



**DANUBIUS HOTELS  
GROUP**

Danubius Szálloda és Gyógyüdülő Rt.

**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 on the year 2004:

**1. To Section 1.1.2 of the Recommendations**

The mission of the Board of Directors covers matters set forth in this Section.

*Yes (Complies)*

The Board of Directors established its Charter.

*Yes (Complies)*

**2. To Section 1.2.2 of the Recommendations**

The Supervisory Board established its Charter and work schedule.

*Yes (Complies)*

**3. To Section 1.3.2 of the Recommendations**

Minutes have been prepared on meetings of the Board of Directors and the Supervisory Board, respectively, and resolutions had been properly administered.

*Yes (Complies)*

**4. To Section 1.6.1 and Section 2.1.6 of the Recommendations**

The Board of Directors has prepared the guidelines regarding the evaluation and remuneration of the management.

*Yes (Complies)*

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The Board of Directors has published the guidelines regarding the evaluation and remuneration of the management.

*Yes (Complies)*

*The Board disclosed the guidelines about the evaluation of the work and remuneration of the management in the Corporate Governance declaration published on 29<sup>th</sup> June 2004.*

*The decision on the remuneration of the members of the Board of Directors and Supervisory Board is made by the Annual General Meeting. The decision is disclosed in the Minutes on the AGM published on the websites of the BSE and the Company.*

#### **5. To Section 1.7 of the Recommendations**

An independent internal audit department (independent internal control) functions at the Company.

*Yes (Complies)*

The independent audit department has an auditing plan approved by the Board of Directors or the Supervisory Board.

*Yes (Complies)*

#### **6. To Section 1.10 of the Recommendations**

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.

*No material assignment*

#### **7. To Section 2.1.1 of the Recommendations**

The guidelines for disclosures have been prepared by the Company.

*Yes (Complies)*

#### **8. To Section 2.1.4 of the Recommendations**

The Board of Directors published its actual business strategy.

*Yes (Complies)*

*This has been set forth at the 21 April 2005 AGM and will be published in the Annual Report.*

**9. To Section 2.1.6 of the Recommendations**

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.

*Yes (Complies)*

*It is available on the website of the Company.*

**10. To Section 2.1.7 of the Recommendations**

The Company published in accordance with Section 2.1.7 of the Recommendations its risk management guidelines.

*No*

*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.*

**11. To Section 2.1.9 of the Recommendations**

The Company published its guidelines on insider dealings.

*Yes (Complies)*

*The Company published its guidelines relating to insider dealings in the Corporate Governance declaration of 29<sup>th</sup> June 2004.*

**12. To Section 2.1.10 of the Recommendations**

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.

*Yes (Complies)*

*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.*

*The CV of the members of the Boards and management is available on the website of the Company, in which we list their relationships with third parties.*

**Information and other notes:**

**1. To Section 1.3.1 of the Recommendations**

The Board of Directors held with 93% average participation ratio 3 meetings in the business year of 2004.

The Supervisory Board held with 100% average participation ratio 6 meetings in the business year of 2004.

**2. To Section 1.5.2 of the Recommendations**

The ratio of the independent directors compared to the total number of directors: 40% independent.

**3. To Section 1.5.5 of the Recommendations**

The ratio of the independent Supervisory Board members compared to the total number of Supervisory Board members: 75% independent.

**4. To Section 1.8 of the Recommendations**

The listed committees have not been working in the business year 2004 as drafted in the Recommendations.

*We intended to set up an Audit Committee in the course of 2004, but this was not realized because of the changes that took place in the rows of the Supervisory Board. The Committee is expected to be set up in 2005.*

*For a company of our size the functions of the Nomination and Compensation Committee are reasonably handled within the present Board of Directors arrangements.*

**5. To Section 3.1.4 of the Recommendations**

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.

*Yes (Complies)*

**6. The Company established a Corporate Governance Code.**

*Yes (Complies)*

*It is available on the website of the Company.*



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**7. The Company established a Code of Ethics.**

Yes (Complies)

*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)*

**8. The function of the Chief Executive Officer and the Chairman of the Board of Directors is fulfilled by the same person.**

No

Date: Budapest, 29<sup>th</sup> April 2005

Sándor Betegh  
member of the Board of Directors

János Tóbiás  
member of the Board of Directors