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EUROWEB INTERNATIONAL CORP
Form DEF 14A
April 24, 2006

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For
Use of the Commission Only
(As Permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

EUROWEB INTERNATIONAL CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which the
filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EUROWEB INTERNATIONAL CORP.
1138 Budapest, Vaci ut 141. Hungary
(Tel) +36-1 889 7101
(Fax) +36-1 889 7128

TO THE STOCKHOLDERS OF EUROWEB INTERNATIONAL CORP.

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders (the "Meeting") of EuroWeb International Corp., a Delaware corporation (the "Company" or "Euroweb"), will be held at 10:00 am (local time), on May 15, 2006 at the law offices of Sichenzia Ross Friedman Ference LLP, 1065 Avenue of the Americas, 21st Floor, New York, New York 10018 for the following purposes:

1. Consider and vote upon a proposal to sell 100% of the Company's interest in the Company's two Internet and telecom related operating subsidiaries, Euroweb Internet Szolgaltato Rt ("Euroweb Hungary ") and Euroweb Romania S.A ("Euroweb Romania") together referred to as the "Subsidiaries" as contemplated in that certain Share Purchase Agreement (the "Agreement") entered by and between Invitel Tavkozlesi Szolgaltato Rt., a Hungarian joint stock company ("Invitel") and the Company on December 19, 2005, which is attached hereto as Exhibit A; and
2. To transact such other business as may properly come before the Meeting and any adjournment or postponement thereof.

Only stockholders who own shares of our common stock at the close of business on March 17, 2006 are entitled to notice of and to vote at the special meeting. You may vote your shares by:

- o marking, signing and dating the enclosed proxy card as promptly as possible and returning it in the enclosed postage-paid envelope;
- o dialing the toll free number on the enclosed proxy card and casting your vote in accordance with the instructions given to you on the telephone; or
- o casting your vote via the Internet at the website shown on the enclosed proxy card.

You may also vote in person at the special meeting, even if you use one of the three options listed above.

We have enclosed with this Notice of Special Meeting, a proxy statement and a form of proxy.

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By Order of the Board of Directors,

Csaba Toro, Director and Chief Executive Officer

Budapest, Hungary
April 24, 2006

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EXHIBIT A TO THE NOTICE OF
SPECIAL MEETING OF STOCKHOLDERS

Special Resolution to be Submitted to Stockholders at the
Special Meeting of Stockholders relating to Proposal No. 1

Be it resolved as a special resolution that:

1. The entering into of the Agreement between the Company and Invitel relating to the sale by the Company to Invitel of the Subsidiaries and all transactions, proceedings and actions to be completed thereunder are hereby approved, ratified and adopted; and
2. Any director or officer of the Company be and s/he is hereby authorized and directed to execute on behalf of the Company any document required to be delivered pursuant to the Agreement.

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EUROWEB INTERNATIONAL CORP.
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(Fax) +36-1 889 7128

PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS

The board of directors is soliciting proxies to be used at our May 15, 2006 special meeting of stockholders. Please read and carefully consider the information presented in this proxy statement and vote either by:

- (i) completing, dating, signing and returning the enclosed proxy in the enclosed postage-paid envelope;
- (ii) by dialing the toll free number on the enclosed proxy card and casting your vote; or
- (iii) visiting the website shown on the enclosed proxy card and casting your vote.

This proxy statement and the form of proxy will be mailed to all stockholders on or about April 24, 2006.

INFORMATION ABOUT THE SPECIAL MEETING

WHEN IS THE SPECIAL MEETING?

May 15, 2006, 10:00 A.M. New York, New York time.

WHERE WILL THE SPECIAL MEETING BE HELD?

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The meeting will be held at the law offices of Sichenzia Ross Friedman Ference LLP, 1065 Avenue of the Americas, 21st Floor, New York, New York 10018.

WHAT ITEMS WILL BE VOTED UPON AT THE SPECIAL MEETING?

You will be voting on the following matters:

1. APPROVAL OF THE SALE OF THE SUBSIDIARIES. To vote on the sale of 100% of the Company's interest in the Subsidiaries as contemplated in the Agreement entered into by and between Invitel and the Company resulting in the Company's classification of the Subsidiaries as discontinued operations and the reflection of the Company's revenues for the year ended December 31, 2004 of zero; and
2. OTHER BUSINESS. To transact such other business as may properly come before the special meeting or any adjournment of the special meeting.

WHO CAN VOTE?

Only holders of record of our common stock at the close of business on March 17, 2006 will be entitled to notice of and to vote at the special meeting and any adjournments of the special meeting. You are entitled to one vote for each share of common stock held on that date. On March 17, 2006, there were 5,843,067 shares of our common stock outstanding and entitled to vote.

YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE PROPOSAL SET FORTH HEREIN.

ACCORDINGLY, THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE SALE OF THE SUBSIDIARIES AS SET FORTH IN THE AGREEMENT ENTERED INTO BETWEEN INVITEL AND THE COMPANY.

HOW DO I VOTE BY PROXY?

