

**Proposals and motions
of the
Annual General Meeting
of
Danubius Hotels Nyrt.
to be held on 24 April 2008**

CONTENT

INVITATION TO THE ANNUAL GENERAL MEETING	3
ITEM 1 OF THE AGENDA: To submit and review the 2007 Balance Sheet.....	5
Report of the board of directors on the 2007 business activities of Danubius Hotels Nyrt.....	5
Report of the auditor on the 2007 B/S of Danubius Hotels Nyrt.....	20
Report of the supervisory board on the 2007 operating activities and B/S of Danubius Hotels Nyrt.....	24
Report of the audit committee.....	25
PROPOSAL FOR THE RESOLUTION FOR ITEM 1 OF THE AGENDA:	26
ITEM 2 OF THE AGENDA: To pass decision on the report on corporate governance	27
PROPOSAL FOR THE RESOLUTION FOR ITEM 2 OF THE AGENDA:	37
ITEM 3 OF THE AGENDA: To pass decision on the 2007 profit allocation.....	38
PROPOSAL FOR THE RESOLUTION FOR ITEM 3 OF THE AGENDA:	38
ITEM 4 OF THE AGENDA: To inform the meeting about the 2008 business targets	39
PROPOSAL FOR THE RESOLUTION FOR ITEM 4 OF THE AGENDA:	40
ITEM 5 OF THE AGENDA: To elect members of the board of directors	41
PROPOSAL FOR THE RESOLUTION FOR ITEM 5 OF THE AGENDA:	41
ITEM 6 OF THE AGENDA: To elect members of the supervisory board.....	42
PROPOSAL FOR THE RESOLUTION FOR ITEM 6 OF THE AGENDA:	42
ITEM 7 OF THE AGENDA: To elect member of the audit committee	43
PROPOSAL FOR THE RESOLUTION FOR ITEM 7 OF THE AGENDA:	43
ITEM 8 OF THE AGENDA: To modify the articles of association	44
PROPOSAL FOR THE RESOLUTION FOR ITEM 8 OF THE AGENDA:	52
ITEM 9 OF THE AGENDA: Transformation of the discount granted for certain shareholders.....	53
PROPOSAL FOR THE RESOLUTION FOR ITEM 9 OF THE AGENDA:	53
ITEM 10 OF THE AGENDA: To appoint the auditor and approve his/her 2008 remuneraion.....	54
PROPOSAL FOR THE RESOLUTION FOR ITEM 10 OF THE AGENDA:.....	54
ITEM 11 OF THE AGENDA: To establish the remuneration of the members of the board of directors and the supervisory board	55
PROPOSAL FOR THE RESOLUTION FOR ITEM 11 OF THE AGENDA:.....	55

INVITATION TO THE ANNUAL GENERAL MEETING

(published on the website of the company (www.danubiushotels.com), the Budapest Stock Exchange www.bse.hu) and the announcement web site of the Hungarian Financial Supervisory Authority (www.kozzetetelek.hu) on 25 March 2008).

The Board of Directors announces its shareholders that
DANUBIUS HOTEL AND SPA PUBLIC LIMITED COMPANY
/1051 Budapest, Szent István tér 11.
registration nr: 01-10-041669, registered by the Court of Registration of the Metropolitan Court/
shall hold its

Annual General Meeting

on Thursday, 24th April 2008 at 10.00 am
in the Hotel Budapest, Glass Hall
/1026 Budapest, Szilágyi Erzsébet fasor 47./
in a traditional way.

Agenda:

1. To submit and review the 2007 Balance Sheet
 - To receive the Board's report about the 2007 business activities
 - To receive the report of the Auditor on the 2007 B/S
 - To receive the report of the Supervisory Board on the 2007 operating activities and B/S
2. To pass decision on the Report on Corporate Governance
3. To pass decision on the 2007 profit allocation
4. To inform the Meeting about the 2008 business targets
5. To elect members of the Board of Directors
6. To elect members of the Supervisory Board
7. To elect member of the Audit Committee
8. To modify Articles of Association (amendment of certain sections of the Articles of Association becomes necessary due to the change of TEÁOR numbers, furthermore, changes in the provisions of the Gt. and the Tpt.)
9. Transformation of the discount granted for certain shareholders
10. To appoint the Auditor and approve his/her 2008 remuneration
11. To establish the remuneration of the members of the Board of Directors and the Supervisory Board

We inform our Shareholders that **the information including the proposals and draft resolutions of the General Meeting** will be published on 9th April 2008 on the Company site (www.danubiushotels.com), on the site of BÉT Zrt. /= Budapest Stock Exchange/ (www.bse.hu), furthermore, on the site for capital market publications operated by the PSZÁF /= Hungarian Financial Supervisory Authority/ (www.kozzetetelek.hu). Upon request, we will place the document at your disposal electronically, by postal way, and personally as well.

The General Meeting **has a quorum** if attended by shareholders, or their proxy holders, who represent more than half of the votes embodied by the shares entitling to vote.

In the absence of a quorum, the Board convenes the repeated General Meeting at the very same venue for 10.00 a.m. on 28th April 2008 (Monday), with unaltered agenda. The repeated General Meeting has a quorum regardless of the number of shares represented.

Every share with a nominal value of one thousand Forints gives entitlement to one vote.

Conditions to attend the General Meeting and exercise the voting right:

Our owners may exercise their voting right at the General Meeting personally, by way of a regularly authorised proxy, or by way of a shareholders nominee as per the Tpt. Authorisation of representation should be submitted in the form of a public document or private document with full probative force till 12.00 a.m. on 23rd April 2008 at the Head Office of Danubius Hotels Nyrt. (1051 Budapest, Szent István tér 11., 3rd floor), or upon registration, prior to commencement of the General Meeting, on the spot.

We call the attention of our Shareholders to the fact **whereby only he who is the owner of shares at the end of the record date (i.e. at the end of the day of 17th April 2008), who has been entered in the Book of Shares updated and closed for the General Meeting, and who simultaneously registers himself on the attendance sheet personally or by way of his proxy – against a simultaneous certification of his identity – is entitled to exercise the shareholders rights at the General Meeting!**

KELER Zrt. performs entry in the Book of Shares according to the shareholders' verification requested by the Company for the fifth working day preceding the General Meeting, for 17th April 2008, as record date. Pursuant to the shareholder's expressed instruction, the keepers of security account are obliged to arrange the entry of shares in the Book of Shares, therefore, **we request those of our shareholders wishing to exercise their shareholders rights at the General Meeting, to contact their keeper of security account in the interest of their entry in the Book of Shares.**

The Company assumes no responsibility for fulfilment of the mandate given to the keepers of security account, likewise, for the consequences of negligence or erroneous data supply performed by the keepers of security account.

Pursuant to the Articles of Association of Danubius Hotels Nyrt., entries in the Book of Shares should be performed till the third working day, which precedes the General Meeting. Thus, the deadline for receipt of the requests of entry in the Book of Shares by KELER Zrt. is 18th April 2008, 3.00 p.m.

Registration and receipt of the voting-papers are possible on the spot from 9.00 a.m. to 10.00 a.m.

Further information can be requested regarding the advertisement from the Investors' Relations of the Company at the telephone number (06 1) 889 4007 or by e-mail (investor.relations@danubiushotels.com).

Budapest, 25th March 2008

Board of Directors of
Danubius Hotels Nyrt.

**ITEM 1 OF THE AGENDA:
TO SUBMIT AND REVIEW THE 2007 BALANCE SHEET**

REPORT OF THE BOARD OF DIRECTORS ON THE 2007 BUSINESS ACTIVITIES OF DANUBIUS HOTELS NYRT.

The report is based on the consolidated financial statements for the period ended 31 December 2007 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

HIGHLIGHTS

Danubius Hotels Group (IFRS)	HUF million			EUR million		
	FY 2007	FY 2006 restated	Ch%	FY 2007	FY 2006 restated	Ch %
Net sales revenues	47,342	47,315	0	188.6	179.2	5
EBITDA	7,609	7,292	4	30.3	27.6	10
Operating profit/(loss)	2,907	2,705	7	11.6	10.2	13
Financial results	(1,076)	(870)	24	(4.3)	(3.3)	30
Profit before tax	1,766	1,787	(1)	7.0	6.8	4
Profit after tax	1,404	1,468	(4)	5.6	5.6	1
Operating cash flow	3,871	7,888	(51)	15.4	29.9	(48)
CAPEX	3,665	8,619	(57)	14.6	32.6	(55)
HUF/EUR	251	264	(5)			

- By the end of 2007 full year sales **revenue** figure remained at the same level of last year in HUF terms, while in EUR terms revenue increased by 5% y-o-y. Group level **occupancy** remained at last year's level of 62.7%.
- Average HUF/EUR **foreign exchange rate**: Year on year basis the strong forint had approximately HUF 865 million negative effect on revenue in 2007 compared to 2006.
- **Operating profit** at Group level increased by HUF 202 million, up by 7% compared to 2006 mainly due to our serious cost reductions measures.
 - Operating profit of **Hungarian** segment for 2007 amounted to HUF 1,871 million, down by 11% compared to 2006.
 - **Czech** hotels contributed an operating profit of HUF 771 million, against the operating profit of HUF 460 million achieved in 2006.
 - **Slovakian** segment's operating loss for 2007 was HUF 149 million, compared to the loss of HUF 36 million in 2006.
 - Operating gain of **Romanian** segment was HUF 414 million in 2007, a significant improvement compared to the profit of HUF 182 million in 2006.
- The **Financial** results in 2007 was a loss of HUF 1,076 million, compared to the loss of HUF 870 million in 2006.
- **Net cash provided by operating activities** in 2007 was HUF 3,871 million, a 51% decrease compared to HUF 7,888 million in 2006.
- **Capital expenditure** and investments during 2007 amounted to HUF 3,665 million, down by 57% compared to 2006.
- Group level average **headcount** in 2007 was 5,483 compared to 5,513.

FINANCIAL OVERVIEW

Hungarian Segment

	HUF million			EUR million		
	FY	FY	Ch	FY	FY	Ch
	2007	2006	%	2007	2006	%
HUNGARY						
Net sales revenues	31,519	32,545	(3)	125.57	123.28	2
Operating profit	1,871	2,099	(11)	7.45	7.95	(6)
Financial results	(822)	(1,013)	(19)	-3.27	-3.84	(15)
Profit before tax	984	1,038	(5)	3.92	3.93	(0)
Profit after tax	539	904	(40)	2.15	3.42	(37)
CAPEX	1,306	2,718	(52)	5.20	10.30	(49)

Total sales revenue and other operating income of 2007 is lagging behind by 3% mainly due to the strong forint against EUR during the whole 2007.

Full year hotel occupancy remained at the same level of 65.1%. Average room rate achieved (ARR) decreased to HUF 12,454, lower by HUF 987 than comparative figure. The average length of stay was 2.8 days in 2007, 0.1 day less than in 2006. The number of guest-nights during 2007 fell back to 2,009,606, by 1.6% lower than in 2006. Out of the total, domestic guest-nights represents 18%, a considerable increase compared to 2006 level of 16%. In 2007, less guests arrived from Germany (-5%), Austria (-3%) and Great-Britain (-25%) which was partly compensated by more guest arrivals from the former Soviet Union countries.

Room revenue of Hungarian hotels decreased by 7%, due to the combined result of occupancy remaining flat and the decrease of average room rate. Room departmental profit was down by 9% compared to 2006.

Food and beverage revenue of hotels and restaurants for 2007 was HUF 9,390 million, 1% more than comparative figure, being the combined result of increased number of covers and the increase of average check. In 2007 F&B departmental profit of our hotels improved by HUF 191 million mainly as the result of decreased payroll. Gundel's total revenue and income in 2007 fell back by more than 5% and hence, in spite of increased raw material expenses and services used, operating profit was HUF 75 million compared to a profit of HUF 90 million achieved in 2006.

In 2007, spa revenue decreased by 7%. It was a combined effect of the by 11% less number of treatments sold and the increase of average rate of a treatment to 5,082 (+5%). The most significant cost element at the spa department is the payroll, which remained flat. As a result of the above, spa departmental profit was 13% less than in 2006.

Revenue from security services went down by HUF 251 million in 2007, as a result of losing certain businesses.

