

2008 SECOND QUARTER AND FIRST HALF PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

Danubius Hotels Plc, today announced its 2008 second quarter and first half preliminary, unaudited results. This report contains consolidated financial statements for the period ended 30 June 2008 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

HIGHLIGHTS

Danubius Hotels Group (IFRS)	HUF million			EUR million			HUF million			EUR million		
	Q2 2008	Q2 2007	Ch %	Q2 2008	Q2 2007	Ch %	H1 2008	H1 2007 restated	Ch %	H1 2008	H1 2007 restated	Ch %
Net sales revenues	12,852	12,977	(1)	51.4	52.1	(1)	22,009	21,805	1	86.7	87.1	(0)
EBITDA	2,038	3,016	(32)	8.0	12.0	(34)	1,650	3,094	(47)	6.5	12.4	(47)
Operating profit/(loss)	897	1,889	(52)	3.4	7.5	(55)	(654)	814	n.a.	(2.6)	3.2	n.a.
Financial results	1,523	(202)	n.a.	6.0	(0.8)	n.a.	1,451	(114)	n.a.	5.7	(0.5)	n.a.
Profit before tax	2,374	1,663	43	9.2	6.6	39	712	630	13	2.8	2.5	12
Operating cash flow	1,337	1,806	(26)	5.1	7.2	(29)	(1,246)	10	n.a.	(4.9)	0.0	n.a.
CAPEX	920	1,125	(18)	3.7	4.5	(18)	1,887	2,124	(11)	7.4	8.5	(12)
HUF/EUR	249.5	248.4	0			n.a.	254	250	1			n.a.

- In the second quarter of 2008 total net sales **revenues** decreased by 1% to HUF 12.9 billion, due to the combined effect of revenue setback in Hungary and the contribution of Czech, Slovakian and Romanian geographical segments mainly due to the significant depreciation of forint against crown (both Czech and Slovak). The movements in HUF/EUR FX rate did not have material effect on revenue in the second quarter compared to Q2 2007, however Q3 2008 revenue is expected to be seriously effected by the strong forint. H1 2007 figures include the one off gain of selling Hotel Esztergom (HUF 286 million) and Lövér Sportcentre (HUF 208 million), the effect of the latter transaction is included in Q2 2007.
- Operating profit in Q2 2008 is down by 52% to HUF 0.9 billion from HUF 1.9 bn, due to the followings:
  - Operating result of **Hungarian** segment for Q2 2008 amounted to a profit HUF 531 million compared to HUF 1,303 million. However the clear performance gap is HUF 564 million if we exclude the HUF 208 million positive effect of selling Lövér Sportcentre in Q2 2007, due to lower revenues, higher raw material and energy costs.
  - **Czech** hotels contributed an operating profit of HUF 184 million in Q2 2008 compared to a profit of HUF 327 million. Total revenue of Czech subsidiaries increased by 15%, almost entirely thanks to the 14% CZK strengthening against HUF.
  - **Slovakian** segment's operating profit was HUF 119 million in Q2 2008 compared to a profit of HUF 161 million in Q2 2007. Revenue increased by 9% to HUF 2,369 million, partly thanks to the 7% SKK strengthening against HUF.
  - In Q2 2008 total revenue of **Romanian** segment increased by 3% to HUF 338 million, however operating profit was HUF 63 million, compared to HUF 97 million, due to the significant strengthening of HUF against RON.
- The **Financial** results in Q2 2008 was a gain of HUF 1,523 million, compared to a loss of HUF 202 million in Q2 2007 as there was a significant HUF 1,854 million FX gain (mostly unrealised) on monetary assets and liabilities in Q2 2008 compared to a gain of only HUF 194 million, thanks to the appreciation of national currencies against EUR.
- **Profit before tax** in Q2 2008 was HUF 2,374 million, up by 43% compared to Q2 2007.
- **Net cash provided by operating activities** in Q2 2008 was HUF 1,337million, a 26% decrease compared to HUF 1,806 million in Q2 2007.
- **Capital expenditure** and investments during Q2 2008 amounted to HUF 920 million, down by 18% compared to the level of Q2 2007.
- Group level average **headcount** in H1 2008 was 5,330 compared to 5,427.

**FINANCIAL OVERVIEW**
**Hungarian Segment**

	HUF million			EUR million			HUF million			EUR million		
	Q2 2008	Q2 2007	Ch %	Q2 2008	Q2 2007	Ch %	H1 2008	H1 2007	Ch %	H1 2008	H1 2007	Ch %
HUNGARY												
Net sales revenues	8,263	8,844	(7)	33.0	35.5	(7)	13,917	14,682	(5)	54.85	58.64	(6)
Operating profit	531	1,304	(59)	2.0	5.2	(61)	(609)	532	n.a.	(2.40)	2.12	n.a.
Financial results	1,155	12 9062		4.5	0.1	8554	922	77 1105		3.63	0.31	1089
Profit before tax	1,640	1,292	27	6.4	5.1	24	227	538	(57)	0.90	2.15	(58)
CAPEX	588	522	13	2.4	0.8	179	1,183	542	118	4.66	2.16	115

Total sales revenue and other operating income of Q2 2008 decreased by 7% to HUF 8,263 million, in line with the 5% drop of H1 sales revenue, mainly due to the lower revenue from room services and Gundel restaurants and H1 2007 figures include the one off gain of selling Hotel Esztergom (HUF 286 million) and Lövér Sportcentre (HUF 208 million), the effect of the latter transaction is included in Q2 2007. Hotel occupancy in Q2 2008 was 67.6% compared to 68.3% in Q2 2007, while H1 occupancy was 50.3% in 2008 and 50.5% in 2007.

