal; Dubai, UAE; Istanbul, Turkey; Manama, Bahrain; Moscow, Russian Federation; and Santiago, Chile. Our office leases generally provide for initial terms ranging from two to twelve years.

Our processing centers for the EFT Processing Segment are located in Budapest, Hungary; Beijing, China; Mumbai, India; and Karachi, Pakistan. Our processing centers for the epay Segment are located in Basildon, U.K.; Martinsried, Germany; Kansas City, Missouri; and Milan, Italy. Our processing center for the Money Transfer Segment is located in Buena Park, California.

Our processing centers in Budapest, Beijing, Mumbai, Karachi, Basildon, Martinsried, Kansas City, Milan and Buena Park have off-site real time backup processing centers that are capable of providing full or partial processing services in the event of failure of the primary processing centers.

ITEM 3. LEGAL PROCEEDINGS

The Company is, from time to time, a party to litigation arising in the ordinary course of its business.

The discussion regarding litigation in Part II, Item 8 - Financial Statements and Supplementary Data and Note 19, Litigation and Contingencies, to the consolidated financial statements included elsewhere in this report is incorporated herein by reference.

Currently, there are no other legal proceedings that management believes, either individually or in the aggregate, would have a material adverse effect upon the consolidated results of operations or financial condition of the Company. In accordance with U.S. GAAP, we record a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Our Common Stock, \$0.02 par value per share ("Common Stock"), is quoted on the NASDAQ Global Select Market under the symbol EEFT. The following table sets forth the high and low daily sales prices during the quarters indicated for our Common Stock:

For the quarters ended	2012		2011	
	High	Low	High	Low
December 31	\$24.00	\$18.46	\$20.56	\$14.55
September 30	\$18.87	\$15.97	\$17.64	\$13.55
June 30	\$22.50	\$15.91	\$19.39	\$14.88
March 31	\$21.03	\$17.50	\$20.25	\$16.62

DIVIDENDS

Since our inception, no dividends have been paid on our Common Stock or Preferred Stock. We do not intend to distribute dividends for the foreseeable future. Certain of our credit facilities contain restrictions on the payment of dividends without lender consent.

HOLDERS

At December 31, 2012, we had 61 stockholders of record of our Common Stock, and none of our Preferred Stock was outstanding. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record at brokerage and clearing agencies.

PRIVATE PLACEMENTS AND ISSUANCES OF EQUITY

During 2012, we did not issue any equity securities that were not registered under the Securities Act of 1933, which have not been previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

STOCK PERFORMANCE GRAPH

Set forth below is a graph comparing the total cumulative return on our Common Stock from December 31, 2007 through December 31, 2012 with the Total Returns Index for U.S. companies traded on the NASDAQ Global Select Market (the “Market Group”) and an index group of peer companies, the Total Returns Index for U.S. NASDAQ Financial Stocks (the “Peer Group”). Returns are based on monthly changes in price and assume reinvested dividends. These calculations assume the value of an investment in the Common Stock, the Market Group and the Peer Group was \$100 on December 31, 2007.

The following performance graph and related text are being furnished to and not filed with the SEC, and will not be deemed to be “soliciting material” or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate such information by reference into such filing.

NOTE: Derived from CRSP NASDAQ Stock Market (US Companies) and CRSP NASDAQ Financial Index, Center for Research in Security Prices (CRSP®), Graduate School of Business, The University of Chicago. Copyright 2013. Used with permission. All rights reserved.

EQUITY COMPENSATION PLAN INFORMATION

The table below sets forth information with respect to shares of Common Stock that may be issued under our equity compensation plans as of December 31, 2012.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (a)	Weighted Average Exercise Price of Outstanding Options and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)(1)
Equity compensation plans approved by security holders:			2,574,619
Stock option awards	4,810,816	\$16.73	
Restricted stock unit awards	1,103,699	—	
Equity compensation plans not approved by security holders	—	—	—
Total	5,914,515	\$13.61	2,574,619

(1) Included in this column is 0.5 million shares remaining under of employee stock purchase plan. The Company issued 56,189 shares to employees during 2012.

STOCK REPURCHASES

For the three months ended December 31, 2012, the Company purchased a total of 1,913,740 shares of its Common Stock in open market or privately negotiated purchase transactions, in accordance with the authorization by its Board of Directors announced on August 22, 2011. The Company is authorized to repurchase up to \$100 million or 5 million shares of its Common Stock through August 22, 2013. The following table sets forth information with respect to those shares:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31	29,143	\$18.96	29,143	3,878,198
November 1 - November 30	1,884,597	\$21.76	1,884,597	1,993,601(1)
Total	1,913,740			

(1) We may purchase an additional 1,993,601 shares or \$41.1 million of Common Stock under the Board authorization.

ITEM 6. SELECTED FINANCIAL DATA

The following information should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and accompanying notes contained in Item 8 - Financial Statements and Supplementary Data in this report. The historical results are not necessarily indicative of the results to be expected in any future period.

(dollar amounts in thousands, except per share amounts)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Consolidated statements of operations data:					
Revenues	\$1,267,601	\$1,161,304	\$1,038,269	\$1,032,694	\$1,045,665
Operating expenses (1)	1,145,429	1,021,710	975,504	904,406	1,138,435
Depreciation and amortization	64,167	60,457	57,496	56,023	56,251
Operating income (loss) (1)	58,005	79,137	5,269	72,265	(149,021)
Other expenses, net	(11,613)	(18,197)	(21,748)	(17,026)	(52,896)
Income from unconsolidated affiliates	942	1,852	1,461	1,934	1,250
Income (loss) from continuing operations before income taxes	47,334	62,792	(15,018)	57,173	(200,667)
Income tax (expense) benefit	(26,937)	(24,704)	(22,899)	(25,836)	7,337
Income (loss) from continuing operations	\$20,397	\$38,088	\$(37,917)	\$31,337	\$(193,330)
Earnings (loss) per share from continuing operations:					
Basic	\$0.41	\$0.73	\$(0.75)	\$0.59	\$(3.91)
Diluted	\$0.40	\$0.71	\$(0.75)	\$0.58	\$(3.91)
Consolidated balance sheet data (at period end):					
Assets	\$1,551,536	\$1,506,329	\$1,409,372	\$1,412,679	\$1,405,644
Debt obligations, long-term portion	286,703	161,694	286,105	320,283	294,355
Capital lease obligations, long-term portion	4,589	4,249	2,363	1,997	6,356
Summary network data					
Number of operational ATMs at end of period	17,600	14,224	10,786	9,720	10,128
EFT processing transactions during the period (millions)	1,156	943	794	703	672
Number of operational prepaid processing POS terminals at end of period (rounded)	680,000	615,000	563,000	498,000	430,000
Prepaid processing transactions during the period (millions)	1,113	1,064	891	777	713
Money transfer transactions during the period (millions)	30.7	24.3	21.1	19.1	17.8

(1) The results of 2012, 2010, 2009 and 2008 include non-cash charges related to impairment of goodwill and acquired intangible assets of \$28.7 million, \$70.9 million, \$9.9 million, and \$220.1 million, respectively.

Note: We believe that the period-to-period comparisons of our financial results are not necessarily meaningful due to certain significant transactions, including acquisitions in 2011 and 2010 (See Note 5, Acquisitions, to the consolidated financial statements).

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPANY OVERVIEW, GEOGRAPHIC LOCATIONS AND PRINCIPAL PRODUCTS AND SERVICES

Euronet Worldwide, Inc. and its subsidiaries ("Euronet," the "Company," "we" or "us") is a leading electronic payments provider. We offer payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Our primary product offerings include comprehensive automated teller machine ("ATM"), point-of-sale ("POS") and card outsourcing services; electronic distribution of prepaid mobile airtime and other electronic payment products; and global consumer money transfer services. As of December 31, 2012, we operate in the following three segments:

The EFT Processing Segment, which processes transactions for a network of 17,600 ATMs and approximately 67,000 POS terminals across Europe, the Middle East and Asia Pacific. We provide comprehensive electronic payment solutions consisting of ATM cash withdrawal services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing, and value added services, including dynamic currency conversion. Through this segment, we also offer a suite of integrated electronic financial transaction software solutions for electronic payment and transaction delivery systems.

The epay Segment, which provides distribution and collection services for prepaid mobile airtime and other electronic payment products. We operate a network of approximately 680,000 POS terminals providing electronic processing of prepaid mobile airtime top-up services and other electronic payment products in Europe, the Middle East, Asia Pacific, North America and South America. We also provide vouchers and physical gift fulfillment services in Europe.

The Money Transfer Segment, which provides global consumer-to-consumer money transfer services, primarily under the brand name Ria. We offer this service through a network of sending agents and Company-owned stores (primarily in North America and Europe), disbursing money transfers through a worldwide correspondent network that includes approximately 177,000 locations. In addition to money transfers, we also offer customers bill payment services (primarily in the U.S.), payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services for a wide variety of issued checks, along with competitive foreign currency exchange services. We have four processing centers in Europe, two in Asia Pacific, two in North America and one in the Middle East. We have 30 principal offices in Europe, six in North America, seven in Asia Pacific, three in the Middle East, two in South America and one in Africa. Our executive offices are located in Leawood, Kansas, USA. With approximately 77% of our revenues denominated in currencies other than the U.S. dollar, any significant changes in currency exchange rates will likely have a significant impact on our results of operations (a further discussion, see Item 1A - Risk Factors and Item 7A - Quantitative and Qualitative Disclosures About Market Risk).

SOURCES OF REVENUES AND CASH FLOW

Euronet primarily earns revenues and income based on ATM management fees, transaction fees, commissions and foreign currency spreads. Each operating segment's sources of revenues are described below.

EFT Processing Segment — Revenues in the EFT Processing Segment, which represented approximately 19% of total consolidated revenues for the year ended December 31, 2012, are derived from fees charged for transactions made by cardholders on our proprietary network of ATMs, as well as fixed management fees and transaction fees we charge to customers for operating ATMs and processing debit and credit cards under outsourcing and cross-border acquiring agreements and other value added services such as advertising, money transfers and foreign currency exchange margin on dynamic currency conversion transactions provided over ATMs. Through our proprietary network, we generally charge fees or earn margin on four types of ATM transactions: i) cash withdrawals, ii) balance inquiries, iii) transactions not completed because the relevant card issuer did not give authorization, and iv) value-added services such as dynamic currency conversion, prepaid telecommunication recharges, bill payment and ATM advertising. Revenues in this segment are also derived from license fees, professional services and maintenance fees for proprietary application software and sales of related hardware.

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epay Segment — Revenues in the epay Segment, which represented approximately 56% of total consolidated revenues for the year ended December 31, 2012, are primarily derived from commissions or processing fees received from mobile phone operators for the sale and distribution of prepaid mobile airtime. We also generate revenues from commissions earned from the distribution of other electronic payment products, vouchers, and physical gifts. Due to certain provisions in our mobile phone operator agreements, the operators have the ability to reduce the overall commission paid on top-up transactions. However, by virtue of our agreements with retailers (distributors where POS terminals are located) in certain markets, not all of these reductions are absorbed by us because we are able to pass a significant portion of the reductions to retailers. Accordingly, under certain retailer agreements, the effect is to reduce revenues and reduce our direct operating costs resulting in only a small impact on gross profit and operating income. In some markets, reductions in commissions can significantly impact our results as it may not be possible, either contractually or commercially in the concerned market, to pass a reduction in commissions to the retailers. In Australia, certain retailers negotiate directly with the mobile phone operators for their own commission rates, which also limits our ability to pass through reductions in commissions. Agreements with mobile operators are important to the success of our business. These agreements permit us to distribute prepaid mobile airtime to the mobile operators' customers. Other electronic payment products offered by this segment include prepaid long distance calling card plans, prepaid Internet plans, prepaid debit cards, gift cards, vouchers, transport payments, lottery payments, bill payment, money transfer and digital content such as music, games and software.

Money Transfer Segment — Revenues in the Money Transfer Segment, which represented approximately 25% of total consolidated revenues for the year ended December 31, 2012, are primarily derived from charging a transaction fee, as well as the margin earned from purchasing foreign currency at wholesale exchange rates and selling the foreign currency to consumers at retail exchange rates. We have a sending agent network in place comprised of agents and Company-owned stores, primarily in North America and Europe and a worldwide network of correspondent agents, consisting primarily of financial institutions in the transfer destination countries. Sending and correspondent agents each earn fees for cash collection and distribution services. These fees are recognized as direct operating costs at the time of sale.

Corporate Services, Eliminations and Other - In addition to operating in our principal operating segments described above, our "Corporate Services, Eliminations and Other" category includes non-operating activity, certain inter-segment eliminations and the cost of providing corporate and other administrative services to the operating segments, including share-based compensation expense. These services are not directly identifiable with our reportable operating segments.

OPPORTUNITIES AND CHALLENGES

Our expansion plans and opportunities are focused on six primary areas:

- signing new outsourced ATM and POS terminal management contracts;
- increasing transactions processed on our network of owned and operated ATMs;
- expansion of value added services in our EFT Processing Segment;
- expansion of our epay processing network and portfolio of electronic payment products;
- expansion of our money transfer and bill payment network; and
- development of our credit and debit card outsourcing business.