Reflecting our cost efficiency measures raw material expenses amounted to HUF 13,804, which – in spite of the flat occupancy – shows a decrease of 2%. In 2007 energy cost grew by 7% to HUF 2,247 million, while the amount spent on maintenance work at the hotels decreased by 7% to HUF 922 million. Personnel expenses for 2007 were HUF 12,055 million, down by 2%.

Mainly due to the increase of 3 months EURIBOR the interest expenses grew to HUF 1,091 million from HUF 913 million in 2007. A HUF 243 million foreign exchange gain was recognised in the P&L, compared to the loss of HUF 125 million in 2006.

Capital expenditures during 2007 were HUF 1,306 million.

We continued the room reconstructions started earlier and focused on investments aiming at the improvement of the efficiency of energy use. The security and fire protection developments – both mandatory and increasing the security of guests – continued to be a major task. Considerable working activities were targeted at the preparation of the development of the coming period.

Following major reconstructions can be highlighted:

DH Astoria: the last phase of the hotel refurbishment was completed in 2007 with the renewal of the Múzeum boulevard entrance and the lobby as well as the reconstruction of the decorative lights.

Radisson SAS Béke Hotel: renovation of the cooling systems in the rooms continued by changing the old cooling towers to modern ones. A display kitchen was installed in the Olive's restaurant.

Best Western Hotel Hungaria: new office rooms were built for the Budapest service centre. Fire protection developments started to be carried out in the hotel; fire rated doors make the escape routes in the staircases more secure and overpressure systems were installed. Certain equipments in the cooling engine room were renewed as well.

DH Flamenco: as a phase of the cooling system reconstruction, the cooling compressors have been replaced.

DH Gellért: the execution plans made as a step of the preparations for the entire reconstruction of the hotel started to be prepared, a sample room was completed reflecting the overall concept of refurbishing the rooms.

DHSR Helia: full refurbishment of 45 guest rooms on the first floor as the last phase of room refurbishments started in recent years.

DHSR Margitsziget: a significant reconstruction took place on the ground floor as a part of developing the Emporium brand rendering wellness, fitness and beauty services. The earlier place of the Emporium will be turned into guest rooms, plans for which are being prepared currently.

DHSR Bük: similarly to the above mentioned the Emporium brand is being developed in this unit too.

DHSR Hévíz: a new open-air leisure pool will be built.

Hotel Palatinus: 12 guest rooms have been refurbished on the 3rd floor adjusting to the reconstruction concept of the Palatinus-Nádor planned to be carried out in the near future.

Being the result of the above the profit before tax of Hungarian operations for 2007 decreased by 5% to a profit of HUF 984 million compared to a profit of HUF 1,038 million.

Czech Segment

	HUF million		Ch%
	FY 2007	FY 2006	
CZECH			
Net sales revenues	6,085	6,226	(2)
Operating profit	771	460	67
Financial results	(68)	(2)	3 316
Profit before tax	703	458	53
Profit after tax	535	339	58
CAPEX	1,095	1,647	(34)
HUF/CZK average	9.05	9.32	(3)
CZK/EUR average	27.77	28.34	(2)

Total sales revenue and other operating income in HUF term decreased by 2% to HUF 6,089 million in 2007, partly due to the strengthening of Hungarian forint against the Czech crown during the year.

Occupancy of Marianbad hotels in 2007 slightly fell back to 73% from 76%. The average room rate achieved (ARR) dropped to HUF 15,340 from HUF 15,863, in CZK term ARR decreased to 1,695 from 1,702. The average length of stay decreased significantly: was 8.6 days in 2007 while it was 9.7 days in 2006. The number of guestnights grew to 351,214 from 356,720 mainly to the fact that less guests arrived from Germany.

Based on the above, 2007 full year room revenue was HUF 3,294 million, down by 3% compared to 2006.

Mainly due to the fall back of services used (-22%), material expenses and services used in 2007 decreased by 14%. Within this, energy costs increased by 3%. Total personnel expenses – reflecting our cost efficiency measures – was HUF 1,710 million, down by 2% compared to 2006.

Due to increase of 3 months EURIBOR the interest expenses for 2007 grew to HUF 147 million from HUF 126 million in 2006. In 2007 a total of HUF 69 million FX gain was recognised in the P&L while in 2006, the total FX gain was HUF 112 million.

Capital expenditure in 2007 amounted to HUF 1,095 million, the majority of which relates to the construction of a swimming pool in DHSR Hvezda, and the building of the corridor between DHSR Nové Lázně, Casino and Centralní Lázně.

Being the result of the above the profit before tax of Czech operations for 2007 improved to HUF 703 million from HUF 458 million.

Slovakian Segment

	HUF million		
	FY 2007	FY 2006	Ch %
SLOVAKIA			
Net sales revenues	8,143	7,257	12
Operating profit	(149)	(36)	313
Financial results	(141)	177	n.a.
Profit before tax	(290)	141	n.a.
Profit after tax	(258)	105	n.a.
CAPEX	839	4,035	(79)
HUF/SKK average	7.44	7.10	5
SKK/EUR average	33.78	37.24	(9)

Total sales revenue and other operating income in 2007 grew by 12% to HUF 8,143, partly due to the 5% weakening of forint against Slovakian crown compared to 2006 and due to the positive effect of opening 111 new five star rooms in Thermia Palace in December 2006, that was moderated by the closure of 98 two star rooms starting from November 2006 for reconstruction works.

In 2007 the occupancy of our 1,340 Piestany rooms increased from 76.8% to 77.1%. This coupled with the significant increase of average room rate achieved (ARR) to HUF 7,872 from HUF 6,575. It means a 14% improve calculated in Slovakian crowns (to SKK 1,058 from SKK 926). The average length of stay was 9.8 days, an immaterial change compared to 2006 figure of 9.9 days. The number of guestnights in 2007 was 574,242, which is 2% above the comparative figure.

The proportion of domestic guestnights is 36%, the number of which did not change in the course of 2007. However, the number of German guestnights (representing 30%) decreased by 6%. Increase was recorded in the demand of Polish, Russian and Israeli guests.

Due to the increase of both occupancy and ARR, room revenue increased by 21% from the 2006 level.

Total material expenses and services used decreased by 13% as a result of the volume-increase of the business and the inflation. Among these, energy increased by 7%, to HUF 669 million. Personnel expenses increased also by 13%.

Due to the increase of 3 months EURIBOR and the additional loan facility drawn down to finance capital expenditures relating to Thermia Palace, the interest expenses for 2007 amounted to HUF 273 million, compared to HUF 116 million in 2006. During 2007 SKK strengthened against EUR in which all of SLKP's long-term borrowings are denominated, resulting financial gain of HUF 131 million, while in 2006 a HUF 291 million foreign exchange gain was recognised in the P&L due to considerable SKK strengthening against EUR during the comparative period.

Capital expenditure during 2007 was HUF 839 million, mainly for modernisation purposes and subsequent work on Thermia Palace, 79% lower compared to the HUF 4,035 million in 2006. The comparative period includes significant amount of spending on Thermia Palace and Irma mud pool. In 2007, a project expected to last for several years was launched about the modernisation of the energy supplying systems (change of two heat centres and planning of further works).

Being the result of the above the profit before tax of Slovakian operations for 2007 was a loss of HUF 290 million, compared to a profit of HUF 141 million in 2006.

Romanian Segment

	HUF million		
	FY	FY	Ch
ROMANIA	2007	2006	%
Net sales revenues	1,595	1,287	24
Operating profit	414	182	127
Financial results	(45)	(32)	39
Profit before tax	369	150	146
Profit after tax	587	120	389
CAPEX	424	219	94
HUF/RON average	75.46	74.95	1
RON/EUR average	3.33	3.53	(6)

Occupancy increased considerably from 54.5% to 59.5%. Average room rate achieved (ARR) in RON increased by 11%, to 98.88 RON. In HUF terms, it means an increase of 12%.

Due to the improvement of occupancy and average rate, total sales revenue and other operating income increased significantly, by 24%, to HUF 1,287 million compared to last year. The profitability of room department improved by 20%. The number of guest during 2007 increased to 40,882 from 36,140 primarily due to domestic and Hungarian guests. The length of stay increased from 4.1 days to 4.2 days.

Total material expenses and services used and personnel expenses in 2007 increased by 22% and 13% respectively, amounting to HUF 798 million, as more guests were served at a higher standard. Within this, energy cost increased only by 1.3% to HUF 152 million.

In spite of the increase of 3 months EURIBOR interest expense in 2007 was HUF 37 million compared to HUF 44 million in 2006, due to the decrease of interest margins applied by the lenders.

Mainly as the result of weakening of RON in 2007 against EUR in which all of the long-term borrowings are denominated, a HUF 22 million unrealised foreign exchange loss was recognised in the P&L, compared to a profit of HUF 8 million in 2006.

Capital expenditure was carried out to the amount of HUF 424 million in 2007, being 94% higher than one year earlier. The majority of the 2007 capex relates to the development of the conference room in DHSR Sovata.

Being the result of the above the profit before tax of Romanian operations for 2007 improved significantly to a profit of HUF 369 million compared to a profit of HUF 150 million in 2006.

Prior period adjustments

The Company has determined that it did not apply IFRS correctly in respect of two items in prior years. Corresponding 2006 financial amounts has been restated for consistency with the amounts presented in these 2007 financial statements.

In the Company's 2006 and 2005 consolidated financial statements, the 33.33% shareholding held by LL Partners in Gundel Kft. was reported as a minority interest. However, under IAS 32 – *Financial Instruments: Presentation*, which was effective from 1 January 2005, the Company should have accounted for its contingent obligation to purchase the minority interest as a financial liability (at present value at the date of the agreement), consolidated the 33.33% minority interest from the date of the agreement, and recorded interest charges in each accounting period. Applying IAS 32 retrospectively has resulted in the restatement of corresponding consolidated balance sheet information at 31 December 2006 and consolidated statement of income information for the year ended 31 December 2006 as follows:

Balance sheet

Increase in goodwill	531
Decrease in minority interest	503
Decrease in retained earnings	149
Increase in non-current liabilities	1,136

Statement of income

Increase in interest expense	82
Increase in foreign currency gain	129

In previous years, the Group did not apply IAS 19 – *Employee benefits* in respect of retirement and jubilee benefit programmes operated by the Company and its principal Hungarian subsidiary, Danubius Szállodaüzemeltető és Szolgáltató Zrt. Applying IAS 19 retrospectively has resulted in the restatement of corresponding consolidated balance sheet information at 31 December 2006 and consolidated statement of income information for the year ended 31 December 2006 as follows:

Balance sheet

Increase in provisions	575
Increase in deferred tax assets	82
Decrease in retained earnings	483

Statement of income

Decrease in wages and salaries	138
Increase in other expenses	142
Increase in interest expense	35
Decrease in deferred tax expense	6

Consolidated Balance Sheet

Total consolidated asset value amounted to HUF 86.3 billion as of 31 December 2007, only a 1% increase compared to the year-end of 2006. Current assets includes assets held for sale that comprises the net carrying value, less cost to sell, of certain hotel and hospitality properties and an investment, previously recognised as non-current assets, what the Group expects to sell within the next twelve months. Current assets increased by 14% mainly as a result of the 28% increase of cash and cash equivalents to be spent on major ongoing and future development projects and the increase of other receivables and prepayments by 29% mainly due to the HUF 340 million receivables from our first time equity consolidated associate established to undertake an investment project in Budapest.

Due to the reduced capital expenditure of all hotels the amount of property, plant and equipment did not increased considerably as the total value of capitalised investment (HUF 3,665 million) could not exceed the amount of amortisation accounted for in 2007 (HUF 4,702 million). The investments in associated companies amounted to HUF 1,650 million. It shows the historic cost adjusted by share of earnings of the investment in CP Regents Park Two Ltd. and Egészségsgiget Kft. (our newly established associate to utilise the recently acquired land near Danubius Hotel Gellért).

Total liabilities at the year-end of 2007 was HUF 35.2 billion, remained at the same level of last year-end. The Group had EUR 82.7 million and GBP 5.1 million long-term loan as of 31 December 2007. The GBP loan, borrowed from related parties and shown in a separate line, was spent on the financing of the share purchase of Regents Park Hotel in London.