Room revenue of Hungarian hotels decreased by 5% to HUF 4.3 billion compared to Q2 2007 due to the combined result of occupancy decrease and the decrease of average room rate achieved (ARR) to HUF 13,129 lower by HUF 473 than comparative figure. The average length of stay was 2,8 days in Q2 2008 almost the same as it was in Q2 2007. The number of guest-nights during Q2 2008 decreased to 530,784 from 538,965, out of which domestic guest-nights represents 23.8%, a considerable increase compared to Q2 2007 level of 19.1%. In Q2 guests from Germany, Italy and USA decreased the most, partly compensated by more guest arrivals from France, Great Britain and Russia. Room departmental profit for the second quarter decreased by HUF 250 million, down by 7% compared to Q2 2007.

Food and beverage revenue of hotels and restaurants for the second quarter of 2008 was HUF 2,515 million, 1% more than comparative figure, while Q2 2008 F&B departmental profit of our hotels fell by HUF 118 million mainly as the result of high inflation on raw materials and increased payroll. Gundel's total revenue and income in Q2 2008 - as a result of decreased capacity due to kitchen reconstruction works - was down by 18% and hence was not able to deliver profit in the second quarter compared to HUF 47 million profit achieved in Q2 2007.

In Q2 2008 Spa revenue continued to increase, up by 7% compared to Q2 2007, due to the combined result of higher number of treatments sold and the increase of average rate of a treatment. Spa departmental profit improved by more than 19% as the amount of payroll and other expenses did not grow.

Revenue from security services went down by HUF 57 million in Q2 2008.

Due to the high inflation on materials second quarter raw material expenses increased by 14% to HUF 1,640 million. However reflecting our cost efficiency measures services used in Q2 2008 decreased by 5% to HUF 1,605 million. Within this energy cost grew significantly by more than 22% to HUF 660 million, while the amount spent on maintenance work at the hotels decreased by 4% to HUF 228 million. Personnel expenses for Q2 2008 were HUF 3,075 million, up by 8% reflecting the average 3% salary increase and the proportional part of certain performance related payroll costs that were wholly accrued.

Due to the increase of 3 months EURIBOR and the decrease of average borrowings over the period interest expenses fell slightly to HUF 283 million from HUF 289 million in the second quarter. Primarily

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as the result of intensive appreciation of HUF in Q2 2008 against EUR, in which majority of our long-term borrowings are denominated, a HUF 1,380 million foreign exchange gain (mostly unrealised) was recognised in profit and loss, compared to a gain of HUF 303 million in Q2 2007.

Capital expenditures during Q2 2008 was HUF 589 million that is 13% higher compared to the amounts spent in Q2 2007, and includes spendings on Gundel kitchen upgrade and Hotel Gellért renovations.

Mainly thanks to the financial result the profit before tax of Hungarian segment was HUF 1.6 billion in Q2 2008, up by 27% compared to Q2 2007.

**Czech Segment**

	HUF million			HUF million		
	Q2 2008	Q2 2007	Ch%	H1 2008	H1 2007	Ch%
CZECH						
Total revenue and income	1,883	1,639	15	3,238	2,746	18
Operating profit	184	327	(44)	53	269	(80)
Financial results	84	(104)	n.a.	194	(182)	n.a.
Profit before tax	268	223	21	247	87	185
CAPEX	105	332	(68)	225	648	(65)
HUF/CZK average	10.01	8.79	14	10.07	8.90	13
CZK/EUR average	24.91	28.26	(12)	25.20	28.15	(10)

Total sales revenue and other operating income in HUF term increased by 15% to HUF 1,883 million in the second quarter of 2008, mainly due to the continuous weakening of Hungarian forint against the Czech crown over the period. As a consequence of this room revenue of Q2 was HUF 1,037 million, up by 9%. Occupancy of Marianbad hotels in Q2 improved significantly to 80.0% from 73.0%, while the average room rate achieved (ARR) in CZK term dropped to HUF 1,661 from 1,887 due to the appreciation of CZK against EUR, in HUF terms there is only a minor change from 16,688 to 16,651. The average length of stay was 10.0 days in Q2 2008 while it was 9.0 days in Q2 2007. The number of guestnights in Q2 grew to 101,441 from 91,983 thanks to the continuous trend of increasing number of guests arriving from certain former Soviet Union countries.

