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EUROWEB INTERNATIONAL CORP

Form 8-K

April 20, 2005

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): April 15, 2005

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

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

1138 Budapest, Vaci ut 141. Hungary
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: +36-1-8897000

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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 April 15, 2005, Euroweb International Corp. (the "Company") entered into a Securities Purchase Contract (the "Agreement") with DanubiaTel, a.s., a company

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registered under the laws of Slovakia ("DanubiaTel"). Pursuant to the Agreement, the Company sold and, DanubiaTel has agreed to purchase, 100% of the Company's interest in Euroweb Slovakia a.s. ("Euroweb Slovakia"), a wholly-owned subsidiary of the Company. The purchase price is USD \$2,700,000 in cash (the "Purchase Price"). The Purchase Price was settled in two installments in April 2005 as follows:

- (1) \$1,770,000 was transferred by DanubiaTel to the Company on April 15, 2005; and
- (2) \$930,000 was paid by Euroweb Slovakia as loan to the Company, which was taken over by DanubiaTel pursuant to the Contract on Taking Over Debt from Euroweb Slovakia, which debt was cancelled pursuant to the Contract on Receivables Setting-off dated April 15, 2005.

As a result of these transactions, the Company expects to record over \$1,800,000 profit.

The closing of the sale of Euroweb Slovakia occurred on April 15, 2005. No material relationship exists between the DanubiaTel and the Company and/or its affiliates, directors, officers or any associate of an officer or director.

Euroweb Slovakia provides communications solutions using Internet technologies to businesses and private individuals located in Slovakia.

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 December 31, 2004 (attached hereto following the signature page)

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year ended December 31, 2004 (attached hereto following the signature page)

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year ended December 31, 2003 (attached hereto following the signature page)

(c) Exhibits

Exhibit No. Description

10.1 Securities Purchase Contract by and between Euroweb International Corp. and DanubiaTel a.s. dated April 15, 2005

10.2 Contract on Taking Over Debt by and between Euroweb International Corp., DanubiaTel a.s. and Euroweb Slovakia a.s. dated April 15, 2005

10.3 Contract on Receivables Setting-off by and between Euroweb International Corp. and DanubiaTel a.s. dated April 15, 2005

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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/ CSABA TORO

Name: Csaba Toro

Title: Chief Executive Officer

Date: April 20, 2005
Budapest, Hungary

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Unaudited Pro Forma Financial Information

The unaudited pro forma condensed consolidated financial information is filed as part of this Current Report on Form 8-K to reflect the disposition (the "Disposition") by Euroweb International Corporation (the "Company") of its Slovakian subsidiary Euroweb Slovakia a.s. ("Euroweb Slovakia"). On April 15, 2005, the Company completed the sale of 100% of the outstanding stock of its subsidiary in Slovakia for \$2,700,000 in cash to DanubiaTel a.s. (the "Buyer").

The unaudited pro forma condensed consolidated financial information reflects the pro forma impact on the Company's financial position and results of operations of the sale of Euroweb Slovakia for the historical periods presented. The unaudited condensed consolidated balance sheet is presented as of December 31, 2004, reflecting the historical financial position of the Company with pro forma adjustments to reflect the Disposition of Euroweb Slovakia as if the sale was consummated on that date. The unaudited pro forma condensed consolidated statements of operations are presented for the years ended December 31, 2004 and 2003 reflecting the historical results of operations with pro forma adjustments to reflect the Disposition of Euroweb Slovakia as if the sale was consummated on January 1, 2003. Certain management assumptions and adjustments are described in the accompanying notes to the unaudited pro forma condensed consolidated financial information.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have actually occurred if the Disposition had been consummated as of the dates indicated, nor are they necessarily indicative of future operating results or financial position.

Euroweb Slovakia was a wholly owned subsidiary of the Company. The Company believes that the sale of Euroweb Slovakia meets the criteria for presentation as a discontinued operation under the provisions of Financial Accounting Standards Board No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Therefore, the historical results of Euroweb Slovakia will be reported in the Company's consolidated financial statements as a discontinued operation.

