EURONET WORLDWIDE INC
Form 10-K
February 29, 2012
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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, 2011

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ 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 þ

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 þ No ¨

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 þ 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. þ

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 þ 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 þ

As of June 30, 2011, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $745.4 million. The aggregate market value was determined based on the closing price of the Common Stock on June 30, 2011.

At February 26, 2012, the registrant had 50,521,152 shares of common stock (the “Common Stock”) outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2012 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2011, 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" or "us") is a leading global 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.

Core Business Segments

We operate in the following three principal business segments as of December 31, 2011:

The EFT Processing Segment processes transactions for a network of 14,224 ATMs and approximately 57,000 POS terminals across Europe, the Middle East and Asia Pacific. We provide 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 advertising, Customer Relationship Management ("CRM"), currency conversion, 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 2011, the EFT Processing Segment accounted for approximately 17% of Euronet's consolidated revenues.

The epay Segment provides electronic distribution 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 615,000 POS terminals that enable electronic processing of prepaid mobile airtime "top-up" services in Europe, the Middle East, Asia Pacific, North America and South America. Through this segment, we believe we are the world's leading international network for distribution of prepaid mobile airtime. In 2011, the epay Segment accounted for approximately 58% of Euronet's consolidated revenues.

The Money Transfer Segment provides global consumer-to-consumer money transfer services. 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 146,000 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, and competitive foreign currency exchange services. We are one of the largest global money transfer companies in terms of revenues and volumes. In 2011, 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 eleven transaction processing centers, including four in Europe, two in Asia Pacific, two in the United States and one in the Middle East. We also maintain 45 business offices that are located in 32 countries. The 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 by setting up a processing center in Budapest, Hungary and installing 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 since 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 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 ("FSA"), 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.

2011 Developments

In August 2011, Euronet completed the closing of an amended and expanded five-year, $355 million senior secured credit facility. The Credit Facility consists of a $275 million revolving line of credit and an $80 million term loan. Euronet has the option to increase the Credit Facility by up to an additional $205 million by requesting additional commitments from existing or new lenders. The new facility provides flexibility and liquidity for short-term cash requirements, strategic growth initiatives and for general corporate purposes.

In September 2011, Euronet completed the acquisition of a leading German incentive company, cadooz Holding GmbH ("cadooz"). cadooz is Germany's largest full-service provider of vouchers, innovative merchandise and incentive solutions, serving more than 3,000 corporate customers across a range of industries in Germany, Austria and Poland. Euronet intends to leverage cadooz's marketing and promotional capabilities across all three existing Euronet segments and to expand the products offered by cadooz. Euronet also intends to expand cadooz's opportunities in Austria and Poland through Euronet's retail and bank customers.

In the fourth quarter 2011, Euronet completed two acquisitions in the EFT division. In November 2011, Euronet acquired 535 ATMs from Diebold's cash4you network. Acquiring these ATMs expanded Euronet's retail and banking relationships in Poland. Additionally, Euronet acquired Smart PayNetwork, a Romanian-based company that provides integrated ATM outsourcing services, card issuing and acquiring and POS merchant servicing solutions to financial institutions in Romania. The acquisition included 734 ATMs,2,560 POS terminals, and about a dozen new banking relationships.

Computer Security Breach - A unit of the Company's European processing business was the subject of a criminal security breach in late 2011. The affected business represents less than 5% of the Company's revenues, profits and

transactions. Euronet took immediate steps to remediate the breach and ensure its impact was contained.

Bank card association rules provide a process by which loss and expense arising from such breaches is allocated among card issuers, acquirers and service providers such as Euronet. The Company expects that some claims may be asserted against it under such rules or under its agreements with acquiring banks. However, the Company believes that any liability under such claims will be limited by a number of factors including the fact that the majority of cards processed by the affected business were EMV compliant chip and PIN cards to which such rules either do not apply or apply a lower level of liability. Losses from fraudulent card activity appear to have been limited to magnetic stripe transactions processed on the affected systems. In addition, the Company maintains insurance to cover the financial exposure for response costs, losses by card issuers and fines or penalties from such incidents.

At this time, the Company is unable to predict the possible range of loss, if any, associated with the resolution of claims against

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it in connection with the breach, since no claims have been asserted against it yet and information concerning loss levels has not been communicated by the card associations to Euronet. However, the Company does not at this time expect the net financial impact of loss or expense from the breach after insurance recovery to be material.

The Company is continuing to take aggressive measures to strengthen its security controls, and is working closely with international card associations and law enforcement in this regard.

Expenses related to the breach were $0.4 million in the fourth quarter of 2011.

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 advertising, CRM, currency conversion, 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 revenue generated by our ATM network is recurring monthly management fees and transaction-based fees. We receive fixed monthly fees under many of our outsourced management contracts. The EFT Processing Segment also has 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, 2011, we operated 14,224 ATMs compared to 10,786 at December 31, 2010. The increase was largely due to acquisitions in Romania and Poland, growth in our India and China markets, 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 13% as indicated in the following table:

(in millions)	2007	2008	2009	2010	2011
EFT processing transactions per year	582	672	703	794	943

Our processing centers for the EFT Processing Segment are located in Budapest, Hungary; Martinsried, Germany; Mumbai, India; Beijing, China; and Karachi, Pakistan. They are staffed 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 from our customers for four types of ATM transactions:

- Cash withdrawals,
- Balance inquiries,
- Transactions not completed because the relevant card issuer does not give authorization, 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.

