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EUROWEB INTERNATIONAL CORP

Form 8-K

May 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities and Exchange Act of 1934

Date of Report (Date of earliest reported): May 23, 2006

EUROWEB INTERNATIONAL CORP.
(Exact name of registrant as specified in charter)

| | | |
|---|-----------------------------|--------------------------------------|
| Delaware | 1-1200 | 13-3696015 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

468 North Camden Drive Suite 256(I) Beverly Hills, CA 90210
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 860-5697

Copies to:
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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement
Item 2.01 Completion of Acquisition or Disposition of Assets

On December 19, 2005, Euroweb International Corp. (the "Company") entered into a

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Share Purchase Agreement (the "Agreement") with Invitel Tavkozlesi Szolgaltato Rt., a Hungarian joint stock company ("Invitel"). Pursuant to the Agreement, the Company sold and, Invitel purchased, 100% of the Company's interest in the Company's two Internet and telecom related operating subsidiaries, Euroweb Hungary Rt. and Euroweb Romania S.A (the "Subsidiaries"). The closing of the sale of the Subsidiaries occurred on May 23, 2006. The purchase price paid to the Company is USD \$30,000,000 in cash of which USD \$29,400,000 was paid at closing and the remaining \$600,000 is payable upon delivery of a certificate prepared by an independent auditor identifying the net indebtedness of the Subsidiaries, which are required to be debt free. The purchase price is to be reduced by the amount of any debt held in the Subsidiaries including USD \$6,000,000 payable to Commerzbank. Shareholders holding a majority of the Company's outstanding shares of common stock approved the sale of the Subsidiaries at the special meeting held to vote on such matter on May 15, 2006. No material relationship exists between Invitel and the Company and/or its affiliates, directors, officers or any associate of an officer or director.

The Subsidiaries provided communications solutions using Internet technologies to businesses located in Hungary and Romania.

Item 9.01 Financial Statements and Exhibits

(a) Financial Information of Business Acquired

Not applicable.

(b) Proforma Financial Information

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2006 (attached hereto following the signature page)

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2005 (attached hereto following the signature page)

(c) Exhibits

| Exhibit No. ----- | Description ----- |
|----------------------|--|
| 10.1 | Share Purchase Agreement by and between Euroweb International Corp. and Invitel Tavkozlesi Szolgaltato Rt. (incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 21, 2005) |

SIGNATURES

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

EUROWEB INTERNATIONAL CORPORATION

By: /s/ MOSHE SCHNAPP

Name: Moshe Schnapp
Title: President

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Date: May 30, 2006
Budapest, Hungary

EUROWEB INTERNATIONAL CORPORATION

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma condensed consolidated financial statements (the "unaudited pro forma financial statements") give effect to the sale of 100% of the interest of Euroweb International Corporation ("Euroweb") in each of Euroweb Internet Szolgaltato Rt. ("Euroweb Hungary") and Euroweb Romania S.A. ("Euroweb Romania") to Invitel Tavkozlesi Szolgaltato Rt. and the acquisition of 100% of Navigator Informatika Rt. ("Navigator").

Acquisition of 100% of Navigator

The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2005 also give effect to the acquisition by Euroweb of 100% of Navigator as if the acquisition occurred on January 1, 2005.

Sale of 100% of the interest of Euroweb in Euroweb Hungary and Euroweb Romania

The unaudited pro forma financial statements give effect to the sale of 100% of the Company's interest in Euroweb Hungary and Euroweb Romania. The sale was completed on May 23, 2006. Euroweb Hungary and Euroweb Romania are together expected to be sold for approximately \$30,000,000 cash, less outstanding debt including \$6,000,000 repayment of bank loan by Euroweb Hungary for ensuring debt free status and less estimated transaction costs, severances, success fees and estimated guarantee provision accrual of approximately \$1,900,000. Euroweb Hungary covers the cash need of \$6,000,000 repayment of bank loan from the \$8,500,000 cash proceed received from Euroweb in exchange for 85% ownership of Navigator currently held by Euroweb Hungary.

Euroweb believes that the sale of Euroweb Hungary and Euroweb Romania meets the criteria for presentation as a discontinued operation under the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, Euroweb Hungary and Euroweb Romania are presented as discontinued operations in the historical consolidated financial statements of Euroweb. The estimated gain is \$16,205,366 on the sale of Euroweb Hungary and Euroweb Romania, which is not reflected in the unaudited pro forma condensed consolidated statements of operations due to the non-recurring nature of the gain.