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Euroweb International Corporation Unaudited Pro Forma Condensed Consolidated Balance Sheet December 31, 2004

	Euroweb Historical	Pro Forma Adjustments	
	----- (A)	----- (B)	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 4,537,633	\$ 1,394,036	(1)
Trade accounts receivable, net	3,695,990	(111,859)	(2)
Related party receivables	1,869,667	-	
Unbilled receivable	1,107,501	(17,256)	(2)
Prepaid and other current assets	858,694	(45,443)	(2)
Deferred tax asset	253,425	-	
	-----	-----	--
Total current assets	12,322,910	1,219,478	
Property and equipment, net	7,253,113	(234,557)	(2)
Goodwill	5,806,181	-	
Intangibles - customer contracts	2,053,288	-	
Other assets	568,356	-	
	-----	-----	
Total assets	\$ 28,003,848	\$ 984,921	
	=====	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade accounts payable	\$4,254,759	\$ (133,192)	(2)
Related party payables	564,818	-	
Related party loan payable - short term portion	543,568	-	
Overdrafts and current portion of bank loans	321,704	-	
Notes payable	808,441	-	
Other current liabilities	1,091,470	(288,593)	(2)
Accrued expenses	2,808,073	290,000	(3)
Deferred IRU revenue	46,000	-	
Deferred other revenue	1,260,225	(692,771)	(2)
	-----	-----	--
Total current liabilities	11,699,058	(824,556)	
	-----	-----	
Non-current liabilities			
Deferred tax liability	253,425	-	
Related party loan payable	543,568	-	
Bank loans	747,085	-	
Deferred IRU revenue	797,334	-	
Lease obligations	148,359	(6,701)	(2)
	-----	-----	--
Total liabilities	14,188,829	(831,257)	
Stockholders' Equity			
Preferred stock, \$.001 par value - Authorized 5,000,000 shares;			
no shares issued or outstanding	-	-	

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Common stock, \$.001 par value - Authorized 35,000,000 shares;

Issued and outstanding 5,342,533 shares	24,807	-	
Additional paid-in capital	50,780,084	-	
Accumulated deficit	(35,982,726)	1,850,939	(4)
Accumulated other comprehensive losses:	108,266	(34,761)	(5)
Treasury stock - 175,490 common shares, at cost	(1,115,412)		
	-----	-----	---
		-	
Total stockholders' equity	13,815,019	1,816,178	
	-----	-----	
Total liabilities and stockholders' equity	\$28,003,848	\$ 984,921	
	=====	=====	

See notes to unaudited pro forma condensed consolidated balance sheet

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Euroweb International Corporation Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet

- (A) Reflects the balance sheet of the Company as of December 31, 2004, included in the Company's Annual Report on Form 10-KSB.
- (B) Pro forma adjustments to record the Disposition as if it had occurred on December 31, 2004 for purposes of presenting the pro forma balance sheet:
- 1) Adjustment to reflect the cash proceeds received upon the sale of Euroweb Slovakia of \$ 2,700,000 and the elimination of \$ 1,305,964 of cash at Euroweb Slovakia
 - 2) Adjustment to eliminate assets sold and liabilities transferred upon the sale of Euroweb Slovakia
 - 3) Pro forma adjustment to reflect the accrual of the estimated direct transaction costs of \$26,000 to be paid in connection with the sale of Euroweb Slovakia and an estimated \$264,000 severance and success fee payable to the CEO and CFO of Euroweb Slovakia according to their incentive agreement
 - 4) Adjustment to reflect the estimated pro forma gain on the sale of Euroweb Slovakia net of the estimated tax liability (expected to be zero). Because the estimated pro forma gain assumes the Disposition was consummated on December 31, 2004, the estimated pro forma gain will ultimately differ from the actual gain that occurred at the April 15, 2005 date of sale.
 - 5) Adjustment to eliminate cumulative other comprehensive losses derived from Euroweb Slovakia.

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Euroweb International Corporation Unaudited Pro Forma Condensed Consolidated Statement of Operations Year ended December 31, 2004