You may vote your shares by:

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- o VOTING BY MAIL. You may vote by mail by marking, signing and dating the enclosed proxy card as promptly as possible and returning it in the enclosed postage-paid envelope. Proxies should not be sent by the stockholder to the Company, but to American Stock Transfer and Trust Company, the Company's Registrar and Transfer Agent, at 59 Maiden Lane, New York, New York 10038. A pre-addressed, postage-paid envelope is provided for this purpose.
- o VOTING BY TELEPHONE. You may vote by telephone by dialing the toll free number on the enclosed proxy card and casting your vote in accordance with the instructions given to you on the telephone. Telephone voting is available 24 hours a day. If you vote by telephone you should not return your proxy card.
- o VOTING VIA THE INTERNET. You may vote via the Internet by visiting the website shown on the enclosed proxy card. Internet voting is also available 24 hours a day. If you vote via the Internet you should not return your proxy card.

If you return your signed proxy card or vote by phone or the Internet before the special meeting, we will vote your shares as you direct. For each other item of business, you may vote "FOR" or "AGAINST" or you may "ABSTAIN" from voting.

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If you return your signed proxy card but do not specify how you want to vote your shares, we will vote them "FOR" the approval of the sale of 100% of the Company's interest in the Subsidiaries as contemplated in the Agreement entered into by and between Invitel and the Company.

If any matters other than those set forth above are properly brought before the special meeting, the individuals named in your proxy card may vote your shares in accordance with their best judgment.

HOW DO I CHANGE OR REVOKE MY PROXY?

You can change or revoke your proxy at any time before it is voted at the special meeting by:

1. Submitting another proxy by mail, telephone or internet with a more recent date than that of the proxy first given;
2. Sending written notice of revocation to American Stock Transfer and Trust Company, the Company's Registrar and Transfer Agent, at 59 Maiden Lane, New York, New York 10038; or
3. Attending the special meeting and voting in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

WHAT CONSTITUTES A "QUORUM" FOR THE SPECIAL MEETING?

One-third of the outstanding shares of the Company common stock entitled to vote at the special meeting, present or represented by proxy, constitutes a quorum. A quorum is necessary to conduct business at the special meeting. You will be considered part of the quorum if you have voted by proxy. Abstentions, broker non-votes and votes withheld from director nominees count as "shares present" at the special meeting for purposes of determining a quorum. However, abstentions and broker non-votes do not count in the voting results. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the broker or nominee does not have discretionary authority for that item and has not received instructions from the owner of the shares.

HOW MANY VOTES ARE REQUIRED?

The approval of the sale of 100% of the Company's interest in the Subsidiaries as contemplated in the Agreement entered into by and between Invitel and the Company will require an affirmative vote of the majority of the votes cast in person or by proxy, provided that a quorum is present at the special meeting.

WHO PAYS FOR THE SOLICITATION OF PROXIES?

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The Company will pay the cost of preparing, printing and mailing material in connection with this solicitation of proxies. We will, upon request, reimburse brokerage firms, banks and others for their reasonable out-of-pocket expenses in forwarding proxy material to beneficial owners of stock or otherwise in connection with this solicitation of proxies.

WHO CAN ANSWER FURTHER QUESTIONS?

If you have more questions about the proposed sale of the Subsidiaries, you should contact the below party at the Company's principal executive offices:

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EUROWEB INTERNATIONAL CORP.
1138 Budapest, Vaci ut 141. Hungary
(Tel) +36-1 889 7101
(Fax) +36-1 889 7128 Attention: Kriszta Hollo

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Summary Term Sheet for Proposal No. 1

In Proposal No. 1, you are being asked to approve the sale of the Subsidiaries to Invitel. The terms of the Agreement mandate that the total purchase price to be paid is US \$30,000,000 of which US \$29,400,000 is payable at closing and the remaining US \$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 including the full payment by Euroweb Hungary on or prior to the Closing Date of the US \$6,000,000 loan it received from Commerzbank Hungary ("Commerzbank") in connection with the Company's acquisition of Navigator Informatika Rt. ("Navigator"). The purchase price is to be reduced by the amount of any debt held in the Subsidiaries. The closing of the sale of the Subsidiaries, of which we cannot provide any guarantee, is expected to occur within seven business days of the delivery of an audit report prepared by an independent auditor with respect to the Subsidiaries and the approval of the Agreement by the shareholders of the Company provided that such date is no later than June 30, 2006 and receipt of approval of the proposed transaction by the Hungarian Economic Competition Office in Hungary, which the Company has received. If the Company fails to have the Agreement approved at a shareholders meeting, the Company will be obligated to reimburse Invitel for its expenses associated with the acquisition of the Subsidiaries not to exceed EUR 400,000. The Company has classified the Subsidiaries as discontinued operations reflecting revenue for the year ended December 31, 2004 of zero.

Reason for the Transaction

The Board of Directors believes the sale of the Subsidiaries, which are engaged in the business of providing Internet Service in Hungary and Romania, is the culmination of the Company's strategy that was first implemented in 1997 of identifying and developing companies within emerging industries for the purpose of consolidation and sale if favorable market conditions exist. Although the Company primarily focuses on the operation and development of its core businesses, the Company pursues consolidations and sale opportunities as presented in order to develop its core businesses.