The amount of material expenses and services used in Q2 increased by 41% to HUF 814 million, partly due to combined effect of average inflation, CZK strengthening against HUF and increase occupancy, within this energy costs increased by 30% to HUF 119 million and maintenance expenses grew significantly by 243% to HUF 188 million thanks to the intensive repairs and maintenance workings carried out in Q2 2008. Total personnel expenses in the second quarter were HUF 540 million, up by 24% compared to Q1 2007, this increase includes the effect of 14% CZK strengthening against HUF and the higher number of employees due to the reversal of previous outsourcing and the opening of new facilities.

In spite of the increase of 3 months EURIBOR interest expense for Q2 2008 was HUF 32 million compared to HUF 35 million, due to the lower level of average borrowings during the period. Mainly as the result of strengthening of CZK in Q2 2008 against EUR in which all of LLML's long-term borrowings are denominated, a HUF 115 million foreign exchange gain was recognised in profit and loss, compared to a loss of HUF 70 million in Q2 2007

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Capital expenditure in Q2 2008 amounted to HUF 105 million, down by 68% from the previous year's higher expenditure on major projects.

Being the result of the above the profit before tax of Czech operations for Q2 2008 improved to HUF 268 million from HUF 223 million.

**Slovakian Segment**

	HUF million			HUF million		
	Q2 2008	Q2 2007	Ch%	H1 2008	H1 2007	Ch%
SLOVAKIA						
Total revenue and income	2,369	2,165	9	4,245	3,821	11
Operating profit	119	161	(26)	(167)	(58)	187
Financial results	274	(138)	n.a.	345	(27)	n.a.
Profit before tax	393	23	1,633	178	(85)	n.a.
CAPEX	62	162	(62)	252	487	(48)
HUF/SKK average	7.90	7.36	7	7.87	7.35	7
SKK/EUR average	31.56	33.74	(6)	32.23	34.06	(5)

Total sales revenue and other operating income in Q2 2008 grew by 9% to HUF 2,369 million, partly due to the 7% weakening of forint against Slovakian crown in the second quarter compared to Q2 2007. The slight increase of average room rate (ARR) to SKK 1,145 from SKK 1,110 did not compensate the occupancy decrease from 84.5% to 77.4% in Q2. The number of rooms sold decreased from 102,454 to 93,976 in Q2 2008, however the number of guests increased from 15,171 to 15,289. The number of guestnights in Q2 2008 was 151,784 compared to 155,165 in Q2 2007 as the average length of stay in the second quarter of 2008 was 9.9 days compared to Q2 2007 figure of 10.2 days.

Due to the combined effect of average inflation and SKK strengthening against HUF the amount of material expenses and services used in Q2 2008 increased by 18% to HUF 910 million, within this, energy cost increased by 44% to HUF 171 million, while maintenance expenses was HUF 49 million, down by 32% compared to Q2 2007. Personnel expenses for Q2 2008 increased by 6% in HUF terms. All of this increase is caused by FX differences while in SKK terms personnel expenses decreased by 2%, mainly due to the positive effect of outsourcing of laundry on payroll.

Piestany has more business clients requiring only accommodation with breakfast and clients requiring relaxing stays which are not aimed on medical treatment (included in Spa revenues). Therefore Spa revenues are expected to decrease slightly in favour of room revenues in next quarters of 2008 as a result of less medical treatment provided as the Company is being concentrated not only on medical treatment stays but also on wellness stays.

Due to the combined effect of the increase of 3 months EURIBOR and lower average level of borrowings the interest expenses for Q2 2008 amounted to HUF 69 million, compared to HUF 67 million in Q2 2007. During Q2 2008 SKK strengthened against EUR in which all of SLKP's long-term borrowings are denominated, resulting financial gain of HUF 342 million compared to a HUF 72 million foreign exchange loss that was recognised in profit and loss in Q2 2007. It is expected that this gain will be realised as Slovakia will join the Eurozone on 1 January 2009.

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Capital expenditure during the second quarter of 2008 was HUF 62 million, mainly for modernisation and reconstruction purposes, 62% lower compared to the HUF 162 million in Q2 2007 when major investment projects were taking place.

Being the result of the above the profit before tax of Slovakian operations for Q2 2008 was HUF 393 million, compared to HUF 23 million in Q2 2007

**Romanian Segment**

	HUF million			HUF million		
	Q2 2008	Q2 2007	Ch%	H1 2008	H1 2007	Ch%
ROMANIA						
Total revenue and income	338	329	3	609	556	10
Operating profit	63	97	(36)	69	71	(3)
Financial results	10	28	(63)	(10)	18	n.a.
Profit before tax	73	125	(42)	60	90	(33)
CAPEX	165	109	51	227	135	68
HUF/RON average rate	68.11	75.70	(10)	69.13	75.15	(8)
RON/EUR average rate	3.66	3.28	12	3.67	3.33	10

Total sales revenue and other operating income for Q2 2008 increased only by 3% in HUF terms compared to the second quarter of last year due to the significant strengthening of HUF against RON. In RON terms Q2 total revenue increased by more than 13%. However Q2 occupancy decreased from 59.9% to 53.3% (all of the decrease relates to 2 star hotels) and the average room rate achieved (ARR) increased considerably from RON 90 to RON 109, hence room revenue went up by 6% in RON terms. Room departmental profitability improved by 9%. The number of guests during the second quarter of 2008 increased to 10,231 from 9,962 primarily due to the increasing demand of domestic market, however the length of stay decreased from 4.2 days to 3.6 days.