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 mobile top-up, currency conversion, 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.

Software Solutions

We also offer a suite of integrated software solutions for electronic payments and transaction delivery systems. We generate revenue 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.

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.

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 advertising, fraud management, currency conversion, 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. 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. We have historically experienced minimal differences between the second and third quarters of each 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 615,000 POS terminals across approximately 293,000 retailer locations in Europe, the Middle East, Asia Pacific, North America and South America. 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 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 Revenue

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 revenue for this segment. We also generate revenue 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. However, a shift has occurred in these markets and electronic top-up is now the predominant method.

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 (“ISOs”) 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 or the retailer's electronic cash register (ECR) system 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 installed in retail outlets or, in the case of major retailers, through direct connections between their electronic cash register (ECR) systems and our processing centers. In markets where we operate proprietary technology (the U.K., Australia, Poland, Ireland, New Zealand, Spain, Greece, India, Italy, Brazil and the U.S.), we generally own and maintain the POS terminals. In Germany, Austria and Romania, 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. With our acquisition of cadooz, 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 2011, gross profit from products other than prepaid mobile airtime comprised approximately 19% 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 14% as indicated in the following table:

(in millions)	2007	2008	2009	2010	2011
Prepaid processing transactions per year	635	713	777	891	1,064

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 revenue 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 mobile phone operators 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, during 2011, was purchased 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 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 ones our competitors do not have 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 recharge 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 may wish to expand their own distribution networks of prepaid time, and in doing so, they may become our competitors. Additionally, prepaid mobile airtime top-up is now being performed on-line or via mobile devices which provides other alternatives for consumers to use.

MONEY TRANSFER SEGMENT

Overview

We provide consumer-to-consumer money transfer services through a global network of more than 146,000 locations. Transfers are originated through sending agents in approximately 22 countries, with money transfer delivery completed in 136 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 local 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 four years at a CAGR of approximately 11% as indicated in the following table:

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

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, 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 Revenue

Revenue in the Money Transfer Segment is 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 volumes. Our Money Transfer Segment processed approximately $7.0 billion in money transfers in 2011.

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 payer 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 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 Brazil, Cape Verde, Costa Rica, Cote d'Ivoire, Croatia, Ecuador, Egypt, Eritrea, Ethiopia, Ghana, Guatemala, Guyana, Hungary, Indonesia, Mali, Mexico, Mongolia, Pakistan, Philippines, Poland, Romania, Senegal, Serbia, Slovenia, Togo, Tunisia, 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 $3.7 million, $3.6 million and $3.3 million in 2011, 2010 and 2009, respectively. Development costs that were capitalized totaled $2.6 million, $2.2 million and $1.3 million in 2011, 2010 and 2009, 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 3,800, 3,100 and 2,700 employees as of December 31, 2011, 2010, and 2009, 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 2011 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”) initiative. 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 of 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 thirteen 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"

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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 new rule, to become effective February 7, 2013, 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 relevant 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 Bribery Act in the United Kingdom, 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, United Kingdom 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 may 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 28, 2012 are as follows:

Name	Age	Served Since	Position Held
Michael J. Brown	55	July 1994	Chairman and Chief Executive Officer
Kevin J. Caponecchi	45	July 2007	President
Rick L. Weller	54	November 2002	Executive Vice President - Chief Financial Officer
Jeffrey B. Newman	57	December 1996	Executive Vice President - General Counsel
Juan C. Bianchi	41	April 2007	Executive Vice President - Managing Director, Money Transfer Segment
Nikos Fountas	48	September 2009	Senior 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, Senior Vice President - Managing Director, Europe EFT Processing Segment. 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 his current 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.

Departure of Directors or Certain Officers

In January 2011, Charles T. Piper, formerly Managing Director - epay Segment, left the Company.

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 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

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. 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.

Risks Related to Our Business

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 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 and bill payments;
- 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.

The current recessionary economic environment 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 revenue. In addition, the 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

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quarter, during which transaction levels are generally the lowest we experience during the year, which reduces the level of revenues that we record. Additionally, 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 revenue.

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, 2011, total liabilities were $979.6 million, of which $161.7 million represents long-term debt obligations, and total assets were $1,506.3 million. Of our total long-term debt obligations, $165.2 million is comprised of contingently convertible debentures that, in certain situations, could be settled in stock. 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 high degree of indebtedness will make us more vulnerable to changes in general economic conditions and/or a downturn in our business, thereby making it more difficult for us to satisfy our obligations; 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.

Holders of the 3.50% debentures have the option to require us to purchase their debentures at par on October 15, 2012, 2015 and 2020, or upon a change in control of the Company.

Restrictive covenants in our credit facilities may adversely affect us. The 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 $79.0 million outstanding balance of 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.

Our total assets include approximately $588.5 million, or 39% 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. If operating results in any of our key markets, including the U.S., U.K., Germany, Spain, Australia or Brazil, 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.

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.

As allowable under the Internal Revenue Code (the “Code”), the interest deduction from our convertible debentures is based on a comparable interest rate for a traditional, nonconvertible, fixed rate debt instrument with similar terms. This allowable deduction is in excess of the stated interest rate. This deduction may be deferred, limited or eliminated under certain conditions.