The Company commenced the consolidation strategy in various Central and Eastern European countries as follows:

- o in Hungary, with the acquisition of various Internet and telecommunications companies in 1997 that were eventually consolidated and named Euroweb Hungary, the acquisition of Elender Rt. in 2004 and the acquisition of Navigator in 2005;
- o in Romania, with the acquisition of several Internet and telecommunications companies in 2000 that were eventually consolidated and named Euroweb Romania;
- o in Slovakia, with the acquisition of several Internet and telecommunications companies from 1999 to 2000 that were eventually consolidated and named Euroweb Slovakia; and
- o in Czech Republic, with the acquisition of two Internet and

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telecommunications companies during 1999 and 2000 that were eventually consolidated and named Euroweb Czech Republic.

In 2004, the Company elected to sell its Internet Service assets located in the Czech Republic and Slovakia as the Company received offers it believed were above the market value of such assets. Further, the disposition of the two Subsidiaries, Euroweb Hungary and Euroweb Romania, for a purchase price of \$30,000,000 will allow the Company to redeploy capital to acquire additional assets in IT space and other as-yet unidentified industries that the Company deems profitable, as well as focus its expertise in the area of IT outsourcing in Central and Eastern Europe. If the opportunity presents itself, the Company will consider implementing its consolidation strategy with its remaining subsidiary and any other business that it enters. However, the Company does not presently have any plans, proposals or arrangements to redeploy its capital or engage in any acquisitions. The Company has not yet identified any specific new industries in which to invest.

For a more detailed discussion please see "Proposal No. 1 - Approval of the Sale of the Subsidiaries to Invitel" located on page 8.

Conditions to Closing of the Sale of the Subsidiaries

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The completion of the proposed sale of the Subsidiaries depends upon the meeting of a number of conditions including the following:

- o The issuance by the Hungarian Economic Competition Office of its unconditional approval of the sale of the Subsidiaries to Invitel, which has been issued;
- o Approval of the Agreement by a majority of the stockholders of the Company at a special meeting of stockholders in which a quorum was present;
- o Delivery of an audit report prepared by an independent auditor with respect to the Subsidiaries and the absence of any event or circumstance revealed in the audit that could reasonably be expected to have a material adverse effect on the financial condition of the Subsidiaries, of which Invitel was not aware; and
- o There shall be no material adverse change with respect to the Subsidiaries.

Risks

The sale of the Subsidiaries will reduce the lines of business which we conduct. This decrease in diversification of our business could serve to magnify any downturns in the remaining business lines. In particular:

- o Our ability to adjust to changes in consumer demand or economic shifts could be materially impacted.
- o Upon classifying the Subsidiaries as discontinued operations (see "Accounting Treatment"), our revenue for the year ended December 31, 2004 decreased to \$-0- from \$28,111,786.
- o Upon classifying the Subsidiaries as discontinued operations, our net loss from continuing operations for the year ended December 31, 2004 increased to \$1,402,766 from a net loss of \$1,099,176.
- o Although we solicited a number of offers for the Subsidiaries, there can

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be no assurance that the value may not be higher in a sale to other purchasers.

- o The loss of expected synergies and a common customer base between Navigator Informatika Rt. and Euroweb Hungary, which may limit Navigator Informatika Rt.'s ability to generate revenue and may also have a goodwill impairment effect.
- o As a result of the sale of the Subsidiaries and the acquisition of Navigator, the Company may be deemed to have entered a new line of business and, as a result of the change of such business line, The Nasdaq Stock Market may request that we reapply for listing and satisfy all initial listing standards despite the fact that the Company will have continuing operations in Central and Eastern Europe.
- o If the Company fails to have the Agreement approved at a shareholders meeting, the Company will be obligated to reimburse Invitel for its expenses associated with the acquisition of the Subsidiaries not to exceed EUR 400,000 and this payment, combined with loss of proceeds from the failed sale of the Subsidiaries, may result in the Company experiencing financial difficulty with respect to its cash position.

For a more detailed discussion please see "Proposal No. 1 - Approval of the Sale of the Subsidiaries to Invitel" located on page 9.

Absence of Dissenters' Rights of Appraisals

Under the applicable provisions of General Corporation Law of the State of Delaware ("GCL"), Euroweb's stockholders will have no rights in connection with the proposed sale of the Subsidiaries to seek appraisal for the fair value of their shares of common stock.

For a more detailed discussion please see "Proposal No. 1 - Approval of the Sale of the Subsidiaries to Invitel" located on page 10.