The value of shareholders' equity attributable to equity holder of the parent grew by HUF 1.1 billion compared to 31 December 2006 due to net after tax profit of year 2007 retained the business; the significant, HUF 591 million increase of translation reserve, due to the weakening forint against the national currency of subsidiaries; and retained earnings increased by HUF 466 million due to the accounting treatment applied for acquisition of minority shareholdings of our Sovata investment. The parent company mitigates its interest exposure by means of hedging instruments the effect of which is included in fair valuation reserve in accordance with IAS 39.

Cash flow

Net cash provided by operating activities in 2007 was HUF 3,871 million, down by 51% compared to 2006 due to the cash reducing changes of working capital. Capital expenditure in 2007 was HUF 3,665 million, a 57% decline compared to 2006 when significant amount was spent on Thermia Palace (Piestany) and Centralni Lazne (Marianbad).

During 2007 Danubius Group repaid HUF 2,753 million of borrowings while received HUF 3,352 million, which is to compare to the HUF 164 million net increase of borrowing during 2006.

APPENDIX I

CONSOLIDATED BALANCE SHEET PREPARED IN ACCORDANCE WITH IFRS

(HUF million, audited)

	31 December 2007	31 December 2006 restated	Change %
Assets			
Cash and cash equivalents	3,931	3,087	27
Trade and other receivable	2,905	2,593	12
Inventory	859	844	2
Assets held for sale	257	535	(52)
Other current assets	709	549	29
Total current assets	8,661	7,608	14
Property, plant and equipment	72,831	72,947	0
Intangible assets	2,492	2,678	(7)
Investments in associates	1,650	1,715	(4)
Other non-current assets	72	92	(22)
Deferred tax assets	627	669	(6)
Total non-current assets	77,672	78,101	(1)
Total assets	86,333	85,709	1
Liabilities and Shareholders' Equity			
Trade accounts payable	2,600	3,226	(19)
Advance payments from guests	494	518	(5)
Income tax payable	263	61	331
Other payables and accruals	3,139	3,690	(15)
Interest-bearing loans and borrowings	5,678	3,940	44
Provisions	379	340	11
Total current liabilities	12,553	11,775	7
Interest-bearing loans and borrowings	18,241	18,607	(2)
Loan from related party	1,708	1,866	(8)
Deferred tax liabilities	1,467	1,631	(10)
Provisions	1,265	1,142	11
Total non-current liabilities	22,681	23,246	(2)
Total liabilities	35,234	35,021	1
Shareholders' Equity			
Share capital	8,285	8,285	0
Capital reserve	7,435	7,435	0
Treasury shares	(1,162)	(1,162)	0
Translation reserve	4,441	3,850	15
Fair valuation reserve	24	8	200
Retained earnings	30,410	29,944	2
Attributable to equity holders of the	49,433	48,360	2
Minority interests	1,666	2,328	(28)
Total shareholders' equity	51,099	50,688	1
Total liabilities and shareholders' equity	86,333	85,709	1

APPENDIX II

CONSOLIDATED STATEMENT OF OPERATION PREPARED IN ACCORDANCE WITH IFRS

(HUF million, audited)

	FY 2007	FY 2006 restated	Change %
Room revenue	22,249	22,885	(3)
Food and beverage revenue	14,999	14,571	3
Spa revenue	5,875	5,890	0
Other departmental revenue	2,313	2,220	4
Revenue from wineries	197	163	21
Revenue from security services	777	1,008	(23)
Other income	932	578	61
Total operating revenue and other income	47,342	47,315	0
Cost of goods purchased for resale	270	398	(32)
Raw material costs	9,835	9,428	4
Services used	9,814	10,354	(5)
Material expenses and services used	19,919	20,180	(1)
Wages and salaries	11,816	11,787	0
Other personnel expenses	1,413	1,347	5
Taxes and contributions	4,097	4,116	0
Personnel expenses	17,326	17,250	0
Depreciation and amortisation	4,702	4,587	3
Other expenses	2,539	2,657	(4)
Changes in inventories of finished goods and work in progress	7	(5)	(240)
Work performed by the entity and capitalised	(58)	(59)	(2)
Total operating expenses	44,435	44,610	0
Profit/(loss) from operations	2,907	2,705	7
Interest income	52	43	21
Interest expense	(1,548)	(1,200)	29
Foreign currency gain	420	287	46
Financial Income / (loss)	(1,076)	(870)	24
Share of profit / (loss) of associates	(65)	(48)	35
Profit before tax	1,766	1,787	(1)
Current tax expense	501	262	91
Deferred tax expense / (benefit)	(139)	57	(344)
Profit for the year	1,404	1,468	(4)
Attributable to:			
Equity holders of the parent	1,368	1,442	(5)
Minority interest	36	26	38
Profit for the year	173	182	(5)

APPENDIX III

CONSOLIDATED STATEMENT OF CASH FLOWS PREPARED IN ACCORDANCE WITH IFRS

(HUF million, audited)

	FY 2007	FY 2006 restated	Change %
Profit from operations	2,907	2,705	7
Depreciation and amortisation	4,702	4,587	3
(Gain) / loss on sale of fixed assets	(667)	(268)	149
Change of provisions	162	67	142
Impairment of receivables	42	-	
<i>Changes in working capital</i>			
<i>(Increase) / decrease of accounts receivable and other current assets</i>	<i>(562)</i>	<i>530</i>	<i>(206)</i>
<i>(Increase) / decrease of inventory</i>	<i>(15)</i>	<i>40</i>	<i>(138)</i>
<i>Increase / (decrease) of accounts payable and other current liabilities</i>	<i>(1,001)</i>	<i>1,666</i>	<i>(160)</i>
Interest paid	(1,529)	(1,086)	41
Income tax paid	(166)	(353)	(53)
Net cash provided by operating activities	3,871	7,888	(51)
Purchase of property, plant and equipment and intangibles	(3,665)	(8,619)	(57)
Interest received	52	14	271
Proceeds on sale of property, plant and equipment	829	363	128
Cash paid to acquire additional shares in subsidiaries	(1,601)	-	
Other cash inflow / (outflow)	-	15	
Net cash used in investing activities	(4,385)	(8,227)	(47)
Receipt of long-term bank loans	3,352	2,867	17
Repayment of long-term bank loans	(2,753)	(2,703)	2
Payment of finance lease liabilities	(179)	(136)	32
Net cash provided/ (used) by financing activities	420	28	1400
Net increase (decrease) in cash held	(94)	(311)	(70)
Cash at the beginning of the financial year, net ¹	2,015	2,326	(13)
Cash and cash equivalents at the end of the period, net¹	1,921	2,015	(5)

¹ Represents the amount of cash and cash equivalents less the amount of bank overdrafts

APPENDIX IV

SUBSEQUENT EVENTS

After the end of the reporting period, Danubius Hotel Nyrt. sold its 56.7% share in Marcali Hotel Kft and presently has no ownership share in the company. Marcali Hotel Kft. is planning the building of a spa hotel in the town of Marcali (see announcement made on 28 March 2006). Simultaneously to the sale of the share, Danubius issued a letter of intent for the operation of the hotel. (See announcement made on 25 January 2008) There has not been any other matter or circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the result of those operations or the state of affairs of the Group in future periods.

APPENDIX V

SHAREHOLDER STRUCTURES AND CHANGES IN ORGANISATION

In 2007 there were no significant organisational changes within the Group.

Shareholder ¹	Period end of				
	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
CP Holdings and its investments ²	53.41%	60.25%	71.75%	71.75%	71.75%
<i>Of which:</i>					
<i>Interag Zrt.</i>	29.38%	29.38%	29.38%	29.38%	29.38%
<i>CP Holdings Ltd.</i>	17.91%	24.75%	36.25%	36.25%	36.25%
<i>Israel Tractors</i>	6.12%	6.12%	6.12%	6.12%	6.12%
Foreign financial investors	32.75%	25.90%	14.60%	14.37%	14.05%
<i>Of which over 5%:</i>					
<i>Citibank</i>	5.57%	-	-	-	-
<i>Deutsche Bank</i>	6.70%	-	-	-	-
Domestic financial investors	5.81%	6.04%	6.61%	5.99%	7.05%
Domestic individuals	3.27%	3.06%	2.31%	3.17%	2.44%
Employees	0.24%	0.23%	0.21%	0.20%	0.19%
Treasury shares	4.52%	4.52%	4.52%	4.52%	4.52%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

¹ The table shows shareholders separately if their shareholding reaches or exceeds 5%, according to the Book of Shares.

² The 71.75% ownership of CP Holdings and its investments results a 75.14% combined direct interest in Danubius Hotels Nyrt

APPENDIX VI

DECLARATION

Danubius Hotels Nyrt. hereby declares that the figures and statements of the Report of the Board of Directors give a true and fair view on the Group, and it does not conceal any fact or information that would be substantial in the judgement of the issuer's position. As issuer, Danubius Hotels Nyrt. assumes liability for the contents of the report. Danubius Hotels Nyrt. declares that it is liable as issuer for the reimbursement of losses caused by the omission and/or the misleading contents of regular and extraordinary announcements.

APPENDIX VII

BALANCE SHEET OF DANUBIUS HOTELS NYRT. PREPARED IN ACCORDANCE WITH HAL (audited)

HUF thousand	31 December 2007	31 December 2006	Ch %
NON-CURRENT ASSETS	53,023,826	53,820,429	~1
INTANGIBLE ASSETS	216,102	311,765	~31
Capitalised cost of foundation and restructuring			
Capitalised research and development costs			
Rights and titles			
Intellectual property	215,993	311,765	~31
Goodwill			
Advance payment on intangible assets	109		
Revaluation of intangible assets			
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE)	6,484,433	6,668,354	~3
Real estates and relating rights	6,338,945	6,579,160	~4
Equipments, machines, vehicles	58,396	62,549	~7
Other equipments, fixtures, vehicles	12,530	14,650	~14
Livestock			
Capital investments and refurbishments	73,062	11,995	509
Advance payments on capital investments	1,500		
Revaluation of tangible assets			
NON-CURRENT FINANCIAL INVESTMENTS	46,323,291	46,840,310	~1
Long-term investments	42,597,744	41,034,904	4
Long-term loan to related parties	3,708,996	5,788,786	~36
Other long-term investments	15,217	15,217	0
Long-term loan to other investments			
Other long term loans	1,334	1,403	~5
Long term securities			
Revaluation of non-current financial assets			
CURRENT ASSETS	3,674,114	3,059,504	20
INVENTORIES	4,258	2,388	78
Raw materials			
Work in progress and semifinished goods			
Grown, fattened and other livestock			
Finished products			
Goods, Commodities	4,258	2,388	78
Advance payments on stocks			
RECEIVABLES	2,073,454	1,719,760	21
Receivables from supply of goods and services (customers)	2,327	34,383	~93
Receivables from related parties	2,061,911	1,652,596	25
Receivables from other investment		12,848	~100
Bills of exchange			
Other receivables	9,216	19,933	~54
SECURITIES	1,161,021	1,161,021	0
Investment in related parties			
Other investments			
Treasury shares	1,161,021	1,161,021	0
Short term securities			
TOTAL CASH AND CASH EQUIVALENTS	435,381	176,335	147
Cash at hand, cheques	543	926	~41
Bank deposits	434,838	175,409	148
ACCRUALS AND PREPAYMENTS	35,015	30,845	14
Accrued income	124	77	61
Prepaid costs and expenses	34,891	30,768	13
Deferred expenses			
TOTAL ASSETS	56,732,955	56,910,778	0