The U.S. Treasury Regulations contain an anti-abuse regulation, set forth in Section 1.1275-2(g), that grants the Commissioner of the Internal Revenue Service authority to depart from the regulations if a result is achieved which is unreasonable in light of the original issue discount provisions of the Code, including Section 163(e). The anti-abuse regulation further provides that the Commissioner may, under this authority, treat a contingent payment feature of a debt instrument as if it were a separate position. If such an analysis were applied to our convertible debentures and ultimately sustained, our deductions attributable to the convertible debentures could be limited to the stated interest thereon. The scope of application of the anti-abuse regulations is unclear. However, we are of the view that the application of the contingent payment debt instrument regulations ("Contingent Debt Regulations") described in U.S. Treasury Regulations Section 1.1275-4 to our convertible debentures is a reasonable result such that the anti-abuse regulation should not apply. If a contrary position was asserted and ultimately sustained, our tax deductions would be severely diminished with a resulting adverse effect on our cash flow and ability to service the convertible debentures.

Under the Code, no deduction is allowed for interest expense in excess of $5 million on convertible subordinated indebtedness incurred to acquire stock or assets of another corporation reduced by any interest paid on other obligations which have provided consideration for an acquisition of stock in another corporation. If a significant portion of the proceeds from the issuance of the convertible debentures, either alone or together with other debt proceeds, was used for a domestic acquisition and the convertible debentures and other debt, if any, were deemed to be corporate acquisition indebtedness as defined in Section 279 of the Code, interest deductions for tax purposes in excess of $5 million on such debt reduced by any interest paid on other obligations which have provided consideration for an acquisition of stock in another corporation would be disallowed. This would adversely impact our cash flow and our ability to pay down the convertible debentures. We previously applied a significant portion of the proceeds from our December 2004 issuance of 1.625% Convertible Senior Debentures Due 2024 to acquisitions of foreign corporations. In prior years, the interest expense attributable to these acquisitions exhausted all of the $5 million annual interest expense deduction permitted under the Code for certain convertible subordinated debt incurred for corporation acquisitions. In 2009, the repurchase of the 1.625% Convertible Senior Debentures Due 2024 significantly reduced interest expense for federal income tax purposes and, consequently, a larger portion of the annual interest expense subject to limitation was able to be deducted. Although the portion of interest expense able to be deducted increased, significant interest deductions would be disallowed with respect to our October 2005 3.50% Convertible Debentures Due 2025 if Section 279 of the Code applied. We do not currently anticipate that this limitation will apply but there can be no assurance of that fact.

In the past, the U.S. Senate has drafted proposed tax relief legislation that contained a provision that would eliminate the comparable interest rate deduction on future issuances of convertible debentures such as ours. Legislation containing this provision has not been passed, however, we cannot predict if there will be future tax legislation proposed and approved that would eliminate the comparable interest rate deduction.

Increases in taxes could negatively impact our operating results.

As a result of the recent economic downturn, 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 United Kingdom 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.

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 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 Plan 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 directors and officers, together with the entities with which they are associated, owned approximately 9% of our Common Stock as of December 31, 2011, giving them significant control over decisions related to our Company.

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

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 10.9 million shares of Common Stock, representing 22% of the shares outstanding as of December 31, 2011, 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, 2011, we had an aggregate of 6.2 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, 1.8 million options are vested and exercisable as of December 31, 2011. 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 4.2 million 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 10.9 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 6.2 million total options and restricted stock awards outstanding, an aggregate of 3.3 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.

The growth and profitability of our epay business is dependent on certain factors that vary from market to market.

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 the last year, processing fees and commissions per transaction have declined in most markets, and we expect that trend to continue. We have been able to improve our results despite 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.

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Our epay and money transfer businesses may be susceptible to fraud and/or credit risks occurring at the retailer and/or consumer level.

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

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

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 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.

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.

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.

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 Athens, Budapest, Belgrade, 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 futures.

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 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.

ITEM 2. PROPERTIES

Our executive offices are located in Leawood, Kansas. As of December 31, 2011, we also maintained principal operational offices in Sao Paulo, Brazil; Montréal, Canada; Antiguo Cuscatlán, El Salvador; Mexico City, Mexico; San Juan, Puerto Rico; Buena Park, California; Leawood, Kansas; Little Rock, Arkansas; Liverpool and Sydney, Australia; Beijing, 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; Vienna, Austria; Athens, Greece; Budapest, Hungary; Dublin, Ireland; Milan and Rome, Italy; Warsaw and Kraców, Poland; Bucharest, Romania; Belgrade, Serbia; Bratislava, Slovakia; Madrid, Spain; Stockholm, Sweden; Geneva, Switzerland; Basildon and London, U.K.; Kiev, Ukraine; Cairo, Egypt; and Karachi, Pakistan. 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 provisions 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:

	2011		2010	
For the quarters ended	High	Low	High	Low
December 31	$20.56	$14.55	$19.09	$16.16
September 30	$17.64	$13.55	$18.28	$12.40
June 30	$19.39	$14.88	$21.52	$12.36
March 31	$20.25	$16.62	$22.71	$18.01

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, 2011, we had 72 stockholders of record of our Common Stock, and none of our Preferred Stock was outstanding.