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PROPOSAL NO. 1

APPROVAL OF SALE OF THE SUBSIDIARIES TO INVITEL

Proposed Transaction

On December 19, 2005, the Company entered into the Agreement with Invitel. Pursuant to the Agreement, the Company has agreed to sell and, Invitel has agreed to purchase, 100% of the Company's interest in the Subsidiaries. The purchase price to be paid to the Company is US \$30,000,000 in cash of which US \$29,400,000 is payable at closing and the remaining US \$600,000 is payable upon delivery of a certificate prepared by an independent auditor identifying the net indebtedness of the Subsidiaries, The Subsidiaries are required to be debt free, which includes the full payment on or prior to the Closing Date of the US \$6,000,000 loan obtained by Euroweb Hungary from Commerzbank in connection with the Company's acquisition of Navigator Informatika Rt. The purchase price is to be reduced by the amount of any debt held in the Subsidiaries. The closing of the sale of the Subsidiaries, of which we cannot provide any guarantee, is expected to occur within seven business days of receipt of an audit report prepared by an independent auditor with respect to the Subsidiaries, the approval of the Agreement by the shareholders of the Company provided that such date is no later than June 30, 2006 and receipt of approval of the proposed transaction by the Hungarian Economic Competition Office in Hungary, which the Company has received. If the Company fails to have the Agreement approved at a

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shareholders meeting, the Company will be obligated to reimburse Invitel for its expenses associated with the acquisition of the Subsidiaries not to exceed EUR 400,000. After the sale of the Subsidiaries would be classified as discontinued operations, the Company's revenue for the year ended December 31, 2004 will be zero.

Background of the Transaction

In April 2005, the Company's Board of Directors was notified that Invitel was looking for acquisition and consolidation opportunities in Hungary. On April 27, 2005, Invitel made a non-binding offer to purchase the Subsidiaries. From April 2005 through September 2005, Invitel made three non-binding offers. On December 15, 2005, Invitel submitted a binding offer that the Board of Directors of the Company accepted on December 17, 2005 and which culminated in the entering of the Agreement on December 19, 2005. In addition, the Company received several non-binding and binding offers from various parties. The Company eventually received and entered a binding offer from an international telecommunication company for the sale of the Subsidiaries on December 8, 2005. In connection with the receipt of the binding offer, the Company signed an exclusivity agreement with the international telecommunication company, which expired on December 16, 2005. After the expiration of the exclusivity agreement with the international telecommunications company on December 16, 2005, the Company entered into the Agreement with Invitel.

Business of the Company

We own and operate Internet Service Providers in Hungary and Romania through the Subsidiaries, Euroweb Hungary and Euroweb Romania. Euroweb Hungary and Euroweb Romania are classified as discontinued operations for all periods presented in the financial statements of the Company. We are also engaged in the IT consulting business through our other subsidiary, Navigator Informatika Rt., which we acquired on October 7, 2005. Navigator Informatika Rt. operates through its wholly owned subsidiaries, Navigator Info Kft. and Navigator Engineering Kft. and is engaged in information technology outsourcing, applications development and information technology consulting services primarily in the Hungarian market. Navigator's client base includes primarily large organizations both in the corporate and institutional (public) sector. We previously had operations in the Czech Republic and Slovakia through our subsidiaries Euroweb Czech and Euroweb Slovakia, which were sold on December 16, 2004 and April 15, 2005, respectively.

Our revenues generated by Navigator Informatika Rt. come from the following three sources:

- o Full service IT System operation or complete IT outsourcing, comprising full service support and maintenance with a cost-effective and competitive service desk system, call center, hotline support and remote troubleshooting
- o IT system implementation and IT project management, including: consultancy, system design, development and implementation and training; and

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- o Sale of IT devices

Business of Invitel

Founded in 1994, Invitel offers telephony, Internet, and data services to residential and business customers in Hungary. Invitel is the incumbent operator

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in 9 out of 54 primary service areas. In the rest of Hungary, Invitel is an alternative telecom operator with a national fibre backbone, metropolitan area networks and point-to-multi-point microwave access system.

Invitel's corporate headquarters is located at Invitel Tavkozlesi Szolgaltato Rt. Puskas Tivadar u. 8-10 H-2040 Budaors, Hungary (Tel: 0036 1 801 1355).

Reasons for the Transaction

The Board of Directors believes the sale of the Subsidiaries, which are engaged in the business of providing Internet Service in Hungary and Romania, is the culmination of the Company's strategy that was first implemented in 1997 of identifying and developing companies within emerging industries for the purpose of consolidation and sale if favorable market conditions exist. Although the Company primarily focuses on the operation and development of its core businesses, the Company pursues consolidations and sale opportunities as presented.

The Company commenced the consolidation strategy in various Central and Eastern European countries as follows:

- o in Hungary, with the acquisition of various Internet and telecommunications companies in 1997 that were eventually consolidated and named Euroweb Hungary, the acquisition of Elender Rt. in 2004 and the acquisition of Navigator in 2005;
- o in Romania, with the acquisition of several Internet and telecommunications companies in 2000 that were eventually consolidated and named Euroweb Romania;
- o in Slovakia, with the acquisition of several Internet and telecommunications companies from 1999 to 2000, that were eventually consolidated and named Euroweb Slovakia; and
- o in Czech Republic, with the acquisition of two Internet and telecommunications companies during 1999 and 2000 that were eventually consolidated and named Euroweb Czech Republic.

