

**Proposals and motions
of the
Annual General Meeting
of
Danubius Hotels Nyrt.
to be held on 22 April 2010**

Budapest, 31 March 2010

CONTENT

INVITATION TO THE ANNUAL GENERAL MEETING	3
ITEM 1 OF THE AGENDA: To submit and review the 2009 Balance Sheet and profit and loss statement.....	5
Report of the Board of Directors on the year 2009 performance of Danubius Group	5
Report of the auditor on the 2009 B/S of Danubius Hotels Nyrt.	19
Report of the Supervisory Board on the 2009 operating activities and B/S of Danubius Hotels Nyrt.	23
PROPOSAL FOR THE RESOLUTION FOR ITEM 1 OF THE AGENDA:	24
ITEM 2 OF THE AGENDA: To pass decision on the report on corporate governance	25
PROPOSAL FOR THE RESOLUTION FOR ITEM 2 OF THE AGENDA:	37
ITEM 3 OF THE AGENDA: To pass decision on the 2009 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 2010 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	41
PROPOSAL FOR THE RESOLUTION FOR ITEM 6 OF THE AGENDA:	42
ITEM 7 OF THE AGENDA: To elect members of the Audit committee	42
PROPOSAL FOR THE RESOLUTION FOR ITEM 7 OF THE AGENDA:	42
ITEM 8 OF THE AGENDA: To modify the articles of association.....	43
PROPOSAL FOR THE RESOLUTION FOR ITEM 8 OF THE AGENDA:	55
ITEM 9 OF THE AGENDA: To appoint the auditor and approve his/her 2010 remuneraion	56
PROPOSAL FOR THE RESOLUTION FOR ITEM 9 OF THE AGENDA:	56
ITEM 10 OF THE AGENDA: To establish the remuneration of the members of the Board of Directors and the Supervisory Board.....	56
PROPOSAL FOR THE RESOLUTION FOR ITEM 10 OF THE AGENDA:	56

INVITATION TO THE ANNUAL GENERAL MEETING

(published on the website of the company (www.danubiushotels.com), the Budapest Stock Exchange www.bet.hu) and the announcement web site of the Hungarian Financial Supervisory Authority (www.kozzetetelek.hu) on 22 March 2010).

The Board of Directors announces its shareholders that
DANUBIUS HOTEL AND SPA PUBLIC LIMITED COMPANY
/1051 Budapest, Szent István sq. 11.
court of registration: Metropolitan court, company registration number: 01-10-041669 /
shall hold its

Annual General Meeting

on Thursday, 22nd April 2010 at 10.00 a.m.
in the Ravel room of Danubius Hotel Flamenco
/1113 Budapest, Tas vezér street 3-7./
in a traditional way

The shareholders shall participate at the general meeting personally

Items of the agenda:

1. To submit and approve the 2009 Annual reports, the Balance Sheet and the Profit and Loss statement
 - To receive the Board's report about the 2009 business activities
 - To receive the report of the Auditor on the 2009 B/S
 - To receive the report of the Supervisory Board on the 2009 operating activities and B/S
2. To pass decision on the Report on Corporate Governance
3. To pass decision on the 2009 profit allocation
4. To inform the Meeting about the 2010 business targets
5. To elect members of the Board of Directors
6. To elect members of the Supervisory Board
7. To elect members of the Audit Committee
8. To modify the Articles of Association (amendment of certain sections of the Articles of Association is necessary due to changes in the provisions of the Gt. (Joint regulations on Business Associations))
9. To appoint the Auditor and approve his 2010 remuneration
10. 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 31st March 2010 on the Company site (www.danubiushotels.hu), 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 post or personally.

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 a.m. on 28th April 2010 (Wednesday) 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 entitles 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 shareholder's 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 a.m. on 21st April 2010 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 and has indicated his request for registration with the keepers of security account till 3 p.m. of the record date (i.e. till 3 p.m. of 15th April 2010) and who has been entered in the Book of Shares updated and closed for the General Meeting on 19th April 2010 till 3 p.m. 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!**

Closing down the Book of Shares does not restrict the rights of the person registered in the Book of Shares to transfer his shares after the closing down of the Book of Shares. Transfer of the shares prior to the starting day of the General Meeting does not exclude the right of the person registered in the Book of Shares to participate at the General Meeting and to exercise the rights entitled to him as a shareholder.

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 15th April 2010, as record date.

Pursuant to the Articles of Association of the Company entry in the Book of Shares is to be performed till the third working day prior to the General Meeting, thus requests for entries in the Book of Shares have to be received by Keler Zrt. by 3. p.m. 19th April 2010.

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.

Registration and receipt of the voting-papers are possible on the spot from 9 a.m. to 10. a.m.

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

Budapest, 22nd March 2010

Board of Directors of
Danubius Hotels Nyrt.

Issued shares of the Company and number of voting rights attached to the shares on 22nd March 2010:

Securities series	Number of securities issued	Number of securities with voting right	Voting right per share	Total number of voting right	Number of own shares
„A” series (equity)	8 285 437	8 285 437	1	8 285 437	374 523
Total	8 285 437	8 285 437	1	8 285 437	374 523

Shares of Danubius Hotels Nyrt. belong to the same securities series.

ITEM 1 OF THE AGENDA: TO SUBMIT AND REVIEW THE 2009 BALANCE SHEET AND PROFIT AND LOSS STATEMENT

REPORT OF THE BOARD OF DIRECTORS ON THE YEAR 2009 PERFORMANCE OF DANUBIUS GROUP

This report contains the audited consolidated financial statements for the period ended 31 December 2009 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

HIGHLIGHTS

Tight cost control over the year led to operating expenses down 7.5%, more than compensating the 6.6% fall in hotel operational revenues.

	HUF million			EUR million ¹		
	FY 2009	FY 2008	Ch %	FY 2009	FY 2008	Ch %
Danubius Hotels Group (IFRS)						
Excluding one-off items ²						
Net sales revenues ²	43 485	46 573	(6,6)	155,0	186,2	(16,8)
EBITDA ²	5 739	5 397	6,3	20,5	21,6	(5,2)
Operating profit ²	1 120	767	45,9	4,0	3,1	30,1
According to IFRS						
Net sales revenues	43 485	47 173	(7,8)	155,0	188,6	(17,8)
EBITDA	5 739	5 997	(4,3)	20,5	24,0	(14,7)
Operating profit	1 120	1 367	(18,1)	4,0	5,5	(27,0)
Financial results	(1 529)	(1 491)	2,5	(5,4)	(6,0)	(8,6)
Profit/(Loss) before tax	(409)	(199)	105,2	(1,5)	(0,8)	82,9
Operating cash flow	3 831	1 716	123,3	13,7	6,9	99,0
CAPEX	2 148	5 244	(59,0)	7,7	21,0	(63,5)
HUF/EUR	280,6	250,1	12,2			n.a.

¹ The presentation currency of the Group is HUF. The EUR amounts are provided as a convenience translation using average f/x rates of the respective periods.

² One-off items have been eliminated from 2008 key figures to serve comparability. In 2008 Hotel Phoenix (in Q3) and Miramonte spa house (in Q4) in Marienbad were disposed-off, realising a net gain of HUF 120 million and HUF 480 million, respectively.