EFT Processing Segment — The continued expansion and development of our EFT Processing Segment business will depend on various factors including, but not necessarily limited to, the following:

- the impact of competition by banks and other ATM operators and service providers in our current target markets;
 - the demand for our ATM outsourcing services in our current target markets;
- our ability to develop products or services, including value added services, to drive increases in transactions;
- the expansion of our various business lines in markets where we operate and in new markets;
- our entry into additional card acceptance and ATM management agreements with banks;
- our ability to obtain required licenses in markets we intend to enter or expand services;

- the availability of financing for expansion;
- our ability to efficiently install ATMs contracted under newly awarded outsourcing agreements;
- our ability to renew existing contracts at profitable rates;
- our ability to maintain pricing at current levels or mitigate price reductions in certain markets;

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the impact of reductions in ATM interchange fees;
our ability to expand and sign additional customers for the cross-border merchant processing and acquiring business;
and
the continued development and implementation of our software products and their ability to interact with other leading products.

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

Software products are an integral part of our product lines, and our investment in research, development, delivery and customer support reflects our ongoing commitment to an expanded customer base. We have been able to enter into agreements under which we contribute the right to use our software in lieu of cash as our initial capital contributions to new transaction processing joint ventures. Such contributions sometimes permit us to enter new markets without significant capital investment.

epay Segment — The continued expansion and development of the epay Segment business will depend on various factors, including, but not necessarily limited to, the following:

- our ability to maintain and renew existing agreements, and to negotiate in additional markets with mobile operators, content providers, and retailers;
- our ability to use existing expertise and relationships with mobile operators, content providers and retailers to our advantage;
- the continued use of third-party providers such as ourselves to supply electronic processing solutions for existing and additional content;
- the development of mobile phone networks in the markets in which we do business and the increase in the number of mobile phone users;
- the overall pace of growth in the prepaid mobile phone market, including consumer shifts between prepaid and postpaid services;
- our market share of the retail distribution capacity;
- the development of new technologies that may compete with POS distribution of prepaid mobile airtime;
- the level of commission that is paid to the various intermediaries in the electronic payment distribution chain;
- our ability to fully recover monies collected by retailers;
- our ability to add new and differentiated products in addition to those offered by mobile operators;
- our ability to take advantage of cross-selling opportunities with our Money Transfer Segment, including providing money transfer services through our distribution network; and
- the availability of financing for further expansion.

In all of the markets in which we operate, we are experiencing significant competition which will impact the rate at which we grow organically. Competition among prepaid mobile airtime distributors results in the increase of commissions paid to retailers and increases in retailer attrition rates. To grow, we must capture market share from other prepaid mobile airtime distributors, offer a superior product offering and demonstrate the value of a global network. In certain markets in which we operate, many of the factors that may contribute to rapid growth (conversion from scratch cards to electronic distribution, growth in electronic payment products, expansion of our network of retailers and access to all mobile operators' products) remain present.

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Money Transfer Segment — The expansion and development of our Money Transfer Segment business will depend on various factors, including, but not necessarily limited to, the following:

- the continued growth in worker migration and employment opportunities;
- the mitigation of economic and political factors that have had an adverse impact on money transfer volumes, such as changes in the economic sectors in which immigrants work and the developments in immigration policies in the U.S.;
- the continuation of the trend of increased use of electronic money transfer and bill payment services among immigrant workers and the unbanked population in our markets;
- our ability to maintain our agent and correspondent networks;
- our ability to offer our products and services or develop new products and services at competitive prices to drive increases in transactions;
- the development of new technologies that may compete with our money transfer network;
- the expansion of our services in markets where we operate and in new markets;
- the ability to strengthen our brands;
- our ability to fund working capital requirements;
- our ability to recover from agents funds collected from customers and our ability to recover advances made to correspondents;
- our ability to maintain compliance with the regulatory requirements of the jurisdictions in which we operate or plan to operate;
- our ability to take advantage of cross-selling opportunities with our e-pay Segment, including providing prepaid services through Ria's stores and agents worldwide;
- our ability to leverage our banking and merchant/retailer relationships to expand money transfer corridors to Europe, Asia and Africa, including high growth corridors to Central and Eastern European countries;
- the availability of financing for further expansion; and
- our ability to successfully expand our agent network in Europe using our Payment Services Directive license.

Like other participants in the money transfer industry, as a result of downturns in certain labor markets, the recessionary economic environment and immigration developments, the number of money transfers from the U.S. to Mexico decreased in 2010 and 2009 compared to respective prior years. During the second half of 2011, the number of money transfers from the U.S. to Mexico increased when compared to the same period in 2010, resulting in the number of money transfers for the year ended December 31, 2011 being essentially the same as those made during 2010. During 2012, the number of money transfers, including from the U.S. to Mexico, increased compared to 2011. We believe the current level of activity indicates a recovery of this important corridor.

The accounting policies of each segment are the same as those referenced in the summary of significant accounting policies (see Note 3, Summary of Significant Accounting Policies and Practices, to the consolidated financial statements).

For all segments, our continued expansion may involve additional acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services. Our ability to effectively manage our growth has required us to expand our operating systems and employee base, particularly at the management level, which has added incremental operating costs. An inability to continue to effectively manage expansion 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.

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SEGMENT REVENUES AND OPERATING INCOME (LOSS) FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(in thousands)	Revenues			Operating Income (Loss)		
	2012	2011	2010	2012	2011	2010
EFT Processing	\$237,948	\$199,249	\$194,875	\$44,408	\$33,208	\$38,168
epay	714,125	677,051	599,023	19,501	56,774	(24,303)
Money Transfer	316,135	285,299	244,606	24,623	17,126	13,366
Total	1,268,208	1,161,599	1,038,504	88,532	107,108	27,231
Corporate services and eliminations	(607)	(295)	(235)	(30,527)	(27,971)	(21,962)
Total	\$1,267,601	\$1,161,304	\$1,038,269	\$58,005	\$79,137	\$5,269

SUMMARY

Our annual consolidated revenues increased by 9% for 2012 compared to 2011 and by 12% for 2011 from 2010. The 2012 increase was primarily due to the increase in the number of transactions processed by our epay subsidiaries in North America and Germany, the increase in ATMs under management and expansion of value added services, primarily dynamic currency conversion, in our EFT Processing Segment, the increase in money transfers processed and the full year results of the September 2011 acquisition of cadooz Holdings GmbH ("cadooz"). These increases were partly offset by a decrease in the number of prepaid transactions processed in Australia, Brazil and Spain, a decrease in the average commission earned per prepaid mobile transaction in the U.K, and the impact of the weaker foreign currencies. The 2011 increase was primarily due to the increase in the number of money transfers processed, the September 2010 acquisition of Telecomnet, Inc., a Brazilian prepaid mobile airtime distribution company now known as epay Brazil, the September 2011 acquisition of cadooz, and the impact of stronger foreign currencies, largely offset by decreased commission rates in several of our epay markets and decreased ATM interchange fees in Poland.

Our operating income for 2012 and 2010 includes non-cash goodwill and intangible asset impairment charges of \$28.7 million and \$70.9 million, respectively, as discussed in Note 8, Goodwill and Acquired Intangible Assets, Net, to the consolidated financial statements. Excluding the goodwill and intangible assets impairment charges, our operating income increased 10% for 2012 from 2011 and 4% for 2011 from 2010. Excluding the impairment charges, the remaining 2012 increase was mainly due to the increase in ATMs under management and expansion of value added services, primarily dynamic currency conversion in the EFT Processing Segment, improvements in the Money Transfer Segment driven by a greater number of transactions processed, the increase in the number of prepaid mobile transactions processed in North America, and increased demand for non-mobile prepaid content in Germany. These increases were partly offset by revenue declines at our epay subsidiaries in Australia, Brazil and Spain and the impact of the weaker foreign currencies. Excluding the 2010 impairment charges, the remaining 2011 increase was mainly due to the expansion of value added services in the EFT Processing Segment, increased profitability in the epay Segment, primarily related to the growth in non-mobile prepaid content in Germany and the impact of the acquisition of epay Brazil, and the improvements in the Money Transfer Segment driven by a greater number of transactions processed. These increases were partly offset by reduced ATM transaction fees in Germany beginning in January 2011, the full year impact of the interchange fee reductions in Poland and increased corporate operating expenses, mainly related to increased share-based compensation and professional fees.

Net income attributable to Euronet Worldwide, Inc. for 2012 was \$20.5 million, or \$0.40 per diluted share, compared to \$37.0 in 2011 million, or \$0.71 per diluted share, and a net loss attributable to Euronet Worldwide, Inc. for 2010 of \$38.4 million, or \$0.75 per diluted share. In addition to the explanations above, net income (loss) for 2012, 2011 and 2010 included foreign currency exchange losses of \$0.1 million, \$1.7 million and \$7.6 million, respectively.

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Impact of changes in foreign currency exchange rates

Our revenues and local expenses are recorded in the functional currencies of our operating entities; therefore, amounts we earn outside the U.S. are negatively impacted by the stronger U.S. dollar and positively impacted by the weaker U.S. dollar. Considering the results by country and the associated functional currency, we estimate that our 2012, 2011, and 2010 consolidated operating income was approximately 2%, 6%, and 2% more, respectively, when compared to the immediate prior year as a result of changes in foreign currency exchange rates. If significant, in our discussion we will refer to the impact of fluctuations in foreign currency exchange rates in our comparison of operating segment results for 2012, 2011 and 2010. To provide further perspective on the impact of foreign currency exchange rates, the following table shows the changes in values relative to the U.S. dollar during 2012 and 2011, of the currencies of the countries in which we have our most significant operations:

Currency	Average Translation Rate Year Ended December 31,			2012 (Decrease) Percent	2011 Increase (Decrease) Percent	
	2012	2011	2010			
Australian dollar	\$1.0357	\$1.0329	\$0.9199	n/m	12	%
Brazilian real	\$0.5143	\$0.5993	\$0.5687	(14)	5	%
British pound	\$1.5852	\$1.6042	\$1.5458	(1)	4	%
euro	\$1.2862	\$1.3923	\$1.3272	(8)	5	%
Hungarian forint	\$0.0045	\$0.0050	\$0.0048	(11)	4	%
Indian rupee	\$0.0188	\$0.0215	\$0.0219	(13)	(2))%
Polish zloty	\$0.3080	\$0.3395	\$0.3330	(9)	2	%

n/m - Not meaningful.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010 - BY OPERATING SEGMENT

EFT PROCESSING SEGMENT

The following table summarizes the results of operations for our EFT Processing Segment for the years ended December 31, 2012 and 2011:

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change		
	2012	2011	Increase Amount	Increase Percent	
Total revenues	\$237,948	\$199,249	\$38,699	19	%
Operating expenses:					
Direct operating costs	114,826	95,739	19,087	20	%
Salaries and benefits	32,784	29,487	3,297	11	%
Selling, general and administrative	20,628	19,798	830	4	%
Depreciation and amortization	25,302	21,017	4,285	20	%
Total operating expenses	193,540	166,041	27,499	17	%
Operating income	Operating income \$44,408	\$33,208	\$11,200	34	%
Transactions processed (millions)	1,156	943	213	23	%
ATMs as of December 31	17,600	14,224	3,376	24	%
Average ATMs	16,692	12,114	4,578	38	%

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Revenues

Our revenues for 2012 increased when compared to 2011, primarily due to an increase in the number of ATMs under management, including those added from 2011 acquisitions, growth in value added services, primarily dynamic currency conversion, and the acquisition of the remaining 51% of Euronet Middle East W.L.L in January 2012. These increases were partly offset by the impact of the weaker foreign currencies.

Average monthly revenues per ATM were \$1,188 for 2012, compared to \$1,371 for 2011. The decrease is primarily the result of ATM and transaction growth in India and Pakistan, where revenues per ATM and revenues per transaction are generally lower than those in Europe, and the impact of the weaker foreign currencies. These decreases were partly offset by an increase in revenues from value added services, primarily dynamic currency conversion, which earn higher revenues per transaction than other ATM transactions. Revenues per transaction were unchanged at \$0.21 for both 2012 and 2011, resulting from, an increase in revenues from value added services, primarily dynamic currency conversion, offset by a decrease in revenues per transaction caused by transaction growth in India and Pakistan, and the impact of the weaker foreign currencies.

Our contracts in the EFT Processing Segment tend to cover large numbers of ATMs, so significant increases and decreases in our pool of managed ATMs could result from entry into or termination of these management contracts. Banks have historically been very deliberate in negotiating these agreements and have evaluated a wide range of matters when deciding to choose an outsource vendor. Generally, the process of negotiating a new agreement is subject to extensive management analysis and approvals and the process typically takes several months. Increasing consolidation in the banking industry could make this process less predictable.