HUF thousand	31 December 2007	31 December 2006	Ch %
SHAREHOLDERS' EQUITY	39,453,422	38,587,539	2
SHARE CAPITAL	8,285,437	8,285,437	0
REGISTERED BUT UNPAID CAPITAL			
SHARE PREMIUM (CAPITAL RESERVE)	7,138,139	7,138,139	0
RETAINED EARNINGS	22,002,942	20,931,388	5
COMMITTED RESERVES	1,161,021	1,161,021	0
REVALUATION RESERVE			
NET PROFIT FOR THE PERIOD	865,883	1,071,554	(19)
PROVISIONS	213,400	175,000	22
Provisions for expected liabilities	213,400	175,000	22
Provisions for future expenses			
Other provisions			
LIABILITIES	16,900,100	18,042,224	(6)
BACKLISTED LIABILITIES			
Backlisted liabilities to related parties			
Backlisted liabilities to other investment			
Backlisted liabilities to third parties			
LONG TERM LIABILITIES	12,411,403	13,407,273	(7)
Long term loans			
Convertible bonds			
Liability from bond issue			
Capital investment and development loans			
Other long term loans	12,411,403	13,407,273	(7)
Long term liabilities to related parties			
Long term liabilities to other investments			
Other long term liability			
SHORT TERM LIABILITIES	4,488,697	4,634,951	(3)
Short term credits	400,000	200,000	100
Short term loans	3,555,463	3,031,000	17
Advance payments from customers	4,064	5,342	(24)
Creditors, Suppliers	139,064	104,077	34
Bills of exchange			
Short term liabilities to related parties	135,335	1,053,368	(87)
Short term liabilities to other investments	344	96	258
Other short term liabilities	254,427	241,068	6
DEFERRALS	166,033	106,015	57
Deferred revenues			
Deferred costs and expenses	163,985	102,491	60
Deferred income	2,138	3,524	(39)
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	56,732,955	56,910,778	0

INCOME STATEMENT OF DANUBIUS HOTELS NYRT. PREPARED IN ACCORDANCE WITH HAL (audited)

HUF thousand	2007	2006	Ch %
Net domestic sales revenue	3,538,513	3,532,135	0
Export sales revenue			
Total net sales revenue	3,538,513	3,532,135	0
Change in the stock of own prod.			
Cap. value of assets of own prod.			
Cap. value of own production			
Other income	60,592	149,152	(59)
Raw material costs	27,522	27,011	2
Value of services used	944,270	989,931	(5)
Other services	20,988	23,731	(12)
Purchase price of goods sold			
Value of sold services	71,038	210,704	(66)
Material expenditures	1,063,818	1,251,377	(15)
Salaries and wages	899,754	872,098	3
Other personnel payments	216,451	202,713	7
Taxes and contributions	339,438	339,129	0
Total payroll & related costs	1,455,643	1,413,940	3
Depreciation	455,947	425,215	7
Other expenditures	272,987	383,532	(29)
Operating profit	350,710	207,223	69
Dividend received	979,631	1,405,761	(30)
Capital gain on the sale of shares	111,500		
Exchange gain of inv. fin. assets		188,722	
Other interests received	272,672	275,433	(1)
Other financial income	300,274	252,423	19
Rev. from financial transact.	1,664,077	2,122,339	(22)
Exchange loss of inv. fin. assets	2,500	188,722	(99)
Interests payable	1,003,949	858,778	17
Loss of value -securities, deposits			
Other financial expenses	137,479	176,272	(22)
Expenditures of fin. transact.	1,143,928	1,223,772	(7)
Financial profit or loss	520,149	898,567	(42)
Profit from ordinary activities	870,859	1,105,790	(21)
Extraordinary income	31,386	3,074	921
Extraordinary loss	36,362	37,310	(3)
Extraordinary profit or loss	(4,976)	(34,236)	(85)
Profit before tax	865,883	1,071,554	(19)
Corporate tax payable			
Profit after tax	865,883	1,071,554	(19)
Dividend paid from profit reserve			
Dividend payable/ Minority			
NET PROFIT FOR THE PERIOD	865,883	1,071,554	(19)

REPORT OF THE AUDITOR ON THE 2007 B/S OF DANUBIUS HOTELS NYRT.



KPMG Hungária Kft.
Váro ut. 99.
H-1139 Budapest
Hungary

Telefon: +36 (1) 887 71 00
+36 (1) 270 71 00
Telefax: +36 (1) 887 71 01
+36 (1) 270 71 01
e-mail: info@kpmg.hu
Internet: www.kpmg.hu

Independent Auditor's Report

To the shareholders of Danubius Hotels and Spa Nyrt.

We have audited the accompanying 2007 consolidated financial statements of Danubius Hotels and Spa Nyrt. (hereinafter referred to as "the Company"), which comprise the consolidated balance sheet as at 31 December 2007, which shows total assets of HUF 86,333 million and retained profit for the year of HUF 1,404 million, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the consolidated supplementary notes including a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit and to assess whether the consolidated business report is consistent with the consolidated financial statements. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work with respect to the consolidated business report was limited to the assessment of the consistency of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

We have audited the consolidated financial statements of Danubius Hotels and Spa Nyrt., its components and elements and their documentary support in accordance with Hungarian National Standards on Auditing and gained sufficient and appropriate evidence that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Danubius Hotels and Spa Nyrt. as of 31 December 2007, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. The consolidated business report is consistent with the disclosures in the consolidated annual financial statements.

Budapest, 8 April 2008

KPMG Hungária Kft.
1139 Budapest, Váci út 99.
Chamber registration number: 000202

David Thompson
David Thompson
Partner

Péter Szabó
Péter Szabó
Registered Auditor
Identification number: 005301

This is an English translation of the Independent Auditor's Report on the 2007 IFRS Consolidated Annual Report of Danubius Hotels and Spa Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete IFRS Consolidated Annual Report it refers to.



KPMG Hungaria Kft.
Váci út 90
H-1139 Budapest
Hungary

Teléfono: +36 (1) 887 71 00
+36 (1) 270 71 00
Telefax: +36 (1) 887 71 01
+36 (1) 270 71 01
e-mail: info@kpmg.hu
Internet: www.kpmg.hu

Independent Auditor's Report

To the shareholders of Danubius Hotels and Spa Nyrt.

We have audited the accompanying 2007 annual report of Danubius Hotels and Spa Nyrt. (hereinafter referred to as "the Company"), which comprises the balance sheet as at 31 December 2007, which shows total assets of THUF 56,732,955 and retained profit for the year of THUF 865,883, and the income statement for the year then ended, and the supplementary notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the annual report in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual report based on the audit and to assess whether the business report is consistent with the annual report. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work with respect to the business report was limited to the assessment of the consistency of the business report with the annual report, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

We have audited the annual report of Danubius Hotels and Spa Nyrt, its components and elements and their accounting and documentary support in accordance with Hungarian National Standards on Auditing and gained sufficient and appropriate evidence that the annual report has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. In our opinion, the annual report gives a true and fair view of the financial position of Danubius Hotels and Spa Nyrt. as of 31 December 2007, and of its financial performance and of the result of its operations for the year then ended. The business report is consistent with the disclosures in the annual report.

Budapest, 20 March 2008

KPMG Hungária Kft.
1139 Budapest, Váci út 99.
Chamber registration number: 000202

David Thompson
David Thompson
Partner

Péter Szabó
Peter Szabó
Registered Auditor
Identification number: 005301

This is an English translation of the Independent Auditor's Report on the 2007 statutory Annual Report of Danubius Hotels and Spa Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete statutory Annual Report it refers to.

REPORT OF THE SUPERVISORY BOARD ON THE 2007 OPERATING ACTIVITIES AND B/S OF DANUBIUS HOTELS NYRT.

Report of the Supervisory Board of Danubius Hotels Nyrt. about the 2007 B/S of the Company 2007 and the report of the Board of Directors

The Supervisory Board of Danubius pursued its activities properly and regularly in the 2007 business year, according to the prevailing Act on Business Associations, the Articles of Association, the Rules of Procedure and the approved work schedule of the SB. The Supervisory Board submits its report before the AGM based on the report of the Board of Directors, the report of the independent Auditor, as well as the Audit Committee established last year and the regular interim control of the operation of the company.

The Supervisory Board obtained from the Board and the management of the company all the support to pursue its tasks. The chairman of the Supervisory Board was invited to all meetings held by the Board of Directors, thus getting direct information about the discussions on major issues and overall decisions related to the entire company. The President and the Senior Vice President of the company participate regularly at the meetings of the Supervisory Board where together with the representative of the auditor of the company and the presidential internal auditor and the head of internal control as well as members of the supervisory board are informed about actual and forecast figures, events and possible problems.

The Supervisory Board of the company group continues to invite to its meetings the chairman and the members of the Supervisory Board of Danubius Zrt. where the flash report presenting the quarter year operating activities of the company is discussed jointly.

The composition of the Supervisory Board has not changed during the past year, it has pursued its activities based on the approved work schedule with four members. The Supervisory Board held meetings five times in 2007 and the decisions passed on the items discussed were recorded in the minutes of each meeting.

In addition to reviewing the quarter year flash reports required by the Budapest Stock Exchange the board dealt with the following issues:

- the working plan of the internal control,
- the operation of the Budapest Service Centre,
- the documents of the AGM,
- the status of restructurings and developments,
- current human resources issues, succession training,
- professional trainings and development,
- the business operation of Gundel restaurant and winery

Having read the report of the Board of Directors and the Auditor as well as the information obtained at the meetings the Supervisory Board established that:

- the company has pursued its activities by fully observing the prevailing acts and legal provisions,
- the financial obligations were entirely met in line with the plan,
- the capital expenditure and reconstruction projects were implemented according to a proper schedule.

The Supervisory Board agrees with and proposes for approval the report of the Board of Directors on the 2007 business year and supports its concept for the year 2008.

The Supervisory Board discussed the 2007 annual report prepared by Danubius Hotels Nyrt. in line with the Hungarian Accounting Act with 56 732 955 thousand HUF total assets and 865 883 thousand HUF profit after tax, as well as the annual consolidated report prepared by the Danubius group in line with the International Financial Reporting Standard (IFRS) with 86 333 million HUF total assets and 1 404 million HUF profit after tax and proposes it to the AGM for approval.

The Supervisory Board agrees with the proposal of the Board of Directors regarding the allocation of the achieved profit.

Budapest, 8 April 2008

Tibor Antalpéter
Chairman of the Supervisory Board

REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee of Danubius Hotels Nyrt.

related to the 2007 report to the Board of Directors and the Supervisory Board of the Company

The Audit Committee of Danubius Hotels Nyrt. was regularly in contact with the management and auditor of the Company in 2007. The President and Vice President for Finances informs the Audit Committee about the business activities of the company, the development concept under preparation and all impacts basically affecting the operation of the Company every quarter year. The Audit Committee reviewed the flash reports prepared for the Budapest Stock Exchange. In the course of the review activities the Audit Committee followed up the operation of the financial reporting system and found it adequate.

The Audit Committee followed up the internal audit activities in the course of the year and was provided information about the shortcomings found by the audits and the action plans prepared as well as the measures taken.

The Audit Committee reviewed the 2007 business report to be submitted by the Board of Directors to the AGM, which as experienced contains information in line with reality. The report outlines the Danubius Hotels Nyrt. strategic position and all the proposals, directions of development the company targeted to achieve considering the current market situation. The Audit Committee agrees to the mid-term strategy approved by the Board and according to its opinion its scheduled realisation is in line with the plans. Based on the Auditor's report the Audit Committee established that the B/S and profit and loss statement reflect the results of the 2007 business year of the Company in line with reality, the legal regulations and provisions and the changes in its assets in numerical terms of quality and quantity.

The Audit Committee proposes the annual report to be approved by the Supervisory Board.

The Audit Committee proposes to the Board to submit the B/S and the Profit and Loss statement to the AGM for approval.

The report to be submitted to the AGM by the Board does not withhold any facts or circumstances known to the Audit Committee that could be of importance to the owners decision.

Based on the abovementioned the Audit Committee proposes the board of director's report to be approved by the AGM.

Considering the Company's requirements for sources for the development concept to be prepared, the Audit Committee agrees to the proposal of the Board of Directors not to pay dividend to the burden of the 2007 profit.

The Audit Committee proposes to the Board and the AGM to elect the appointed representative of KPMG Hungária Kft, Péter Szabó, chartered accountant (no. 005301) to be the auditor of the Company for 2008. The auditor Company and the person of the auditor meets the set requirements both from professional and incompatibility aspects.

It is proposed to provide a remuneration of 12 763 000 HUF annual fee to KPMG Hungária Kft for pursuing the auditing duties.