- In the financial year of 2009 total net sales **revenues** were HUF 43.5 billion, down by 6.6% compared to last year figure after eliminating one-off items. The movements in HUF/EUR FX rate had a considerable positive effect on Hungarian segment revenue in 2009 compared to 2008, but in EUR terms there was a 17% decrease.
- In spite of the revenue drop, **EBITDA** increased by 6% to HUF 5.7 billion and operating profit by 46% to HUF 1.1 billion compared to 2008 figures after eliminating one-off items, due to the significantly positive effect of cost cutting measures.
- When one-off items are included in comparative figures, **operating profit** in FY 2009 is down by only 18% to HUF 1.1 billion from HUF 1.4 billion, due to the following:
 - **Hungarian** segment's revenue for FY 2009 decreased by 11% to HUF 25.7 billion as the occupancy of hotels fell by 7.9% from 63.1% to 55.2%, while the operating result remained at the breakeven level as savings on payroll and other operating expenses compensated the negative effect of lower revenues.
 - **Czech** hotels contributed an operating profit of HUF 623 million in FY 2009 compared to a profit of HUF 892 million in 2008. That is a considerable improvement since October 2008 figures includes a one-off gain of HUF 480 million from the sale of Miramonte spa house.
 - **Slovakian** segment's operating profit was HUF 356 million in FY 2009 compared to a HUF 16 million profit in FY 2008. Revenue in HUF terms increased by 2% to HUF 9.2 billion thanks to the significant EUR strengthening against HUF. Costs were kept tightly under control.
 - In FY 2009 the total revenue of **Romanian** segment decreased by 16% to HUF 1.5 billion, therefore operating result was a profit of HUF 228 million, compared to profit of HUF 473 million.
- The **Financial** results in FY 2009 was a loss of HUF 1.5 billion the same as last year, however the interest expenses decreased by HUF 366 million in 2009 compared to 2008. In 2009 HUF 290 million FX loss (mostly unrealised) was recognised on monetary assets and liabilities, while in 2008 recognised FX gain of HUF 90 million.
- **Loss before tax** in FY 2009 was HUF 0.4 billion, compared to a loss of HUF 0.2 billion in FY 2008.
- **Net cash provided in operating activities** in FY 2009 was HUF 3.8 billion, a significant improvement compared to HUF 1.7 billion net cash provided in FY 2008, due to favourable working capital changes.
- **Capital expenditure** and investments during FY 2009 amounted to HUF 2.1 billion compared to HUF 5.2 billion spending in FY 2008.
- Group level average **headcount** in FY 2009 was 4,876 compared to 5,338.

FINANCIAL OVERVIEW

Hungarian Segment

HUNGARY	HUF million		
	FY 2009	FY 2008	Ch %
Excluding one-off items ¹			
Net sales revenues ¹	25 742	28 930	(11)
Operating profit ¹	(86)	(133)	(35)
According to IFRS			
Net sales revenues	25 742	29 050	(11)
Operating profit	(86)	(13)	547
Financial results	(1 339)	(1 650)	(19)
Profit before tax	(1 426)	(1 738)	(18)
CAPEX	1 274	2 971	(57)

¹ One-off items have been eliminated from 2008 key figures to serve comparability. In Q3 2008 Hotel Phoenix was disposed-off, realising a net gain of HUF 120 million.

Total sales revenue and other operating income of FY 2009 decreased by 11% to HUF 25.7 billion, mainly due to lower revenue recognised from room and F&B services and from Gundel banqueting services. However the weakening of HUF against EUR had a considerable positive effect on total 2009 revenue compared to year 2008. Hotel occupancy in FY 2009 was 55.2% compared to 63.1% in FY 2008. The occupancy of Budapest hotels decreased by 10.0 percentage point.

Room revenue of Hungarian hotels decreased by 7% to HUF 13.4 billion compared to FY 2008 due to the combined result of significant occupancy decrease and the increase of average room rate achieved (ARR) to HUF 13,076, higher by HUF 400 than the comparative figure. The average length of stay was 2,9 days in FY 2009, remained at the same level of last year. The number of guest-nights during the financial year of 2009 decreased to 1,716,860 from 1,913,956, out of which domestic guest-nights represented 22.7%, a considerable increase compared to FY 2008 level of 20.0%. In 2009 guests from almost all destinations decreased, guests from Great Britain and Germany decreased the most; more guests arrived from the domestic market and Ukraine, Slovakia, Czech Republic and Italy. Room departmental profit for year 2009 decreased by HUF 920 million, down by 8% compared to FY 2008.

Food and beverage revenue of hotels and restaurants for the financial year of 2009 was HUF 7.7 billion, lower by 16% than comparative figure, as a direct result of lower occupancy and banqueting and the negative effect of VAT increase. In spite of the significant revenue drop 2009 F&B departmental profit of our hotels fell by only HUF 309 million due to the considerable decrease of payroll and cost of sale. Gundel's total revenue and income in FY 2009 decreased by HUF 351 million, down by 22%, however its operational performance was weaker only by HUF 85 million than in FY 2008 thanks to cost cutting measures.

Starting from 1 January 2009, for management accounting purposes the Company decided not to allocate revenue from Room to Spa department in respect of free swimming pool entry given to each guest automatically, to better reflect real life processes. This is a reclassification between two revenue figures, comparative 2008 spa revenue figure included HUF 455 million such an allocated revenue.

Excluding the effect of reclassification from 2008 figures, spa revenue was HUF 1,224 million in 2009, down by only 4% compared to FY 2008, due to the result of lower number of treatments sold. However spa departmental profit was able to increase by 15% as the decrease in payroll and other cost savings more than compensated the revenue drop.

Revenue from security services increased by HUF 118 million in FY 2009 to HUF 835 million.

Due to the combined effect of inflation on materials, cost saving measures and the drop in occupancy full year raw material expenses decreased by 12% to HUF 5.4 billion in our hotels, within this energy cost felt by 5% to HUF 2,524 million. The value of services used in FY 2009 decreased by 12% to HUF 5.3 billion million, within this the amount spent on maintenance work at the hotels decreased by 14% to HUF 704 million. Personnel expenses of hotel operation in FY 2009 were HUF 10.0 billion, down by 13%, reflecting the effect of considerable headcount reduction.

Due to the combined effect of the decrease of 3 months EURIBOR, the increase of interest margins, the increase of average borrowings over the period and the change in the fair value of interest swap derivatives interest expenses decreased to HUF 1,191 million from HUF 1,364 million in the financial year of 2009. Primarily as the result of depreciation of HUF in FY 2009 against EUR, in which the majority of our long-term borrowings are denominated, a HUF 311 million foreign exchange loss (mostly unrealised) was recognised in profit and loss, compared to a loss of HUF 485 million in FY 2008, when HUF weakened significantly against EUR in the last quarter.

Capital expenditure during FY 2009 was HUF 1,274 million compared to HUF 2,971 million spent in FY 2008, including spending on Hilton Budapest, DHSR Hévíz and new operational software.