Our existing contracts generally have terms of five to seven years and a number of them will expire or be up for renewal each year for the next few years. As a result, we expect to be regularly engaged in discussions with one or more of our customer banks to either renew or restructure our ATM outsourcing agreements. For contracts that we are able to renew, as was the case for certain contract renewals in prior years, we expect customers to seek rate concessions or up-front payments because of the greater availability of alternative processing solutions in many of our markets now, as compared to when we entered into the contracts.

Direct operating costs

Direct operating costs consist primarily of site rental fees, cash delivery costs, cash supply costs, maintenance, insurance, telecommunications and the cost of data center operations-related personnel, as well as the processing centers' facility-related costs and other processing center-related expenses. Direct operating costs increased in 2012 compared to 2011 primarily due to an increase in the number of ATMs under management discussed above, partly offset by the impact of weaker foreign currencies.

Gross profit

Gross profit, which is calculated as revenues less direct operating costs, was \$123.1 million for 2012 compared to \$103.5 million for 2011. The increase was primarily due to the increase in the number of ATMs under management discussed above, growth in revenues from value added services, primarily dynamic currency conversion, for which we earn a higher gross profit than other services, and the acquisition of the remaining 51% of Euronet Middle East W.L.L in January 2012. These increases were partly offset by the impact of the weaker foreign currencies. Gross profit as a percentage of revenues ("gross margin") was 52% for both 2012 and 2011.

Salaries and benefits

The increase in salaries and benefits for 2012 compared to 2011 was primarily due to adding employees to support the growth in ATMs under management discussed above, the acquisition of the remaining 51% of Euronet Middle East W.L.L in January 2012, and increased bonus expense in certain countries for 2012, partly offset by the impact of the weaker foreign currencies. As a percentage of revenues, these costs decreased to 13.8% for 2012 compared to 14.8% for 2011. This decrease resulted from growth in revenues from value added services, which did not require similar increases in support costs.

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Selling, general and administrative

The increase in selling, general and administrative expenses for 2012 compared to 2011 was primarily due to increased operating costs to support growth in the business, partly offset by the impact of the weaker foreign currencies. As a percentage of revenues, selling, general and administrative expenses decreased to 8.7% for 2012 compared to 9.9% for 2011. This decrease resulted from growth in revenues from value added services, which did not require similar increases in support costs.

Depreciation and amortization

Depreciation and amortization expense increased for 2012 compared to 2011 primarily due to the increase in ATMs under management discussed above and the amortization of intangible assets related to the acquisition of the remaining 51% of Euronet Middle East W.L.L in January 2012, partly offset by the impact of the weaker foreign currencies. As a percentage of revenues, depreciation and amortization expense increased slightly to 10.6% for 2012 compared to 10.5% for 2011. The increase as a percentage of revenues was partly offset by the increase in revenues from value added services, primarily dynamic currency conversion.

Operating income

Operating income as a percentage of revenues (“operating margin”) for 2012 was 18.7% compared to 16.7% for 2011. The increase in operating income and operating margin in 2012 compared to 2011 is primarily due to the increase in ATMs under management discussed above, growth in revenues from value added services, primarily dynamic currency conversion, which did not require similar increases in support costs, and the acquisition of the remaining 51% of Euronet Middle East W.L.L in January 2012. These increases were partly offset by the impact of the weaker foreign currency. Operating income per transaction was unchanged at \$0.04 for both 2012 and 2011, reflecting the increase in revenues from value added services, partly offset by transaction growth in India and Pakistan.

2011 Compared to 2010

The following table summarizes the results of operations for our EFT Processing Segment for the years ended December 31, 2011 and 2010:

	Year Ended December 31,		Year-over-Year Change		
	2011	2010	Increase (Decrease) Amount	Increase (Decrease) Percent	
(dollar amounts in thousands)					
Total revenues	\$199,249	\$194,875	\$4,374	2	%
Operating expenses:					
Direct operating costs	95,739	92,594	3,145	3	%
Salaries and benefits	29,487	27,259	2,228	8	%
Selling, general and administrative	19,798	17,393	2,405	14	%
Depreciation and amortization	21,017	19,461	1,556	8	%
Total operating expenses	166,041	156,707	9,334	6	%
Operating income	\$33,208	\$38,168	\$(4,960)	(13))%
Transactions processed (millions)	943	794	149	19	%
ATMs as of December 31	14,224	10,786	3,438	32	%
Average ATMs	12,114	10,438	1,676	16	%

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Revenues

Our revenues for 2011 increased slightly when compared to 2010, primarily due to the impact of the stronger foreign currencies, growth in value added services and an increase in the number of ATMs under management. Because our revenues are recorded in the functional currencies of our operating entities, amounts we earn in foreign currencies are positively impacted by the stronger foreign currencies. Partly offsetting the increase were decreases in transaction fees in Germany. We were able to increase transaction fees in Germany beginning in mid-2009 and were generally able to maintain them through 2010; however, we experienced reductions in these fees beginning in 2011 as a result of market and regulatory factors. Further decreases in revenues during 2011 resulted from the impact of decreased interchange fee revenues in Poland beginning in the second quarter of 2010.

Average monthly revenue per ATM was \$1,371 for 2011, compared to \$1,556 for 2010. The decrease is primarily due to the reductions in transaction fees in Germany that took effect in the first quarter of 2011 and the decrease in interchange fees in Poland that took effect in the second quarter of 2010, partly offset by the impact of the stronger foreign currencies and growth in value added services. Revenues per transaction were \$0.21 for 2011 compared to \$0.25 for 2010. These decreases are primarily the result of the reductions in transaction fees in Germany, the decreased interchange fees in Poland and the growth of Cashnet (Euronet's shared ATM network in India) transactions, which generate lower revenues per transaction than those on owned or outsourced ATMs. These decreases were partly offset by the impact of the stronger foreign currencies and growth in value added services.

Direct operating costs

Direct operating costs consist primarily of site rental fees, cash delivery costs, cash supply costs, maintenance, insurance, telecommunications and the cost of data center operations-related personnel, as well as the processing centers' facility-related costs and other processing center-related expenses. Direct operating costs increased in 2011 compared to 2010, primarily due to the impact of the stronger foreign currencies and the increase in the number of ATMs under management, partly offset by operating cost improvements in Poland.

Gross profit

Gross profit was \$103.5 million for 2011 compared to \$102.3 million for 2010. The increase is primarily due to the impact of the stronger foreign currencies, growth in value added services and the increase in ATMs under management, partly offset by reduced transaction fees in Germany and reduced interchange fees in Poland. Gross margin was 52% for both 2011 and 2010.

Salaries and benefits

The increase in salaries and benefits for 2011 compared to 2010 is primarily due to growth in India, increased bonus expense for 2011 and the impact of the stronger foreign currencies. As a percentage of revenues, these costs increased to 14.8% for 2011 compared to 14.0% for 2010 as a result of increased costs and the impact on revenues from the reduced transaction fees in Poland and Germany.

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Selling, general and administrative

The increase in selling, general and administrative expenses for 2011 compared to 2010 is primarily due to increased operating costs to support growth in the business and the impact of the stronger foreign currencies. As a percentage of revenues, selling, general and administrative expenses increased to 9.9% for 2011 compared to 8.9% for 2010 as a result of increased costs and the impact on revenues from the reduced transaction fees in Poland and Germany.

Depreciation and amortization

Depreciation and amortization expense increased for 2011 compared to 2010, primarily due to the impact of the stronger foreign currencies and ATM expansion or replacement. As a percentage of revenues, depreciation and amortization expense increased to 10.5% for 2011 compared to 10.0% for 2010 as a result of increased costs and the impact on revenues from the reduced transaction fees in Poland and Germany.

Operating income

Operating margin for 2011 was 16.7% compared to 19.6% for 2010. The decrease in operating income and operating margin in 2011 compared 2010 is primarily due to the reduced transaction fees in Germany and decreased interchange fee revenues in Poland, partly offset by the impact of the stronger foreign currencies, growth in value added services and the increase in ATMs under management. Operating income per transaction was \$0.04 for 2011 and \$0.05 for 2010, reflecting the reduced transaction fees in Germany, the reduced interchange fee revenues in Poland and the increase in Cashnet transactions which have lower-than-average operating income per transaction, partly offset by the impact of the stronger foreign currencies and growth in value added services.

EPAY SEGMENT

The following table summarizes the results of operations for our epay Segment for the years ended December 31, 2012 and 2011:

	Year Ended December 31,		Year-over-Year Change		
	2012	2011	Increase (Decrease) Amount	Increase (Decrease) Percent	
(dollar amounts in thousands)					
Total revenues	\$714,125	\$677,051	\$37,074	5	%
Operating expenses:					
Direct operating costs	548,390	514,429	33,961	7	%
Salaries and benefits	53,399	48,386	5,013	10	%
Selling, general and administrative	44,496	38,711	5,785	15	%
Goodwill and acquired intangible assets impairment	28,740	—	28,740	n/m	
Depreciation and amortization	19,599	18,751	848	5	%
Total operating expenses	694,624	620,277	74,347	12	%
Operating income	\$19,501	\$56,774	\$(37,273)	(66))%
Transactions processed (millions)	1,113	1,064	49	5	%

n/m - Not meaningful.

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Revenues

The increase in revenues for 2012 compared to 2011 was primarily due to the increase in the number of prepaid mobile transactions processed in the U.S., increased demand for non-mobile products in Germany and the full year impact of our September 2011 acquisition of cadooz. These increases were partly offset by revenue declines in Australia, Brazil, Spain and the U.K, and the impact of the weaker foreign currencies. The decrease in revenues in Australia was caused by certain large retailers entering into direct agreements with two mobile operators during the second half of 2011. The decrease in revenues in Brazil was caused by certain mobile operators modifying their distribution strategies beginning in the fourth quarter of 2011. The revenue declines in Spain and the U.K. were mostly driven by economic and competitive pressures and lower cost call plans.

In certain markets, our revenue growth has slowed due to mobile operators driving competitive reductions in commissions, as well as overall economic conditions impacting customers' buying decisions. We expect most of our future revenue growth to be derived from: (i) additional electronic payment products sold over the base of POS terminals, (ii) valued added services, (iii) developing markets or markets in which there is organic growth in the electronic top-up sector overall, and (iv) acquisitions, if available and commercially appropriate.

Revenues per transaction were unchanged at \$0.64 for both 2012 and 2011, resulting from, an increase in revenues per transaction, primarily due to the impact of the cadooz transactions, which are recorded at gross value, in contrast to our other electronic payment products which are recorded at net value, offset by a decrease in revenues per transaction in Australia, Brazil, Spain and the U.K. for the reasons discussed above, growth in transactions at our ATX subsidiary and the impact of weaker foreign currencies. ATX provides only transaction processing services without significant direct costs and other operating costs related to installing and managing terminals; therefore, the revenues we recognize from these transactions are a fraction of those recognized on average transactions, but with a strong contribution to gross profit.

Direct operating costs

Direct operating costs in the epay Segment include the commissions we pay to retail merchants for the distribution and sale of prepaid mobile airtime and other prepaid products, expenses required to operate POS terminals and the cost of vouchers sold and physical gifts fulfilled. The increase in direct operating costs was primarily due to the growth in transactions processed in the U.S. and Germany as well as the impact of the September 2011 acquisition of cadooz, partly offset by the decrease in the number of transactions processed in Australia, Brazil and Spain, and the impact of the weaker foreign currencies.

Gross profit

Gross profit, which represents revenues less direct costs, was \$165.7 million for 2012 compared to \$162.6 million for 2011. The increase in gross profit was primarily due to increased transaction volumes in the U.S. and Germany and the full year impact of the cadooz acquisition. These increases were partly offset by a decline in transaction volumes in Australia, Brazil and Spain and the impact of the weaker foreign currencies. Gross margin decreased to 23% for 2012 from 24% for 2011, primarily due to the impact of the cadooz revenues, which are recorded at gross value but have lower gross margins and the decreases in revenues in certain markets discussed above. Gross profit per transaction remained unchanged at \$0.15 for both 2012 and 2011.

Salaries and benefits

The increase in salaries and benefits for 2012 compared to 2011 was primarily due to a full fiscal period of salaries and benefits during 2012 related to cadooz compared to four months of salaries and benefits during 2011 and an increase in staff in Germany, primarily to support the increased demand for non-mobile products. These increases were partly offset by decreases in salaries and benefits in Brazil and the U.K. in response to declines in revenues and the impact of the weaker foreign currencies. As a percentage of revenues, salaries and benefits increased to 7.5% for 2012 from 7.1% for 2011. This increase was primarily due to the impact of the cadooz acquisition.

Selling, general and administrative

The increase in selling, general and administrative expenses for 2012 compared to 2011 was primarily due to the impact of the September 2011 acquisition of cadooz, increased bad debt expense in Spain and Australia, and increased expenses in Germany as a result of the growth in non-mobile transaction volume and revenues. These increases were

partly offset by decreases in selling, general and administrative in Australia and Brazil in response to declines in revenues and the impact of the weaker foreign currencies. As a percentage of revenues, these expenses increased to 6.2% for 2012 compared to 5.7% for 2011, primarily because of the decreases in revenues in Australia, Brazil, and Spain, along with an increase in bad debt expense during 2012.