In 2004, the Company elected to sell its Internet Service assets located in the Czech Republic and Slovakia as the Company received offers it believed were above the market value of such assets. Further, the disposition of the Subsidiaries, Euroweb Hungary and Euroweb Romania, for a purchase price of \$30,000,000 will allow the Company to redeploy capital to acquire additional assets in IT space and other as-yet unidentified industries that the Company deems profitable, as well as focus its expertise in the area of IT outsourcing in Central and Eastern Europe. If the opportunity presents itself, the Company will consider implementing its consolidation strategy with its remaining subsidiary and any other business that it enters. However, the Company does not presently have any plans, proposals or arrangements to redeploy its capital or engage in any acquisitions. The Company has not yet identified any specific new industries in which to invest.

Management considered the possibility of putting the Subsidiaries on the public auction block. Management decided against this for a number of reasons related to the specialized nature of the business and management's belief that only companies already in the relevant business area (i.e. the Subsidiaries' competitors) would be interested in purchasing the Subsidiaries. Specifically, management decided against a public auction for the following reasons:

- o The Internet Service industry is extremely competitive. Accordingly, protecting the primary assets consisting largely of intellectual

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properties is inherently a risk-filled proposition. The Company's management was extremely concerned that a "public" sale of the Subsidiaries would simply lead to competitors engaging in the due diligence process for no purpose other than to glean confidential information.

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- o The Company was also of the view that public disclosure of the proposed sale would lead to key employees becoming unnecessarily concerned and possibly leaving the Company's subsidiaries to find increased security elsewhere and in particular, with competitors of the Subsidiaries.
- o Based on the Company's private negotiations for the sale of the Subsidiaries with several parties, the Company believes that the price being paid by Invitel is the best price the Company could reasonably secure.

Prior to entering into the Agreement, during the past two years there has been no other negotiations, transactions or contacts between the Company and Invitel concerning any merger, consolidation, acquisition, tender offer, election of the Company's directors or the sale of a material amount of assets of the Company. There are no present or proposed material agreements, arrangements, understandings or relationships between the Company or any of its executive officers, directors, controlling persons or subsidiaries and Invitel or any of its executive officers, directors, controlling persons or subsidiaries.

Risks

The sale of the Subsidiaries will reduce the lines of business which we conduct. This decrease in diversification of our business could serve to magnify any downturns in the remaining business lines. In particular:

- o Our ability to adjust to changes in consumer demand or economic shifts could be materially impacted.
- o Upon classifying the Subsidiaries as discontinued operations (see "Accounting Treatment"), our revenue for the year ended December 31, 2004 decreased to \$-0- from \$28,111,786.
- o Upon classifying the Subsidiaries as discontinued operations, our net loss from continuing operations for the year ended December 31, 2004 increased to \$1,402,766 from a net loss of \$1,099,176.
- o Although we solicited a number of offers for the Subsidiaries, there can be no assurance that the value may not be higher in a sale to other purchasers.
- o The loss of expected synergies and a common customer base between Navigator Informatika Rt. and Euroweb Hungary, which may limit Navigator Informatika Rt.'s ability to generate revenue and may also have a goodwill impairment effect.
- o As a result of the sale of the Subsidiaries and the acquisition of Navigator, the Company may be deemed to have entered a new line of business and, as a result of the change of such business line, The Nasdaq Stock Market may request that we reapply for listing and satisfy all initial listing standards despite the fact that the Company will have continuing operations in Central and Eastern Europe.
- o If the Company fails to have the Agreement approved at a shareholders

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meeting, the Company will be obligated to reimburse Invitel for its expenses associated with the acquisition of the Subsidiaries not to exceed EUR 400,000 and this payment, combined with loss of proceeds from the failed sale of the Subsidiaries, may result in the Company experiencing financial difficulty with respect to its cash position.

Absence of Dissenters' Rights of Appraisals

Under the applicable provisions of GCL, Euroweb's stockholders will have no rights in connection with the proposed sale of the Subsidiaries to seek appraisal for the fair value of their shares of common stock.

Votes Required

The approval of the sale of 100% of the Company's interest in the Subsidiaries as contemplated in the Agreement entered into by and between Invitel and the Company will require an affirmative vote of the majority of the votes cast in person or by proxy, provided that a quorum is present at the special meeting.

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Interest of Related Parties in the Proposed Sale of the Subsidiaries to Invitel

During the initial stages of due diligence and negotiation, a third party expressed interest to the Company to purchase the Subsidiaries for US \$26,000,000. In order to provide management of the Company with the appropriate motivation to achieve the highest possible purchase price, the Company's Compensation Committee was granted the discretionary ability to pay a bonus to members of management that were associated with the Company receiving a purchase price in excess of US \$28,000,000 for the Subsidiaries. The bonus, which is at the discretion of the Compensation Committee, will be up to 20% of the purchase price received in excess of US \$28,000,000. Upon the Company closing on the sale of the Subsidiaries for US \$30,000,000 to Invitel, a bonus of up to US \$400,000 (or 20% of US \$2,000,000) may be paid by the Compensation Committee to select members of management. To the best of our knowledge, except for the Bonus, none of the Company's officers or directors have a financial interest in the proposed sale of the Subsidiaries to Invitel.

Accounting Treatment

Under accounting principles generally accepted in the United States of America, we reflected the results of operations of the Subsidiaries as discontinued operations. The expected gain on the sale of the Subsidiaries, net of any applicable taxes, will be reflected in discontinued operations in the quarter during which the proposed sale closes.