Overall the loss before tax of Hungarian segment was HUF 1.4 billion in FY 2009, compared to a loss of HUF 1.7 billion in FY 2008.

Czech Segment

CZECH	HUF million		
	FY 2009	FY 2008	Ch %
<i>Excluding one-off items</i> ¹			
Net sales revenues ¹	7,067	6,824	4
Operating profit ¹	623	412	51
According to IFRS			
Total revenue and income	7,067	7,304	(3)
Operating profit	623	892	(30)
Financial results	(29)	(34)	(16)
Profit before tax	595	857	(31)
CAPEX	532	466	14
HUF/CZK average	10.61	10.07	5
CZK/EUR average	26.45	24.84	6

¹ One-off items have been eliminated from 2008 key figures to serve comparability. In Q4 2008 Miramonte spa house was disposed-off, realising a net gain of HUF 480 million.

Total sales revenue and other operating income in HUF term decreased by 3% to HUF 7.1 billion in the financial year of 2009 as comparative figures includes HUF 480 million one-off revenue from selling Miramonte spa house. Room revenue of FY 2009 was HUF 3.9 billion, up by 7%. In FY 2009 Marienbad hotels' occupancy was 75.8% compared to 78.9%, however the average room rate achieved (ARR) in CZK term improved considerably to 1,707 from 1,550, due to the weakening of CZK against EUR. The average length of stay was 9.0 days in 2009 compared to 9.2 days in 2008. As the result of lower occupancy and temporary closures in early 2009 the number of guestnights was 346,641 in 2009 compared to 382,167, the significant drop in German and Russian

guests is partly compensated by increasing number of guests arriving from the domestic market and certain former Soviet Union and Asian countries.

The amount of material expenses and services used in 2009 was HUF 3.1 billion, no material change compared to last year. Within this energy costs increased by 6% to HUF 599 million, while maintenance expenses decreased by 1% to HUF 464 million. Total personnel expenses in 2009 were HUF 2.1 billion, no change compared to FY 2008 in spite of the CZK strengthening against HUF, due to lower average headcount.

Due to the decrease of 3 months EURIBOR and the outstanding amount of bank loans the interest expense for FY 2009 was HUF 73 million, a significant drop compared to HUF 130 million. As the result of strengthening of CZK in FY 2009 against EUR in which all of LLML's long-term borrowings are denominated, a HUF 43 million foreign exchange gain was recognised in profit and loss, compared to a gain of HUF 86 million in FY 2008.

Capital expenditure in FY 2009 amounted to HUF 532 million, up by 14% compared to previous year's relative low level.

Overall, the profit before tax of Czech operations for FY 2009 decreased by 31% to HUF 595 million compared to HUF 857 million, however eliminating the HUF 480 million one-off gain from selling Miramonte, there is a significant improvement in the underlying business unit profit before tax up to 51%.

Slovakian Segment

	HUF million		Ch%
	FY 2009	FY 2008	
SLOVAKIA			
Total revenue and income	9,187	9,041	2
Operating profit	356	16 2 087	
Financial results	(146)	248	n.a.
Profit before tax	210	264	(21)
CAPEX	293	1,423	(79)
HUF/EUR	280.6	250.1	12
HUF/SKK average	-	7.98	n.a.
SKK/EUR average	-	31.36	n.a.

The functional currency of the Slovakian subsidiary is Euro as of 1 January 2009. Total sales revenue and other operating income in FY 2009 grew by 2% to HUF 9.2 billion, mainly due to the weaker forint against euro. In EUR the total revenue recognised in the Slovakian segment decreased by 12% in 2009 compared to 2008. Room revenue in EUR decreased by 9% in 2009 as the average room rate (ARR) increased to EUR 40.3 from EUR 37.6 while the occupancy decreased from 72.0% to 62.0%. The number of rooms sold decreased from 350,718 to 299,336 in FY 2009. The number of guestnights in 2009 was 484,449 compared to 577,707 in FY 2008, the average length of stay in the year of 2009 was 10.0 days compared to 9.7 days last year.

In spite of the significant EUR strengthening against HUF the amount of material expenses and services used in FY 2009 was HUF 3.3 billion, down by 6%, within this, energy cost decreased by 5% to HUF 802 million and maintenance expenses was HUF 212 million, higher by 9% than in 2008. Personnel expenses for FY 2009 were HUF 3.5 billion, an increase of 5% in HUF terms, reflecting entirely the weaker HUF.

Due to the decrease of 3 months EURIBOR and the lower average level of borrowings the interest expenses for FY 2009 amounted to HUF 152 million, compared to HUF 275 million in FY 2008. Comparative figure includes an FX gain of HUF 523 million on borrowings, current figures do not include such a difference as EUR is the functional currency.

Capital expenditure during the year of 2009 was HUF 293 million, including spending on heating and recirculation systems and refurbishments, compared to the HUF 1,423 million in FY 2008.

Overall, the profit before tax of Slovakian operations for FY 2009 decreased by 21% to HUF 210 million, compared to HUF 264 million in FY 2008.

Romanian Segment

ROMANIA	HUF million		Ch%
	FY 2009	FY 2008	
Total revenue and income	1,489	1,778	(16)
Operating profit	228	473	(52)
Financial results	(16)	(56)	(71)
Profit before tax	212	417	(49)
CAPEX	49	385	(87)
HUF/RON average rate	66.19	68.29	(3)
RON/EUR average rate	4.24	3.66	16

Total sales revenue and other operating income for FY 2009 decreased by 16% in HUF terms compared to the financial year of last year. In FY 2009 the occupancy was 56.6%, an increase of 1.3% compared to last year, however the guest mix changed towards pension guests, hence the average room rate (ARR) decreased from RON 117 to RON 107. Room departmental profitability in RON terms decreased by 7% in FY 2009. The number of guests during the financial year of 2009 decreased to 35,542 from 40,635 primarily due to the decreasing number of leisure and conference tourists.

Due to the combined effect of inflation and the drop in occupancy total material expenses and services used in FY 2009 was HUF 605 million compared to HUF 650 million last year. Within this, energy cost was HUF 140 million, down by 6% compared to FY 2008.

Due to decrease of 3 months EURIBOR the interest expenses for FY 2009 amounted to HUF 23 million compared to HUF 37 million in FY 2008.

Capital expenditure during the year of 2009 was HUF 49 million compared to HUF 385 million in 2008, the majority of which relates to the reconstruction of the elevator system.

Being the result of the above the profit before tax of Romanian operations for FY 2009 was HUF 212 million compared to a profit of HUF 417 million in FY 2008.

Consolidated Balance Sheet

Total consolidated asset value amounted to HUF 87.1 billion as of 31 December 2009, a 4% decrease compared to the end 2008. Current assets include assets held for sale which comprises the net carrying value, less cost of sale, of a hotel and hospitality property in Hungary. The Group expects to sell these assets within the next twelve months. Trade receivables decreased by 28%, reflecting lower revenues and the positive effect of our debt collection activities.