PRIVATE PLACEMENTS AND ISSUANCES OF EQUITY

During 2011, 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, 2006 through December 31, 2011 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, 2006.

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, Center for Research in Security Prices (CRSP®), Booth School of Business, The University of Chicago. Used with permission. All rights reserved. Graph copyright 2012 Zacks Investment Research, Inc.

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, 2011.

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)
Equity compensation plans approved by security holders:			2,261,688
Stock option awards	4,994,581	$15.11	
Restricted stock unit awards	1,181,785	—	
Equity compensation plans not approved by security holders	—	—	—
Total	6,176,366	$12.22	2,261,688

STOCK REPURCHASES

For the three months ended December 31, 2011, the Company purchased 204,570 shares of its Common Stock in the open market, 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	204,570	$15.26	204,570	3,977,841

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.

	Year Ended December 31,				
(dollar amounts in thousands, except per share amounts)	2011	2010	2009	2008	2007
Consolidated statements of operations data:					
Revenues	$1,161,304	$1,038,269	$1,032,694	$1,045,665	$902,666
Operating expenses (1)	1,021,710	975,504	904,406	1,138,435	779,435
Depreciation and amortization	60,457	57,496	56,023	56,251	46,997
Operating income (loss) (1)	79,137	5,269	72,265	(149,021)	76,234
Other expenses, net	(18,197)	(21,748)	(17,026)	(52,896)	(6,277)
Income from unconsolidated affiliates	1,852	1,461	1,934	1,250	908
Income (loss) from continuing operations before income taxes	62,792	(15,018)	57,173	(200,667)	70,865
Income tax (expense) benefit	(24,704)	(22,899)	(25,836)	7,337	(34,038)
Income (loss) from continuing operations	$38,088	$(37,917)	$31,337	$(193,330)	$36,827
Earnings (loss) per share from continuing operations:					
Basic	$0.73	$(0.75)	$0.59	$(3.91)	$0.77
Diluted	$0.71	$(0.75)	$0.58	$(3.91)	$0.74
Consolidated balance sheet data (at period end):					
Assets	$1,506,329	$1,409,372	$1,412,679	$1,405,644	$1,850,449
Debt obligations, long-term portion	161,694	286,105	320,283	294,355	491,923
Capital lease obligations, long-term portion	4,249	2,363	1,997	6,356	11,520
Summary network data					
Number of operational ATMs at end of period	14,224	10,786	9,720	10,128	11,347
EFT processing transactions during the period (millions)	943	794	703	672	582
Number of operational prepaid processing POS terminals at end of period (rounded)	615,000	563,000	498,000	430,000	396,000
Prepaid processing transactions during the period (millions)	1,064	891	777	713	635
Money transfer transactions during the period (millions)	24.3	21.1	19.1	17.8	12.8

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(1) The results of 2010, 2009 and 2008 include non-cash charges related to impairment of goodwill and acquired intangible assets of $70.9 million, $9.9 million and $220.1 million, respectively. The results for 2007 include a benefit of $12.2 million for a federal excise tax refund which was recorded as a reduction to operating expenses.

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 2007, 2010 and 2011 (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. (“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, 2011, we operate in the following three operating segments:

- The EFT Processing Segment, which processes transactions for a network of 14,224 ATMs and approximately 57,000 POS terminals across Europe, the Middle East and Asia Pacific. We provide comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing and electronic recharge services for prepaid mobile airtime. 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. Including terminals operated by unconsolidated subsidiaries, we operate a network of approximately 615,000 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. With the purchase of cadooz Holding GmbH ("cadooz") in September 2011, we now distribute vouchers and physical gifts 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 146,000 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 29 principal offices in Europe, seven in North America, eight in Asia Pacific and one in South America. Our executive offices are located in Leawood, Kansas, USA. With approximately 80% 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 (for more 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 revenue are described below.

EFT Processing Segment — Revenues in the EFT Processing Segment, which represented approximately 17% of total consolidated revenues for the year ended December 31, 2011, 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. Through our proprietary network, we generally charge fees for 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 prepaid telecommunication recharges, dynamic currency conversion, 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.

epay Segment — Revenues in the epay Segment, which represented approximately 58% of total consolidated revenues for the year ended December 31, 2011, are primarily derived from commissions or processing fees received from telecommunications service providers for the sale and distribution of prepaid mobile airtime. We also generate

revenues from commissions earned from the distribution of other electronic payment products and from the sale of vouchers. 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

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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, 2011, 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.

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;
- the ability to develop products or services to drive increases in transactions;
- the expansion of our various business lines in markets where we operate and in new markets;
- the entrance into additional card acceptance and ATM management agreements with banks;
- the ability to obtain required licenses in markets we intend to enter or expand services;
- the availability of financing for expansion;
- the ability to efficiently install ATMs contracted under newly awarded outsourcing agreements;
- the ability to renew existing contracts at profitable rates;
- the ability to maintain pricing at current levels or mitigate price reductions in certain markets;
- the impact of reductions in ATM interchange fees;
- the 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:

- the ability to negotiate new agreements in additional markets with mobile operators, content providers, agent financial institutions and retailers;
- the 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;
- the 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 a few of the markets in which we operate, such as Brazil and the Middle East, 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.