Federal Income Tax Consequence

The proposed sale of the Subsidiaries should have no direct income tax consequences to the Company stockholders. The proposed sale of the Subsidiaries will be reported by the Company as a sale of assets for federal income tax purposes in the fiscal year ending December 31, 2006. The proposed sale of the Subsidiaries will be a taxable transaction for United States federal income tax purposes. Accordingly, the Company will recognize a gain or loss with respect to the proposed sale of the Subsidiaries in an amount equal to the difference between the amount of the consideration received for each asset over the adjusted tax basis in the asset sold.

Regulatory Approvals

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No United States Federal or state regulatory requirements must be complied with or approvals obtained as a condition of the proposed sale of the Subsidiaries other than federal securities laws. However, the sale of the Subsidiaries is contingent upon the issuance by the Hungarian Economic Competition Office of its unconditional approval of the sale of the Subsidiaries to Invitel. According to the deadlines defined in the Agreement, an application for the approval of the proposed transaction was filed on January 17, 2006 with the Hungarian Economic Competition Office.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 24, 2006 by (i) each person known by our company to own beneficially more than 5% of the outstanding Common Stock; (ii) each director of our company; (iii) each officer of our company and (iv) all executive officers and directors as a group. Except as otherwise indicated below, each of the entities or persons named in the table has sole voting and investment power with respect to all shares of Common Stock beneficially owned by it or him as set forth opposite its or his name.

Name and Address	Shares Beneficially Owned(1)	Percent Owned (1)
KPN Telecom B.V. (4) Maanplein 5 The Hague, The Netherlands	2,036,188	34.85%
Fleminghouse Investments Limited Chrysanthou Mylona 3, P.C. 3030 Limassol Cyprus	522,054	8.93%
11		
CORCYRA d.o.o.(3) Verudela 17 Pula Croatia 52100	2,326,043	39.81%
Graeton Holdings Limited 256 Makarios Avenue,Eftapaton Court, CY3105 Limassol, Cyprus;	441,566	7.60%
Csaba Toro (2)(5)(6) 1138 Budapest Vaci ut 141. Hungary	62,500	1.07%
Stewart Reich (6)(7) 18 Dorset Lane, Bedminister, NJ 07921	75,000	1,28%
Gabor Ormosy Fleminghouse Investments Limited Chrysanthou Mylona 3, P.C. (6) (9) 3030 Limassol Cyprus	25,000	*
Yossi Attia (6)(8) 1061 1/2 Spalding Ave. West Hollywood, CA 90046	25,000	*

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Ilan Kenig (6) (8) 7438 Fraser Park Drive Burnaby, BC Canada V5J 5B9	25,000	*
Moshe Schnapp (5) (6) 846 N Huntley West Hollywood, CA 90069	58,968	1.01%
All Officers and Directors as a Group (6 Persons)	240,218	4.65%

* Less than one percent

(1) Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares which such person has the right to acquire within 60 days after March 24, 2006. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on March 24, 2006, any security which such person or group of persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership for such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(2) Mr. Toro owns, directly or indirectly, 1.07% of the issued and outstanding shares of the Company represented by options to purchase 62,500 shares.

(3) Pursuant to a Stock Purchase Agreement dated as of January 28, 2005, by and between KPN Telecom B.V. ("KPN Telecom"), a company incorporated under the laws of the Netherlands, and CORCYRA d.o.o., a Croatian company ("CORCYRA") (the "Purchase Agreement"), KPN Telecom sold to CORCYRA 289,855 shares (the "Initial Shares") of our common stock for US \$1,000,000 (the "Initial Closing"). The Initial Closing occurred on February 1, 2005. Pursuant to the Purchase Agreement, CORCYRA has also agreed to purchase and, KPN has agreed to sell, KPN Telecom's remaining 2,036,188 shares of our common stock (the "Final Shares") on April 30, 2006 (the "Final Closing"); provided, however, that upon 14 days' prior written notice to KPN Telecom, CORCYRA may accelerate the Final Closing to an earlier month-end date as specified in such notice; provided, further, that the Final Closing is subject to the satisfaction or waiver of all of the conditions to closing set forth in the Purchase Agreement. Accordingly, CORCYRA presently owns 289,855 shares of common stock and is deemed to own, pursuant to Rule 13d-3(d), promulgated under the Securities Exchange Act of 1934, as amended, the remaining 2,036,188 shares held by KPN Telecom.

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(4) KPN Telecom B.V. is a subsidiary of Royal KPN N.V.

(5) An officer of the Company.

(6) A director of the Company.

(7) Includes an option to purchase 75,000 shares of common stock at an exercise price of \$4.21 per share. 25,000 options vest on April 13, 2004, 25,000 options vest on April 13, 2005, while 25,000 options vest on April 13, 2006

(8) Effective March 22, 2005, the Board of Directors granted the two new directors 100,000 options each at an exercise price of \$3.40 per share under the 2004 Incentive Plan. Each director's options vest in four equal installments of 25,000 shares each on September 22, 2005, September 22, 2006, September 22, 2007 and September 22, 2008.