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Goodwill and acquired intangible asset impairment

During the fourth quarter of 2012, epay Brazil recorded non-cash impairment charge of goodwill and acquired intangible assets (specifically customer relationship assets) of \$23.5 million and \$5.2 million, respectively (see further discussion in Note 8, Goodwill and Acquired Intangible Assets, Net to the consolidated financial statements). No impairment charges were recorded in 2011. The impairment charges were the result of a culmination of several factors.

The initial factor contributing to the impairment charges was changes in certain mobile operators' distribution strategies throughout 2012. These changes limited our ability to distribute certain mobile operators' products in certain markets and had a negative impact on epay Brazil's 2012 results. While the changes affected our current results, we continued to negotiate alternative arrangements with the mobile operators in order to regain profitability in Brazil. During the fourth quarter of 2012, we determined that these negotiations were not likely to result in arrangements that would restore our profitability from those products in the future.

While these distribution changes were occurring, the Company was also establishing plans to introduce other electronic payment products in the Brazilian market which was expected to increase profitability. As the plans became more concrete during the fourth quarter of 2012, the Company's assessment was that the added profitability from these new products would likely grow steadily over time, but would not add significant earnings as quickly as originally projected.

Simultaneously with the changes in the mobile operators' distribution strategies, epay Brazil undertook efforts to align costs with revenues. While significant progress was made in reducing costs during 2012, the extent of that progress was constrained by the investments needed to launch the new electronic payment products. During the fourth quarter of 2012, the revised cost structure, which aligns costs with the decreased mobile revenues and supports the new products, was solidified and resulted in cost savings which were less than initially expected.

Further, the changes in the mobile operators' distribution strategies accelerated efforts to pursue other distribution channels. During the fourth quarter of 2012, epay Brazil acquired new partners in these other channels which provided insight to the profit potential of these channels. The Company's assessment of the opportunity in these channels was that while these channels are expected to be profitable, they are not likely to have profit margins as great as the ones lost with the changes in mobile operators' distribution strategies previously discussed.

As described above, the Company had several initiatives to improve profitability which were evolving during the year. The collective impact of those initiatives was the key consideration to determining if the epay Brazil business could return to or exceed its previous profitability. While each initiative had the potential to significantly contribute to that goal, during the fourth quarter of 2012, the Company determined that each initiative was likely to contribute less than what was previously expected. The culmination of these various factors in the fourth quarter of 2012 led the Company to conclude that the resulting valuation was not sufficient to support the recorded value of its investment in epay Brazil and, therefore, it recorded the goodwill and other acquired intangible assets impairment charges in the period.

Depreciation and amortization

Depreciation and amortization expense primarily represents amortization of acquired intangible assets and the depreciation of POS terminals we install in retail stores. Depreciation and amortization expense increased for 2012 compared to 2011 mainly due to the impact of the cadooz acquisition, including amortization of acquired intangible assets, and improvements to our network platform. These increases were partly offset by decreased expenses in markets where acquired intangible assets became fully amortized, as well as the impact of the weaker foreign currencies. As a percentage of revenues, these expenses decreased slightly to 2.7% for 2012 from 2.8% for 2011.

Operating income

The decrease in operating income for 2012 compared to 2011 was primarily due to the \$28.7 million charge for impairment of goodwill and acquired intangible assets, transaction volume and revenue declines in Australia, Brazil and Spain, increased bad debt expense in Australia and Spain, and the impact of the weaker foreign currencies. The declines in volume and revenues in Australia were due to the full year impact of certain large retailers entering into direct agreements with two mobile operators during the second half of 2011. The declines in volume and revenues in Brazil were due to certain mobile operators modifying their distribution strategies beginning in the fourth quarter of 2011. The declines in volume and revenues in Spain were mostly driven by economic and competitive pressures. These decreases were partly offset by increases in transaction volumes and revenues in the U.S. and Germany and the full year impact of the cadooz acquisition completed in the second half of 2011. Excluding the impairment charges, operating margin was 6.8% for 2012 compared to 8.4% for 2011 and operating income per transaction was \$0.04 for 2012 compared to \$0.05 for 2011. The decreases in operating margin and operating income per

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transaction were mainly due to the transaction volume and revenue declines discussed above and increased bad debt expense in Australia and Spain.

2011 Compared to 2010

The following table summarizes the results of operations for our epay Segment for the years ended December 31, 2011 and 2010:

	Year Ended December 31,		Year-over-Year Change		
	2011	2010	Increase (Decrease) Amount	Increase Percent	
(dollar amounts in thousands)					
Total revenues	\$677,051	\$599,023	\$78,028	13	%
Operating expenses:					
Direct operating costs	514,429	469,293	45,136	10	%
Salaries and benefits	48,386	34,429	13,957	41	%
Selling, general and administrative	38,711	31,926	6,785	21	%
Goodwill impairment	—	70,925	(70,925)	n/m	
Depreciation and amortization	18,751	16,753	1,998	12	%
Total operating expenses	620,277	623,326	(3,049)	n/m	
Operating income (loss)	\$56,774	\$(24,303)	\$81,077	n/m	
Transactions processed (millions)	1,064	891	173	19	%

n/m - Not meaningful.

Revenues

The increase in revenues for 2011 compared to 2010 was primarily due to the impact of our September 2010 acquisition of Telecomnet, Inc., now known as epay Brazil, the impact of our September 2011 acquisition of cadooz, an increase in transactions processed in Germany – mainly from increased demand for non-mobile products – and the impact of the stronger foreign currencies. This increase was partly offset by declines in the number of transactions processed in the U.K. and Australia, which were mostly driven by economic and competitive pressures, lower cost call plans and the impact of certain large retailers entering into direct agreements with two mobile operators in Australia. Additionally, while epay Brazil contributed to the 2011 increase from 2010, it experienced decreases in revenues during the fourth quarter of 2011 due to certain mobile operators modifying their distribution strategies.

Revenues per transaction were \$0.64 for 2011 compared to \$0.67 for 2010. The decrease in revenues per transaction was due mainly to the changes in the mix of transactions, particularly due to growth in India, where revenues per transaction are considerably lower than average, and our ATX subsidiary. ATX provides only transaction processing services without significant direct costs and other operating costs related to installing and managing terminals; therefore, the revenues we recognize from these transactions are a fraction of that recognized on average transactions, but with strong contribution to gross profit. The decreases were partly offset by the impact of the stronger foreign currencies.

Direct operating costs

Direct operating costs in the epay Segment include the commissions we pay to retail merchants for the distribution and sale of prepaid mobile airtime and other prepaid products, as well as expenses required to operate POS terminals, and the cost of vouchers sold and physical gifts fulfilled. The increase in direct operating costs is generally attributable to the impact of epay Brazil, increases in transactions processed in certain markets, the addition of cadooz and the impact of the stronger foreign currencies. These increases are partly offset by declines in the number of transactions processed in Australia and the U.K. and a higher percentage of lower cost transactions.

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Gross profit

Gross profit was \$162.6 million for 2011 compared to \$129.7 million for 2010. The primary causes of the increase in gross profit are the impact of epay Brazil, the increased transaction volumes in Germany – mainly from increased demand for non-mobile products – the addition of cadooz and the impact of the stronger foreign currencies, partly offset by transaction volume declines in Australia. Gross margin increased to 24% for 2011 compared to 22% for 2010, mainly reflecting the impact of epay Brazil and the growth in Germany. Gross profit per transaction remained unchanged at \$0.15 for both 2011 and 2010, reflecting the impact of the stronger foreign currencies offsetting the impact of a higher percentage of lower profit transactions.

Salaries and benefits

The increase in salaries and benefits for 2011 compared to 2010 was primarily due to the impacts of epay Brazil and the stronger foreign currencies, along with additional headcount to support development of new products and growing markets. As a percentage of revenues, salaries and benefits increased to 7.1% for 2011 from 5.7% for 2010.

Selling, general and administrative

The increase in selling, general and administrative expenses for 2011 compared to 2010 was mainly due to the impacts of epay Brazil, the acquisition of cadooz and the stronger foreign currencies. Additional increases were driven by cash losses related to an employee theft of funds, overhead to support development of new products and growing markets, and professional fees related to acquisitions. These increases were partly offset by a probable recovery of insurance proceeds for the employee theft and a decrease in bad debt expense in certain markets. As a percentage of revenues, these expenses increased to 5.7% for 2011 compared to 5.3% for 2010.

Goodwill impairment

In 2010, we recorded a non-cash goodwill impairment charge of \$70.9 million. There were no impairment charges recorded in 2011 (see further discussion in Note 8, Goodwill and Acquired Intangible Assets, Net to the consolidated financial statements).

Depreciation and amortization

Depreciation and amortization expense increased for 2011 compared to 2010, mainly due to the impacts of epay Brazil and the stronger foreign currencies, partly offset by decreased expense in mature markets where acquired intangible assets are becoming fully amortized and POS terminals are becoming fully depreciated at a faster rate than new terminals are being installed. As a percentage of revenues, these expenses remained unchanged at 2.8% for both 2011 and 2010.

Operating income

The increase in operating income for 2011 compared to 2010 was primarily due to the 2010 goodwill impairment charges, the impact of epay Brazil, the growth in Germany – mainly from increased demand for non-mobile products – and the impact of the stronger foreign currencies, partly offset by decreased profitability in Australia. Excluding the goodwill impairment charges, operating margin increased to 8.4% for 2011 from 7.8% for 2010, mainly due to the growth in Germany. Operating income per transaction remained unchanged at \$0.05 for 2011 and 2010.

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MONEY TRANSFER SEGMENT

The following table summarizes the results of operations for our Money Transfer Segment for the years ended December 31, 2012 and 2011:

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change		
	2012	2011	Increase (Decrease) Amount	Increase (Decrease) Percent	
Total revenues	\$316,135	\$285,299	\$30,836	11	%
Operating expenses:					
Direct operating costs	149,397	130,783	18,614	14	%
Salaries and benefits	75,540	70,603	4,937	7	%
Selling, general and administrative	47,673	46,441	1,232	3	%
Depreciation and amortization	18,902	20,346	(1,444)	(7))%
Total operating expenses	291,512	268,173	23,339	9	%
Operating income	\$24,623	\$17,126	\$7,497	44	%
Transactions processed (millions)	30.7	24.5	6.2	25	%

Revenues

The increase in revenues for 2012 compared to 2011 was primarily due to the increase in the number of money transfer transactions processed and growth in other products such as mobile top-up, check cashing, bill payments, and money order transactions, partly offset by the impact of the weaker foreign currencies. The growth in transactions processed was driven by a 15% increase in money transfers, including an 18% increase from the U.S. and a 10% increase from non-U.S. markets in 2012 compared to 2011. The increase in transfers from the U.S. was primarily the result of growth in the U.S. to Mexico money transfer activity and an increase in the number of company-owned stores and agents. The increase in transfers from non-U.S. markets was due to the expansion of our agent and correspondent payout networks.

Revenues per transaction decreased to \$10.30 for 2012 from \$11.64 for 2011. The growth rate of transactions exceeded the revenue growth rate for 2012 compared to 2011 largely because of the increase in the number of non-money transfer transactions, which generate considerably lower revenues per transaction than money transfers, and the impact of the weaker foreign currencies.

Over the past few years, the number of money transfers from the U.S. to Mexico had been decreasing on a year-over-year basis. In the second half of 2011, the number of money transfers in this corridor increased when compared to the same period in 2010, resulting in the number of money transfers for the full year 2011 being basically unchanged compared to 2010. During 2012, the total number of money transfers processed, including U.S. to Mexico, increased compared to 2011. We believe the current level of activity indicates a recovery of this important corridor.

Direct operating costs

Direct operating costs in the Money Transfer Segment primarily represent commissions paid to agents that originate money transfers on our behalf and correspondent agents that disburse funds to the customers' destination beneficiary, together with less significant costs, such as telecommunication costs and bank fees to collect money from sending agents. The increase in direct operating costs in 2012 compared to 2011 was primarily due to the growth in transactions processed, partly offset by the impact of the weaker foreign currencies.

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Gross profit

Gross profit, which represents revenues less direct costs, was \$166.7 million for 2012 compared to \$154.5 million for 2011. The increase was primarily due to the growth in revenues discussed above, partly offset by the impact of weaker foreign currencies. Gross margin was 53% for 2012 compared to 54% for 2011. The decline was primarily due to the increase in the number of non-money transfer transactions, which generate lower revenues and margin per transaction than money transfers.

Salaries and benefits

The increase in salaries and benefits for 2012 compared to 2011 was due to the increased expenses we incurred to support expansion of our operations and the increase in money transfers processed, partly offset by the impact of the weaker foreign currencies. As a percentage of revenues, salaries and benefits decreased to 23.9% for 2012 from 24.7% for 2011. This decrease was primarily due to the growth in non-money transfer services discussed above, which did not require similar increases in support cost.

