

# DANUBIUS HOTELS GROUP

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## DECLARATION

**in connection with the Corporate Governance Recommendations (dated December 8, 2003)  
published by the Budapest Stock Exchange Company Limited by Shares  
regarding corporate governance practices**

The Board of Directors of Danubius Hotels Rt. (the „Company”) declares as set forth below and provides the following information in the name of the Company:

Nr.	Nr. of Section in the Recommendations	Text of the Declaration:
1.	1.1.2	<p>The mission of the Board of Directors covers matters set forth in this Section.</p> <p><b><u>Yes (Complies)</u></b> The mission of the Board of Directors is contained in item 7 of the Articles approved by the AGM held on 28 April 2004.</p> <p>The Board of Directors established its Charter.</p> <p><b><u>Yes (Complies)</u></b> The Charter of the Board of Directors was approved by the Board meeting held on 24<sup>th</sup> June 2004 according to the newly established Articles.</p>
2.	1.2.2	<p>The Supervisory Board established its Charter and work schedule.</p> <p><b><u>Yes (Complies)</u></b> The Charter of the Supervisory Board was approved by the AGM of the Company held on 23 April 2003. The members approve of the work schedule at the first Supervisory meeting for the year in review.</p>
3.	1.3.2	<p>Minutes have been prepared on meetings of the Board of Directors and the Supervisory Board, respectively, and resolutions had been properly administered.</p> <p><b><u>Yes (Complies)</u></b></p>
4.	1.6.1	<p>The Board of Directors has prepared the guidelines regarding the evaluation and remuneration of the management.</p> <p><b><u>Yes (Complies)</u></b></p>

Nr.	Nr. of Section in the Recommendations	Text of the Declaration:
	2.1.6	<p>The Board of Directors has published the guidelines regarding the evaluation and remuneration of the management.</p> <p><b><u>Yes (Complies)</u></b>  The Board discloses the guidelines about the evaluation of the work and remuneration of the management: The remuneration of the management is established based on regular evaluation during the year. The fix and variable wages (the latter calculated based on the profit and loss indexes) reflect the movements of the market and the Board strived to determine other bonuses to entirely serve the long term and strategic goals of the company and the owners.</p>
5.	1.7	<p>An independent internal audit department (independent internal control) functions at the Company.</p> <p><b><u>Yes (Complies)</u></b>  An independent internal control functions at the company, the system and framework of which is laid down in the Internal Control Regulations of the company. A Presidential Internal Auditor is also employed by the Board in addition, based on a separate agreement.</p> <p>The independent audit department has an auditing plan approved by the Board of Directors or the Supervisory Board.</p> <p><b><u>Yes (Complies)</u></b>  The internal audit has a yearly internal audit work plan approved and from execution aspects controlled by the Supervisory Board. The Board approves the work plan of the Presidential Internal Auditor.</p>
6.	1.10	<p>The shareholders' meeting and the Supervisory Board have been informed about the fact that the outside audit firm of the Company received a material assignment in addition to the audit.</p> <p style="text-align: center;"><b><u>No material assignment</u></b></p>
7.	2.1.1	<p>The guidelines for disclosures have been prepared by the Company.</p> <p><b><u>Yes (Complies)</u></b>  The guidelines for disclosure are included in the Charter of the Board of Directors that was approved at its meeting held on 24<sup>th</sup> June 2004 according to which information is disclosed observing the laws (Tpt., Gt., Sztv.) and the stipulations of the regulations of the Budapest Stock Exchange. In one off issues in question the content and date of the disclosure is subject to a decision to be made by the management and we strive in all cases to have the information to be disclosed published in the shortest possible time.</p>
8.	2.1.4	<p>The Board of Directors published its actual business strategy.</p> <p><b><u>Yes (Complies)</u></b>  These have been set forth at the 28 April 2004 AGM and published in the Annual Report.</p>