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(9) Effective June 2, 2005, the Board of Directors granted 100,000 options at an exercise price of \$4.05 per share under the 2004 Incentive Plan. The options vest in four equal installments of 25,000 shares each on December 2, 2005, December 2, 2006, December 2, 2007 and December 2, 2008.

The foregoing table is based upon 5,843,067 shares of common stock outstanding as of March 24, 2006.

Shareholder Proposals

The Company intends to hold its 2006 annual meeting in June 2006 although it has not set a definitive date for such meeting. Therefore, any proposal which any shareholder may intend to present at the annual meeting to be held in 2006 must be received by us on or before May 12, 2006, if such proposal is to be included in the proxy statement and form of proxy pertaining to the 2006 annual meeting.

THE COMPANY'S BOARD OF DIRECTORS HAS CAREFULLY CONSIDERED THE FOREGOING FACTORS AND UNANIMOUSLY BELIEVES THAT THE TRANSACTION IS IN THE BEST INTEREST OF THE COMPANY'S STOCKHOLDERS. THE BOARD BELIEVES THAT THE PURCHASE PRICE IS FAIR AND REASONABLE UNDER THE CIRCUMSTANCES AND IN THE CURRENT ECONOMIC CLIMATE.

For further information, see the Company's audited financial statements for the year ended December 31, 2005 attached hereto as Exhibit B, unaudited individual financial statements of Euroweb Hungary as of December 31, 2005 attached hereto as Exhibit C, unaudited individual financial statements of Euroweb Romania as of December 31, 2005 attached hereto as Exhibit D and the pro forma financial information attached hereto as Exhibit E.

Adoption of Special Resolution

In addition to generally approving the sale of the Subsidiaries as set forth above, the stockholders are being asked to approve the following resolutions:

Be it resolved as a special resolution that:

1. The entering into of the Agreement between the Company and Invitel relating to the sale by the Company to Invitel of the Subsidiaries, a copy of which is appended to the Proxy as Exhibit A, and all transactions, proceedings and actions to be completed thereunder are hereby approved, ratified and adopted; and
2. Any director or officer of the Company be and s/he is hereby authorized and directed to execute on behalf of the Company any document required to be delivered pursuant to the Agreement.

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RECOMMENDATION OF THE BOARD:

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL
OF SALE OF THE SUBSIDIARIES TO INVITEL.

OTHER BUSINESS

The Board of Directors is not aware of any matter other than the matters described above to be presented for action at the Meeting. However, if any other proper items of business should come before the Meeting, it is the intention of the individuals named on your proxy card as the proxy holders to vote in

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accordance with their best judgment on such matters.

By Order of the Board of Directors

By: /s/Csaba Toro

Csaba Toro, Director and Chief Executive Officer

Dated: April 24, 2006
Budapest, Hungary

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PROXY

EUROWEB INTERNATIONAL CORP.
SPECIAL MEETING OF STOCKHOLDERS - TO BE HELD
May 15, 2006
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned, revoking all prior proxies, hereby appoints CSABA TORO and MOSHE SCHNAPP and each of them, with full power of substitution in each, as proxies for the undersigned, to represent the undersigned and to vote all the shares of Common Stock of the Company which the undersigned would be entitled to vote, as fully as the undersigned could vote and act if personally present, at the Special Meeting of Stockholders (the "Meeting") to be held on May 15, 2006, at 10:00 A.M, local time, at the law offices of Sichenzia Ross Friedman Ference LLP, 1065 Avenue of the Americas, 21st Floor, New York, New York 10018, or at any adjournments or postponements thereof.

Should the undersigned be present and elect to vote at the Meeting or at any adjournments or postponements thereof, and after notification to the Secretary of the Company at the Meeting of the stockholder's decision to terminate this proxy, then such powers of attorney or proxies shall be deemed terminated and of no further force and effect. This proxy may also be revoked by filing a written notice of revocation with the Secretary of the Company or by duly executing a proxy bearing a later date.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE LISTED PROPOSALS.

Proposal (1) to approve the sale of 100% of Euroweb International Corp.'s interest in its two Internet and telecom related operating subsidiaries, Euroweb Hungary Rt. and Euroweb Romania S.A as contemplated in that certain Share Purchase Agreement entered into by and between Invitel Tavkozlesi Szolgaltato Rt., a Hungarian joint stock company and Euroweb International Corp. on December 19, 2005.

FOR|_| AGAINST|_| ABSTAIN|_|

The shares represented by this proxy will be voted as directed by the stockholder, but if no instructions are specified, this proxy will be voted for proposal (1). If any other business is presented at the Meeting, this proxy will be voted by those named in this proxy in their best judgment. At the present time, the Board of Directors knows of no other business to be presented at the Meeting.

The undersigned acknowledges receipt from the Company, prior to the execution of this proxy, of the Notice of Special Meeting and accompanying Proxy Statement relating to the Meeting.