Selling, general and administrative

Selling, general and administrative expenses increased for 2012 compared to 2011, primarily as the result of the increased expenses we incurred to support expansion of our company-owned locations and the increase in money transfers processed, partly offset by the impact of the weaker foreign currencies. As a percentage of revenues, selling, general and administrative expenses decreased to 15.1% for 2012 from 16.3% for 2011. This decrease was primarily due to the growth in non-money transfer services discussed above, which did not require similar increases in support cost.

Depreciation and amortization

Depreciation and amortization primarily represents amortization of acquired intangible assets and depreciation of money transfer terminals, computers and software, leasehold improvements and office equipment. For 2012, depreciation and amortization decreased compared to 2011 as the impact of the increased capital expenditures was more than offset by certain acquired intangible assets becoming fully amortized during 2011 and 2012. As a percentage of revenues, depreciation and amortization decreased to 6.0% for 2012 from 7.1% for 2011, primarily due to the decrease in depreciation and amortization discussed above combined with the increase in revenues.

Operating income

Operating income increased by \$7.5 million for 2012 compared to 2011, reflecting the growth in money transfer and non-money transfer transactions processed and lower intangible amortization expense discussed above, partly offset by the impact of the weaker foreign currencies. As a result, operating margin increased to 7.8% for 2012 compared to 6.0% for 2011. Operating income per transaction increased to \$0.80 for 2012 from \$0.70 for 2011. These increases were primarily due to the increases in transaction-based revenues discussed above and the decrease in amortization expense during 2012, partly offset by the impact of the weaker foreign currencies.

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2011 Compared to 2010

The following table presents the results of operations for the years ended December 31, 2011 and 2010 for the Money Transfer Segment.

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change		
	2011	2010	Increase (Decrease) Amount	Increase (Decrease) Percent	
Total revenues	\$285,299	\$244,606	\$40,693	17	%
Operating expenses:					
Direct operating costs	130,783	113,913	16,870	15	%
Salaries and benefits	70,603	59,109	11,494	19	%
Selling, general and administrative	46,441	37,746	8,695	23	%
Depreciation and amortization	20,346	20,472	(126)	(1)	%
Total operating expenses	268,173	231,240	36,933	16	%
Operating income	\$17,126	\$13,366	\$3,760	28	%
Transactions processed (millions)	24.3	21.1	3.2	15	%

Revenues

The increase in revenues for 2011 compared to 2010 was primarily due to the increase in the number of transactions processed and the impact of the stronger foreign currencies. The growth in transactions processed was driven by a 16% increase in transfers from non-U.S. markets in 2011 and growth in other products such as mobile top-up, check cashing and bill payment. The increase in transfers from non-U.S. markets was due to the expansion of our agent and correspondent payout networks.

Revenues per transaction increased to \$11.74 for 2011 from \$11.59 for 2010. The growth rate of revenues exceeded the transaction growth rate for 2011 compared to 2010 largely as a result of the impact of the stronger foreign currencies and the continued shift in transaction mix to non-U.S. locations which generally have higher-than-average revenues per transaction. For 2011, 57% of our money transfers were initiated in the U.S. and 43% in non-U.S. markets, compared to 59% initiated in the U.S. and 41% in non-U.S. markets for 2010.

Direct operating costs

The increase in direct operating costs in 2011 compared to 2010 was primarily due to the growth in transactions processed and the impact of the stronger foreign currencies.

Gross profit

Gross profit was \$154.5 million for 2011 compared to \$130.7 million for 2010. The improvements are primarily due to the growth in money transfer transactions, the impact of the stronger foreign currencies, the shift in transaction mix to transfers from non-U.S. sources and the addition of new products. Gross margin was 54% for 2011 compared to 53% for 2010. This improvement primarily reflects the shift in transaction mix to transfers from non-U.S. sources.

Salaries and benefits

The increase in salaries and benefits for 2011 compared to 2010 was due to the increased expenses we incurred to support expansion of our operations and the impact of the stronger foreign currencies. As a percentage of revenues, salaries and benefits increased to 24.7% for 2011 compared to 24.2% for 2010.

Selling, general and administrative

Selling, general and administrative expenses increased for 2011 compared to 2010, primarily as the result of the increased expenses we incurred to support expansion of our operations and the impact of the stronger foreign currencies. As a percentage of revenues, selling, general and administrative expenses increased to 16.3% for 2011 from 15.4% for 2010.

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Depreciation and amortization

For 2011, depreciation and amortization was essentially unchanged compared to 2010 as the impact of the increased capital expenditures was offset by certain acquired intangible assets becoming fully amortized during 2011. As a percentage of revenues, depreciation and amortization decreased to 7.1% for 2011 from 8.4% for 2010, reflecting the intangibles which became fully amortized in 2011 and a shift in achieving a greater portion of expansion through agents, which requires less capital expenditures than expansion from adding company-owned stores.

Operating income

Operating income increased by \$3.8 million for 2011 compared to 2010, reflecting the growth in transactions processed, the shift in transactions to non-U.S. markets, the impact of the stronger foreign currencies, the addition of new products and lower intangible amortization expense, partly offset by increased salaries and benefits and selling, general and administrative expenses for expansion. Operating margin was 6.0% for 2011 compared to 5.5% for 2010 while operating income per transaction increased to \$0.70 for 2011 from \$0.63 for 2010.

CORPORATE SERVICES

The components of Corporate Services' operating expenses for 2012, 2011 and 2010 were as follows:

(dollar amounts in thousands)	Year Ended December 31,			Year-over-Year Change			
	2012	2011	2010	2012 Increase Percent		2011 Increase (Decrease) Percent	
Salaries and benefits	\$22,332	\$19,998	\$15,587	12	%	28	%
Selling, general and administrative	7,831	7,630	5,565	3	%	37	%
Depreciation and amortization	364	343	810	6	%	(58))%
Total operating expenses	\$30,527	\$27,971	\$21,962	9	%	27	%

Corporate operating expenses

Overall, operating expenses for Corporate Services increased 9% for 2012 compared to 2011, primarily due to an increase in salaries and benefits. This increase was primarily the result of higher share-based compensation and bonus expense due to improved results relative to the performance criteria.

Overall, operating expenses for Corporate Services increased 27% for 2011 compared to 2010. The increase in salaries and benefits was primarily the result of an increase in bonus expense due to improved full year results and an increase in share-based compensation expense. The increase in selling, general and administrative expenses was due mainly to higher professional fees for legal expense and tax consulting. The decrease in depreciation and amortization for 2011 compared to 2010 was primarily due to a three-year enterprise-wide desktop license becoming fully depreciated in May of 2010.

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OTHER INCOME (EXPENSE), NET

(dollar amounts in thousands)	Year Ended December 31,			Year-over-Year Change	
	2012	2011	2010	2012 Decrease Percent	2011 Increase Percent
Interest income	\$3,993	\$5,749	\$3,237	(31)%	78%
Interest expense	(19,653)	(21,385)	(20,447)	(8)%	5%
Income from unconsolidated affiliates	942	1,852	1,461	(49)%	27%
Other gains, net	4,146	1,000	3,110	n/m	n/m
Loss on early retirement of debt	—	(1,899)	—	n/m	n/m
Foreign currency exchange loss, net	(99)	(1,662)	(7,648)	n/m	n/m
Other expense, net	\$(10,671)	\$(16,345)	\$(20,287)	n/m	n/m

n/m — Not meaningful.

Interest income

The decrease in interest income for 2012 from 2011 was primarily due to less interest earned on overnight deposits in Australia and Brazil as a result of revenue declines in these countries during 2012 and the impact of the weaker foreign currencies. The increase in interest income for 2011 from 2010 was primarily due to increased interest rates in Australia and Poland and the impact of the September 2010 acquisition of epay Brazil, which resulted in interest earned on cash collateral for bank guarantees.

Interest expense

The decrease in interest expense for 2012 from 2011 was primarily related to repurchasing \$167.9 million of our 3.5% convertible debentures in October 2012. This decrease was partly offset by having larger amounts outstanding under the credit facility during 2012, primarily due to borrowings to fund certain repurchases of Euronet Common Stock and convertible debentures. The increase in interest expense for 2011 from 2010 was primarily related to interest expense on letter of credit fees incurred by epay Brazil.

Income from unconsolidated affiliates

Income from unconsolidated affiliates primarily represents the equity in income of our 40% equity investment in epay Malaysia, our 49% investment in Euronet Middle East and our 47% investment in Euronet Indonesia. The decrease in income for 2012 from 2011 was primarily due to the acquisition of the remaining 51% interest of Euronet Middle East W.L.L in January 2012. The increase in income for 2011 from 2010 was primarily the result of higher profitability of epay Malaysia and Euronet Middle East W.L.L. Additionally, during 2010, we made a loan to Euronet Indonesia which caused us to recognize previous unrecognized losses as our investment had been fully written off due to losses incurred.

Other gains, net

In 2012, our acquisition of the remaining 51% interest of Euronet Middle East W.L.L resulted in Euronet obtaining control of the entity, which was considered a business combination. Accordingly, we valued the assets and liabilities at

fair value, which resulted in a \$4.4 million gain on the 49% interest previously owned. Additionally, we recorded an investment in marketable securities at fair value which resulted in a loss of \$0.2 million.

In 2011, Euronet recorded \$1.0 million from the settlement of a class action lawsuit related to losses on MoneyGram, Inc. stock we formerly held.

In 2010, we reached a settlement regarding a dispute with the sellers of Ria Enviva, Inc. ("Ria"). We received 226,634 shares of Euronet stock that had been held in escrow related to the Ria acquisition. The \$3.5 million fair value of the shares on the date of the settlement was recorded as an addition to treasury stock and \$3.1 million, net of settlement

costs, was recorded as a non-operating gain.

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Loss on early retirement of debt

During 2011, we entered into an amended and expanded credit facility and recorded a \$1.7 million loss primarily related to the write-off of deferred financing costs associated with the extinguished credit facility. Also during 2011, we repurchased \$3.6 million principal amount of our 3.5% convertible debentures and recognized a \$0.2 million loss representing the difference in the amounts paid for the convertible debentures over their carrying amounts.

Foreign currency exchange loss, net

Assets and liabilities denominated in currencies other than the local currency of each of our subsidiaries give rise to foreign currency exchange gains and losses. Foreign exchange gains and losses that result from re-measurement of these assets and liabilities are recorded in determining net income. The majority of our foreign currency gains or losses are due to the re-measurement of intercompany loans that are in a currency other than the functional currency of one of the parties to the loan. For example, we make intercompany loans based in euros from our corporate division, which is comprised of U.S. dollar functional currency entities, to certain European entities that use the euro as the functional currency. As the U.S. dollar strengthens against the euro, foreign currency losses are generated on our corporate entities because the number of euros to be received in settlement of the loans decreases in U.S. dollar terms. Conversely, in this example, in periods where the U.S. dollar weakens, our corporate entities will record foreign currency gains.

We recorded net foreign currency exchange losses of \$0.1 million, \$1.7 million, and \$7.6 million in 2012, 2011 and 2010, respectively. These realized and unrealized foreign currency exchange losses reflect the respective strengthening of the U.S. dollar against most of the currencies of the countries in which we operate during the respective periods.

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INCOME TAX EXPENSE

Our effective income tax rates as reported and as adjusted are calculated below:

(dollar amounts in thousands)	Year Ended December 31,			
	2012	2011	2010	
Income (loss) before income taxes	\$47,334	\$62,792	\$(15,018)	
Income tax expense	(26,937)	(24,704)	(22,899)	
Net income (loss)	\$20,397	\$38,088	\$(37,917)	
Effective income tax rate	56.9	% 39.3	% (152.5)%	
Income (loss) before income taxes	\$47,334	\$62,792	\$(15,018)	
Adjust: Goodwill and acquired intangible assets impairment	(28,740)	—	(70,925)	
Adjust: Other gains, net	4,146	1,000	3,110	
Adjust: Loss on early retirement of debt	—	(1,899)	—	
Adjust: Foreign currency exchange loss, net	(99)	(1,662)	(7,648)	
Income before income taxes, as adjusted	\$72,027	\$65,353	\$60,445	
Income tax expense	\$(26,937)	\$(24,704)	\$(22,899)	
Adjust: Income tax benefit attributable to acquired intangible assets impairment	1,709	—	—	
Adjust: Income tax benefit (expense) attributable to foreign currency exchange loss, net	29	265	(3)	
Income tax expense, as adjusted	\$(28,675)	\$(24,969)	\$(22,896)	
Effective income tax rate, as adjusted	39.8	% 38.2	% 37.9 %	

We calculate our effective income tax rate by dividing income tax expense by pre-tax book income. Our effective income tax rates were 56.9%, 39.3% and (152.5)% for the years ended December 31, 2012, 2011 and 2010, respectively. The effective income tax rates were significantly influenced by our tax position in the U.S., the impairment for goodwill and acquired intangible assets recorded in 2012 and 2010, other non-operating gains, the losses on early retirement of debt recorded in 2011 and the impact of foreign currency exchange translation results. Excluding these items from pre-tax book income, as well as the related tax effects for these items, our effective income tax rates were 39.8%, 38.2% and 37.9% for the years ended December 31, 2012, 2011 and 2010, respectively.