Partly due to the FX differences total material expenses and services used in Q2 2008 increased by 10% amounting to HUF 127 million. Within this, energy cost increased by 11% to HUF 27 million, and raw material cost was HUF 90 million, down by 5%, in spite of the high inflationary effect.

In spite of the increase of 3 months EURIBOR, interest expense in Q2 2008 was HUF 8 million, the same as it was in Q2 2007, due to the decrease of interest margins applied by the lenders.

Mainly as the result of strengthening of RON in Q2 2008 against EUR in which all of the long-term borrowings are denominated, a HUF 17 million unrealised foreign exchange gain was recognised in profit and loss, compared to a gain of HUF 33 million in Q2 2007.

Capital expenditure during the second quarter of 2008 was HUF 165 million, an increase of 51%, the majority of which relates to the improvements of Hotel Sovata lobby bar, sun terrace of Lake Ursu and the reconstruction of new headquarter offices.

Being the result of the above the profit before tax of Romanian operations for Q2 2008 decreased to HUF 73 million compared to a profit of HUF 125 million in Q2 2007.

**Prior period adjustments**

In the Company's 2007 interim consolidated financial statements the 33.33% shareholding held by LL Partners in Gundel Kft. was reported as a minority interest. However, under IAS 32, 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 30 June 2007 and consolidated statement of income information for the period ended 30 June 2007 as follows:

**Balance sheet**

Increase in goodwill	531
Decrease in minority interest	522
Decrease in retained earnings	83
Increase in non-current liabilities	1,136

**Statement of income**

Increase in interest expense	38
Increase in foreign currency gain	58

In the Company's 2007 interim consolidated financial statements 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 30 June 2007 and consolidated statement of income information for the period ended 30 June 2007 as follows:

**Balance sheet**

Increase in provisions	639
Increase in deferred tax assets	102
Decrease in retained earnings	537

**Statement of income**

Decrease in wages and salaries	74
Increase in other expenses	81
Increase in interest expense	18
Decrease in deferred tax expense	4

### **Consolidated Balance Sheet**

Total consolidated asset value amounted to HUF 87.8 billion as of 30 June 2008, a 3% increase compared to the period end of first half 2007. Current assets include assets held for sale which comprises the net carrying value, less cost of sale, of certain hotel and hospitality properties in both Hungary and Slovakia. The Group expects to sell these assets within the next twelve months. Current assets decreased by 8% mainly as a result of the 15% less cash and cash equivalents, 6% less trade receivables in line with the setback of revenue.

The amount of property, plant and equipment was HUF 73.3 million as at the end of first half 2008, an increase of 2% over the last 12 months. The increase is entirely due to the FX translation effect of foreign subsidiaries. The investments in associated companies amounted to HUF 1,561 million show 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 Hotel Gellért. Other non-current assets include the HUF 2 billion loan granted to Egészségsgiget Kft. in order to finance its land acquisition.

Total liabilities at the end of first half of 2008 was HUF 35.4 billion, a 2% decrease compared to 30 June 2007, mainly due to the net decrease of long-term borrowings, including those repayable within one year. The Group had EUR 86.5 million and GBP 5.1 million long-term loans as of 30 June 2008. The GBP loan, borrowed from related parties and shown in a separate line, was spent on the financing of the share purchase of Danubius Hotel Regents Park in London.

The value of shareholders' equity attributable grew by HUF 2.8 billion compared to 30 June 2007 due to net after tax profit of the past 12 months retained in the business and the significant, HUF 1.4 million increase of translation reserve, due to the weakening forint against the national currency of subsidiaries. In Q2 2007 retained earnings were decreased by HUF 0.9 billion 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 the second quarter of 2008 was HUF 1,337 million, down by 26% compared to Q2 2007 primarily due to the lower operational result that could not be compensated by the favourable working capital changes. Capital expenditure in Q2 2008 was HUF 920 million, an 18% decline compared to Q2 2007, all of which relates to reconstruction and refurbishment projects.

During the second quarter of 2008 EUR 4.3 million repayments of borrowings has taken place. In Q1 2008 a EUR 8.0 million long-term bank loan has been drawn down for corporate financing purposes.