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 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;
- the ability to maintain our agent and correspondent networks;
- the 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;

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- 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;
- the ability to take advantage of cross-selling opportunities with our epay Segment, including providing prepaid services through Ria's stores and agents worldwide;
- the 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. We believe the current level of activity indicates the beginning of the recovery of this important corridor.
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.

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, 2011, 2010 AND 2009

	Revenues			Operating Income (Loss)		
(in thousands)	2011	2010	2009	2011	2010	2009
EFT Processing	$199,249	$194,875	$197,740	$33,208	$38,168	$48,190
epay	677,051	599,023	602,075	56,774	(24,303)	49,446
Money Transfer	285,299	244,606	232,879	17,126	13,366	(354)
Total	1,161,599	1,038,504	1,032,694	107,108	27,231	97,282
Corporate services and eliminations	(295)	(235)	—	(27,971)	(21,962)	(25,017)
Total	$1,161,304	$1,038,269	$1,032,694	$79,137	$5,269	$72,265

SUMMARY

Our annual consolidated revenues increased by 12% for 2011 compared to 2010 and by 1% for 2010 from 2009. The 2011 increase was primarily due to the September 2010 acquisition of Telecomnet, Inc., a Brazilian prepaid mobile airtime distribution company now known as epay Brazil, the September 2011 acquisition of the German voucher and physical gift fulfillment company cadooz Holding GmbH ("cadooz"), the increase in the number of money transfers processed and the impact of stronger foreign currencies. The 2010 increase was primarily due to the acquisition of epay Brazil, the increase in the number of money transfers processed 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 2010 and 2009 includes non-cash goodwill and intangible asset impairment charges of $70.9 million and $9.9 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 4% for 2011 from 2010 and decreased 7% for 2010 from 2009. The 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 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 transaction fees in Germany beginning in January 2011, the full year impact of the Poland interchange fee reductions and increased corporate operating expenses, mainly related to increased share-based compensation and professional fees. The 2010 decrease was mainly the result of lower profitability in the EFT Processing Segment, primarily related to lower ATM interchange fees in Poland, partly offset by improvements in the Money Transfer Segment driven by a greater number of transactions processed.

Net income attributable to Euronet Worldwide, Inc. for 2011 was $37.0 million, or $0.71 per diluted share, compared to net loss attributable to Euronet Worldwide, Inc. for 2010 of $38.4 million, or $0.75 per diluted share, and net income attributable to Euronet Worldwide, Inc. for 2009 of $30.3 million, or $0.59 per diluted share. In addition to the explanations above, net income (loss) for 2011, 2010 and 2009 included foreign currency exchange gain (loss) of $(1.7) million, $(7.6) million and $3.9 million, respectively. Net income attributable to Euronet Worldwide, Inc. for 2009 included a gain from discontinued operations of $0.5 million, or $0.01 per diluted share.

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 2011 and 2010 consolidated operating income was approximately 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 2011, 2010 and 2009. 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 2011 and 2010, of the currencies of the countries in which we have our most significant operations:

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Currency	Average Translation Rate Year Ended December 31, 2011	2010	2009	2011 Increase (Decrease) Percent	2010 Increase (Decrease) Percent
Australian dollar	$1.0329	$0.9199	$0.7922	12 %	16 %
British pound	$1.6042	$1.5458	$1.5660	4 %	(1)%
euro	$1.3923	$1.3272	$1.3938	5 %	(5)%
Hungarian forint	$0.0050	$0.0048	$0.0050	4 %	(4)%
Indian rupee	$0.0215	$0.0219	$0.0207	(2)%	6 %
Polish zloty	$0.3395	$0.3330	$0.3235	2 %	3 %

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009 - BY OPERATING SEGMENT

EFT PROCESSING SEGMENT

The following table presents 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	
(dollar amounts in thousands)	2011	2010	Increase (Decrease) Amount	Increase (Decrease) Percent
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. Revenue per transaction was $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.

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 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, which is calculated as revenues less direct operating costs, 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 profit as a percentage of revenues (“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 income as a percentage of revenues ("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.

2010 Compared to 2009

The following table summarizes the results of operations for our EFT Processing Segment for the years ended December 31, 2010 and 2009:

(dollar amounts in thousands)	Year Ended December 31, 2010	2009	Year-over-Year Change Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	$194,875	$197,740	$(2,865)	(1)%
Operating expenses:				
Direct operating costs	92,594	83,198	9,396	11%
Salaries and benefits	27,259	30,302	(3,043)	(10)%
Selling, general and administrative	17,393	17,437	(44)	—%
Depreciation and amortization	19,461	18,613	848	5%
Total operating expenses	156,707	149,550	7,157	5%
Operating income	$38,168	$48,190	$(10,022)	(21)%
Transactions processed (millions)	794	703	91	13%
ATMs as of December 31	10,786	9,720	1,066	11%
Average ATMs	10,438	9,441	997	11%

Revenues

Our revenues for 2010 decreased slightly when compared to 2009 primarily due to reductions in ATM interchange fee revenues in Poland beginning in the second quarter of 2010 and $4.4 million of contract termination fees recorded in 2009. These decreases were largely offset by the increase in the number of ATMs under management in Poland and India, increased ATM transaction fees in Germany and the growth in transaction volumes in Cashnet - Euronet's shared ATM network in India.