The effective income tax rate, as adjusted, for 2012 was higher than the applicable statutory income tax rate of 35% primarily because of our U.S. tax position and the U.S. tax impact of the repurchase of our convertible debentures, partly offset by the reduction in unrecognized tax benefits. For the fiscal years ended December 31, 2012, 2011 and 2010, we have recorded a valuation allowance against our U.S. federal tax net operating losses, as it is more likely than not that a tax benefit will not be realized. Accordingly, the federal income tax benefit associated with pre-tax book losses generated by our U.S. entities has not been recognized. Additionally, in 2012, we repurchased \$167.9 million of our 3.5% convertible debentures, triggering substantial taxable income from the recapture of excess interest expense tax deductions and, as a result, U.S. federal and state income tax expense increased.

The effective income tax rate, as adjusted, remained largely unchanged for 2011 compared to 2010, primarily due to the implementation of income tax planning initiatives, true-ups related to foreign country income tax return filings and a shift in our mix of income to lower income tax rate countries.

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We determine income tax expense and remit income taxes based upon enacted tax laws applicable in each of the taxing jurisdictions where we conduct business. Based on our interpretation of such laws, and considering the evidence of available facts and circumstances and baseline operating forecasts, we have accrued the estimated income tax effects of certain transactions, business ventures, contractual and organizational structures, and the estimated future reversal of timing differences. Should a taxing jurisdiction change its laws or dispute our conclusions, or should management become aware of new facts or other evidence that could alter our conclusions, the resulting impact to our estimates could have a material adverse effect on our results of operations and financial condition.

Income before income taxes, as adjusted, income tax expense, as adjusted and effective income tax rate, as adjusted are non-GAAP financial measures that management believes are useful for understanding why our effective income tax rates are significantly different than would be expected.

NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

Net loss attributable to noncontrolling interests was \$0.1 million for 2012 compared to net income of \$1.1 million and \$0.5 million for 2011 and 2010, respectively. The decrease in net income attributable to noncontrolling interests in 2012 compared to 2011 is primarily due to decreased profitability at our Movilcarga and ATX subsidiaries.

Noncontrolling interests represents the elimination of net income or loss attributable to the minority shareholders' portion of the following consolidated subsidiaries that are not wholly owned:

Subsidiary	Percent Owned (1)	Segment - Country
Movilcarga	80	% epay - Spain
ATX	75.5	% epay - various
Euronet China	75	% EFT - China
Euronet Pakistan	70	% EFT - Pakistan

(1) Percent owned as of December 31, 2012.

NET INCOME (LOSS) ATTRIBUTABLE TO EURONET WORLDWIDE, INC.

Net income attributable to Euronet Worldwide, Inc. was \$20.5 million for 2012 compared to net income of \$37.0 million for 2011 and a net loss of \$38.4 million for 2010. As more fully discussed above, the decrease of \$16.5 million for 2012 as compared to 2011 was mainly the result of a \$21.1 million decrease in operating income in 2012, caused by a \$28.7 million non-cash impairment charge for goodwill and acquired intangible assets. Additionally, interest income decreased by \$1.8 million, income from unconsolidated affiliates decreased by \$0.9 million and income tax expense increased \$2.2 million. These decreases to net income were partly offset by a \$1.7 million decrease in interest expense, a \$3.1 million increase in non-operating gains, recognition of a \$1.9 million loss on early retirement of debt in 2011 and a decrease in foreign currency exchange loss of \$1.6 million. Other items increased net income by \$1.2 million during 2012 compared to 2011.

The increase of \$75.4 million for 2011 as compared to 2010 was mainly the result of the \$73.9 million improvement in operating income in 2011, primarily due to the \$70.9 million goodwill impairment charge in 2010. Additionally, foreign currency exchange loss decreased \$6.0 million and net interest expense decreased \$1.6 million. These increases to net income were partly offset by a \$2.1 million decrease in non-operating gains, a \$1.9 million loss on early retirement of debt, and an increase in income tax expense of \$1.8 million. Other items decreased net income by \$0.3 million during 2011 compared to 2010.

TRANSLATION ADJUSTMENT

Translation gains and losses are the result of translating our foreign entities' balance sheets from local functional currency to the U.S. dollar reporting currency prior to consolidation and are recorded in comprehensive income (loss).

As required by U.S. GAAP, during this translation process, asset and liability accounts are translated at current foreign currency exchange rates and equity accounts are translated at historical rates. Historical rates represent the rates in effect when the balances in our equity accounts were originally created. By using this mix of rates to convert the balance sheet from functional currency to U.S. dollars, differences between current and historical exchange rates generate this translation adjustment.

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We recorded a gain (loss) on translation adjustment of \$10.9 million, \$(26.7) million and \$(16.0) million in 2012, 2011 and 2010, respectively. During 2012, the U.S. dollar weakened against most European-based currencies, primarily the euro and British pound, resulting in translation gains which were recorded in comprehensive income (loss). During 2010 and 2011, the U.S. dollar strengthened compared to certain currencies and weakened compared to others and the net results were translation losses in both 2010 and 2011, which were recorded in comprehensive income (loss).

LIQUIDITY AND CAPITAL RESOURCES**Working capital**

As of December 31, 2012, we had working capital of \$116.5 million, which is calculated as the difference between total current assets and total current liabilities, compared to negative working capital of \$20.5 million as of December 31, 2011. Our ratio of current assets to current liabilities was 1.17 as of December 31, 2012, compared to 0.97 as of December 31, 2011. The increase in working capital was primarily due to using long-term debt, as well as working capital produced by operations during 2012, to purchase convertible debentures which were classified as current liabilities.

We require substantial working capital to finance operations. The Money Transfer Segment funds the correspondent distribution network before receiving the benefit of amounts collected from customers by agents. Working capital needs increase due to weekends and international banking holidays. As a result, we may report more or less working capital for the Money Transfer Segment based solely upon the day on which the fiscal period ends. As of December 31, 2012, working capital in the Money Transfer Segment was \$73.1 million. We expect that working capital needs will increase as we expand this business. The epay Segment produces positive working capital, but much of it is restricted in connection with the administration of its customer collection and vendor remittance activities. The EFT Processing Segment does not require substantial working capital.

We had cash and cash equivalents of \$191.2 million as of December 31, 2012, of which \$140.0 million was held outside of the United States and is expected to be indefinitely reinvested for continued use in foreign operations. Repatriation of these assets to the U.S. could have negative tax consequences.

Operating cash flow

Cash flows provided by operating activities were \$181.5 million for 2012 compared to \$99.3 million for 2011. The increase was mainly due to fluctuations in working capital primarily associated with the timing of the settlement processes with mobile operators in the epay Segment and with correspondents in the Money Transfer Segment. Cash flows provided by operating activities were \$99.3 million for 2011 compared to \$108.1 million for 2010. The decrease was mainly due to fluctuations in working capital primarily associated with the timing of the settlement processes with mobile operators in the epay Segment and with correspondents in the Money Transfer Segment, partly offset by improved operating results as adjusted for non-cash charges.

Investing activity cash flow

Cash flows used in investing activities were \$69.2 million for 2012, compared to \$124.1 million for 2011. Purchases of property and equipment were \$46.2 million and \$46.0 million for 2012 and 2011, respectively. Cash used for acquisitions in 2012 was \$22.3 million compared to \$78.7 million for 2011. Cash used for software development and long-term assets totaled \$4.4 million for 2012 and \$3.2 million for 2011. Other investing activities consist mainly of proceeds from the sale of property and equipment of \$3.9 million and \$3.8 million for 2012 and 2011, respectively. Cash flows used in investing activities were \$124.1 million for 2011, compared to \$55.4 million for 2010. Purchases of property and equipment were \$46.0 million and \$29.2 million for 2011 and 2010, respectively. Cash used for acquisitions in 2011 was \$78.7 million compared to \$24.4 million for 2010. Cash used for software development and long-term assets totaled \$3.2 million for 2011 and \$4.1 million for 2010. Other investing activities consist mainly of proceeds from the sale of property and equipment of \$4.8 million and \$2.3 million for 2011 and 2010, respectively.

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Financing activity cash flow

Cash flows used in financing activities were \$92.6 million during 2012 compared to cash flows provided by financing activities of \$13.9 million in 2011. Our financing activities for 2012 centered around the repurchase of \$167.9 million of our 3.5% convertible debentures and the repurchase of \$42.9 million of our common stock. Additionally, to support the short-term cash needs of our Money Transfer Segment, we generally borrow amounts under our revolving credit facility several times each month to fund the correspondent network in advance of collecting remittance amounts from the agency network. These borrowings are repaid over a very short period of time, generally within a few days. As a result of this and the repurchases of the convertible debentures and Common Stock, during 2012 we had a total of \$1,016.9 million in borrowings and \$888.7 million in repayments under our revolving credit facility. During 2011, we borrowed \$80.0 million of long-term debt from our new term loan and used \$128.0 million for repayments of debt obligations. During 2012, we used \$1.9 million for debt issuance costs and \$2.9 million for repayments of capital lease obligations. In 2011, we used \$3.5 million for debt issuance costs and \$2.6 million for repayments of capital lease obligations. Further, we used \$16.0 million for the repurchase of shares during 2011. Additionally, we received cash of \$2.9 million and \$2.4 million from the issuance of shares in 2012 and 2011, respectively. During 2011, we paid \$5.5 million in settlement of contingent consideration amounts recorded at the time of two different acquisitions. We paid \$0.5 million and \$1.1 million of dividends to noncontrolling interests' stockholders during 2012 and 2011, respectively.

Cash flows provided by financing activities were \$13.9 million during 2011 compared to cash flows used in financing activities of \$44.8 million during 2010. Our financing activities for 2011 centered around the amendment of our credit facility which resulted in net borrowings of \$36.6 million compared to net repayments of debt obligations of \$45.2 million for 2010. During 2011, we had net borrowing of \$87.2 million under our revolving credit facility while we had net repayments of \$39.2 million during 2010. During 2011, we borrowed \$80.0 million of long-term debt from our new term loan, used \$128.0 million for repayments of debt obligations, \$3.5 million for debt issuance costs and \$2.6 million for repayments of capital lease obligations. Further, we used \$16.0 million for the repurchase of shares during 2011. Additionally, we received cash of \$2.4 million and \$2.1 million from the issuance of shares in 2011 and 2010, respectively. During 2011, we paid \$5.5 million in settlement of contingent consideration amounts recorded at the time of two different acquisitions. We paid \$1.1 million and \$2.2 million of dividends to noncontrolling interests' stockholders during 2011 and 2010, respectively. We also received a \$0.6 million equity contribution in 2011 from the noncontrolling interest stockholder of our Pakistan subsidiary.

Other sources of capital

Credit Facility — We have a \$480 million senior secured credit facility (the "Credit Facility") consisting of a \$390 million five-year revolving credit facility, a \$10 million five-year India revolving credit facility and an \$80 million five-year term loan. The revolving credit facility allows for borrowings in U.S. dollars, euro, British pound sterling, Australian dollars and/or Indian rupees.

The \$390 million revolving credit facility contains a \$200 million sublimit for the issuance of letters of credit and a \$25 million sublimit for swingline loans. We intend to use the revolving credit facility primarily to fund working capital requirements, which are expected to increase as we expand the money transfer business. Based on our current projected working capital requirements, we anticipate that our revolving credit facility will be sufficient to fund our working capital needs.

On October 11, 2012, the Company exercised its right to increase the aggregate commitments under its senior secured revolving credit facility by \$125 million. In the process, additional financial institutions were added as lenders under the credit agreement. Borrowing capacity under the senior secured revolving credit facility increased from \$275 million to \$400 million (including the \$10 million five-year India revolving credit facility), and the Company remains entitled, provided lenders agree, to increase the aggregate commitments under the senior secured revolving credit facility by an additional \$80 million. All other terms of the credit agreement remain unchanged.

Fees and interest on borrowings vary based upon the Company's consolidated total leverage ratio (as defined in the Amended and Restated Credit Agreement) and will be based, in the case of letter of credit fees, on a margin, and in the case of interest, on a margin over London Inter-Bank Offered Rate ("LIBOR") or a margin over the base rate, as selected by us, with the applicable margin ranging from 1.5% to 2.5% (or 0.5% to 1.5% for base rate loans). The base

rate is the highest of (i) the Bank of America prime rate, (ii) the Federal Funds rate plus 0.50% or (iii) the Fixed LIBOR rate plus 1.00%. The term loan is subject to scheduled quarterly amortization payments, as set forth in the Amended and Restated Credit Agreement. The maturity date for the Credit Facility is five years from the closing date, at which time the outstanding principal balance and all accrued interest will be due and payable in full.

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As of December 31, 2012, we had borrowings of \$74.5 million outstanding under the term loan. We had \$215.1 million of borrowings and \$47.5 million of stand-by letters of credit outstanding under the revolving credit facility as of December 31, 2012. The remaining \$137.4 million under the revolving credit facility was available for borrowing. As of December 31, 2012, our weighted average interest rate was 2.0% under the term loan and 2.5% under the revolving credit facility, excluding amortization of deferred financing costs.