The unaudited pro forma condensed consolidated balance sheet gives effect to the disposition of Euroweb Hungary and Euroweb Romania as if it occurred on March 31, 2006.

The pro forma adjustments described in the accompanying notes are based upon available information and certain assumptions that management believes are reasonable. The unaudited pro forma condensed consolidated financial statements are for illustrative purposes only and are not necessarily indicative of the actual results of operations or financial position that would have occurred had the transactions described above occurred on the dates indicated, nor are they necessarily indicative of future operating results. The unaudited pro forma financial statements are only a summary and should be read in conjunction with the historical consolidated financial statements and related notes of Euroweb, in its Form 10-QSB for the quarter ended March 31, 2006 and in its Form 10-KSB for the year ended December 31, 2005.

All pro forma amounts are presented in U.S. dollars, the reporting currency of Euroweb.

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Euroweb International Corporation
 Unaudited Pro Forma Condensed Consolidated Balance Sheet
 March 31, 2006

| | Euroweb Historical | Pro Forma Adjustments | Note |
|--|-----------------------|--------------------------|------|
| | (A) | (B) | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 691,021 | \$ 30,000,000 | (1) |
| | -- | (8,500,000) | (2) |
| | -- | 2,500,000 | (3) |
| Trade accounts receivable, net | 1,430,263 | -- | |
| Prepaid and other current assets, unbilled receivable | 395,258 | (75,552) | (5) |
| | ----- | ----- | |
| Total current assets of continuing operations | 2,516,542 | 23,924,448 | |
| Total assets of discontinued operations | 19,179,425 | (19,179,425) | (4) |
| | ----- | ----- | |
| Total current assets | 21,695,967 | 4,745,023 | |
| Property and equipment, net | 1,072,305 | -- | |
| Goodwill | 8,150,672 | -- | |
| Intangibles - customer contracts | 2,784,810 | -- | |
| | ----- | ----- | |
| Total assets | \$ 33,703,754 | \$ 4,745,023 | |
| | ===== | ===== | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Trade accounts payable | \$ 1,278,462 | -- | |
| Current portion of bank loan and overdraft | 789,206 | -- | |
| Other current liabilities | 202,462 | \$ 1,824,448 | (5) |
| Accrued expenses | 701,946 | -- | |
| | ----- | ----- | |
| Total current liabilities of continuing operations | 2,972,076 | 1,824,448 | |
| Total liabilities of discontinued operations | 12,905,537 | (12,905,537) | (4) |
| | ----- | ----- | |
| Total current liabilities | 15,877,613 | (11,081,089) | |
| Non-current liabilities | | | |
| Deferred tax liability | 445,570 | -- | |
| Non-current portion of bank loans | 393,476 | -- | |
| | ----- | ----- | |
| Total liabilities | 16,716,659 | (11,081,089) | |
| Stockholders' Equity | | | |
| Common stock, \$.001 par value - Authorized 35,000,000 shares; Issued and outstanding 5,843,067 shares | 25,307 | -- | |
| Additional paid-in capital | 51,900,890 | -- | |
| Accumulated deficit | (35,332,003) | 16,205,366 | (6) |
| Accumulated other comprehensive losses | 392,901 | (379,254) | (7) |
| | ----- | ----- | |

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| | | |
|--|---------------|--------------|
| Total stockholders' equity | 16,987,095 | 15,826,112 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 33,703,754 | \$ 4,745,023 |
| | ===== | ===== |

See accompanying notes to unaudited pro forma condensed consolidated balance sheet

