

Board of Directors

Danubius Hotels Nyrt.  
H-1051 Budapest  
Szent István tér 11.

**LIFFEY TANÁCSADÓ KFT.**  
*Leading Advisors in Hotel, Leisure and  
Tourism Industries Internationally*  
Párizsi u. 1. III. 16.  
H-1052 Budapest

Associate of Horwath  
Business Alliance



Budapest, 30 August, 2006.

Dear Sirs,

We have been requested to prepare this view on value by the Board of Danubius Hotels Nyrt. (hereinafter referred to as “the Group”). The requirement for our independent view has arisen because the majority shareholder, CP Holdings Ltd., together with its two subsidiaries, Israel Tractors and Equipment Co. Ltd. and Interag Holding Zrt (together “the Bidder”), made an offer to acquire all the shares in the Group which it does not currently own on 8 August 2008. Currently the Bidder owns 53.4% of the Group and has offered to purchase the remaining 46.6% of the shares outstanding (“the Offer Shares”) at an offer price of HUF 5,825 per share.

As these shares are listed on the Budapest Stock Exchange the Board of the Group is required to obtain an independent valuation in accordance with Act CXX. of 2001 on the Capital Market Section 73/A (4)-(5). Accordingly the Board of the Group has engaged Liffey Tanácsadó Kft., the sole licensee of Horwath International in Hungary & Russia to undertake hotel, tourism and leisure sector consulting work (hereinafter referred to as Advisor) to perform an independent valuation for this purpose.

In accordance with the terms of our letter of engagement dated 15 August 2006 and as requested by you we have prepared a valuation of the business of the Group.

The purpose of this valuation of the business is to help the Board in its decision making to determine whether the offer price for the shares is reasonable in the light of our view of the business value and of their knowledge of any other relevant factors about the Group.

In order to prepare our report and this letter, we have undertaken an analysis of data provide to us including the following:

- Audited historical profit and loss statements (P&L) for 2003, 2004, 2005, and budgets for the year ending 31 December 2006 for each operating unit, head office and the holding;
- Trailing 12-month P&L statements ending 31 July 2006 for each of the operating units;



- Operations benchmarks such as occupancy, average daily rates (ADR), revenue per available room (RevPAR)), revenues, operating costs and gross operating profits (GOP).

Management has also provided us with information on the balance of the Group's financial liabilities as at 31 July 2006. We have not performed any work in the nature of an audit of this or any of the information provided to us nor have we independently verified such information including the information referred to in the previous paragraph.

The alternatives for assessing the value of the Danubius Hotels portfolio were constrained by the absence of time made available for the analysis to support our conclusions.

The valuation results are severely limited due to compromises in the scope of the assessment attributed to the lack of time to complete this engagement with the required level of detail, as the research for this engagement had to be completed within one week.

A purchase offer of a single property or a group of properties might also be significantly different from the value estimates herein.

We have relied on the information provided to us or obtained from the public domain and we have not performed any work in the nature of an independent audit or verification of such information. Should such information be inaccurate in any respect or omit any matter of relevance to the contents and conclusions of this report, correction of any such inaccuracy or omission might have a material impact on our view of the market value of the business of the Group.

The date of the valuation is 24 August 2006, based on information ending as at 31 July 2006.

Our report has been prepared exclusively for the Board of Directors of the Group and solely for the purpose set out above. Our responsibility is, therefore, solely to the Directors of the Group and we accept no liability to any other party. The Directors of the Group are solely responsible for the contents of any recommendations or advice they might provide to any shareholders of the Group.

For the purposes of our view on the value of the business we have not been able to investigate details of the financing arrangements and obligations of the Group although we have taken into account the overall debt position as provided by Management in our conclusions. In addition, we have not taken into consideration the following important aspects:

- Any information on mortgages, liens, encumbrances, leases and servitudes;
- Upside potential due to potential improvements in operating inefficiencies;
- Inherent asset values and the potential for gains from the sale of selected assets;
- Any potential benefits attributable to retained earnings, cash and other liquid assets available within the company;

- Any premium for synergies attributed to the advantages of portfolio ownership;
- Premiums, if any, the market might offer for the ownership of the largest portfolio of hotels located in Central and Eastern Europe;
- Upside potential, if any, associated with the ownership of a dedicated medical spa hotel chain;
- Opportunities attributed to any development potential within the portfolio of assets.

We have valued the business on the basis of 12-month trailing EBITDA, on the realistic assumption that there will be no changes in the management of the business going forward. In order to value a company, one needs to take into account not only the value of the company's business, but a number of other factors including its financial obligations. We have been provided with the debt position of the company as at 31 July, 2006.

### **Our View**

Having regard to these factors and all the matters we have considered, including those set out in this letter, it appears that the offer price per share, specified in the offer dated 8 August 2006, falls within a reasonable range of values for the company at the date of valuation, without regard to any changes in the circumstances of the company following completion of the public offer.

Yours sincerely,



Liffey Tanácsadó Kft.

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