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**APPENDIX I - Unaudited  
CONSOLIDATED BALANCE SHEET PREPARED IN ACCORDANCE WITH IFRS (HUF million)**

31 December 2007		30 June 2008	30 June 2007 restated	Change %
<b>Assets</b>				
3,931	Cash and cash equivalents	2,318	2,728	(15)
2,056	Trade receivables	2,876	3,058	(6)
859	Inventory	832	818	2
257	Assets held for sale	404	470	(14)
1,558	Other receivables current assets	1,209	1,255	(4)
<b>8,661</b>	<b>Total current assets</b>	<b>7,639</b>	<b>8,329</b>	<b>(8)</b>
72,831	Property, plant and equipment	73,292	72,046	2
2,492	Intangible assets	2,526	2,555	(1)
1,650	Investments in associates	1,561	1,646	(5)
72	Other non-current assets	2,221	136	1 533
627	Deferred tax assets	590	659	(10)
<b>77,672</b>	<b>Total non-current assets</b>	<b>80,190</b>	<b>77,042</b>	<b>4</b>
<b>86,333</b>	<b>Total assets</b>	<b>87,829</b>	<b>85,371</b>	<b>3</b>
<b>Liabilities and Shareholders' Equity</b>				
2,600	Trade accounts payable	2,033	2,286	(11)
494	Advance payments from guests	841	735	14
396	Income tax payable	77	101	(24)
3,006	Other payables and accruals	3,961	3,568	11
5,678	Interest-bearing loans and borrowings	6,206	5,533	12
379	Provisions	346	357	(3)
<b>12,553</b>	<b>Total current liabilities</b>	<b>13,464</b>	<b>12,580</b>	<b>7</b>
18,241	Interest-bearing loans and borrowings	17,649	19,217	(8)
1,708	Loan from related party	1,482	1,816	(18)
1,467	Deferred tax liabilities	1,452	1,555	(7)
1,265	Provisions	1,356	1,113	22
<b>22,681</b>	<b>Total non-current liabilities</b>	<b>21,939</b>	<b>23,701</b>	<b>(7)</b>
<b>35,234</b>	<b>Total liabilities</b>	<b>35,403</b>	<b>36,280</b>	<b>(2)</b>
<b>Shareholders' Equity</b>				
8,285	Share capital	8,285	8,285	-
7,435	Capital reserve	7,435	7,435	-
(1,162)	Treasury shares	(1,162)	(1,162)	-
4,441	Translation reserve	4,610	3,240	42
24	Fair valuation reserve	105	34	209
30,410	Retained earnings	31,039	29,632	5
<b>49,433</b>	<b>Attributable to equity holders of the parent</b>	<b>50,312</b>	<b>47,464</b>	<b>6</b>
<b>1,666</b>	<b>Minority interests</b>	<b>2,114</b>	<b>1,627</b>	<b>30</b>
<b>51,099</b>	<b>Total shareholders' equity</b>	<b>52,426</b>	<b>49,091</b>	<b>7</b>
<b>86,333</b>	<b>Total liabilities and shareholders' equity</b>	<b>87,829</b>	<b>85,371</b>	<b>3</b>

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**APPENDIX II - Unaudited  
CONSOLIDATED STATEMENT OF OPERATION PREPARED IN ACCORDANCE WITH IFRS  
(HUF million)**

	Q2 2008	Q2 2007	Ch %	H1 2008	H1 2007 restated	Ch %
Room revenue	6,363	6,438	(1)	10,164	10,042	1
Food and beverage revenue	4,085	3,973	3	7,313	6,909	6
Spa revenue	1,607	1,440	12	2,966	2,730	9
Other departmental revenue	554	577	(4)	1,016	1,011	0
Revenue from wineries	28	58	(52)	61	96	(36)
Revenue from security services	146	203	(28)	347	398	(13)
Other income	69	288	(76)	142	619	(77)
<b>Total operating revenue and other income</b>	<b>12,852</b>	<b>12,977</b>	<b>(1)</b>	<b>22,009</b>	<b>21,805</b>	<b>1</b>
Cost of goods purchased for resale	69	68	1	129	126	2
Raw material costs	2,700	2,413	12	5,121	4,581	12
Services used	2,677	2,579	4	4,913	4,713	4
<b>Material expenses and services used</b>	<b>5,446</b>	<b>5,060</b>	<b>8</b>	<b>10,163</b>	<b>9,420</b>	<b>8</b>
Wages and salaries	3,248	2,991	9	6,255	5,679	10
Other personnel expenses	364	297	23	676	598	13
Taxes and contributions	1,117	1,028	9	2,140	1,947	10
<b>Personnel expenses</b>	<b>4,729</b>	<b>4,316</b>	<b>10</b>	<b>9,071</b>	<b>8,224</b>	<b>10</b>
Depreciation and amortisation	1,141	1,127	1	2,304	2,281	1
Other expenses	646	578	12	1,128	1,053	7
Changes in inventories of finished goods and work in progress	5	24	(79)	17	39	(56)
Work performed by the entity and capitalised	(12)	(17)	(29)	(20)	(26)	(23)
<b>Total operating expenses</b>	<b>11,955</b>	<b>11,088</b>	<b>8</b>	<b>22,663</b>	<b>20,991</b>	<b>8</b>
<b>Profit/(loss) from operations</b>	<b>897</b>	<b>1,889</b>	<b>(53)</b>	<b>(654)</b>	<b>814</b>	<b>n.a.</b>
Interest income	69	9	667	120	19	532
Interest expense	(400)	(406)	(1)	(825)	(757)	9
Foreign currency gain	1,854	194	856	2,156	623	246
<b>Financial Income/(loss)</b>	<b>1,523</b>	<b>(203)</b>	<b>n.a.</b>	<b>1,451</b>	<b>(115)</b>	<b>n.a.</b>
Share of loss of associates	(46)	(23)	100	(85)	(69)	23
<b>Profit/(loss) before tax</b>	<b>2,374</b>	<b>1,663</b>	<b>43</b>	<b>712</b>	<b>630</b>	<b>13</b>