Budapest, 28 March 2008

Dr. András Gálszécsy
Chairman of the Audit Committee

PROPOSAL FOR THE RESOLUTION FOR ITEM 1 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to approve the stand alone and consolidated 2007 statement of Danubius Hotels Nyrt. with the following major data:

- Danubius Hotels Nyrt. B/S total asset value: 56 732 955 thousand HUF
- Danubius Hotels Nyrt. profit after tax: 865 883 HUF
- Danubius Hotels Nyrt. consolidated B/S total asset value: 86 333 million HUF
- Danubius Hotels Nyrt. consolidated profit after tax: 1 404 million HUF

ITEM 2 OF THE AGENDA: TO PASS DECISION ON THE REPORT ON CORPORATE GOVERNANCE

The declaration of Danubius Hotels Nyrt. about compliance with the contents of the Corporate Governance issued by the Budapest Stock Exchange

The level of compliance with the Corporate Governance

- R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.
Yes
- R 1.1.2 The company applies the "one share - one vote" principle.
Yes
- R 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.
Yes
- R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.
Yes
- The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.
Yes
- R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.
Yes
- R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.
Yes
- Written comments made on the items on the agenda were published two working days prior to the general meeting.
Yes
- R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.
Yes
- R 2.1.1 The responsibilities of the Managing Body include those laid out in 2.1.1.
Yes
- R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.
Yes
- The Supervisory Board held meetings regularly, at times designated in advance.
Yes
- The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.
Yes
- The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.
Yes

- R 2.5.1 The Management Board of the company has a sufficient number of independent members to ensure the impartiality of the board.
Yes
- R 2.5.4 At regular intervals (in connection with the CG Report) the Managing Body requested a confirmation of their independent status from those members considered independent.
Members of the Board of Directors inform the Board about any changes in their position that could have an impact on the assessment of their independent status, if such a thing takes place.
- R 2.5.5 At regular intervals (in connection with the CG Report) the Supervisory Board requested a confirmation of their independent status from those members considered independent.
Members of the Supervisory Board inform the Board about any changes in their position that could have an impact on the assessment of their independent status, if such a thing takes place.
- R 2.5.7 The company disclosed on its website the guidelines on the independence of the Managing Body and the Supervisory Board, as well as the criteria applied for assessing independence.
The criteria applied for assessing independence of the Board of Directors and the Supervisory Board are judged by the Recommendation for Corporate Governance. The circle of the members of the Board of Directors ensures that in line with the strategic interests of the company the interests of all the shareholders be taken into consideration.
- R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).
No deal justifying an announcement took place in the recent year.
- R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.
Yes
Transactions which according to 2.6.2. fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).
Yes
- R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company, which is not part of the company group.
No such event took place last year.
- R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.
Yes
The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.
Yes
- R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.
Yes
The Supervisory Board formed an opinion on the remuneration guidelines.
Yes
The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.
No such proposal was submitted in the past year.

- R 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.
The Supervisory Board prepared an evaluation of the work it carried out in the given business year.
Yes
- R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.
Yes

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.
No such proposal was submitted in the past year.
- R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.
Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).
There is no such remuneration system in the company.
- R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.
The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.
The Remuneration_of the members of the Board of Directors and the Supervisory board is submitted to the AGM, every year and is voted on as a separate item of the agenda. The Remuneration_of the members of the management is not disclosed.
- R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.
Yes

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.
Yes

The Managing Body took the necessary steps to identify the major risk areas.
Yes
- R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.
Yes

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.
Yes
- R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4.
Yes
- R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.
Yes
- R 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee.
Controlling activities are carried out at several levels in the company. Controlling activities built into the work processes and general controlling activities are continuous, the internal controlling body acting in the company reports to the Supervisory Board and informs the Audit Committee about its findings, while the Presidential internal auditor receives her tasks from the Chairman of the Board of Directors. The Board of Directors, the Supervisory Board and the Audit Committee are all informed about any major statements of any controlling function.

The Internal Audit reported at least once to the Audit Committee on the operation of risk management, internal control mechanisms and corporate governance functions.
Yes

- R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee. As an organisation, the Internal Audit function is independent from the executive management.
See point "R 2.8.6."
- R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.
The internal controlling body reports to the Supervisory Board, its work plan is approved by the Supervisory Board. The Presidential Internal Auditor receives her tasks from the Chairman of the Board of Directors.
- R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.
Yes, the Board of Directors set forth the assessment of the operation of internal controls in the Report of the Board prepared for the AGM.

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.
The activities in connection with the reports prepared about the operation of internal controls are in line with the procedures set down in writing as well as the applied practise.
- R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.
Yes
- R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.
No such assignment was given in the past year.
- R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.
Yes

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".
Yes
- R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, the Nomination Committee and the Remuneration Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
Yes. Among the listed only the Audit Committee is operating in our company, the duties of which are laid down in the Articles.
- R 3.2.1 The Audit Committee monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.
Yes
- R 3.2.3 The Audit Committee received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.
Yes
- R 3.2.4 The Audit Committee requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.
The Auditor of the company has been KPMG Hungária Kft since 1999. It is assigned by the AGM every year and it signs a declaration as evidence of its approval. Facts in line with incompatibility regulations are laid down in this.
- R 3.3.1 There is a Nomination Committee operating at the company.
No, the duties of the Nomination Committee are fulfilled by the Board of Directors.

- R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.
The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.
The Nomination Committee evaluated the activity of board and executive management members.
The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.
The duties of the Nomination Committee are fulfilled by the Board of Directors.
- R 3.4.1 There is a Remuneration Committee operating at the company.
No, the duties of the Remuneration Committee are fulfilled by the Board of Directors.
- R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.
The duties of the Remuneration Committee are fulfilled by the Board of Directors.
- R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.
The remuneration of the executive management is approved by the Board of Directors.

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.
The remuneration of the Board of Directors is approved by the AGM.

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.
There is no share option in the company. The cost reimbursement and other benefits are continuously monitored.
- R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines and the remuneration of individual persons.
The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.
The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.
The duties of the Remuneration Committee are fulfilled by the Board of Directors.
- R 3.4.7 The majority of the members of the Remuneration Committee are independent.
The duties of the Remuneration Committee are fulfilled by the Board of Directors.
- R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.
The duties of the Remuneration Committee and Nomination Committee are fulfilled by the Board of Directors.
- R 3.5.2 The Managing Body carried out the duties of the Remuneration and Nomination Committees and disclosed its reasons for doing so.
Yes. The size of the company and the relative constant owner and senior management circle makes it possible for duties of the Remuneration Committee and Nomination Committee to be entirely fulfilled by the Board of Directors.
- R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.
Yes
- R 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.
Yes
- R 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.
According to the guideline the company acts in line with the prevailing legal regulations and other rules and regulations.

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes

R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.

Yes

R 4.1.5 The company published its corporate events calendar on its website.

No, the company publishes precise information about the events following setting the final date.

R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes

R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

No such assignment was given.

R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

Yes, this information is available on the website of the company.

R 4.1.10 The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board and on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.

The Rules of procedure of the Board of Directors and the Supervisory Board are available on the website of the company. The remuneration of the management is established based on the continuous interim evaluation, the criteria when evaluating the work of the management is equal to that applied for the other senior managers.

R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

The remuneration of the Board of Directors and the Supervisory Board is established based on the resolution passed by the AGM, the shareholders are informed accordingly in the AGM documents and the Minutes taken at the AGM.

The remuneration of the management is established based on the continuous interim evaluation. The fixed and the variable wage – calculated based on the profit and other key performance indicators - reflect the market conditions. In case of the benefits, the Board of Directors endeavors to calculate by focusing on the strategic long- term goals of the owners and the company.

R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

The Board of Directors is continuously dealing with risk management but does not disclose any detailed information as these are considered business secret.

The Board of Directors informs its shareholders about major risk elements affecting its operation and business once a year in its annual report (and if necessary in the quarterly flash report) when evaluating the past year and forecasting the coming year.

R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes

R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

The company considers the legal regulations and other regulations in connection with insiders' trading as prevailing.

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Employees were last provided the possibility to become holders of the company' securities in the course of the employee share program - allowance program - carried out in 1999-2000. No share incentive scheme is operating in the company.

- R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.
The members of the Board of Directors and the management have no such relationships.

The level of compliance with the Corporate Governance

- S 1.1.3 The company has an investor relations department.
Yes
- S 1.2.1 The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)
Yes
- S 1.2.2 The company's articles of association are available on the company's website.
Yes
- S 1.2.3 The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).
Yes
- S 1.2.4 Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.
Yes
- S 1.2.5 The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.
Yes
- S 1.2.6 Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.
No request was made for such an addition.
- S 1.2.7 The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.
Yes
- S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.
Yes
- S 1.3.1 The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.
Yes
- S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.
Yes
- S 1.3.3 The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.
The articles of association does not regulate this issue.

- S 1.3.4 The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.
Yes
- S 1.3.5 The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so
This issue has not occurred.
- S 1.3.6 The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.
Yes
- S 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting.
Yes
- S 1.3.11 The company's general meeting decided on the different amendments of the articles of association in separate resolutions.
The modifications of the articles proposed to the 2008 AGM are of a technical kind, consequently one resolution will be made.
- S 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.
Yes
- S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.
No dividend has been paid to the burden of the 2007 profit. In the event if the AGM passes a resolution in favour of paying a dividend, the company, alongside observing the legal regulations, will endeavour to publish the starting payment day in advance to make it possible for the shareholders to collect the dividend due to them as soon as possible.
- S 1.4.2 The company disclosed its policy regarding anti-takeover devices
In terms of anti-takeover devices, the company acts in line with legal regulations and principles set down in other stipulations.
- S 2.1.2 The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.
Yes
- S 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.
Yes
- S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.
Yes

- S 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.
Yes
- S 2.4.1 The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.
Yes
- S 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2.
Yes
- S 2.4.3 Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme
Yes.
- S 2.5.2 The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.
Yes
- S 2.5.3 The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.
Presently the two functions are separated, no such disclosure is needed.
- S 2.5.6 The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.
Yes
- S 2.7.5 The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.
Yes
- S 2.7.6 In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.
Yes
- S 2.8.2 The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.
Yes
- S 2.8.10 When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10.
Yes
- S 2.8.12 The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee.
No

- S 2.9.1 The rules of procedure of the Managing Body, the Supervisory Board and the committees cover the procedure to be followed when employing an external advisor.
Yes
- S 2.9.4 The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.
Agenda items of the AGM are discussed with the Auditor, the Supervisory Board and the Audit Committee outside of the Board meeting.
- S 2.9.5 The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.
Yes
- S 3.1.2 The chairmen of the Audit Committee, Nomination Committee, Remuneration Committee (and any other committees operating at the company) regularly inform the Managing Body about the meetings of the committee, and the committees prepared at least one report for the Managing Body and the Supervisory Board in the given business year.
Yes
- S 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.
Yes
- S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5
Yes
- S 3.2.2 The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company
Yes.
- S 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.
The Board of Directors fulfils the duties of the Nomination Committee.
- S 3.3.4 The majority of the members of the Nomination Committee are independent
The Board of Directors fulfils the duties of the Nomination Committee.
- S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5.
The Board of Directors fulfils the duties of the Nomination Committee.
- S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.
The Board of Directors fulfils the duties of the Remuneration Committee.
- S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.
The Board of Directors fulfils the duties of the Remuneration Committee.

S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4.
Yes

The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures
The Board of Directors continuously monitors the efficiency of disclosure procedures and informs its shareholders at the AGM.

S 4.1.7 The company's financial reports followed IFRS guidelines
Yes.

S 4.1.16 The company also prepares and releases its disclosures in English
Yes.

PROPOSAL FOR THE RESOLUTION FOR ITEM 2 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to approve the Declaration on Corporate Governance set forth.

**ITEM 3 OF THE AGENDA:
TO PASS DECISION ON THE 2007 PROFIT ALLOCATION**

The board of Danubius Hotels Nyrt. proposes to the AGM not to pay any dividend to the burden of the 2007 profit. In reflection of the 2007 year results and the 2008 budget – drafted in the business targets – in terms of achieving its long term plans the board finds it best to continue investing its funds.

PROPOSAL FOR THE RESOLUTION FOR ITEM 3 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM not to pay any dividend to the burden of the 2007 year profit.