The amount of property, plant and equipment was HUF 76.8 billion at the end of December 2009, an increase of 1% over the last 12 months. The majority of this increase is due to the FX translation effect of foreign subsidiaries. In December 2008 Danubius sold its 25% minority shareholding in CP Regents Park Two Ltd. to CP Holdings, the majority shareholder of Danubius, and the consideration for the sale was the repayment of the GBP 5.1 million loan. From August 2009 the 50% investment in Egészségsgiget Kft., our established associate to utilise the land acquired near Hotel Gellért became a fully consolidated subsidiary (before this date it was treated as an associate). CP Holdings purchased the remaining 50% shareholding in August 2009 and Danubius simultaneously entered into a put and call option agreement with a view to purchase this shareholding. The underlying purchase price paid by CP Holdings and the amount to be paid by Danubius under the option agreement is the same (EUR 1.7m). The option agreements provide for an option fee of EUR 100,000 and, if relevant, interest from August 2010.

Total liabilities at the end of 2009 was HUF 34.6 billion, a 7% decrease compared to 31 December 2008 due to the decrease of bank loans and trade payables. The Group had EUR 90.0 million long-term loans, including short-term portion as of 31 December 2009.

The value of shareholders' equity decreased by 1% compared to 31 December 2008 being the combined effect of the after tax loss of HUF 0.9 billion of previous 12 months, the HUF 0.3 billion increase of translation reserve and HUF 0.1 billion increase in minority interest, due to the weakening of forint against the national currency of subsidiaries. The parent company mitigates its interest exposure by means of hedging instruments the effect of which is included in P&L in accordance with IAS 39.

Cash flow

Net cash provided by operating activities in the financial year of 2009 was HUF 3.8 billion, a significant improvement compared to HUF 1.7 billion net cash provided in FY 2008, due to the positive result of working capital changes. Capital expenditure in 2009 was HUF 2.1 billion, a 59% decrease compared to FY 2008, reflecting our tight cash management program.

In August 2009, based on the original agreement, Danubius purchased the remaining 33.33% minority shareholding in Gundel Kft. from LL Partners, L.P. Considering this share purchase transaction, Danubius Hotels Nyrt. became the sole owner of Gundel Kft.

During the year of 2009 EUR 5.3 million loan has been drawn down, the majority of which was used to finance the Gundel acquisition, and EUR 11.9 million repayment of borrowings has taken place. Comparative figures include the loan received to finance the land acquisition near Hotel Gellért.

APPENDIX I - Audited**CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED IN ACCORDANCE WITH IFRS
(HUF million)**

	At 31 December	
	2009	2008
Assets		
Cash and cash equivalents	3,537	3,797
Trade and other receivables	2,222	3,544
Inventory	824	867
Long-term assets classified as held for sale	78	351
Current income tax receivables	134	21
Total current assets	6,795	8,580
Property, plant and equipment	76,795	76,347
Intangible assets	3,208	2,703
Other investments	72	2,108
Deferred tax assets	201	524
Total non-current assets	80,276	81,682
Total assets	87,071	90,262
Liabilities and Shareholders' Equity		
Trade accounts payable	1,995	2,866
Advance payments from guests	672	640
Current income tax payables	6	35
Other payables and accruals, including derivatives	2,901	3,249
Interest-bearing loans and borrowings	5,290	5,699
Provisions	344	445
Total current liabilities	11,208	12,934
Interest-bearing loans and borrowings	21,005	21,812
Deferred tax liabilities	1,332	1,351
Provisions	1,033	1,235
Total non-current liabilities	23,370	24,398
Total liabilities	34,578	37,332
Shareholders' Equity		
Share capital	8,285	8,285
Capital reserve	7,435	7,435
Treasury shares	(1,162)	(1,162)
Translation reserve	6,354	6,032
Retained earnings	29,152	30,023
Attributable to equity holders of the parent	50,064	50,613
Minority interest	2,429	2,317
Total shareholders' equity	52,493	52,930
Total liabilities and shareholders' equity	87,071	90,262

APPENDIX II - Audited
CONSOLIDATED INCOME STATEMENT PREPARED IN ACCORDANCE WITH IFRS
(HUF million)

	Year ended 31 December	
	2009	2008
Room revenue	21,215	21,811
Food and beverage revenue	13,020	14,996
Spa revenue	5,841	6,197
Other departmental revenue	1,777	2,138
Revenue from wineries	155	155
Revenue from security services	835	717
Other income	642	1,159
Total operating revenue and other income	43,485	47,173
Cost of goods purchased for resale	432	265
Material costs	9,291	10,544
Services used	9,246	9,947
Material expenses and services used	18,969	20,756
Wages and salaries	11,407	12,341
Other personnel expenses	1,393	1,472
Taxes and contributions	3,771	4,331
Personnel expenses	16,571	18,144
Depreciation and amortisation	4,619	4,630
Other expenses	2,293	2,366
Changes in inventories of finished goods and w.i.p.	(4)	(8)
Work performed and capitalised	(85)	(82)
Total operating expenses	42,363	45,806
Profit from operations	1,122	1,367
Interest income	200	224
Interest expense	(1,439)	(1,805)
Foreign currency gain / (loss)	(290)	90
Financial loss	(1,529)	(1,491)
Share of loss of associates	-	(75)
Loss before tax	(407)	(199)
Current tax expense	54	187
Deferred tax expense / (benefit)	295	(34)
Loss for the year	(756)	(352)
Attributable to:		
Owners of the Company	(801)	(411)
Minority interest	45	59
Basic and diluted earnings per share (HUF per share):	(101)	(52)

**APPENDIX III - Audited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN ACCORDANCE WITH IFRS
(HUF million)**

	Year ended 31 December	
	2009	2008
Loss for the year	(756)	(352)
Other comprehensive income		
Foreign currency translation differences for foreign operations	394	2,207
Release of hedging reserve due to loss of effectiveness	-	(24)
Total other comprehensive income	394	2,183
Total comprehensive income for the period	(362)	1,831
Attributable to:		
Owners of the Company	(479)	1,156
Minority interest	117	675
Total comprehensive income for the period	(362)	1,831

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

	Year ended 31 December	
	2009	2008
Profit from operations	1,122	1,367
Depreciation and amortisation	4,619	4,630
Gain/on sale of property, plant and equipment and intangibles	(90)	(702)
Change of provisions	(303)	36
Impairment of receivables	6	48
<i>Changes in working capital</i>		
<i>(Increase)/ decrease of accounts receivable and other current assets</i>	1,064	(1,679)
<i>(Increase)/ decrease of inventory</i>	43	(8)
<i>Increase / (decrease) of accounts payable and other current liabilities</i>	(1,148)	144
Interest paid	(1,301)	(1,698)
Income tax paid	(196)	(424)
Net cash provided by operating activities	3,816	1,714
Purchase of property, plant and equipment and intangibles	(2,148)	(5,244)
Interest received	192	224
Proceeds on sale of property, plant and equipment and intangibles	125	844
Cash paid on acquisition	(1,268)	-
Other cash inflow	-	1,387
Net cash used in investing activities	(3,099)	(2,789)
Receipt of long-term bank loans	1,369	7,396
Repayment of long-term bank loans	(3,285)	(5,067)
Payment of finance lease liabilities	-	(6)
Net cash provided by financing activities	(1,916)	2,323
Net increase (decrease) in cash held	(1,199)	1,248
Cash and cash equivalents at the beginning of the period, net	3,171	1,921
Effect of exchange rate fluctuations on cash held	9	2
Cash and cash equivalents at the end of the period, net	1,981	3,171

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

APPENDIX V 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 VI

SHAREHOLDER STRUCTURES AND CHANGES IN ORGANISATION

In 2009 there were no significant organisational changes within the Group.