**APPENDIX III - Unaudited  
CONSOLIDATED STATEMENT OF CASH FLOWS PREPARED IN ACCORDANCE WITH IFRS  
(HUF million)**

	Q2 2008	Q2 2007	Ch %	H1 2008	H1 2007 restated	Ch %
<b>Profit/(loss) from operations</b>	<b>897</b>	<b>1,889</b>	<b>(52)</b>	<b>(654)</b>	<b>814</b>	<b>n.a.</b>
Depreciation and amortisation	1,141	1,127	1	2,304	2,281	1
(Loss) on sale of fixed assets	(31)	(211)	(85)	(31)	(497)	(94)
Change of provisions	20	(15)	n.a.	58	(63)	n.a.
Write off of receivables	(17)	-	n.a.	-	14	n.a.
<i>Changes in working capital</i>						
<i>(Increase)/decrease of accounts receivable and current assets</i>	<i>(1,128)</i>	<i>(943)</i>	<i>20</i>	<i>(2,634)</i>	<i>(1,110)</i>	<i>137</i>
<i>(Increase)/decrease of inventory</i>	<i>(10)</i>	<i>(10)</i>	<i>-</i>	<i>27</i>	<i>26</i>	<i>4</i>
<i>(Decrease)/increase of accounts payable and other current liabilities</i>	<i>1,228</i>	<i>329</i>	<i>273</i>	<i>857</i>	<i>(798)</i>	<i>n.a.</i>
Interest paid	(398)	(360)	11	(792)	(656)	21
Income tax paid	(365)	-	n.a.	(381)	-	n.a.
<b>Net cash provided by/(used in) operating activities</b>	<b>1,337</b>	<b>1,806</b>	<b>(26)</b>	<b>(1,246)</b>	<b>10</b>	<b>n.a.</b>
Purchase of property, plant and equipment and intangibles	(920)	(1,125)	(18)	(1,887)	(2,124)	(11)
Interest received	69	11	527	120	20	500
Proceeds on sale of property, plant and equipment	35	261	(87)	36	611	(94)
Cash paid on acquisition of Sovata minority	-	(1,600)	n.a.	-	(1,600)	n.a.
<b>Net cash used in investing activities</b>	<b>(816)</b>	<b>(2,453)</b>	<b>(67)</b>	<b>(1,731)</b>	<b>(3,093)</b>	<b>(44)</b>
Receipt of long-term bank loans	-	1,708	n.a.	2,066	2,174	(5)
Repayment of long-term bank loans	(971)	(728)	33	(1,070)	(728)	47
Payment of finance lease liabilities	1	(37)	n.a.	-	(73)	n.a.
<b>Net cash provided/ (used) by financing activities</b>	<b>(970)</b>	<b>943</b>	<b>n.a.</b>	<b>996</b>	<b>1,373</b>	<b>(27)</b>
Net increase (decrease) in cash held	(449)	296	n.a.	(1,981)	(1,710)	16
Cash at the beginning of the financial year, net <sup>1</sup>	377	9	4,089	1,909	2,015	(5)
<b>Cash and cash equivalents at the end of the period, net<sup>1</sup></b>	<b>(72)</b>	<b>305</b>	<b>n.a.</b>	<b>(72)</b>	<b>305</b>	<b>n.a.</b>

<sup>1</sup> Represents the amount of cash and cash equivalents less the amount of bank overdrafts

**APPENDIX IV  
SUBSEQUENT EVENTS**

There has not been any 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 Q1 2008 Danubius Hotels Nyrt. sold its 56.7% share in Marcali Hotel Kft and presently has no ownership share in the company. There were no other significant organisational changes within the Group.