ITEM 4 OF THE AGENDA: TO INFORM THE MEETING ABOUT THE 2008 BUSINESS TARGETS

Whilst general industry and market trends do not suggest significant changes at the time of preparing the 2008 budget, the uncertainties in international financial markets raise major questions about the prospects for the world economy in 2008 and the possible knock on effects and risks for our industry including Danubius Hotels Nyrt. The performance of the company is also at all times largely influenced by the strengthening and weakening of the Forint and other national currencies against the Euro. The management calculated with 250 HUF/EUR preparing the 2008 budget. Owing to the increasing energy prices, this cost element is becoming a growing item from year to year. The price of energy in general is forecasted to go up by 9-12% in 2008.

In our Hungarian hotels the number of key guest circles is not expected to change significantly. Less and less guests have been arriving from the German market, but we trust that as a result of the improvement of our German market representation, we will be able to reach both wellness and business guests and that we will be able to arrest this trend and increase German guestnights. The majority of our British guests arrive to Budapest and their number is largely dependent on the air traffic connections between the two countries. This market is expected to expand in 2008. Hungary's joining the Shengen zone will have an overall positive effect on foreign demand. In addition, the growth of the number of domestic guests is forecasted although this increase will slow down a bit. All these are expected to improve occupancy.

A brand new operational software is going to be introduced in the course of 2008-2009, which will ensure increased efficiency in the fields of operation, sales, guest relations as well as business and financial areas. Simultaneously, the company will focus on pushing the turnover generated by electronic sale channels. In the city hotels our goal is to achieve a healthy proportion of leisure and business guests, while in the spa hotels of the Danubius Health Spa Resort brand we aim to see improving results through new products – e.g. the all-inclusive services in Danubius Health Spa Resort Aqua in Hévíz –, as well as with new concepts e.g. the family friendly hotel program. The direct increasing of our rates is not accepted by every market segment, however, changing the guest composition offers a possibility to raise average rates.

Therefore the budget shows increasing revenues for 2008, which alongside the strict control of variable costs will result in positive change of departmental profit, but unfortunately owing to the increasing of overhead costs – primarily energy – the budget forecasts a fall back of operating profits.

Looking at the Czech subsidiary, the budget indicates somewhat lower occupancy but still above 70% and due to the positive impact of investments carried out in the recent years we plan an increase of average rates. The number of guests arriving to the hotels in Marienbad from Germany is getting less and less too. This also means that the ratio of guests arriving through travel agencies or tour operators is reducing. Compensation of this shortage - principally by guests booking electronically - has in itself a beneficial impact on the achieved results. The domestic market, the surrounding countries and the successor states of USSR mean a great potential for the Czech hotels in the future.

Besides maintaining the level of indirect costs, general costs – especially those of energy and maintenance – will increase significantly, therefore the expected 2008 performance at gross operating profit level will lag behind last year's.

The forecast of the hotels in Piestany, Slovakia is largely influenced by the impact of the developments aimed at capacity extension and improvement of quality. The number of domestic guests financed by insurance companies is expected to go down, at the same time the self paying domestic guests arriving with the intention of a shorter leisure stay are likely to grow. The Czech, Polish and Russian turnover will increase considerably as well. Alongside the improvement of occupancy, average rates are also planned to go up by more than 10%. As a result of more efficient operation, the budget figures show improving gross operating profits.

In wake of the positive impact of joining the European Union, the general development of the economy as well as the improvement of the efficiency of operations our Romanian hotels achieved an outstanding result in 2007. The positive trend is expected to carry on in 2008, however, the dynamics of the past years will not be able to subsist. The range of services on offer in Danubius Health Spa Resort Sovata have widened in the recent years. The newly built conference centre will allow the increasing of the business segment in 2008. Besides the Hungarian and Romanian guests, a high proportion is represented by guests travelling from Moldavia, who have to acquire a visa ever since Romania joined the EU, and this has adversely affected demand. All in all both occupancy and average rates are expected to go up. The increase of energy costs will be dramatic in our hotels in Sovata as well and wage costs will be burdened too (as minimal wages will be set), however, gross operating profit is expected to be up.

Considering the above the budget forecasts 4% increase of group level revenues. In 2007 the other revenue line showed a significant one off effect coming from property sales (e.g. the sales of Hotel Esztergom and

Kastélykert). Filtering out the changes in other revenues, Danubius Hotels Nyrt. budgeted a 5% increase of revenues. The growing number of guests and the inflation led to material type costs going up. Owing to strict headcount and wage management we planned 5% increase of personal type expenditures at consolidated level. Operating expenditures are planned to go up by 4%. Operating profit of the Danubius Group is budgeted to be 2.7 billion HUF in 2008, 6% lagging behind the 2007 figures. Calculating the operating profit without the effect of the change of the other revenues (including the one-off fixed assets sales in 2007), it would show a 15% increase on the 2007 level.

A major item among planned investments is the new operating software to be introduced not only in Hungary but also in all foreign daughter companies. In Hungary the company plans to renew the facade (joint with the spa) of Danubius Hotel Gellért this year and the entire reconstruction of the hotel is also in the pipeline, which given favourable conditions may be launched later in 2008. Investments necessary for the all-inclusive operation of Danubius Health Spa Resort Aqua are being carried out, the restaurant and conference section of Budapest Hilton is being refurbished and a brand new Hilton fitness centre created. Upgrading the Budapest located Hotel Stadion is also included among our plans. The hotel will offer new extended services and enter the four-star market under a new name as of the beginning of 2009. In the Czech subsidiary investments aimed at cutting energy costs will play a vital role in 2008. In Piestany, in addition to the start of the new software project, plans include the reconstruction of the conference rooms in Balnea Grand and Balnea Palace, which would allow reaching new market segments and a new fitness centre in the main spa area. In Sovata the reconstruction and upgrading into four-star of Hotel Bradet is planned.

The above-mentioned plans require market conditions and the business environment not to change significantly, particularly as a result of the uncertainties in international economic prospects. Also, certain elements – e.g. increasing energy costs – make the sustaining of profitability more difficult. Alongside the planned changes in operating profit, the increase of interest costs is expected – owing to increased loan stocks – while considering the 250 HUF/EUR exchange rate forecast – the rate difference is to remain at the prior year's level. Danubius Group budgeted its profit before tax to be 1.2 billion HUF.

PROPOSAL FOR THE RESOLUTION FOR ITEM 4 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes the AGM to accept the 2008 business targets set forth.

**ITEM 5 OF THE AGENDA:
TO ELECT MEMBERS OF THE BOARD OF DIRECTORS**

The Board of Directors of Danubius Hotels Nyrt. presently consists of 11 members. The mandate of Robert Levy and Ing. Lev Novobilsky, board members will expire (Robert Levy on 29 April 2008, Ing. Lev Novobilsky on 23 April 2008).

The Board proposes election of the following two persons to be members of the Board of Directors:

Robert Levy

A member of the Danubius Hotels Nyrt. Board since 1998.

He is Chief Executive Officer of CP Holdings Ltd. and Director of several subsidiaries.

He was born in 1954, he is married with two children.

He graduated in Cambridge and Fontainbleu. He has been working in the banking profession since 1975. From 1978 till 1998 he held positions of increasing seniority in the Israeli and British branches of Bank Leumi. He was Deputy CEO at Bank Leumi Plc when he left to join CP Holdings Ltd.

Ing. Lev Novobilsky

A member of the Danubius Hotels Nyrt. Board since 2003.

Over 10 years Chairman and CEO of the Lecebné Lázně Mariánské Lázně a.s. (Marienbad Spa Operation, Czech Republic), further Chairman of the Piestany Spa Operation (Slovakia) and member of the Board of Directors of Danubius Hotels Rt., representing the foreign subsidiaries in the Board.

Education: Hotel School in Opava and Prague University of Economics in the field of Tourism and Services.

Working history: over 40 years of management experience in F&B, hotel and spa business administration. Working in most of all basic operational corporate positions. Global experience working also in Canada and Germany.

Other positions: Vice-Chairman of the TWI (Thomas Wildey Institute), Munich and Head of the Czech Chapter and Board Member of the EHMA (European Hotel Managers Association), Vice-President of the Royal Spas of Europe and Chairman of the local Chamber of Commerce, Marienbad, Czech Republic.

PROPOSAL FOR THE RESOLUTION FOR ITEM 5 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect Robert Levy to be member of the Board of Directors as of 29 April 2008 for a period of five years.

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect Ing. Lev Novobilsky to be member of the Board of Directors as of 24 April 2008 for a period of five years.

ITEM 6 OF THE AGENDA: TO ELECT MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board of Danubius Hotels Nyrt. presently consists of 4 members. The mandate of Mrs. Imre Surányi and Dr. Gábor Boér, Supervisory Board members will expire on 29 April 2008.

The Board proposes election of the following two persons to be members of the Supervisory Board:

Dr. Gábor Boér

A member of the Danubius Hotels Nyrt. Supervisory Board since 1998.

He graduated at the University of Economics in Budapest in 1973. Following this he was an economic journalist and editor then he worked for the Ministry of Foreign Trade between 1976 and 1990 and its legal successor in Hungary and abroad.

Since 1990 he has been the vice president, since 2008 president of Investor Holding Zrt. In addition to this he has been the CEO of Interag Zrt. since 1997.

László Polgár

He has not yet filled in any senior posts at Danubius Hotels Nyrt.

Graduating at the Collage for Finance and Accounting specialised in corporate business issues, he received a degree on accounting and auditing in 1984 and was registered at the Ministry of Finance as auditor in 1986 and later as tax expert in 1994. In later years he was qualified financial institutional, budgetary and cash chartered accountant and also tax, duty expert and auditor in issues of justice.

His career started in Hotel Astoria. He worked in Danubius Hotels between 1974 and 1977 heading first the head office controlling later the office administration department in the course of which he organised the office administration processes of the newly opened Thermal Hotel Hévíz as well as the Budapest Hilton. He was also active in the company in a later period: he was the chief accountant in the hotels on Margitsziget from 1978 to 1980.

Several of his subsequent works was also connected to the hotel industry and tourism.

He has completed balance sheet auditing as well as other auditing and expert activities in numerous leading companies and several undertakings on commission or currently as private entrepreneur.

PROPOSAL FOR THE RESOLUTION FOR ITEM 6 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect Dr. Gábor Boér to be member of the Supervisory Board as of 29 April 2008 for a period of five years.

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect László Polgár to be member of the Supervisory Board as of 24 April 2008 for a period of five years.

**ITEM 7 OF THE AGENDA:
TO ELECT MEMBER OF THE AUDIT COMMITTEE**

The Audit Committee of Danubius Hotels Nyrt. presently consists of 3 members.
The mandate of Mrs. Imre Surányi, Audit Committee member will expire on 29 April 2008.

The Board proposes election of the following person to be member of the Audit Committee:

László Polgár

For introduction, please see Item 6 of the agenda.

PROPOSAL FOR THE RESOLUTION FOR ITEM 7 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect László Polgár to be member of the Audit Committee as of 24 April 2008 for a period of five years.