Shareholder ¹	PERIOD END OF				
	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
CP Holdings and its investments ²	74.52%	74.52%	75.60%	76.41%	76.41%
<i>Of which:</i>					
<i>CP Holdings Ltd.</i>	37.55%	37.55%	37.94%	37.94%	37.94%
<i>Interag Zrt.</i> ³	30.85%	30.85%	30.85%	30.85%	31.45%
<i>Israel Tractors</i>	6.12%	6.12%	6.12%	6.12%	6.12%
Foreign financial investors	11.74%	11.58%	11.69%	11.77%	11.74%
Domestic financial investors	6.22%	6.51%	5.25%	4.44%	4.45%
Domestic individuals	2.81%	2.68%	2.75%	2.67%	2.70%
Employees	0.19%	0.19%	0.19%	0.19%	0.18%
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 76.41% ownership of CP Holdings and its investments results an 80.03% combined direct interest in Danubius Hotels Nyrt. and includes the shares held by Sir Bernard Schreier, the Chairman of CP Holdings and shares held by Agrimill-Agrimex Zrt.

³ The Danubius shares previously held by Agrimill-Agrimex Zrt. are currently owned by Interag Zrt. as the result of their merge in 2009

APPENDIX VII 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

APPENDIX VIII - Audited

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

HUF thousand	31 December 2009	Restatement of previous years	31 December 2008
NON-CURRENT ASSETS	53,753,364	1,936,899	52,079,838
INTANGIBLE ASSETS	72,472		139,996
Capitalised cost of foundation and restructuring			
Capitalised research and development costs			
Rights and titles			
Intellectual property	72,472		139,996
Goodwill			
Advance payment on intangible assets			
Revaluation of intangible assets			
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE)	6,370,081		6,740,359
Real estates and relating rights	6,219,467		6,542,563
Equipments, machines, vehicles	11,689		2,792
Other equipments, fixtures, vehicles	8,977		9,934
Livestock			
Capital investments and refurbishments	129,948		159,942
Advance payments on capital investments			
Revaluation of tangible assets			
NON-CURRENT FINANCIAL INVESTMENTS	47,310,811	1,936,899	45,199,483
Long-term investments	43,728,969	1,936,899	40,300,810
Long-term loan to related parties	3,565,112		4,882,010
Other long-term investments	15,217		15,217
Long-term loan to other investments			
Other long term loans	1,513		1,446
Long term securities			
Revaluation of non-current financial assets			
CURRENT ASSETS	2,444,089	39,017	2,150,534
INVENTORIES			33
Raw materials			
Work in progress and semifinished goods			
Grown, fattened and other livestock			
Finished products			
Goods, Commodities			33
Advance payments on stocks			
RECEIVABLES	1,199,232	39,017	838,043
Receivables from supply of goods and services	1,715		5,799
Receivables from related parties	1,171,800		797,791
Receivables from other investment			
Bills of exchange			
Other receivables	25,717	39,017	34,453
SECURITIES	1,161,021		1,161,021
Investment in related parties			
Other investments			
Treasury shares	1,161,021		1,161,021
Short term securities			
TOTAL CASH AND CASH EQUIVALENTS	83,836		151,437
Cash at hand, cheques	268		312
Bank deposits	83,568		151,125
ACCRUALS AND PREPAYMENTS	21,165		10,231
Accrued income	14,511		326
Prepaid costs and expenses	6,654		9,905
Deferred expenses			
TOTAL ASSETS	56,218,618	1,975,916	54,240,603

HUF thousand	31 December 2009	Restatement of previous years	31 December 2008
SHAREHOLDERS' EQUITY	41,339,062	1,975,916	39,288,309
SHARE CAPITAL	8,285,437		8,285,437
REGISTERED BUT UNPAID CAPITAL			
Treasury shares at face value	374,523		374,523
SHARE PREMIUM (CAPITAL RESERVE)	7,138,139		7,138,139
RETAINED EARNINGS	24,463,833		22,868,825
COMMITTED RESERVES	1,376,815		1,161,021
REVALUATION RESERVE			
NET PROFIT FOR THE PERIOD	74,838	1,975,916	-165,113
PROVISIONS	75,419		36,696
Provisions for expected liabilities	75,419		36,696
Provisions for future expenses			
Other provisions			
LIABILITIES	14,723,604		14,858,978
BACKLISTED LIABILITIES			
Backlisted liabilities to related parties			
Backlisted liabilities to other investment			
Backlisted liabilities to third parties			
LONG TERM LIABILITIES	11,741,641		11,453,271
Long term loans			
Convertible bonds			
Liability from bond issue			
Capital investment and development loans			
Other long term loans	11,741,641		11,453,271
Long term liabilities to related parties			
Long term liabilities to other investments			
Other long term liability			
SHORT TERM LIABILITIES	2,981,963		3,405,707
Short term credits			
Short term loans	2,739,164		2,334,586
Advance payments from customers	3,644		4,064
Creditors, Suppliers	10,257		47,867
Bills of exchange			
Short term liabilities to related parties	101,909		814,249
Short term liabilities to other investments			
Other short term liabilities	126,990		204,941
DEFERRALS	80,533		56,620
Deferred revenues			
Deferred costs and expenses	79,781		55,868
Deferred income	752		752
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	56,218,618	1,975,916	54,240,603

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

HUF thousand	FY 2009	Restatement of previous years	FY 2008
Net domestic sales revenue	2,757,456		3,751,406
Export sales revenue			
Total net sales revenue	2,757,456		3,751,406
Change in the stock of own prod. Cap. value of assets of own prod. Cap. value of own production			
Other income	36,844		183,436
Raw material costs	8,407		27,173
Value of services used	741,652		1,011,382
Other services	30,260		42,803
Purchase price of goods sold			
Value of sold services	55,913		12,055
Material expenditures	836,232		1,201,908
Salaries and wages	413,471		808,128
Other personnel payments	71,179		180,982
Taxes and contributions	144,162		299,293
Total payroll & related costs	628,812		1,288,403
Depreciation	425,085		43,542
Other expenditures	220,084	(24,285)	171,862
Operating profit	654,087	(24,285)	837,249
Dividend received	100,509		
Capital gain on the sale of shares			
Exchange gain of inv. fin. assets			
Other interests received	325,828		330,007
Other financial income	95,312	1,936,899	641,503
Rev. from financial transact.	521,649	1,936,899	97,151
Exchange loss of inv. fin. assets			38,904
Interests payable	944,792		1,035,166
Loss of value -securities, deposits			
Other financial expenses	143,275		511,082
Expenditures of fin. transact.	1,088,067		1,935,288
Financial profit or loss	(566,418)	1,936,899	(963,778)
Profit from ordinary activities	87,669	1,961,184	(126,529)
Extraordinary income			
Extraordinary loss	12,831		25,238
Extraordinary profit or loss	(12,831)		(25,238)
Profit before tax	77,581	1,961,184	(150,381)
Corporate tax payable		(14,732)	14,732
Profit after tax	74,838	1,975,916	(165,113)
Dividend paid from profit reserve			
Dividend payable/ Minority			
NET PROFIT FOR THE PERIOD	74,838	1,975,916	(165,113)

REPORT OF THE AUDITOR ON THE 2009 B/S OF DANUBIUS HOTELS NYRT.