Shareholder <sup>1</sup>	Period end of				
	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
CP Holdings and its investments <sup>2</sup>	71.75%	71.75%	71.75%	72.66%	73.88%
<i>Of which:</i>					
<i>CP Holdings Ltd.</i>	36.25%	36.25%	36.25%	37.16%	37.16%
<i>Interag Zrt.</i>	29.38%	29.38%	29.38%	29.38%	30.60%
<i>Israel Tractors</i>	6.12%	6.12%	6.12%	6.12%	6.12%
Foreign financial investors	14.60%	14.37%	14.05%	13.73%	12.44%
Domestic financial investors	6.61%	5.99%	7.05%	6.19%	8.67%
Domestic individuals	2.31%	3.17%	2.44%	2.71%	0.30%
Employees	0.21%	0.20%	0.19%	0.19%	0.19%
Treasury shares	4.52%	4.52%	4.52%	4.52%	4.52%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> The table shows shareholders separately if their shareholding reaches or exceeds 5%, according to the Book of Shares as of 30<sup>th</sup> June 2008.

<sup>2</sup> The 73.88% ownership of CP Holdings and its investments results a 77.38% combined direct interest in Danubius Hotels Nyrt.

**APPENDIX VI  
DECLARATION**

Danubius Hotels Nyrt. hereby declares that the figures and statements of this Flash Report 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 Flash 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.

Dr. Imre Deák

János Tóbiás

Member of the Board of Directors    Member of the Board of Directors

2008 SECOND QUARTER AND FIRST HALF PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

**APPENDIX VII  
BALANCE SHEET OF DANUBIUS HOTELS NYRT. PREPARED IN ACCORDANCE WITH HAL**

HUF thousand	30 June 2008	30 June 2007	Ch %
<b>NON-CURRENT ASSETS</b>	<b>53,985,510</b>	<b>54,651,544</b>	<b>(1)</b>
<b>INTANGIBLE ASSETS</b>	<b>174,638</b>	<b>261,118</b>	<b>(33)</b>
Capitalised cost of foundation and restructuring			n.a.
Capitalised research and development costs			n.a.
Rights and titles			n.a.
Intellectual property	174,638	261,118	(33)
Goodwill			n.a.
Advance payment on intangible assets			n.a.
Revaluation of intangible assets			n.a.
<b>PROPERTY, PLANT AND EQUIPMENT (TANGIBLE)</b>	<b>6,496,252</b>	<b>6,551,060</b>	<b>(1)</b>
Real estates and relating rights	6,203,393	6,473,974	(4)
Equipments, machines, vehicles	46,905	48,898	(4)
Other equipments, fixtures, vehicles	11,025	12,925	(15)
Livestock			n.a.
Capital investments and refurbishments	233,429	15,263	1 429
Advance payments on capital investments	1,500		n.a.
Revaluation of tangible assets			n.a.
<b>NON-CURRENT FINANCIAL INVESTMENTS</b>	<b>47,314,620</b>	<b>47,839,366</b>	<b>(1)</b>
Long-term investments	42,076,744	42,643,244	(1)
Long-term loan to related parties	5,219,924	5,178,501	1
Other long-term investments	15,218	15,218	0
Long-term loan to other investments			n.a.
Other long term loans	2,734	2,403	14
Long term securities			n.a.
Revaluation of non-current financial assets			n.a.
<b>CURRENT ASSETS</b>	<b>2,102,218</b>	<b>1,792,291</b>	<b>17</b>
<b>INVENTORIES</b>	<b>999</b>		<b>n.a.</b>
Raw materials			n.a.
Work in progress and semifinished goods			n.a.
Grown, fattened and other livestock			n.a.
Finished products			n.a.
Goods, Commodities	999		n.a.
Advance payments on stocks			n.a.
<b>RECEIVABLES</b>	<b>864,552</b>	<b>463,411</b>	<b>87</b>
Receivables from supply of goods and services (customers)	5,422	23,517	(77)
Receivables from related parties	822,967	217,395	279
Receivables from other investment		12,848	n.a.
Bills of exchange			n.a.
Other receivables	36,163	209,651	(83)
<b>SECURITIES</b>	<b>1,161,021</b>	<b>1,161,021</b>	<b>0</b>
Investment in related parties			n.a.
Other investments			n.a.
Treasury shares	1,161,021	1,161,021	0
Short term securities			n.a.
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>75,646</b>	<b>167,859</b>	<b>(55)</b>
Cash at hand, cheques	1,024	455	125
Bank deposits	74,622	167,404	(55)
<b>ACCRUALS AND PREPAYMENTS</b>	<b>1,005,908</b>	<b>497,100</b>	<b>102</b>
Accrued income	984,261	474,348	107
Prepaid costs and expenses	21,647	22,752	(5)
Deferred expenses			n.a.
			n.a.
<b>TOTAL ASSETS</b>	<b>57,093,636</b>	<b>56,940,935</b>	<b>0</b>