**ITEM 8 OF THE AGENDA:
TO MODIFY THE ARTICLES OF ASSOCIATION**

Articles in effect:

2.2. According to the object clause in effect from 1 January 2003 the scope of activities of the company is:

5510'03 Hotel services (main activity)
5523'03 Providing other commercial accommodation
5530'03 Restaurant and confectionery catering
5540'03 Other public sales catering
5551'03 Operating staff canteen
6330'03 Organisation of travels
6713'03 Other financial services not classified otherwise
7020'03 Property rent, management

7210'03 Hardware advising
7230'03 Data processing

7260'03 Other activities related to information technology
7412'03 Other accounting activities

7414'03 Management consulting

7487'03 Other economic services not classified otherwise
8512'03 Out-patient service

8514'03 Other human medical services

9261'03 Operating of sports grounds, stadiums
9262'03 Other sports activities

9272'03 Other free-time activities not classified otherwise

V. Rights and obligations of the shareholder, the transfer of the shares

5.1. In line with the conditions set forth in the Gt., the Tpt. and the present Articles shareholders shall have

5.1.1. the right to:
- in case of registered shares following registration into the book of shares -

a/ participate, to request information, to make remarks and proposals at the general meeting and if holding shares with voting rights, to vote

b/ exercise any rights in possession of the ownership certificate issued by the security account keeper,

Proposal for the amendment:

2.2. *According to the object clause in effect from 1 January 2008 the scope of activities of the company is:*

*5510'08 Hotel services (main activity)
5610'08 Restaurant, mobile F&B services*

5629'08 Other F&B services

*5630'08 Beverage services
6203'08 Operation of computers
6209'08 Other IT services
6820'08 Lease, operation of owned and leased properties
6920'08 Accounting, auditing and tax expert activities
7021'08 PR communication
7022'08 Business administration, other management consulting
7111'08 Architectural activities*

7112'08 Engineering activities, technical consultancy

*7490'08 Other professional, scientific, technical activity not listed otherwise
7990'08 Other reservation*

8230'08 Organisation of conference, trade shows

8299'08 Other additional business services not listed otherwise

8621'08 General out-patient treatment

8622'08 Professional medical out-patient treatment

9311'08 Operation of sport establishment

V. Rights and obligations of the shareholder, the transfer of the shares

5.1. In line with the conditions set forth in the Gt., the Tpt. and the present Articles shareholders shall have

5.1.1. the right to:
- in case of registered shares following registration into the book of shares -

a/ participate, to request information, to make remarks and proposals at the general meeting and if holding shares with voting rights, to vote

b/ exercise any rights in possession of the ownership certificate issued by the security account keeper,

c/ receive a share (dividend) from the company's taxed profit of the year under review ordered to be distributed by the General Meeting established in accordance with the Accounting Act – with the exception of capital decrease - and from the taxed profit supplemented by available profit reserves in the percentage consistent to the face value of their shares,

d/ transfer their shares,

e/ receive a share in proportion to the face value of their shares from the assets remaining after settlement of all debts in the event of termination of the company without legal successor, unless otherwise provided by law,

f/ exercise minority rights for shareholders representing at least five percent of the votes,

g/ an access to the register of shareholders and to request a copy of a part related to them from the Board of directors or its representative, which the keeper of the register of the shareholders is obliged to provide within five days.

5.3. The transfer of the shares

5.3.4. In the event if the extent of acquisition of participating interest reaches 5 (five) percent in the company determined by the Tpt., the shareholder shall notify the Hungarian Banking and Capital Market Supervision and the Board of directors within 2 (two) calendar days and initiate the publication of the announcement without delay.

The shareholder has the same announcement and publication obligations in all subsequent share acquisitions in 5 (five) percent stages (10, 15, 20 % etc.).

c/ receive a share (dividend) from the company's taxed profit of the year under review ordered to be distributed by the General Meeting established in accordance with the Accounting Act – with the exception of capital decrease - and from the taxed profit supplemented by available profit reserves in the percentage consistent to the face value of their shares,

d/ transfer their shares,

e/ receive a share in proportion to the face value of their shares from the assets remaining after settlement of all debts in the event of termination of the company without legal successor, unless otherwise provided by law,

f/ exercise minority rights for shareholders representing at least five percent of the votes,

g/ *shareholders holding at least 1% of votes may request the delegation of an independent expert, and request in writing from the Board, indicating the reason and objective, to put an issue on the agenda of the AGM,*

h/ an access to the register of shareholders and to request a copy of a part related to them from the Board of directors or its representative, which the keeper of the register of the shareholders is obliged to provide within five days.

5.3. The transfer of the shares

5.3.4. *In the event if the extent of acquisition or alienation of shares providing voting right or the voting right reaches 5 (five) percent directly or indirectly in the company and following this exceeding any further 5 (five) percent threshold the shareholder or the person holding voting rights shall notify the Company and the Hungarian Financial Supervisory Authority (PSZÁF) without delay or within 2 (two) calendar days.*

The first day is considered to be the following day of the day when the purchaser or the seller of the share providing voting right or the voting right obtains knowledge or should have obtained knowledge of the transaction of exceeding the threshold.

Any acquisition of participating interest above fifty percent shall be notified and published only when the extent reaches 75% - 80% - 85% and 90% and upon any additional increase of 1% thereafter.

Having reached the 50% extent, the above announcement obligation is to be met again when the extent reaches 75, 80, 85, 90 %, or following this upon any additional increase of 1% thereafter.

To cases of exemption from the announcement obligation the regulations of the Tpt. shall apply.

5.3.6. In determining the extent of interest, direct and indirect control, the interest held by persons acting in concert and the interest of close relatives shall be applied concurrently.

5.3.6. In determining the extent of interest, direct and indirect control, the interest held by persons acting in concert and the interest of close relatives shall be applied concurrently.

Where a participating interest is acquired by persons acting in concert, the obligation of notification and publication applies to all parties concerned.

VI. General Meeting

VI. General Meeting

6.6.1. The sphere of authority of the general meeting
Issues falling within the exclusive competence of the general meeting:

6.6.1. The sphere of authority of the general meeting
Issues falling within the exclusive competence of the general meeting:

- a) decisions to approve and modify the articles of association unless stipulated otherwise by the Gt,
- b) decision on changing the form of operation of the Company,
- c) decision on the transformation and termination of the Company without legal successor,
- d) election and removal of members of the board of directors, the supervisory board and the auditor and establishing their remuneration,
- e) approval of the annual report on the balance according to the Accounting Act, including the report on Corporate Governance and the decision on the allocation of profit after tax,
- f) decision to pay interim dividends, if not stipulated otherwise by the Gt,
- g) alteration of the rights attached to various series of shares and the conversion of categories or classes of shares,
- h) decision to issue convertible bonds, or bonds with subscription rights, unless otherwise stipulated by the Gt,
- i) decision to increase the share capital unless otherwise stipulated by the Gt,
- j) decision to decrease the share capital unless otherwise stipulated by the Gt,
- k) decision to abolish pre-emptive subscription right,

- a) decisions to approve and modify the articles of association unless stipulated otherwise by the Gt,
- b) decision on changing the form of operation of the Company,
- c) decision on the transformation and termination of the Company without legal successor,
- d) election and removal of members of the board of directors, the supervisory board and the auditor and establishing their remuneration,
- e) approval of the annual report on the balance according to the Accounting Act, including the report on Corporate Governance and the decision on the allocation of profit after tax,
- f) decision to pay interim dividends, if not stipulated otherwise by the Gt,
- g) alteration of the rights attached to various series of shares and the conversion of categories or classes of shares,
- h) decision to issue convertible bonds, or bonds with subscription rights, unless otherwise stipulated by the Gt,
- i) decision to increase the share capital unless otherwise stipulated by the Gt,
- j) decision to decrease the share capital unless otherwise stipulated by the Gt,
- k) decision to abolish pre-emptive subscription right,

- l) decision on the authorisation of the board of directors -including conditions- related to the acquisition of own shares excluding the fact if the acquisition of the shares is forced upon the company to avoid facing direct severe damage unless otherwise stipulated by the Gt,
- m) decision on the introduction of the company on the stock exchange or its withdrawal,
- n) decision on taking steps for the disturbance of the procedure of making a public purchase offer (Gt. Section 305),
- o) decision on the acceptance of a public purchase offer made for the own share,
- p) election of the members of the audit board,
- q) decision on all issues that fall into the exclusive competence of the general meeting according to the company act (Gt.) or the articles of association.

VII. The Board of Directors

7.1.2 The members of the board may not serve in this position under contract of employment.

7.2. The appointment, remuneration and termination of the mandate of the members of the board of directors

7.2.1 The board of directors consists of maximum eleven (11) and minimum three (3) members.

They are elected by the general meeting for the period till the day of annual general meeting to be held in the fifth year from the day of election but no later than the 30th day in April of the fifth year.

The appointment to board member enters into effect upon acceptance by the person under review.

The board of directors has presently eleven (11) members:

Sir Bernard Schreier
mother's name: Katzwiener Anna
address: 18 Lodge Road, St. John's Wood
London NW8 7JT

Betegh Sándor
mother's name: Béldi Erzsébet
address: 1126 Budapest, Fodor utca 29/A.

John E. Smith
mother's name: Sybil Jones
address: 10 Bearswood End Beaconsfield
Bucks HP9 2NR GB

- l) decision on the authorisation of the board of directors -including conditions- related to the acquisition of own shares excluding the fact if the acquisition of the shares is forced upon the company to avoid facing direct severe damage unless otherwise stipulated by the Gt,
- m) decision on the introduction of the company on the stock exchange or its withdrawal,
- n) election of the members of the audit board,
- o) decision on all issues that fall into the exclusive competence of the general meeting according to the company act (Gt.) or the articles of association.

VII. The Board of Directors

7.1.2. *To rights and obligations of the member of the board as such – with exceptions laid down by the law –*

- a/ *the provisions related to assignment of the Ptk. (corporate legal relation) or*
- b/ *regulations in connection with the labour relation shall apply.*

7.2. The appointment, remuneration and termination of the mandate of the members of the board of directors

7.2.1. The board of directors consists of maximum eleven (11) and minimum three (3) members.

They are elected by the general meeting for the period till the day of annual general meeting to be held in the fifth year from the day of election but no later than the 30th day in April of the fifth year.

The appointment to board member enters into effect upon acceptance by the person under review.

The board of directors has presently eleven (11) members:

Sir Bernard Schreier
address: 18 Lodge Road, St. John's Wood
London NW8 7JT

Betegh Sándor
address: 1126 Budapest, Fodor utca 29/A.

John E. Smith
address: 10 Bearswood End Beaconsfield
Bucks HP9 2NR GB

Robert Levy
 mother's name: Evelyn Goldberg
 address:50/1 Belsize Square London NW3
 4HN GB

dr. Deák Imre
 mother's name:Gertner Etel
 address:7635 Pécs, Erdész u. 53.

dr. Fluck István
 mother's name:Kedvessy Hilda
 address:1112 Budapest, Eper u. 20.

Tóbiás János
 mother's name:Csikai Éva
 address:1136 Budapest, Tátra u. 4.
 László József
 mother's name: Rausch Teréz
 address:1016 Budapest, Naphegy u.33.

Iris Gibbor
 mother's name: Lily Geckt
 address:5. Hall Road London NW8 9PE GB.

Ing. Lev Novobilsky
 mother's name:Mary Carrick
 address:35301 Mariánské Lázně, Školní
 náměstí 581/9 A CZ

Alexei Schreier
 mother's name: Anna Plochova
 address: Flat 4, 2 Green Street, London
 W1K 6RL

Robert Levy
 address: 50/1 Belsize Square London NW3
 4HN GB

dr. Deák Imre
 address: 7635 Pécs, Erdész u. 53.

dr. Fluck István
 address: 1112 Budapest, Eper u. 20.

Tóbiás János
 address: 1136 Budapest, Tátra u. 4.
 László József
 address: 1016 Budapest, Naphegy u.33.

Iris Gibbor
 address: 5. Hall Road London NW8 9PE GB.

Ing. Lev Novobilsky
 address: 35301 Mariánské Lázně, Školní
 náměstí 581/9 A CZ

Alexei Schreier
 address: Flat 4, 2 Green Street, London
 W1K 6RL

7.3.1 In addition to the above mentioned following tasks belong to the sphere of competence of the board of directors:

- a) to determine the place and date of the general meeting, and to elect the person of the chairman of the general meeting,
- b) to submit the report prepared based on the Accounting Act and the proposal for the allocation of the profit after tax,
- c) to issue instructions, recommendations relating to objectives of practical business policy and economy,
- d) to conclude, to amend, and to terminate each contract exceeding the value limit of HUF 100,000,000, (in letters: HUF One hundred million),
- e) to decide on the participation in an economic company over the value limit of HUF 50,000,000, (in letters: HUF Fifty million),
- f) to exercise employer's rights vis-a-vis the president, and vice presidents,
- g) to purchase and sell real estates,
- h) to approve the organisational regulations and the rules of procedure,
- i) to authorise entitlement to representation to employees of the company,

7.3.1. In addition to the above mentioned following tasks belong to the sphere of competence of the board of directors:

- a) to determine the place and date of the general meeting, and to elect the person of the chairman of the general meeting,
- b) to submit the report prepared based on the Accounting Act and the proposal for the allocation of the profit after tax,
- c) to issue instructions, recommendations relating to objectives of practical business policy and economy,
- d) to conclude, to amend, and to terminate each contract exceeding the value limit of HUF 100,000,000, (in letters: HUF One hundred million),
- e) to decide on the participation in an economic company over the value limit of HUF 50,000,000, (in letters: HUF Fifty million),
- f) to exercise employer's rights vis-a-vis the president, and vice presidents,
- g) to purchase and sell real estates,
- h) to approve the organisational regulations and the rules of procedure,
- i) to authorise entitlement to representation to employees of the company,

- j) to conclude a contract concerning the keeping of the share register,
- k) to take care of the proper keeping of the business books of the company,
- l) to prepare a report relating to the management, the financial situation and the business policy of the company at least once a year for the general meeting and once in three months for the supervisory board,
- m) to meet announcement and extraordinary announcement obligations vis-a-vis the Budapest Stock Exchange and the Hungarian Banking and Capital Market Supervision with the contents set and till the date determined by the provisions of the law,
- n) to announce any modification of data registered into the company registry or any other data subscribed by law to the court of registration,
- o) to purchase or alienate own shares based on the authorisation of the general meeting,
- p) to acquire own shares to avoid any serious damage the company is directly facing.