KPMG Hungária Kft.
Váci út 99.
H-1139 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

Independent Auditor's Report

To the shareholders of Danubius Hotels and Spa Nyrt.

We have audited the accompanying 2009 annual report of Danubius Hotels and Spa Nyrt. (hereinafter referred to as "the Company"), which comprises the balance sheet as at 31 December 2009, which shows total assets of THUF 56,218,618 and retained profit for the year of THUF 74,838, 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 2009, 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, 10 March 2010

KPMG Hungária Kft.

Chamber registration number: 000202

Péter Szabó

Péter Szabó

Partner

Registered Auditor

Identification number: 005301

This is an English translation of the Independent Auditor's Report on the 2009 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.



KPMG Hungária Kft.
Váci út 99.
H-1139 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

Independent Auditors' Report

To the shareholders of Danubius Hotel and Spa Nyrt.

We have audited the accompanying 2009 consolidated financial statements of Danubius Hotel and Spa Nyrt (hereinafter referred to as "the Company"), which comprise the consolidated statement of financial position as at 31 December 2009, which shows total assets of HUF 87,071 million, and the consolidated income statement and consolidated statements of comprehensive income which show loss for the year of HUF 756 million, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 the 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.



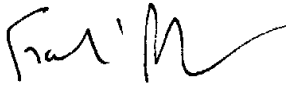


Opinion

We have audited the consolidated financial statements of Danubius Hotel 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 Hotel and Spa Nyrt. and its subsidiaries as of 31 December 2009, and of their consolidated financial performance and of the consolidated result of their operations 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, 31 March 2010

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



Péter Szabó
Partner
Registered Auditor
Identification number: 005301

This is an English translation of the Independent Auditors' Report on the 2009 IFRS Consolidated Annual Report of Danubius Hotel 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

REPORT OF THE SUPERVISORY BOARD ON THE 2009 OPERATING ACTIVITIES AND B/S OF DANUBIUS HOTELS NYRT.

Report of the Supervisory Board of Danubius Hotels Nyrt. about the 2009 B/S of the Company and the report of the Board of Directors

The Supervisory Board of Danubius pursued its activities according to the prevailing provisions last year, too. The Supervisory Board submits its report before the AGM based on the report of the Board of Directors, the report of the independent Auditor, and the Audit Committee and the regular interim control of the operation of the company as well as its own work.

The chairman of the Supervisory Board was invited to all meetings held by the Board of Directors in 2009 too. The President and the Senior Vice President, the representative of the auditor, the presidential internal auditor of the company and the head of internal audit participate regularly at the meetings of the Supervisory Board. In the course of these, the members are informed about the business results of the company's activities, the financial position and the forecast figures as well as current issues and audits in process. The chairman and members of the Supervisory Board of Danubius Zrt. were equally invited to all meetings.

The Supervisory Board held five meetings in 2009. In addition to reviewing the already mentioned quarter year flash reports, the board laid special emphasis on looking at the measures the management of the company has taken to fight the negative impact of the economic crises. Based on this the Supervisory Board has recorded its acknowledgement for the management of the crises situation and the efforts made for the successful compensation of the lost revenues.

Besides the above mentioned key issues, the Supervisory Board gathered information about the current human resources issues, the operation of Preventív Security Zrt. and the consequences of the restricted investment and maintenance activities. It has also come to know the new rules of procedure of the operational activities, discussed the operation of the new accounting system centralised in the Accounting Service Centre, the measures taken aiming at the modernising of the central administration and the restructuring of the system of management of Gundel restaurant and winery after the minority buy-out.

The Supervisory Board established that the 2009 report of the Board of Directors is reliable and shows a realistic picture about the operations and financial position of the Company, therefore it agrees and proposes it for approval by the AGM and supports the 2010 plans and concepts.

The Supervisory Board discussed the 2009 annual report prepared by Danubius Hotels Nyrt. in line with the Hungarian Accounting Act with 56,218,618 thousand HUF total assets and 74,838 thousand HUF net profit for the period, as well as the 2009 consolidated report prepared by the Danubius group in line with the International Financial Reporting Standard with 87,071 million HUF total assets and 756 million HUF loss 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.

The Supervisory Board reviewed and approved the report on Corporate Governance.

Budapest, 31 March 2010

Tibor Antalpéter
Chairman of the Supervisory Board

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 2009 statement of Danubius Hotels Nyrt. with the following major data:

- Danubius Hotels Nyrt. B/S total asset value: 56,218,618 thousand HUF
- Danubius Hotels Nyrt. profit after tax: 74,838 thousand HUF
- Danubius Hotels Nyrt. consolidated B/S total asset value: 87,071 million HUF
- Danubius Hotels Nyrt. consolidated loss after tax: 756 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

DANUBIUS HOTELS Nyrt. has always recognised the importance of maintaining the highest standards of corporate governance. DANUBIUS HOTELS Nyrt.'s corporate governance meets the requirements of the regulations of the Budapest Stock Exchange, the directives of the Hungarian Financial Supervisory Authority and the relevant regulations of the Capital Market Act. Danubius also subjects its policies to regular review to ensure that they take account of continually evolving international best practice in this area

Board of Directors

DANUBIUS HOTELS Nyrt.'s Board of Directors acts as the highest governance body of the Company and as such has collective responsibility for all corporate operations. The Board's key activities are focused on achieving increasing shareholder value, improving efficiency and profitability and ensuring transparency in corporate activities. It also aims to ensure appropriate risk management, environmental protection and conditions for safety at work.

Operation of the Board of Directors

The Board acts and makes resolutions as a collective body.

The Board adopted a set of rules (Charter) to govern its own activities, these rules are regularly updated to ensure continued adherence to best practice standards.

The Board Charter covers:

- scope of the authority and responsibilities of the Board,
- provision of information to the Board
- order and preparation of Board meetings and the permanent items of the agenda, and
- decision-making mechanism and the manner in which the implementation of resolutions is monitored.

In accordance with this Charter, members of the Board have signed a declaration on conflict of interest and that they have reported their position as director in the Board to their employer or principal as regards other key management positions.

Report of the Board of Directors on its 2009 activities

In 2009, the Board of Directors held two meetings with an average attendance rate of 95%. The Board of Directors evaluates and makes decision in respect of various strategic business issues, individually evaluates the performance of each of the company's business units and approves the plans for future year.

Remuneration of the Board of Directors

In 2009 the Chairman of the Board of Danubius Hotels Nyrt. received HUF 355 thousand per month, its members received HUF 240 thousand per month.