Average monthly revenue per ATM was $1,556 for 2010, compared to $1,745 for 2009. The decrease is generally the result of the reduction in Visa Europe and MasterCard interchange fee revenues in Poland that took effect in the second quarter of 2010.

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The decrease was also impacted by the non-recurring contract termination fees discussed above. Revenue per transaction was $0.25 for 2010 and $0.28 for 2009. The decrease is primarily the result of the reduction in ATM interchange fee revenues in Poland and the non-recurring contract termination fees discussed above, as well as a shift in the mix of transactions to lower priced transactions in markets such as India and Serbia and products such as our cross-border product. Partly offsetting these decreases is the increase in ATM transaction fees in Germany. We were able to increase ATM transaction fees in Germany beginning in mid-2009; however, in the first quarter of 2011, the German practice shifted to a market-driven, uncapped surcharge structure that has resulted in considerably lower ATM transaction fees.

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. The increase in direct operating costs for 2010, compared to 2009, is attributed to the increase in the number of ATMs under operation.

Gross profit

Gross profit, which is calculated as revenues less direct operating costs, decreased to $102.3 million for 2010 from $114.5 million for 2009. This decrease is mainly attributable to reduced interchange fees in Poland and the contract termination fee revenues discussed above, partly offset by the increased ATM transaction fees in Germany and gross profits from additional ATMs under management. Gross profit as a percentage of revenues (“gross margin”) was 52% for 2010 compared to 58% for 2009. The decrease in gross margin is primarily due to the previously mentioned ATM interchange fees revenue reductions and contract termination fees.

Salaries and benefits

The decrease in salaries and benefits for 2010 compared to 2009 is primarily due to lower bonus expense related to reduced operating income. As a percentage of revenues, these costs decreased to 14.0% for 2010 compared to 15.3% for 2009.

Selling, general and administrative

Selling, general and administrative expenses were essentially flat for 2010 compared to 2009 as general cost control measures were implemented in response to the revenue pressures experienced in 2010. As a percentage of revenues, selling, general and administrative expenses remained basically flat at 8.9% for 2010 compared to 8.8% for 2009.

Depreciation and amortization

The increase in depreciation and amortization expense for 2010 compared to 2009 is primarily due to the growth in the number of owned ATMs. As a percentage of revenues, these expenses increased to 10.0% for 2010 from 9.4% for 2009.

Operating income

Operating margin was 19.6% for 2010 compared to 24.4% for 2009 and operating income per transaction was $0.05 for 2010 and $0.07 for 2009. The decreases in operating income, operating margin and operating income per transaction were primarily due to the reduced ATM interchange fees in Poland and the 2009 contract termination fees described above, partly offset by more ATMs under management and the increased ATM transaction fees in Germany.

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EPAY SEGMENT

The following table presents 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	
			Increase (Decrease)	Increase
(dollar amounts in thousands)	2011	2010	Amount	Percent
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)	— %
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 2011 due to a certain mobile operator modifying its distribution strategy. This development is expected to negatively impact epay Brazil's revenues into 2012.

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) developing markets or markets in which there is organic growth in the electronic top-up sector overall, and (iii) acquisitions, if available and commercially appropriate.

Revenues per transaction were $0.64 for 2011 compared to $0.67 for 2010. The decrease in revenues per transaction is 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, which represents revenues less direct costs, 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 flat 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 is 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 is 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 with no impairment charges recorded in 2011. See the discussion below in the epay Segment's comparison of 2010 results to 2009 and Note 8, Goodwill and Acquired Intangible Assets, Net, to the consolidated financial statements for a further discussion of these charges.

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 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 flat at 2.8% for both 2011 and 2010.

Operating income

The increase in operating income for 2011 compared to 2010 is 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 flat at $0.05 for 2011 and 2010.

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2010 Compared to 2009

The following table summarizes the results of operations for our epay Segment for the years ended December 31, 2010 and 2009:

(dollar amounts in thousands)	Year Ended December 31, 2010	Year Ended December 31, 2009	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent
Total revenues	$599,023	$602,075	$(3,052)	(1)%
Operating expenses:				
Direct operating costs	469,293	485,305	(16,012)	(3)%
Salaries and benefits	34,429	28,753	5,676	20%
Selling, general and administrative	31,926	23,154	8,772	38%
Goodwill impairment	70,925	—	70,925	n/m
Depreciation and amortization	16,753	15,417	1,336	9%
Total operating expenses	623,326	552,629	70,697	13%
Operating income (loss)	$(24,303)	$49,446	$(73,749)	n/m
Transactions processed (millions)	891	777	114	15%

n/m - Not meaningful.

Revenues

The decrease in revenues for 2010 compared to 2009 was generally attributable to mobile operator commission rate decreases in certain markets, declines in the number of transactions processed in the U.K., Spain and Australia due to economic pressures, and changes in the mix of transactions to lower revenue transactions. These decreases were largely offset by the increase in transactions processed in Germany, Italy, India and our ATX subsidiary, the impact of the third quarter 2010 acquisition of epay Brazil and the impact of the weaker U.S. dollar compared to the Australian dollar. The epay Segment offers different types of services with associated differences in revenues and costs per transaction. Although transactions processed have increased in 2010 compared to 2009, a shift in the mix of transactions has contributed to lower revenues. However, due to a shift to transactions with higher profit margins, our gross profits have increased.