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	Historical	Pro Forma Adjustments	
	(A)	(B)	
Revenues			
Third party	\$ 28,111,786	\$ (3,827,738)	(1)
Related party	8,503,939	-	
	-----	-----	
Total revenues	36,615,725	(3,827,738)	
Cost of revenues (excluding depreciation and amortization shown separately below)			
Third party	17,233,994	(1,373,937)	(1)
Related party	6,198,505	-	
	-----	-----	
Total cost of revenues (excluding depreciation and amortization shown separately below)	23,432,499	(1,373,937)	
Operating expenses			
Compensation and related costs	4,182,977	(1,319,609)	(2)
Consulting and professional fees	2,829,525	(141,296)	(3)
Other selling, general and administrative expenses	4,237,848	(522,983)	(4)
Depreciation and amortization	2,610,764	(157,555)	(6)
	-----	-----	
Total operating expenses	13,861,114	(2,141,443)	
Operating loss	(677,888)	(312,358)	
Net interest (expense) income	(217,672)	(32,672)	(7)
Other expenses	(170,000)	-	
Gain from sale of subsidiary	28,751	-	
	-----	-----	
Loss before income tax	(1,036,809)	(345,030)	
Income tax expense (benefit)	62,367	(31,276)	(8)
	-----	-----	
Loss from continuing operations	\$ (1,099,176)	\$ (313,754)	
Net loss per share from continuing operations, basic and diluted	\$ (0.22)		
Weighted average number of shares outstanding, basic and diluted	5,043,822		

See notes to unaudited pro forma condensed consolidated statements of operations

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Euroweb International Corporation Unaudited Pro Forma Condensed Consolidated Statement of Operations Year ended December 31, 2003

	Historical (restated) (A)	Pro Forma Adjustments (B)	
	-----	-----	
Revenues			
Third party	\$ 16,376,349	\$ (3,424,633)	(1)
Related party	5,740,709	-	
	-----	-----	
Total Revenues	22,117,058	(3,424,633)	
Cost of revenues (excluding depreciation and amortization shown separately below)			
Third party	8,155,836	(1,424,905)	(1)
Related party	5,796,350	-	
	-----	-----	
Total Cost of revenues (excluding depreciation and amortization shown separately below)	13,952,186	(1,424,905)	
Operating expenses			
Compensation and related costs	2,814,868	(1,006,673)	(2)
Consulting and professional fees	2,074,565	(153,325)	(3)
Other selling, general and administrative expenses	2,458,429	(385,721)	(4)
Goodwill impairment	887,957	(563,000)	(5)
Impairment of intangible assets	100,364	-	
Depreciation and amortization	1,636,133	(338,822)	(6)
	-----	-----	
Total operating expenses	9,972,316	(2,447,541)	
Operating loss	(1,807,444)	447,813	
Net interest (expense) income	344,320	9,279	(7)
Gain from sale of subsidiary	109,621	-	
	-----	-----	
Income (loss) before income tax	(1,353,503)	457,092	
Income tax expense	61,590	-	
	-----	-----	
Income (loss) from continuing operations	\$ (1,415,093)	\$ 457,092	
Net loss per share from continuing operation, basic and diluted	\$ (0.30)		
Weighted average number of shares outstanding, basic and	4,665,332		

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diluted

See notes to unaudited pro forma condensed consolidated statements of operations

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Euroweb International Corporation Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

- (A) Reflects the statements of operations of the Company for the years ended December 31, 2004 and 2003 included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004. The statement of operations for the year ended December 31, 2003 was restated in that Annual Report to reflect the acquisition by the Company [on February 12, 2004] of the remaining 51% of Euroweb Hungary shares that the Company did not already own. The Company acquired those shares from PanTel Rt. ("Pantel"). The majority shareholder of the Company and Pantel is KPN. Since the acquisition was a transaction between entities under common control, it was accounted for in a manner similar to a pooling-of-interest. Accordingly, the historical consolidated financial statements were restated to include the results of operations of Euroweb Hungary for all periods presented.
- (B) Pro forma adjustments to record the Disposition as if it had occurred on January 1, 2003 for purposes of presenting the pro forma statements of operations:
- 1) Adjustment to reflect the elimination of the Euroweb Slovakia revenues and costs of goods sold.
 - 2) Adjustment to reflect the elimination of salary and related costs related to Euroweb Slovakia.
 - 3) Adjustment to reflect the elimination of consulting, professional and directors' fees costs related to Euroweb Slovakia.
 - 4) Adjustment to reflect the elimination of selling, general and administrative costs related to Euroweb Slovakia.
 - 5) Adjustment to reflect the elimination of goodwill impairment related to Euroweb Slovakia.
 - 6) Adjustment to reflect the elimination of depreciation charge related to Euroweb Slovakia.
 - 7) Adjustment to reflect the elimination net interest income related to Euroweb Slovakia.
 - 8) Adjustment to reflect the elimination of income tax related to Euroweb Slovakia.

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