Supervisory Board

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the shareholders. In accordance with DANUBIUS HOTELS Nyrt.'s Articles of Association, the minimum number of members is 3 while the maximum number of members is 15, currently there are 4 members.

The members of the Supervisory Board and their independence status:

Tibor Antalpéter, chairman, independent
Dr. Gábor Boér
Dr. András Gálszécsy, independent
László Polgár, independent

The supervisory board (SB) may request information from the executive and senior officers of the company which is to be answered by the addressees in writing in case of written request within 15 days of receipt. The SB reviews all vital business reports included on the agenda of the general meeting and all proposals concerning matters belonging to the extraordinary sphere of authority of the general meeting.

The general meeting may only pass decision related to the reports according to the Accounting Act and allocation of the profit after tax having received the written report of the supervisory board. The report on Corporate Governance cannot be submitted to the general meeting without the approval of the Supervisory Board. The SB might review the books and documents of the company, even by an expert if necessary. If, according to the judgment of the supervisory board the activity of the management is contrary to the law, the article or the resolutions of the general meeting or otherwise infringes upon the interests of the company or its shareholders, calls the extraordinary meeting of the company and proposes its agenda. Members of the supervisory board may attend sessions of the general meetings in an advisory capacity.

Remuneration of the members of the Supervisory Board

The remuneration of the members of the Supervisory Board was approved by the last AGM, according to which members of the Supervisory board were entitled to HUF 193 thousand per month in 2009.

Audit Committee

The general meeting of the company elects an audit committee from three independent persons of the supervisory board for a period equal to the period of the supervisory board membership.

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

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 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.

The members of the audit committee:

Dr. András Gálszécsey, chairman
Tibor Antalpéter
László Polgár

The audit committee elects a chairman from among its members. The audit committee establishes its rules of procedure on its own, which is approved by the supervisory board.

External Auditor

DANUBIUS Hotels Group was audited by KPMG in 2009. Within the framework of the audit contract, KPMG performs an audit of statutory financial statements, including interim financial statements of Danubius Hotels Nyrt. prepared in accordance with Law C of 2000 on Accounting and the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Audits of the above mentioned financial statements are carried out in accordance with the Hungarian National Standards on Auditing, the International Standards on Auditing (ISA), the provisions of Accounting Law and other relevant regulations. The auditors ensure the continuity of the audit by scheduling regular on-site reviews during the year, participating in the meetings of Supervisory Board and through other forms of consultation. The auditors also review the stock exchange reports issued quarterly; however they do not perform an audit of or issue any opinion on such reports.

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.
There was no such a comment.
- R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.
There was no such a comment.
- Written comments made on the items on the agenda were published two working days prior to the general meeting.
There was no such a comment.
- 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 2009 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 in previous years. 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 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.
- 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 2009 PROFIT ALLOCATION**

The board of Danubius Hotels Nyrt. proposes to the AGM not to pay any dividend to the burden of the 2009 profit. In reflection of the 2009 year results and the 2010 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 2009 year profit.

ITEM 4 OF THE AGENDA: TO INFORM THE MEETING ABOUT THE 2010 BUSINESS TARGETS

At the time of preparing the 2010 budget the real performance of the first full year following the world economic shock could already be seen, which served as a suitable base for preparing a realistic and achievable budget. The hotel industry remains to be in a difficult situation since owing to the hotel industry investments carried out in the past decade the hotel capacity in the Central-East European region increased significantly to which demand is expected to adjust only after long years of time. Hotels are up against a fierce competition for retaining the narrowing demand where beside rates, increasing efficiency, cutting and streamlining costs play a major role.

Retaining the effect of the cost cutting measures undertaken in 2009 and further increase of cost efficiency simultaneously to providing our guests the usual continuous high quality is of vital importance for the Danubius group in the year 2010.

The operating performance of the Company group is at all times largely influenced by the strengthening and weakening of the forint and other national currencies compared to the euro. When preparing the 2010 budget the management calculated with a 265 HUF/EUR rate which it was expected would result in careful HUF prices, however at the time of writing the recent unexpected further strengthening of the HUF has raised questions about this assumption. The Company has forecast a wage increase that is lower by the rate of inflation on the cost side. Generally, a low 4.1% inflation and moderate decrease of Gross Domestic Product (GDP) are prognosticated.

In case of our Hungarian hotels, the demand from the major guest segments was seen to drop in the year 2009. Budapest saw the largest drop in business and meeting tourism and groups of leisure tourists. We are not expecting further decrease in these segments in 2010, on the contrary, we are starting to rebuild the lost turnover this year. The number of guests arriving from the German markets has been dropping for the past years. We trust that as a result of the renewal of the market representation in Germany we will be able to reach out to wellness and business guests too. The majority of British guests arrive to Budapest for leisure and business purposes, and their number is largely depending on the air traffic between the two countries. Hungary has become a member of the Schengen group, which has a positive effect on West-European demand. Alongside the expected fall in foreign demand the further expansion of domestic guests can be prognosticated, although increase will somewhat slow down, since owing to changes in the tax law less holiday vouchers are expected to be available for employees and the number of long weekends is also going to be less in 2010. All these are expected to lead to a moderate 3% increase of occupancy from 55% in 2009 to 58%.

A new operating software is to be introduced in the years 2010 and 2011 with the aim of providing greater efficiency in the field of operations, sales, guest relations as well as the economic and financial area. In addition to this, the company is focusing on increasing the turnover through electronic sales channels. The goal is to achieve the adequate ratio of leisure and business guests in the city hotels while in the spa hotels of the Danubius Health Spa Resort brand we plan to achieve better results by introducing new products – e.g. all-inclusive services in Danubius Health Spa Resort Aqua in Hévíz –, and new concepts like family friendly hotel programs. However, in the current strong competition on the market our objective is not to raise prices but to retain the prices set in euro. Besides monitoring the competition, our rates are flexibly adjusted to the requirements of the market demand. Special attention is paid in our sales strategy to driving cross selling to keep as much business as possible within the company and the group. This is strengthened by the application of the Central Reservation System (CSR) in more and more hotels.

In addition to maximising revenues, minimizing costs will continue to have a special role in 2010. Seasonality is of great importance in both our Budapest and country hotels, owing to which we adjust the constant hotel headcount to the staff requirement in the low occupancy months and at times when the number of guests goes up, we provide the expected high quality services by employing temporary manpower. Besides wage costs other operating costs will also remain at the 2009 low level. We also found more possibilities for cutting back costs in order to compensate the low revenues compared to the former years.

Despite the 3% increase in occupancy through the moderate decrease of average rates in HUF terms, we planned approx. 1.4% revenue increase on the Hungarian market in 2010, which alongside the strict control of fixed costs will result in the slight increase of departmental profit as opposed to 2009.

For the Czech subsidiary our 2010 budget indicates occupancy going down by approx. 2% owing to an expected drop in the number of Russian, Ukrainian and German guests. The average rate increase planned earlier on as an effect of investments carried out in recent years could not fully be implemented last year. In

2010 we expect average rates to go up slightly, the success of which is no doubt largely due to the changes of the Czech crown against the EUR. The ratio of those arriving through travel agencies and tour operators is continuously lessening. To compensate this trend, we set the objective of increasing the number of guests booking through other – primarily electronic – channels. The potential future markets for the Czech hotels are the domestic one, the surrounding countries and the former Soviet states, although the visa obligation could make sales difficult.