Revenues per transaction decreased to $0.67 for 2010 from $0.77 for 2009, primarily due to the decrease in mobile operator commission rates and changes in the mix of transactions, particularly due to growth in India and our ATX subsidiary where revenues per transaction are considerably lower than average. ATX provides transaction processing services only without significant direct costs and other operating costs related to installing and managing terminals; therefore, the revenues we recognize from these transactions is a fraction of that recognized on average transactions, but with very low associated costs.

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 electronic payment products, as well as expenses required to operate POS terminals. The decrease in direct operating costs is generally attributable to the decrease in mobile operator commission revenues having been largely passed on to retail merchants resulting in lower commission costs, and changes in the mix of transactions to those with lower costs. The decrease was partly offset by the epay Brazil direct costs incurred after it was acquired in the third quarter of 2010, the increase in the number of transactions processed

and the impact of the weaker U.S. dollar compared to the Australian dollar.

Gross profit

Gross profit was $129.7 million for 2010 compared to $116.8 million for 2009. The primary causes of the increase in gross profit are the impact of the acquisition of epay Brazil, increased transaction volumes in Germany, favorable product mix

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changes in the U.S. and the impact of the weaker U.S. dollar compared to the Australian dollar. These increases were partly offset by transaction volume declines in the U.K. and margin pressures in Australia. Gross margin increased to 22% for 2010 from 19% for 2009, mainly due to favorable product mix changes in the U.S. and Germany. Gross profit per transaction remained flat at $0.15 for both 2010 and 2009.

Salaries and benefits

Salaries and benefits increased to $34.4 million for 2010 from $28.8 million for 2009, primarily due to the expenses incurred by epay Brazil after its 2010 acquisition and certain severance costs. As a percentage of revenues, salaries and benefits increased to 5.7% for 2010 from 4.8% for 2009.

Selling, general and administrative

The increase in selling, general and administrative expenses for 2010 compared to 2009 is primarily due to the expenses incurred by epay Brazil after its acquisition in 2010, additional overhead to support development in growing markets, professional fees related to due diligence, recruiting and legal matters, certain rebranding and marketing expenses incurred in 2010 and increased bad debts in certain markets. As a percentage of revenues, selling, general and administrative expenses increased to 5.3% for 2010 from 3.8% for 2009.

Goodwill impairment

In 2010, we recorded a non-cash goodwill impairment charge of $70.9 million. The fourth quarter of 2010 reflected continuing declines in profitability for certain reporting units of the epay Segment in Central and Western Europe. While these decreases were primarily driven by general economic conditions in the respective markets, developments led us to conclude that our ability to recover from these declines would be more difficult for our epay reporting units in the U.K., Spain and Romania. The U.K. reporting unit primarily provides prepaid mobile airtime top-up services in a mature market with limited growth for these services and it has experienced protracted declines in the volume of transactions processed. While new product offerings in the U.K. provide a significant opportunity, the dependence on top-up services is expected to hamper the unit's overall growth. In Spain, the general economic conditions led us to conclude that the profitability of our Spanish epay unit would grow more slowly and take longer to recover than our other European epay units. Finally, while the operating results of the Romanian epay unit improved during 2010, late in 2010 and into 2011, the unit experienced strong pressure on its gross margins. In light of those developments, we recorded goodwill impairment charges of $58.2 million related to the U.K., $11.2 million related to Spain and $1.5 million related to Romania. See Note 8, Goodwill and Acquired Intangible Assets, Net, to the consolidated financial statements for a further discussion of these charges.

Depreciation and amortization

Depreciation and amortization expense primarily represents amortization of acquired intangibles and the depreciation of POS terminals we install in retail stores. The increase in depreciation and amortization for 2010 compared to 2009 is primarily due to the depreciation and amortization of epay Brazil assets since its 2010 acquisition and growth in installed POS terminals in growing markets, most significantly, Italy. As a percentage of revenues, depreciation and amortization expense increased slightly to 2.8% for 2010 from 2.6% for 2009.

Operating income (loss)

The decrease in operating income for 2010 compared to 2009 is mainly due to the goodwill impairment charges in 2010. Excluding the goodwill impairment charges, operating income as a percentage of revenues was 7.8% for 2010 compared to 8.2% for 2009. The decrease is primarily due to the greater salaries and benefits and selling, general and

administrative expenses discussed above, partly offset by improved gross margins. Excluding the goodwill impairment charges, operating income per transaction decreased to $0.05 in 2010 from $0.06 in 2009.

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MONEY TRANSFER SEGMENT

The following tables present the results of operations for our Money Transfer Segment for the years ended December 31, 2011 and 2010:

	Year Ended December 31,		Year-over-Year Change	
			Increase (Decrease)	Increase (Decrease)
(dollar amounts in thousands)	2011	2010	Amount	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 is 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 is 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. We expect that the U.S. will continue to represent our highest volume market; however, continued future growth is expected to be derived from the addition of new products and the expansion of our agent and correspondent payout networks in new and existing markets outside the U.S.

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 flat compared to 2010. We expect the recent growth in this corridor to continue and positively affect our 2012 revenues.