2008 SECOND QUARTER AND FIRST HALF PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

HUF thousand	30 June 2008	30 June 2007	Ch %
<b>SHAREHOLDERS' EQUITY</b>	<b>40,269,293</b>	<b>38,652,803</b>	<b>4</b>
<b>SHARE CAPITAL</b>	<b>8,285,437</b>	<b>8,285,437</b>	<b>0</b>
REGISTERED BUT UNPAID CAPITAL			
SHARE PREMIUM (CAPITAL RESERVE)	7,138,139	7,138,139	0
RETAINED EARNINGS	22,868,825	22,002,942	4
COMMITTED RESERVES	1,161,021	1,161,021	0
REVALUATION RESERVE			
NET PROFIT FOR THE PERIOD	815,871	65,264	1150
<b>PROVISIONS</b>	<b>92,400</b>	<b>175</b>	<b>52700</b>
Provisions for expected liabilities	92,400	175	52 700
Provisions for future expenses			
Other provisions			
<b>LIABILITIES</b>	<b>16,501,313</b>	<b>17,940,352</b>	<b>(8)</b>
<b>BACKLISTED LIABILITIES</b>			
Backlisted liabilities to related parties			
Backlisted liabilities to other investment			
Backlisted liabilities to third parties			
<b>LONG TERM LIABILITIES</b>	<b>13,354,132</b>	<b>14,752,825</b>	<b>(9)</b>
Long term loans			
Convertible bonds			
Liability from bond issue			
Capital investment and development loans			
Other long term loans	13,354,132	14,752,825	(9)
Long term liabilities to related parties			
Long term liabilities to other investments			
Other long term liability			
<b>SHORT TERM LIABILITIES</b>	<b>3,147,181</b>	<b>3,187,527</b>	<b>-1</b>
Short term credits		200	n.a.
Short term loans	2,776,303	2,501,579	11
Advance payments from customers	4,064	4,164	(2)
Creditors, Suppliers	73,410	49,895	47
Bills of exchange			
Short term liabilities to related parties	105,689	147,805	(28)
Short term liabilities to other investments			
Other short term liabilities	187,715	284,084	(34)
<b>DEFERRALS</b>	<b>230,630</b>	<b>17,278</b>	<b>1 235</b>
Deferred revenues			
Deferred costs and expenses	228,492	169,256	35
Deferred income	2,138	3,524	(39)
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>57,093,636</b>	<b>56,940,935</b>	<b>0</b>

2008 SECOND QUARTER AND FIRST HALF PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

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

HUF thousand	H1 2008	H1 2007	Ch %
<b>Net domestic sales revenue</b>	<b>1,594,491</b>	<b>1,454,809</b>	<b>10</b>
<b>Export sales revenue</b>			
<b>Total net sales revenue</b>	<b>1,594,491</b>	<b>1,454,809</b>	<b>10</b>
Change in the stock of own prod.			
Cap. value of assets of own prod.			
<b>Cap. value of own production</b>			
<b>Other income</b>	<b>121,493</b>	<b>305</b>	<b>39,734</b>
Raw material costs	13,517	11,547	17
Value of services used	566,188	456,712	24
Other services	12,675	22,355	(43)
Purchase price of goods sold			
Value of sold services	30,426	1,484	1 950
<b>Material expenditures</b>	<b>622,806</b>	<b>505,454</b>	<b>23</b>
Salaries and wages	475,713	402,693	18
Other personnel payments	76,206	60,428	26
Taxes and contributions	164,221	139,206	18
<b>Total payroll &amp; related costs</b>	<b>716,140</b>	<b>602,327</b>	<b>19</b>
<b>Depreciation</b>	<b>219,897</b>	<b>224,394</b>	<b>(2)</b>
<b>Other expenditures</b>	<b>69,618</b>	<b>69,271</b>	<b>1</b>
<b>Operating profit</b>	<b>87,523</b>	<b>53,668</b>	<b>63</b>
Dividend received			
Capital gain on the sale of shares	521,000		n.a.
Exchange gain of inv. fin. assets			
Other interests received	181,358	132,897	36
Other financial income	1,296,356	499,950	159
<b>Rev. from financial transact.</b>	<b>1,998,714</b>	<b>632,847</b>	<b>216</b>
Exchange loss of inv. fin. assets	521,000		
Interests payable	512,180	511,077	0
Loss of value -securities, deposits			
Other financial expenses	223,332	123,911	80
<b>Expenditures of fin. transact.</b>	<b>1,256,512</b>	<b>634,988</b>	<b>98</b>
<b>Financial profit or loss</b>	<b>742,202</b>	<b>-2,141</b>	<b>n.a.</b>
<b>Profit from ordinary activities</b>	<b>829,725</b>	<b>51,527</b>	<b>1,510</b>
Extraordinary income		30,000	n.a.
Extraordinary loss	13,854	16,263	-15
<b>Extraordinary profit or loss</b>	<b>(13,854)</b>	<b>13,737</b>	<b>n.a.</b>
<b>Profit before tax</b>	<b>815,871</b>	<b>65,264</b>	<b>1,150</b>
Corporate tax payable			
<b>Profit after tax</b>	<b>815,871</b>	<b>65,264</b>	<b>1,150</b>
Dividend paid from profit reserve			
Dividend payable/ Minority			
<b>NET PROFIT FOR THE PERIOD</b>	<b>815,871</b>	<b>65,264</b>	<b>1,150</b>