The board of directors is entitled to acquire own shares exclusively based on the authorisation of the general meeting in case of a public purchase offer made – in line with a separate law - for the shares of the company.

The board of directors publishes major data of the statement prepared based on the Accounting Act, the report of the board of directors and the report of the supervisory board as well as a summary about the proposals of the issues included on the agenda of the general meeting and the proposals for decision at least fifteen days prior to the general meeting, in line with the provisions related to the disclosure of announcements of the company.

VIII. The Supervisory Board

- 8.1.2 The majority of the members of the supervisory board have to be independent persons.

The member of the supervisory board is qualified independent if he has no other legal relationship with the company than the supervisory membership.

Members of the supervisory board:

Antalpéter Tibor
 mother's name: Dobai Viktória
 address: 1025 Budapest, Kavics u.11.

- j) to conclude a contract concerning the keeping of the share register,
- k) to take care of the proper keeping of the business books of the company,
- l) to prepare a report relating to the management, the financial situation and the business policy of the company at least once a year for the general meeting and once in three months for the supervisory board,
- m) to meet announcement and extraordinary announcement obligations vis-a-vis the Budapest Stock Exchange and the Hungarian Banking and Capital Market Supervision with the contents set and till the date determined by the provisions of the law,
- n) to announce any modification of data registered into the company registry or any other data subscribed by law to the court of registration,
- o) to purchase or alienate own shares based on the authorisation of the general meeting,
- p) to acquire own shares to avoid any serious damage the company is directly facing.
- q) *decision on taking steps for the disturbance of the procedure of making a public purchase offer (Gt. Section 305),*
- r) *decision on the acceptance of a public purchase offer made for the own share,*

The board of directors is entitled to acquire own shares exclusively based on the authorisation of the general meeting in case of a public purchase offer made – in line with a separate law - for the shares of the company.

The board of directors publishes major data of the statement prepared based on the Accounting Act, the report of the board of directors and the report of the supervisory board as well as a summary about the proposals of the issues included on the agenda of the general meeting and the proposals for decision at least fifteen days prior to the general meeting, in line with the provisions related to the disclosure of announcements of the company.

VIII. The Supervisory Board

- 8.1.2. The majority of the members of the supervisory board have to be independent persons.

The member of the supervisory board is qualified independent if he has no other legal relationship with the company than the supervisory membership.

Members of the supervisory board:

Antalpéter Tibor
 address: 1025 Budapest, Kavics u.11.

Surányi Imréné
 mother's name: Montag Irén
 address: 2310 Szigetszentmiklós, Horgász
 u.2.

Polgár László

address: 1126 Budapest, Szendrő u. 7.

Dr. Boér Gábor
 mother's name: Veres Rozália
 address: 1025 Budapest, Cseppkő u.36.

Dr. Boér Gábor

address: 1025 Budapest, Cseppkő u.36.

Dr. Gálszécsy András
 mother's name: Rozsnyay Olga
 address: 1031 Budapest, Rozália u. 35.

Dr. Gálszécsy András

address: 1031 Budapest, Rozália u. 35.

IX. The Audit Committee

IX. The Audit Committee

9.2.

9.2.

At least one member of the audit committee has to have accounting and/or auditing qualifications

The task of the audit committee is especially:

The task of the audit committee is especially:

- to form an opinion on the annual report prepared according to the Accounting Act,
 - to recommend the person and remuneration of the auditor,
 - to prepare the contract to be concluded with the auditor,
 - to monitor compliance with the qualification requirements and with the regulations on conflict of interest in connection with the auditor,
 - to discharge the duties relating to cooperation with the auditor and where necessary tabling recommendations to the supervisory board for taking measures,
 - to analyse the financial reporting system and making recommendations when any action is deemed necessary,
- to assist the work of the supervisory board so as to exercise proper control of the financial reporting system.

- to form an opinion on the annual report prepared according to the Accounting Act,
 - to recommend the person and remuneration of the auditor,
 - to prepare the contract to be concluded with the auditor,
 - to monitor compliance with the qualification requirements and with the regulations on conflict of interest in connection with the auditor,
 - to discharge the duties relating to cooperation with the auditor and where necessary tabling recommendations to the supervisory board for taking measures,
 - to monitor the independence of the auditor, including in addition to the audit of the annual report and the consolidated annual report other services rendered to the Company,
 - to follow the audit of the annual report and the consolidated annual report
- to monitor the process of financial reporting, to evaluate the operation of the financial reporting system and to make proposals for taking necessary measures,
- to monitor the efficiency of the internal audit and risk management system,
- to assist the work of the supervisory board so as to exercise proper control of the financial reporting system.

9.3. The members of the audit committee:

9.3.

The members of the audit committee:

Antalpéter Tibor
 mother's name: Dobai Viktória
 address: 1025 Budapest, Kavics u. 11.

Antalpéter Tibor

address: 1025 Budapest, Kavics u. 11.

Surányi Imréné
mother's name: Montag Irén
address: 2310 Szigetszentmiklós, Horgász
u.2.

Dr. Gálszécsy András
mother's name: Rozsnyay Olga
address: 1031 Budapest, Rozália u. 35.

Polgár László

address: 1126 Budapest, Szendrő u. 7.

Dr. Gálszécsy András

address: 1031 Budapest, Rozália u. 35.

X. The Auditor of the company

10.3. The sphere of authority and tasks of the auditor

- a) The auditor shall be responsible for carrying out the audits of the accounting documents as specified in the Accounting Act, including to determine whether the annual report filed by the company as prescribed in the Accounting Act is in conformity with the legal requirements and whether it provides a true and fair view of the company's assets and liabilities, financial position and profit and loss and report to the general meeting about the above listed. Without listening to the report of the auditor the general meeting may not pass a resolution on the accounting report.
- b) With a view to carrying out his duties the auditor may inspect the books of the company, may request information from the executive officers and employees of the company and may examine the bank accounts, client accounts, the accounting system and contracts of the company.
- c) If the auditor ascertains or otherwise learns that a considerable decrease in assets of the company is probable or perceives any other issue which entails the liability of the executive officers or supervisory board members as set forth in this Act, he shall request that the general meeting be convened. If the company's general meeting is not convened or the general meeting fails to adopt the decision required by the legal regulations, the auditor shall inform the competent court of registry vested with judicial supervisory competence.

X. The Auditor of the company

10.3. The sphere of authority and tasks of the auditor

- a) The auditor shall be responsible for carrying out the audits of the accounting documents as specified in the Accounting Act, including to determine whether the annual report filed by the company as prescribed in the Accounting Act is in conformity with the legal requirements and whether it provides a true and fair view of the company's assets and liabilities, financial position and profit and loss and report to the general meeting about the above listed. Without listening to the report of the auditor the general meeting may not pass a resolution on the accounting report.
- b) With a view to carrying out his duties the auditor may inspect the books of the company, may request information from the executive officers and employees of the company and may examine the bank accounts, client accounts, the accounting system and contracts of the company.
- c) If the auditor ascertains or otherwise learns that a considerable decrease in assets of the company is probable or perceives any other issue which entails the liability of the executive officers or supervisory board members as set forth in this Act, he shall request that the general meeting be convened. If the company's general meeting is not convened or the general meeting fails to adopt the decision required by the legal regulations, the auditor shall inform the competent court of registry vested with judicial supervisory competence.
- d) *The auditor shall inform the audit committee in writing about key issues especially significant shortcomings in areas of internal audit and financial reporting processes arising in the course of auditing the annual report and the consolidated annual report.*

Budapest, 24th April 2008

dr. Deák Imre
chairperson at the AGM

Countersigned by:

Dr. Mária Szabó Dr. Gerelyes
company solicitor

PROPOSAL FOR THE RESOLUTION FOR ITEM 8 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes the AGM to approve the modification of the Articles of Association set forth.

**ITEM 9 OF THE AGENDA:
TRANSFORMATION OF THE DISCOUNT GRANTED FOR CERTAIN SHAREHOLDERS**

In the course of the privatisation carried out in 1992, the general meeting of the Company decided that shareholders who are holding more than 70 pieces of shares are entitled to a so called „shareholders' card" valid until 31 December 1999. The „shareholders' card" entitles its holder to 25% discount of the tariff rates valid in the given season and category in all hotels of Danubius Zrt. in case of advance booking and payment on site.

The validity of the card was renewed for an indefinite period of time by the resolution made at the 2000 AGM, without replacing the cards.

Danubius Hotels Nyrt. introduced a frequent guest program called Danubius EuroPoints in its hotels in Hungary and foreign hotels participating in the program at the beginning of this year. The program provides EuroPoints (bonus points) after every sum spent in our hotels for our frequent guests. The EuroPoints can be redeemed in any of our hotels for extra services. A Danubius frequent guest card ensures special rights to its holder independent of the EuroPoints: having a higher category room for the price of a lower category or early arrival/late check out possibility without extra fee make the days spent in our hotels more pleasant and carefree.

It is the intent of the Board of Danubius Hotels Nyrt. to simplify and harmonise the system of discounts therefore it decided to propose the AGM to replace the „shareholders' cards" issued in 1992 – for shareholders who have been uninterruptedly owners of the Company ever since the privatisation – with a special category Golden Danubius EuroPoint card as of 1 July 2008. This way the above mentioned shareholders of the Company can become part of the Danubius frequent program under favourable initial terms.

The shareholders concerned will be informed about the technical issues regarding the changing of the card in a letter or will be notified at the next booking made with the „shareholders' card".

PROPOSAL FOR THE RESOLUTION FOR ITEM 9 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes the AGM to replace the „shareholders' cards" issued in 1992 – for shareholders who have been uninterruptedly owners of the Company ever since the privatisation – with a special category Golden Danubius EuroPoint card as of 1 July 2008.

**ITEM 10 OF THE AGENDA:
TO APPOINT THE AUDITOR AND APPROVE HIS/HER 2008 REMUNERAION**

Pursuant to the Articles the AGM of Danubius Hotels Nyrt. elects an auditor every year. In the course of 2007 KPMG Hungária Kft. fulfilled the duties of auditor for the Company. Upon approval by the AGM the Company would appoint KPMG Hungária Kft (assigned representative: Péter Szabó) and renew the agreement drawn up with them for 2008 from 29 April 2008 for a one year period and state the remuneration to be 12 million 763 thousand HUF.

PROPOSAL FOR THE RESOLUTION FOR ITEM 10 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to appoint KPMG Hungária Kft. – assigned representative Péter Szabó – for 2008 from 29 April 2008 for a one year period for a remuneration of 12 million 763 thousand HUF.

**ITEM 11 OF THE AGENDA:
TO ESTABLISH THE REMUNERATION OF THE MEMBERS OF THE BOARD OF
DIRECTORS AND THE SUPERVISORY BOARD**

The AGM has to pass a resolution in the course of item 11 of the agenda about the remuneration of the members of the Board of Directors and the Supervisory Board, related to which the following proposal is submitted:

The Chairman of the Board of Danubius Hotels Nyrt. is to receive 355 thousand HUF/month, its members 240 thousand HUF/month while members of the Supervisory board 193 thousand HUF/month in 2008.

PROPOSAL FOR THE RESOLUTION FOR ITEM 11 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to approve the proposal according to which the Chairman of the Board of Danubius Hotels Nyrt. is to receive 355 thousand HUF/month, its members 240 thousand HUF/month while members of the Supervisory board 193 thousand HUF/month in 2008.