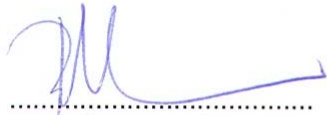
Nr.	Nr. of Section in the Recommendations	Text of the Declaration:
9.	2.1.6	<p>The Company published in accordance with Section 2.1.6 of the Recommendations the information relating to the career of the members of the Board of Directors, the Supervisory Board and executive management.</p> <p><b><u>Yes (Complies)</u></b> When members are appointed information about their career is at all times set forth at the AGM.</p>
10.	2.1.7	<p>The Company published in accordance with Section 2.1.7 of the Recommendations its risk management guidelines.</p> <p><b><u>No (Please explain)</u></b> The Board continually deals with the issue of risk management, however, is not in the position to disclose any information related as these are regarded as business secrets. The Board informs its shareholders once a year in the Annual Report (and where appropriate in quarterly flash reports) – in the sections about the evaluation of the past year and forecast for the coming year – about any particular risk factors affecting the operation and business of the company.</p>
11.	2.1.9	<p>The Company published its guidelines on insider dealings.</p> <p><b><u>Yes (Complies)</u></b> The Company deems the legal regulations relating to insider dealings sufficient and does not require further restrictions. The transactions carried out by leading office holders of the company related to shares of the company are disclosed as extraordinary information and the changes in the shares of the office holders can be followed from data sheet no. TSZ.3. appearing quarterly, simultaneously with the flash report.</p>
12.	2.1.10	<p>The Company published in accordance with Section 2.1.10 of the Recommendations information regarding the relationships of the directors and members of the management with third parties.</p> <p><b><u>Yes (Complies)</u></b> The company discloses information about the positions of the members of the Board and the management filled in at the subsidiaries following their appointment. No positions are filled at other companies pursuing similar activities, however, the Articles approved on 28 April 2004 offers the possibility based on prior authorisation from the Board.</p>

**Information and other notes:**

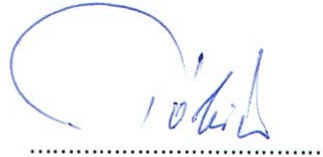
Nr.	Nr. of Section in the Recommendations	Text of the Declaration:
1.	1.3.1	<p>The Board of Directors held with 94% average participation ratio 5 meetings in the business year of 2003. (Participation of the Board meetings: 9/9, 8/9, 10/10, 9/10, 9/10)</p> <p>The Supervisory Board held with 95% average participation ratio 5 meetings in the business year of 2003. (Participation of the Supervisory Board meetings: 3/4, 4/4, 4/4, 4/4, 4/4)</p>
2.	1.5.2	<p>The ratio of the independent directors compared to the total number of directors: 40% independent. (Independent members: John Smith, Robert Levy, József László, dr. István Fluck)</p>
3.	1.5.5	<p>The ratio of the independent Supervisory Board members compared to the total number of Supervisory Board members: 75% independent. (Independent members: Tibor Antalpéter, Dr. Ákos Horváth, Mrs. Imre Surányi)</p>
4.	1.8	<p>The listed committees have not been working in the business year 2003 as drafted in the Recommendations, but we intend to set up an Audit Committee in the course of 2004. For a company of our size the functions of the Nomination and Compensation Committee are reasonably handled within the present Board of Directors arrangements.</p>
5.	3.1.4	<p>In preparing and holding the shareholders' meeting at the Company the relevant recommendations on preparation and holding of shareholders' meeting had been taken into account in the business year of 2003.</p> <p><b><u>Yes (Complies)</u></b></p>
6.		<p>The Company established a Corporate Governance Code.</p> <p><b><u>Yes (Complies)</u></b></p> <p>It is expected to be set down into a unified code and published on the company home page still this year.</p>
7.		<p>The Company established a Code of Ethics.</p> <p><b><u>Yes (Complies)</u></b></p> <p>The company observes the Code of Ethics established and approved by the Hungarian Tourism Association. In addition, there is a detailed regulation in our hotels that lays down the behaviour and ethical stipulations to be followed. (access: Danubius Hotels Rt. Human Resources Management)</p>

8.		<p>The function of the Chief Executive Officer and the Chairman of the Board of Directors is fulfilled by the same person.</p> <p><b>No</b> The Chairman of the Board of Directors is Sir Bernard Schreier, while the Chief Executive Officer is Sándor Betegh.</p>
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Date: Budapest, 29<sup>th</sup> June 2004



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Sándor Betegh  
member of the Board of Directors



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János Tóbiás  
member of the Board of Directors