Short-term debt obligations — Short-term debt obligations at December 31, 2012 were primarily comprised of \$6.5 million of payments due in 2013 under the term loan. Certain of our subsidiaries also have available credit lines and overdraft facilities to supplement short-term working capital requirements, when necessary, and there were \$1.1 million outstanding under these facilities as of December 31, 2012.

Other uses of capital

Debt and equity repurchases — In August 2011, our Board of Directors authorized the repurchase of any of our convertible debentures and up to \$100 million, or 5 million shares, of our Common Stock. During 2012 and 2011, we repurchased \$42.9 million and \$16.0 million of our Common Stock, respectively. Considering cumulative repurchases as of December 31, 2012, we have \$41.1 million or 2.0 million shares of Common Stock remaining that may be repurchased under the Board's authorization. In September 2011, we repurchased \$3.6 million of principal value of our 3.5% convertible debentures. On October 15, 2012, we repurchased an additional \$167.9 million of these convertible debentures. Pursuant to the terms of the debentures, holders had the right to require the Company to repurchase some or all of their debentures on such date. The Company utilized cash on hand and borrowings on its revolving credit facility to fund these repurchases. As a result of these repurchases, \$3.6 million in principal amount of such debentures remains outstanding as of December 31, 2012. We expect to repurchase additional securities when prices provide attractive returns on capital.

Payment obligations related to acquisitions — During 2011, we paid \$6.4 million to the sellers of Telecomnet, Inc. and another smaller business in final settlement of the respective contingent consideration.

The net assets acquired in the September 2011 acquisition of cadooz include a liability for additional purchase price consideration based upon the level of revenue achieved by one of cadooz's subsidiaries for the three-year period ending in February 2014.

We have potential contingent obligations to the former owner of the net assets of Movilcarga. Based upon presently available information, we do not believe any additional payments will be required. The seller disputed this conclusion and initiated arbitration as provided for in the purchase agreement. An independent expert was engaged to review the results of the computation, but procedures for such review have never been commenced, principally because the seller is in a bankruptcy proceeding. Any additional payments, if ultimately determined to be owed the seller, will be recorded as additional goodwill and could be made in either cash or a combination of cash and Euronet Common Stock at our option.

Capital expenditures and needs — Total capital expenditures for 2012 were \$49.6 million. These capital expenditures were primarily for the purchase of ATMs to meet contractual requirements in Poland and India, the purchase and installation of ATMs in key under-penetrated markets, the purchase of POS terminals for the epay and Money Transfer Segments, and office, data center and company store computer equipment and software, including capital expenditures for the purchase and development of the necessary processing systems and capabilities to expand the cross-border merchant processing and acquiring business. Total capital expenditures for 2013 are currently estimated to be approximately \$40 million to \$50 million.

In the epay Segment, approximately 130,000 of the approximately 680,000 POS devices that we operate are Company-owned, with the remaining terminals being operated as integrated cash register devices of our major retail customers or owned by the retailers. As our epay Segment expands, we will continue to add terminals in certain independent retail locations at a price of approximately \$300 per terminal. We expect the proportion of owned terminals to total terminals operated to remain relatively constant.

At current and projected cash flow levels, we anticipate that cash generated from operations, together with cash on hand and amounts available under our revolving credit facility and other existing and potential future financing will be sufficient to meet our debt, leasing, contingent acquisition and capital expenditure obligations. If our capital resources are not sufficient to meet these obligations, we will seek to refinance our debt and/or issue additional equity under

terms acceptable to us. However, we can offer no assurances that we will be able to obtain favorable terms for the refinancing of any of our debt or other obligations or for the issuance of additional equity.

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Other trends and uncertainties

Although Euronet has no direct investments in European sovereign debt, we are indirectly exposed to its risks. Many of the customers of our EFT Segment are banks who may hold investments in European sovereign debt. To the extent those customers are negatively impacted by those investments, they may be less able to pay amounts owed to us or renew service agreements with us. Further, to the extent that sovereign debt concerns depress economic activity, such concerns may negatively impact the number of transactions processed on our epay and money transfer networks, resulting in lower revenue.

Our Australia epay business has recently experienced year-over-year declines in the number of transactions it processes, which has reduced its profitability. Continued economic and competitive pressures in Australia may negatively impact the epay Segment's profitability in the near term.

Inflation and functional currencies

Generally, the countries in which we operate have experienced low and stable inflation in recent years. Therefore, the local currency in each of these markets is the functional currency. Currently, we do not believe that inflation will have a significant effect on our results of operations or financial position. We continually review inflation and the functional currency in each of the countries where we operate.

OFF BALANCE SHEET ARRANGEMENTS

We have certain significant off balance sheet items described below, in the following section, "Contractual Obligations" and in Note 20, Guarantees, to the consolidated financial statements.

On occasion, we grant guarantees of the obligations of our subsidiaries and we sometimes enter into agreements with unaffiliated third parties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. Our liability under such indemnification provisions may be subject to time and materiality limitations, monetary caps and other conditions and defenses. To date, we are not aware of any significant claims made by the indemnified parties or parties to whom we have provided guarantees on behalf of our subsidiaries and, accordingly, no liabilities have been recorded as of December 31, 2012.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2012:

(in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations, including interest	\$322,228	\$13,305	\$36,702	\$272,221	\$—
Obligations under operating leases	136,665	37,698	56,231	32,477	10,259
Obligations under capital leases	7,696	2,757	4,272	667	—
Purchase obligations	6,715	4,747	1,586	251	131
Total	\$473,304	\$58,507	\$98,791	\$305,616	\$10,390

For the purposes of the above table, our \$3.6 million convertible debentures issued in October 2005 are considered due in October 2015, representing the next year in which holders have the right to exercise their put option. We assume that the \$215.1 million outstanding under the revolving credit facility as of December 31, 2012 will remain outstanding through its maturity. The computation of interest for debt obligations with variable interest rates reflects interest rates in effect at December 31, 2012. For additional information on debt obligations, see Note 10, Debt Obligations, to the consolidated financial statements.

For additional information on capital and operating lease obligations, see Note 12, Leases, to the consolidated financial statements.

Purchase obligations primarily consist of ATM machines, services and maintenance as well as telecommunications services.

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Our total liability for uncertain tax positions under Accounting Standards Codification (“ASC”) 740-10-25 and 30 was \$11.4 million as of December 31, 2012. The application of ASC 740-10-25 and -30 requires significant judgment in assessing the outcome of future income tax examinations and their potential impact on the Company's estimated effective income tax rate and the value of deferred tax assets, such as those related to the Company's net operating loss carryforwards. It is reasonably possible that a realization of at least \$2.2 million of unrecognized tax benefits could occur within the next twelve months, resulting from the resolution of audit examinations and expirations of certain statutes of limitations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make judgments, assumptions, and estimates, often as a result of the need to make estimates of matters that are inherently uncertain and for which the actual results will emerge over time. These judgments, assumptions and estimates affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and accompanying notes. Note 3, Summary of Significant Accounting Policies and Practices, to the consolidated financial statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. Our most critical estimates and assumptions are used for computing income taxes, estimating the useful lives and potential impairment of long-lived assets and goodwill, as well as allocating the purchase price to assets acquired in acquisitions, and revenue recognition. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The following descriptions of critical accounting policies and estimates are forward-looking statements and are impacted significantly by estimates and should be read in conjunction with Item 1A - Risk Factors. Actual results could differ materially from the results anticipated by these forward-looking statements.

Accounting for income taxes

The deferred income tax effects of transactions reported in different periods for financial reporting and income tax return purposes are recorded under the liability method. This method gives consideration to the future tax consequences of deferred income or expense items and immediately recognizes changes in income tax laws upon enactment. The statement of operations effect is generally derived from changes in deferred income taxes, net of valuation allowances, on the balance sheet as measured by differences in the book and tax bases of our assets and liabilities.

We have significant tax loss carryforwards, and other temporary differences, which are recorded as deferred tax assets and liabilities. Deferred tax assets realizable in future periods are recorded net of a valuation allowance based on an assessment of each entity's, or group of entities', ability to generate sufficient taxable income within an appropriate period, in a specific tax jurisdiction.

In assessing the recognition of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will be realized. As more fully described in Note 13, Taxes, to the consolidated financial statements, gross deferred tax assets were \$108.7 million as of December 31, 2012, partially offset by a valuation allowance of \$89.9 million. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We make judgments and estimates on the scheduled reversal of deferred tax liabilities, historical and projected future taxable income in each country in which we operate, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and current projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not that we will realize the benefits of these deductible differences, net of the existing valuation allowance at December 31, 2012. If we have a history of generating taxable income in a certain country in which we operate, and baseline forecasts project continued taxable income in this country, we will reduce the valuation allowance for those deferred tax assets that we expect to realize.

Additionally, we follow the provisions of ASC 740-10-25 and 30 to account for uncertainty in income tax positions. Applying the standard requires substantial management judgment and use of estimates in determining whether the impact of a tax position is “more likely than not” of being sustained on audit by the relevant taxing authority. We consider many factors when evaluating and estimating our tax positions, which may require periodic adjustments and which may not accurately anticipate actual outcomes. It is reasonably possible that amounts reserved for potential exposure could change significantly as a result of the conclusion of tax examinations and, accordingly, materially affect our operating results.

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Goodwill and other intangible assets

In accordance with ASC Topic 805, Business Combinations, we allocate the acquisition purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The fair value assigned to intangible assets acquired is supported by valuations using estimates and assumptions provided by management. For larger or more complex acquisitions, management may engage an appraiser to assist in the valuation. Intangible assets with finite lives are amortized over their estimated useful lives. As of December 31, 2012, the Consolidated Balance Sheet includes goodwill of \$481.8 million and acquired intangible assets, net of accumulated amortization, of \$83.4 million.

In accordance with ASC Topic 350, Intangibles - Goodwill and Other, on an annual basis, and whenever events or circumstances dictate, we test for impairment. Impairment tests are performed annually during the fourth quarter and are performed at the reporting unit level. Generally, fair value represents discounted projected future cash flows and potential impairment is indicated when the carrying value of a reporting unit, including goodwill, exceeds its estimated fair value. If the potential for impairment exists, the fair value of the reporting unit is subsequently measured against the fair value of its underlying assets and liabilities, excluding goodwill, to estimate an implied fair value of the reporting unit's goodwill. An impairment loss is recognized for any excess of the carrying value of the reporting unit's goodwill over the implied fair value. As a result of our annual impairment test for the year ended December 31, 2012 and 2010, we recorded non-cash goodwill impairment charges of \$23.5 million and \$70.9 million, respectively. See Note 8, Goodwill and Acquired Intangible Assets, Net, to the consolidated financial statements for additional information regarding these charges. Our annual impairment test for the year ended December 31, 2011 indicated that there were no impairments. Determining the fair value of reporting units requires significant management judgment in estimating future cash flows and assessing potential market and economic conditions. It is reasonably possible that our operations will not perform as expected, or that estimates or assumptions could change, which may result in the recording of additional material non-cash impairment charges during the year in which these determinations take place.

Impairment or disposal of long-lived assets

In accordance with ASC Topic 350, long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors that are considered important which could trigger an impairment review include the following: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the respective asset. The same estimates are also used in planning for our long- and short-range business planning and forecasting. We assess the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available comparable market data. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the respective asset. Assets to be disposed are required to be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are required to be presented separately in the appropriate asset and liability sections of the balance sheet. Reviewing long-lived assets for impairment requires considerable judgment. Estimating the future cash flows requires significant judgment. If future cash flows do not materialize as expected or there is a future adverse change in market conditions, we may be unable to recover the carrying amount of an asset, resulting in future impairment losses. For the year ended December 31, 2012, we recorded a \$5.2 million non-cash impairment charge for acquired intangible assets, specifically related to customer relationship assets in Brazil. See Note 8, Goodwill and Acquired Intangible Assets, Net, to the consolidated financial statements for

additional information regarding these charges.

Revenue recognition

In accordance with U.S. GAAP, we recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured. The majority of our revenues are comprised of monthly recurring management fees and transaction-based fees that are recognized when the transactions are processed or the services are performed. When determining the proper revenue recognition for monthly management fees and transaction-based fees, we consider the guidance in Staff Accounting Bulletin (“SAB”) 101, “Revenue Recognition in Financial Statements,” as amended by SAB 104, “Revenue Recognition,” ASC 605-45, ASC 605-25 and various other interpretations.

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Certain of our noncancelable customer contracts provide for the receipt of up-front fees paid to or received from the customer and/or decreasing or increasing fee schedules over the agreement term for substantially the same level of services provided by the Company. As prescribed by SAB 101 and SAB 104, we recognize revenue under these contracts based on proportional performance of services over the term of the contract, which generally results in “straight-line” revenue recognition of the contracts' total cash flows, including any up-front payment.

Substantial management judgment and estimation is required in determining the proper revenue recognition methodology for our various revenue-producing activities, as well as the proper and consistent application of our determined methodology.