NOTE: PLEASE MARK, DATE AND SIGN AS YOUR NAME(S) APPEAR(S) HEREON AND RETURN IN THE ENCLOSED ENVELOPE. IF ACTING AS EXECUTORS, ADMINISTRATORS, TRUSTEES,

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GUARDIANS, ETC., YOU SHOULD SO INDICATE WHEN SIGNING. IF THE SIGNER IS A CORPORATION, PLEASE SIGN THE FULL CORPORATE NAME, BY A DULY AUTHORIZED OFFICER. IF SHARES ARE HELD JOINTLY, EACH SHAREHOLDER SHOULD SIGN.

Signature (Please sign within the box) [_____] DATE: _____, 2006

Signature (Joint owners)
[_____] DATE: _____, 2006

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EXHIBIT A

December 19, 2005

SHARE PURCHASE AGREEMENT

between

EUROWEB INTERNATIONAL CORP.
(as Seller)

and

INVITEL TAVKOZLESI SZOLGALTATO RT.
(as Purchaser)

THIS SHARE PURCHASE AGREEMENT is made on December 19, 2005

BETWEEN

- (1) EUROWEB INTERNATIONAL CORP., a Delaware, U.S. corporation, with its principal place of business at 1138 Budapest, Vaci ut 141, Hungary, represented by Csaba Toro, its Chief Executive Officer (the "Seller"); and
- (2) INVITEL TAVKOZLESI SZOLGALTATO RT., a Hungarian joint stock company, registration number Cg. 13-10-040575, with its registered office located at 2040 Budaors, Puskas Tivadar utca 8-10, represented by Martin Lea, its Chief Executive Officer (the "Purchaser").

R E C I T A L S:

- (A) Seller is the registered and beneficial owner and holder of 19,996 series A common shares, and 3 series B preference shares (the "EuroWeb Hungary Shares"), all of which have a nominal value of 1000 HUF each and are credited and fully paid, in EuroWeb Internet Szolgaltato Rt., a Hungarian joint stock company whose details are set out in Schedule 1 ("EuroWeb Hungary").
- (B) The EuroWeb Hungary Shares represent 100% minus one share of the issued share capital and voting rights in EuroWeb Hungary.
- (C) Seller is also the registered and beneficial owner and holder of 6,411,968 common shares (the "EuroWeb Romania Shares" and, together with the EuroWeb Hungary Shares, the "Purchased Shares"), all of which have a nominal value of 5,000 ROL each and are credited and fully paid, in S.C. EuroWeb Romania

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S.A., a Romanian joint stock company whose details are set out in Schedule 1 ("EuroWeb Romania" and together with EuroWeb Hungary, the "Group Companies").

- (D) The EuroWeb Romania Shares represent 99.9564% of the issued share capital and voting rights in EuroWeb Romania.
- (E) Seller has agreed to sell, and Purchaser has agreed to purchase the Purchased Shares, on the terms and subject to the conditions set out in this Agreement (the "Transaction").

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A G R E E M E N T :

NOW, THEREFORE, IT IS AGREED:

1 DEFINITIONS AND INTERPRETATION

1.2 In this Agreement:

"Affiliate"	of any person shall mean any person directly or indirectly controlling, controlled by, or under common control with, such person;
"Agreement"	means this Share Purchase Agreement and the Schedules hereto;
"Audit"	has the meaning set out in Clause 4.2.1;
"Business"	means the business of the Group Companies currently conducted by each of them on the date of this Agreement and from time to time thereafter including without limit the provision of internet and IP voice and data services (ISP);
"Business Day(s)"	means any day(s) (other than a Saturday or Sunday) when commercial banks are open for business in New York, Budapest, Bucharest and London;
"Cash and Cash Equivalents"	means (i) money or the equivalent thereof, including currency, coins, negotiable cheques, balances in bank accounts and interest-bearing financial assets and (ii) deposits held at call with banks (in the case of (i) and (ii), free and clear of any Encumbrances) minus (iii) any bank overdrafts;
"Closing Date"	means the date on which Closing occurs;
"Closing"	has the meaning set out in Clause 6.1;
"Collective Agreement"	means any agreement or arrangement made by or on behalf of a Group Company and by or on behalf of one or more trade unions, works councils, staff associations or other body representing employees and any agreement or arrangement made by or on behalf of any employers' or trade association or one or more trade unions, works councils, staff associations, association of trade unions or other

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central body representing employees which applies to a Group Company or to which a Group Company is subject;

"Conditions"

has the meaning set out in Clause 3.1;

"Consolidated Net Debt"

means the difference between (a) the aggregate Indebtedness of the Group Companies and (b) the aggregate Cash and Cash Equivalents of the Group Companies;

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"Deloitte & Touche"

means, collectively, Deloitte Touche Tohmatsu, Swiss Verein, its member firms, and their respective subsidiaries and affiliates.

"Encumbrance(s)"

means a mortgage, charge, pledge, lien, right of usufruct, depository receipt, option, restriction, right of first refusal, right of pre-emption, easement, lease, third-party right or interest or any other type of preferential arrangement (including, without limitation, any title transfer and retention arrangement) having similar effect;

"Euroweb Guarantee Agreement"

means the guarantee agreement, dated February 2004, between Pantel as obligee and Seller