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

- (A) Reflects the historical condensed consolidated balance sheet of Euroweb as of March 31, 2006, included in the Form 10-QSB of Euroweb for the quarter ended March 31, 2006.
- (B) Pro forma adjustments related to the sale of Euroweb Hungary and Euroweb Romania on the basis described in the introduction to these unaudited pro forma financial statements:
- 1) Represents the cash proceeds of \$30,000,000 received upon the sale of Euroweb Hungary and Euroweb Romania.
 - 2) Represents the acquisition of 85% ownership of Navigator from Euroweb Hungary by Euroweb for \$8,500,000 at the date of closing.
 - 3) Reflects the repayment of \$2,500,000 intercompany loan from Euroweb Hungary to Euroweb at the date of closing originated from the Navigator acquisition
 - 4) Adjustment to eliminate assets sold and liabilities transferred upon the sale of Euroweb Hungary and Euroweb Romania
 - 5) Adjustment to reflect the estimated direct transaction costs, bonuses, success fees, severances and accrued provision on estimated warranty claims totalling \$1,900,000, to be paid, payable in connection with the sale
 - 6) Adjustment to reflect the pro forma gain on the sale of Euroweb Hungary and Euroweb Romania, after estimated direct transaction costs, bonuses, success fees, severances and accrued provision on estimated warranty claims of \$1,900,000 to be paid or payable in connection with the sale. No tax liability is expected to arise as a result of the sale. Because the estimated pro forma gain assumes the sale was consummated on March 31, 2006, the pro forma gain will ultimately differ from the actual gain that will occur at the closing date of sale.
 - 7) Adjustment to eliminate cumulative other comprehensive gain/losses of Euroweb Hungary and Euroweb Romania

No adjustments have been made to reflect any income tax effect of the pro forma adjustments since Euroweb has significant net operating loss carryforwards and, therefore, does not expect to have taxable income in the foreseeable future.

Euroweb International Corporation
 Unaudited Pro Forma Condensed Consolidated Statement of
 Operations for the Year Ended December 31, 2005

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| | Euroweb Historical | Pro Forma Adjustments | Notes |
|---|-----------------------|--------------------------|-------|
| | (A) | (B) | |
| Revenues | \$ 1,964,998 | \$ 5,673,926 | (1) |
| Cost of revenues (exclusive of depreciation and amortization shown separately below) | 511,658 | 1,406,427 | (1) |
| Operating expenses | | | |
| Compensation and related costs | 1,054,342 | 894,984 | (2) |
| Consulting, professional and directors fees | 1,396,096 | 1,237,731 | (3) |
| Other selling, general and administrative expenses | 703,770 | 1,198,590 | (4) |
| Depreciation and amortization | 509,478 | 1,378,784 | (5) |
| | ----- | ----- | |
| Total operating expenses | 3,663,686 | 4,710,089 | |
| Operating loss | (2,210,346) | (442,590) | |
| Interest income | 2,512 | 15,185 | (6) |
| Interest expense | (38,240) | (94,367) | (6) |
| Other income (expenses) | 170,000 | -- | |
| Loss from continuing operations before income taxes | (2,076,074) | (521,772) | |
| | ----- | ----- | |
| Income tax expense - current | -- | (143,677) | (7) |
| Income tax expense-deferred | 57,908 | 166,796 | (7) |
| | ----- | ----- | |
| Income tax expense | 57,908 | 23,119 | |
| Loss from continuing operations | \$ (2,018,166) | \$ (498,653) | |
| | ===== | ===== | |
| Loss per share from continuing operations, basic and diluted | (0.37) | -- | |
| Weighted average number of shares outstanding, basic and diluted | 5,445,363 | -- | |

See accompanying notes to unaudited pro forma condensed
consolidated statement of operations

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

- (A) Reflects the statements of operations of the Company for the years ended December 31, 2005 included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005.
- (B) Pro forma adjustments to record the acquisition of Navigator Informatika Rt. ("Navigator") as if it had occurred on January 1, 2005 for purposes of presenting the pro forma statements of operations:
- 1) Adjustment to reflect the revenues and costs of goods sold of Navigator for the period from January 1, 2005 to October 7, 2005.

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- 2) Adjustment to reflect the salary and related costs of Navigator for the period from January 1, 2005 to October 7, 2005..
- 3) Adjustment to reflect the consulting, professional and directors' fees of Navigator for the period from January 1, 2005 to October 7, 2005.
- 4) Adjustment to reflect the selling, general and administrative costs of Navigator for the period from January 1, 2005 to October 7, 2005.
- 5) Adjustment to reflect the amortization and depreciation charge of Navigator for the period from January 1, 2005 to October 7, 2005.
- 6) Adjustment to reflect the interest income and expenses of Navigator for the period from January 1, 2005 to October 7, 2005.
- 7) Adjustment to reflect the income tax of Navigator for the period from January 1, 2005 to October 7, 2005.