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 2011 compared to 2010 is primarily due to the growth in transactions processed and the impact of the stronger foreign currencies.

Gross profit

Gross profit, which represents revenues less direct costs, 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.

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Salaries and benefits

The increase in salaries and benefits for 2011 compared to 2010 is 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.

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 2011, depreciation and amortization was essentially flat 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.

2010 Compared to 2009

The following table presents the results of operations for the years ended December 31, 2010 and 2009 for the Money Transfer Segment.

	Year Ended December 31,		Year-over-Year Change	
(dollar amounts in thousands)	2010	2009	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	$244,606	$232,879	$11,727	5 %
Operating expenses:				
Direct operating costs	113,913	109,867	4,046	4 %
Salaries and benefits	59,109	54,166	4,943	9 %
Selling, general and administrative	37,746	38,716	(970)	(3)%
Goodwill and acquired intangible assets impairment	—	9,884	(9,884)	n/m
Depreciation and amortization	20,472	20,600	(128)	(1)%
Total operating expenses	231,240	233,233	(1,993)	(1)%
Operating income (loss)	$13,366	$(354)	$13,720	n/m
Transactions processed (millions)	21.1	19.1	2.0	10 %

n/m - Not meaningful.

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Revenues

The increase in revenues for 2010 compared to 2009 was primarily due to a 7% increase in the number of transactions processed for 2010 compared to 2009, driven by an 18% increase in transfers from non-U.S. markets. For 2010, money transfers to Mexico, which represented 21% of total money transfers, decreased by 8%, while transfers to all other countries increased 11% when compared to the prior year, primarily due to the expansion of our correspondent payout networks and agent networks in non-U.S. markets. The decline in transfers to Mexico was largely the result of downturns in certain labor markets and other economic factors impacting the U.S. market, as well as immigration developments in the U.S.

Revenues per transaction were $11.59 for 2010 compared to $12.19 for 2009. The decrease was largely the result of marginally lower spreads on foreign currency exchange margins and slightly lower average amount transferred per transaction in 2010 compared to 2009. These decreases were partly offset by the continued shift in transaction mix to non-U.S. locations, which generally have higher-than-average revenues per transaction. For 2010, 59% of our money transfers were initiated in the U.S. and 41% in non-U.S. markets. For 2009, 63% of our money transfers were initiated in the U.S. and 37% in non-U.S. markets.

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 distribution agents that disburse funds to the customer's destination beneficiary, together with less significant costs, such as telecommunication and bank fees to collect money from originating agents. The increase in direct operating costs in 2010 compared to 2009 is primarily due to the growth in the number of transactions processed.

Gross profit

Gross profit was $130.7 million for 2010 compared to gross profit of $123.0 million for 2009. This improvement is primarily due to the growth in the number of money transfers, the shift in transaction mix to transfers from non-U.S. sources and the addition of new products. Gross margin remained flat at 53% for 2010 and 2009.

Salaries and benefits

Salaries and benefits include salaries and commissions paid to employees, the cost of providing employee benefits, amounts paid to contract workers and accruals for incentive compensation. The increase in salaries and benefits for 2010 compared to 2009 is primarily due to the increased expenses we incurred to support expansion of our operations, primarily internationally. As a percentage of revenues, salaries and benefits increased to 24.2% for 2010 from 23.3% for 2009.

Selling, general and administrative

Selling, general and administrative expenses include operations support costs, such as rent, utilities, professional fees, indirect telecommunications, advertising and other miscellaneous overhead costs. The decrease in selling, general and administrative expenses for 2010 compared to 2009 is primarily the result of our ability to leverage fixed operating costs while expanding the business, primarily internationally, and decreased legal fees. As a percentage of revenues, selling, general and administrative expenses decreased to 15.4% for 2010 from 16.6% for 2009.

Depreciation and amortization

Depreciation and amortization primarily represents amortization of acquired intangibles and also includes depreciation of money transfer terminals, computers and software, leasehold improvements and office equipment. The decrease in depreciation and amortization for 2010 compared to 2009 is due to the impact of the stronger U.S. dollar, partly offset by capital expenditures for expansion. Significant capital expenditures have not been required due to the shift in achieving expansion more through agents which requires fewer capital expenditures than expansion from adding company stores. As a percentage of revenues, depreciation and amortization decreased to 8.4% for 2010 from 8.8% for 2009.

Operating income (loss)

The increase in operating income for 2010 compared to 2009 is mainly due to the goodwill and acquired intangible impairment charge in 2009 discussed below. Excluding this charge, operating income increased 40% in 2010 compared to 2009, which is the result of growth in the number of transactions processed, the shift in transaction mix to transfers from non-U.S. markets, the addition of new products and the leveraging of fixed costs, partly offset by increased salaries and benefits expenses to expand internationally. Operating margin, excluding the goodwill and acquired intangible assets impairment charge, increased to 5.5%

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for 2010 from 4.1% for 2009.

CORPORATE SERVICES

The components of Corporate Services operating expenses for 2011, 2010 and 2009 were as follows:

	Year Ended December 31,			Year-over-Year Change	
(dollar amounts in thousands)	2011	2010	2009	2011 Increase (Decrease) Percent	2010 Decrease Percent
Salaries and benefits	$19,998	$15,587	$16,226		