FORWARD-LOOKING STATEMENTS

This document contains statements that constitute forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934 (“Exchange Act”). All statements other than statements of historical facts included in this document are forward-looking statements, including statements regarding the following:

- our business plans and financing plans and requirements;
- trends affecting our business plans and 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;
- our ability to repay indebtedness;
- our estimated capital expenditures;
- the potential outcome of loss contingencies;
- business strategy;
- government regulatory action;
- technological advances; and
- projected costs and revenues.

Statements contained in this filing that relate to the future resolution of matters, including those relating to the security breach, are forward-looking statements. Euronet's actual results may vary materially from those anticipated in such forward-looking statements as a result of a number of factors, including the following: the amount of actual losses or liabilities that will be asserted by card associations are currently unknown and may be larger than would be anticipated; other costs, penalties and fines incurred by the Company may be greater than would be anticipated; the Company's insurance coverage may be insufficient to cover all costs, losses and liabilities; and the Company may suffer harm to its reputation and existing and prospective customer relationships as a result of the security breach.

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, anticipate, 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, conditions in world financial markets and general economic conditions, including economic conditions in specific countries and regions; technological developments affecting the market for our products and services; our ability to successfully introduce new products; foreign currency exchange rate fluctuations; the effects of any potential future security breaches; our ability to renew existing contracts at profitable rates; changes in fees payable for transactions performed for cards bearing international logos or over switching networks such as card transactions on ATMs; changes in laws and regulations affecting our business, including

immigration laws, changes in our relationships with, or in fees charged by, our business partners, competition, the outcome of claims and other loss contingencies affecting the Company and those referred to above and as set forth and more fully described in Part I, Item 1A — Risk Factors. Any forward-looking statements made in this Form 10-K speak only as of the date of this report. We do not intend, and do not undertake, any obligation to update any forward looking statements to reflect future events or circumstances after the date of such statements.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

As of December 31, 2012, our total debt outstanding was \$301.2 million. Of this amount, \$3.6 million, or 1% of our total debt obligations, relates to contingent convertible debentures having a fixed coupon rate. Our \$3.6 million principal amount of contingent convertible debentures, issued in October 2005, accrue cash interest at a rate of 3.5% of the principal amount per annum. Based on quoted market prices, as of December 31, 2012, the fair value and carrying value of our fixed rate convertible debentures was \$3.6 million. Interest expense for these debentures, has a weighted average annual interest rate of 3.5%. Additionally, approximately \$7.0 million, or 2% of our total debt obligations, relates to capitalized leases with fixed payment and interest terms that expire between January 1, 2013 and December 31, 2017.

The remaining \$290.5 million, or 97% of our total debt obligations, relates to debt that accrues interest at variable rates. If we were to maintain these borrowings for one year and maximize the potential borrowings available under the revolving credit facility for one year, a 1% increase in the applicable interest rate would result in additional interest expense to the Company of approximately \$4.3 million.

Our excess cash is invested in instruments with original maturities of three months or less or in certificates of deposit that may be withdrawn at any time without penalty; therefore, as investments mature and are reinvested, the amount we earn will increase or decrease with changes in the underlying short-term interest rates.

Foreign currency exchange rate risk

For the years ended December 31, 2012 and 2011, 77% and 80% of our revenues, respectively, were generated in non-U.S. dollar countries. We expect to continue generating a significant portion of our revenues in countries with currencies other than the U.S. dollar.

We are particularly vulnerable to fluctuations in exchange rates of the U.S. dollar to the currencies of countries in which we have significant operations, primarily the euro, British pound, Australian dollar, Polish zloty, Brazilian real and Indian rupee. As of December 31, 2012, we estimate that a 10% fluctuation in these foreign currency exchange rates would have the combined annualized effect on reported net income and working capital of approximately \$30 million to \$40 million. This effect is estimated by applying a 10% adjustment factor to our non-U.S. dollar results from operations, intercompany loans that generate foreign currency gains or losses and working capital balances that require translation from the respective functional currency to the U.S. dollar reporting currency. Additionally, we have other non-current, non-U.S. dollar assets and liabilities on our balance sheet that are translated to the U.S. dollar during consolidation. These items primarily represent goodwill and intangible assets recorded in connection with acquisitions in countries other than the U.S. We estimate that a 10% fluctuation in foreign currency exchange rates would have a non-cash impact on total comprehensive income of approximately \$45 million to \$55 million as a result of the change in value of these items during translation to the U.S. dollar. For the fluctuations described above, a strengthening U.S. dollar produces a financial loss, while a weakening U.S. dollar produces a financial gain. We believe this quantitative measure has inherent limitations and does not take into account any governmental actions or changes in either customer purchasing patterns or our financing or operating strategies. Because a majority of our revenues and expenses are incurred in the functional currencies of our international operating entities, the profits we earn in foreign currencies are positively impacted by the weakening of the U.S. dollar and negatively impacted by the strengthening of the U.S. dollar. Additionally, our debt obligations are primarily in U.S. dollars; therefore, as foreign currency exchange rates fluctuate, the amount available for repayment of debt will also increase or decrease.

We are also exposed to foreign currency exchange rate risk in our Money Transfer Segment. A majority of the money transfer business involves receiving and disbursing different currencies, in which we earn a foreign currency spread based on the difference between buying currency at wholesale exchange rates and selling the currency to consumers at retail exchange rates. This spread provides some protection against currency fluctuations that occur while we are holding the foreign currency. Our exposure to changes in foreign currency exchange rates is limited by the fact that disbursement occurs for the majority of transactions shortly after they are initiated. Additionally, we enter into foreign currency forward contracts primarily to help offset foreign currency exposure related to the notional value of money transfer transactions collected in currencies other than the U.S. dollar and occasionally for other foreign currency

exposures. As of December 31, 2012, we had foreign currency forward contracts outstanding with a notional value of \$128.2 million, primarily in Australian dollars, euros and U.S. dollars, that were not designated as hedges and mature in a weighted average of three days. The fair value of these forward contracts as of December 31, 2012 was an unrealized gain of less than \$0.1 million, which was partially offset by the unrealized loss on the related foreign currency receivables.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Euronet Worldwide, Inc.:

We have audited the accompanying consolidated balance sheets of Euronet Worldwide, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2012. We also have audited the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Euronet Worldwide, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Euronet Worldwide, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Kansas City, Missouri
February 26, 2013

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CONSOLIDATED FINANCIAL STATEMENTS

EURONET WORLDWIDE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share and per share data)

	As of December 31,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$191,187	\$170,663
Restricted cash	81,856	73,305
Inventory — PINs and other	101,168	98,819
Trade accounts receivable, net of allowances for doubtful accounts of \$21,512 at December 31, 2012 and \$14,787 at December 31, 2011	370,836	349,543
Prepaid expenses and other current assets	68,132	61,640
Total current assets	813,179	753,970
Property and equipment, net of accumulated depreciation of \$207,282 at December 31, 2012 and \$175,875 at December 31, 2011	115,475	102,900
Goodwill	481,760	488,628
Acquired intangible assets, net of accumulated amortization of \$140,829 at December 31, 2012 and \$129,119 at December 31, 2011	83,389	99,878
Other assets, net of accumulated amortization of \$24,247 at December 31, 2012 and \$19,529 at December 31, 2011	57,733	60,953
Total assets	\$1,551,536	\$1,506,329
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	\$459,847	\$351,360
Accrued expenses and other current liabilities	183,406	216,794
Current portion of capital lease obligations	2,397	2,178
Short-term debt obligations and current maturities of long-term debt obligations	7,551	170,654
Income taxes payable	9,396	5,228
Deferred revenue	34,109	28,272
Total current liabilities	696,706	774,486
Debt obligations, net of current portion	286,703	161,694
Capital lease obligations, net of current portion	4,589	4,249
Deferred income taxes	22,031	26,003
Other long-term liabilities	14,967	13,152
Total liabilities	1,024,996	979,584
Equity:		
Euronet Worldwide, Inc. stockholders' equity:		
Preferred Stock, \$0.02 par value. 10,000,000 shares authorized; none issued	—	—
Common Stock, \$0.02 par value. 90,000,000 shares authorized; 52,976,558 issued at December 31, 2012 and 51,982,227 issued at December 31, 2011	1,060	1,040
Additional paid-in capital	782,506	766,221
Treasury stock, at cost, 3,653,958 shares at December 31, 2012 and 1,543,441 shares at December 31, 2011	(67,327)	(21,869)
Accumulated deficit	(184,015)	(204,550)
Restricted reserve	1,002	1,001
Accumulated other comprehensive loss	(10,850)	(21,408)

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Total Euronet Worldwide, Inc. stockholders' equity	522,376	520,435
Noncontrolling interests	4,164	6,310
Total equity	526,540	526,745
Total liabilities and equity	\$1,551,536	\$1,506,329

See accompanying notes to the consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except share and per share data)

	Year Ended December 31,		
	2012	2011	2010
Revenues	\$1,267,601	\$1,161,304	\$1,038,269
Operating expenses:			
Direct operating costs	812,059	740,729	675,571
Salaries and benefits	184,055	168,474	136,384
Selling, general and administrative	120,575	112,507	92,624
Goodwill and acquired intangible assets impairment	28,740	—	70,925
Depreciation and amortization	64,167	60,457	57,496
Total operating expenses	1,209,596	1,082,167	1,033,000
Operating income	58,005	79,137	5,269
Other income (expense):			
Interest income	3,993	5,749	3,237
Interest expense	(19,653)) (21,385)) (20,447)
Income from unconsolidated affiliates	942	1,852	1,461
Other gains, net	4,146	1,000	3,110
Loss on early retirement of debt	—	(1,899)) —
Foreign currency exchange loss, net	(99)) (1,662)) (7,648)
Other expense, net	(10,671)) (16,345)) (20,287)
Income (loss) before income taxes	47,334	62,792	(15,018)
Income tax expense	(26,937)) (24,704)) (22,899)
Net income (loss)	20,397	38,088	(37,917)
Less: Net loss (income) attributable to noncontrolling interests	138	(1,127)) (455)
Net income (loss) attributable to Euronet Worldwide, Inc.	\$20,535	\$36,961	\$(38,372)
Earnings (loss) per share attributable to Euronet Worldwide, Inc. stockholders:			
Basic	\$0.41	\$0.73	\$(0.75)
Diluted	\$0.40	\$0.71	\$(0.75)
Weighted average shares outstanding:			
Basic	50,529,476	50,944,349	50,857,812
Diluted	51,412,510	51,729,513	50,857,812

See accompanying notes to the consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES
 Consolidated Statements of Comprehensive Income (Loss)
 (in thousands)

	Year Ended December 31,		
	2012	2011	2010
Net income (loss)	\$20,397	\$38,088	\$(37,917)
Other comprehensive income (loss), net of tax:			
Translation adjustment	10,947	(26,714)	(16,039)
Comprehensive income (loss)	31,344	11,374	(53,956)
Comprehensive loss (income) attributable to noncontrolling interests	91	(943)	140
Comprehensive income (loss) attributable to Euronet Worldwide, Inc.	\$31,435	\$10,431	\$(53,816)
See accompanying notes to the consolidated financial statements.			

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(in thousands, except share data)

	No. of Shares Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit
Balance as of December 31, 2009	50,860,189	\$ 1,022	\$ 740,990	\$(1,483)	\$(203,139)
Net (loss) income					(38,372)
Other comprehensive loss					
Stock issued under employee stock plans	372,648	7	2,156	(205)	
Share-based compensation			9,294		
Dispute settlement	(226,634)			(3,524)	
Other	(26,847)		(231)		
Balance as of December 31, 2010	50,979,356	1,029	752,209	(5,212)	(241,511)
Net income					36,961
Other comprehensive loss					
Stock issued under employee stock plans	481,589	11	2,912	(581)	
Share-based compensation			10,758		
Repurchase of shares	(1,022,159)			(15,996)	
Other			342	(80)	
Balance as of December 31, 2011	50,438,786	1,040	766,221	(21,869)	(204,550)
Net income (loss)					20,535
Other comprehensive income					
Stock issued under employee stock plans	868,054	20	6,423	(3,037)	
Share-based compensation			11,790		
Repurchase of shares	(1,984,240)			(42,853)	
Other			(1,928)	432	
Balance as of December 31, 2012	49,322,600	\$ 1,060	\$ 782,506	\$(67,327)	\$(184,015)

See accompanying notes to the consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES
 Consolidated Statements of Changes in Equity (continued)
 (in thousands)

	Restricted Reserve	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance as of December 31, 2009	\$1,013	\$20,566	\$7,534	\$566,503
Net loss (income)			455	(37,917)
Other comprehensive loss		(15,444)	(595)	(16,039)
Stock issued under employee stock plans				1,958
Share-based compensation				9,294
Dispute settlement				(3,524)
Other	(39)		(1,128)	(1,398)
Balance as of December 31, 2010	974	5,122	6,266	518,877
Net income			1,127	38,088
Other comprehensive (loss)		(26,530)	(184)	(26,714)
Stock issued under employee stock plans				