On account of the decreasing occupancy and the shortage of expected revenues in other departments, especially the health spa, we plan a decrease in total revenues in forint terms to exceed 5%. The loss of revenues will be compensated by the reduction of costs, still the expected performance in 2010 at net operating profit level will lag somewhat behind last year's strong performance.

The impact of the capacity increasing and quality enhancing developments completed in the hotels in Slovakia and Piestany largely affects the forecasts of the hotels. The number of domestic guests financed by social insurance companies is expected to decline further, at the same time, shorter leisure stays by Slovakian guests will become more popular and the number of guests from the Czech, Polish and Russian markets is expected to go up. Alongside 4% increase in average occupancy, we expect average rates to go up in 2010. As a result of more revenues the plans indicate an improvement of gross operating profit. The functional currency of the Slovakian subsidiary is Euro as of 1 January 2009, owing to which the risks and uncertainties in the operating and financial results will reduce remarkably.

The impact of the economic crises reached Romania the latest and it was in this segment that the greatest negative effect was experienced compared to the earlier period. The significant lagging behind in the number of business and conference guests in 2009 is likely to remain in 2010, which can be compensated by more pensioner and leisure guests resulting a decrease in average rates. In 2010 – despite the substantial recession hitting the Romanian economy and utilising the absolute competitiveness of the hotels in Sovata – we plan retaining the profit level alongside unchanged revenues.

In view of the above mentioned, we plan to keep up the 2009 group level operating revenues and operating profit figures in 2010, which means repeating the approx. 3 billion HUF drastic cost cutting undertaken in 2009.

The financing opportunities limited by the economic crises, the extended return period and the significantly growing risks force the management of Danubius Nyrt. to distribute investment sources carefully. Among planned investments the development of the new operating software that will not only be implemented in Hungary but in all foreign subsidiaries in the future represents a high ratio. The Company does not plan any significant reconstructions in the hotels and restaurants other than the mandatory maintenance and certain necessary quality improving works in 2010. In the event if the financing sources allow it, the management of the Company will support developments that aim at the minimisation of energy use and extra services required by the customers that generate revenues. Should business continue to deteriorate, the company shall, continuously analysing the financial situation, take the crucial steps to retain the necessary liquidity.

The above set forth budget is subject to the market and economic environment not deteriorating significantly during the entire year, despite the uncertain economic outlook. Certain factors e.g. increasing energy prices are mounting up further difficulties to retaining profitability. Besides the planned change in operating profit, the interest costs are expected to grow owing to the growing to the higher amount of loans outstanding and the increasing financial institutional interest margins. Through the loan translations the recent extreme changes of the forint/euro rate may considerably affect the financial profit and thus profit before tax.

Danubius' results in 2009 show how it took all possible actions to react to the challenges of the economic crisis and this will continue in 2010. However, it should be emphasized that the outlook for 2010 remains extremely uncertain due to the increasing trend of late booking and unpredictable developments in the international and domestic economies.

PROPOSAL FOR THE RESOLUTION FOR ITEM 4 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes the AGM to accept the 2010 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. at present consists of 11 members.
The mandate of Iris Gibbor and József László, Board members will expire (both on 28 April 2010).

The Board expresses its thanks to Mrs Iris Gibbor and Mr József László for the work of the past five years and requests the general meeting to renew the mandate of the said members for the next five years.

Iris Gibbor

A member of the Danubius Hotels Nyrt. Board since 2000.

She is the daughter of Sir Bernard Schreier and a member of the Board of CP Holdings Limited.

She is married with four children.

She has a BA Honours degree from Cardiff University and worked as a Facilities Manager for ABC News for 8 years.

József László

A member of the Danubius Hotels Nyrt. Board since 2000, from 1999 to 2000 he was member of the Supervisory Board of Danubius Hotels Rt.

Born in August 1933. Graduated from the College of Foreign Languages at the Foreign Trade Faculty. Has the highest degree examination from English, French, Swedish languages, a medium degree examination from German.

From 1954 to 1963, sales representative and traveller of Foreign Trade Company „Hungarotex”. From 1963 to 1998, for 35 years, Hungarian Manager of the Scandinavian Airlines Company. From 1998 to 2002, Head of Tourism and Hotel Management English language formation at the Budapest College of Economics. Having retired, guest lecturer at the Budapest College of Economics and the Budapest Corvinus University, educating primarily the curricula of management and tourism.

Member of the Swedish Royal Order of the Knights of the Northern Pole Star. Member of the Board of Trustees of the Hungarian Hotel Association's Foundation. Initiator of the programme of Hungarian tourism quality trademark and participant in its realisation.

PROPOSAL FOR THE RESOLUTION FOR ITEM 5 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect Iris Gibbor to be member of the Board of Directors as of 29 April 2010 for a period of five years.

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect József László to be member of the Board of Directors as of 29 April 2010 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. at present consists of 4 members.

The mandate of Tibor Antalpéter és Dr. András Gálszécsey, Supervisory Board members will expire (Tibor Antalpéter on 28 April 2010, Dr. András Gálszécsey on 21 April 2010)

The Board expresses its thanks to Mr Tibor Antalpéter and Dr. András Gálszécsey for the work of the past five years and requests the general meeting to renew the mandate of the said members for the next five years.

Tibor Antalpéter

A member of the Danubius Hotels Nyrt. Supervisory Board since 2000, from 2002 Chairman of the Supervisory Board, between 1996 and 2000 he was a member of the Board of Directors of Danubius Hotels.

He graduated at the Budapest University of Economics. Married with two daughters.

In 1954 he started work with Importtex Foreign Trading Company, in 1956 he was appointed to be Commercial Secretary of the Hungarian Embassy in the United Kingdom. Following that he joined the Ministry of Foreign Trade in Budapest. He was Commercial Counsellor of the Hungarian Embassy in London from 1973 to 1977 and after this term he became Director General in the Ministry of Foreign Trade in Budapest. He was Commercial Counsellor in London from 1988 to 1990 following which he was Hungarian Ambassador accredited to the Court of St James's in London from 1990 to 1995.

Dr. András Gálszécscy

A member of the Danubius Hotels Nyrt. Supervisory Board since 2005

Born in 1933, obtained a legal doctor's degree at the University of State and Legal Sciences in Pécs. He speaks German and English, he is married and has one child.

During his long path in life, he worked at the National Central Planning Board, the Central Statistical Office, he was Head of Department at the State Population Records Office. He filled the position of Deputy Director of the Central Corporation of Banking Companies for two years, following which he was the Deputy Financial Director of the Semmelweis University of Medicine for nearly ten years.

From 1990, during his political career, he worked as the Minister without Portfolio controlling the civil secret services, later as an Advisor to the Prime Minister. From 1995 to 2004 he was the Managing Director, and Advisor to the Governor of the Hungarian National Bank.

He is member of the Hungarian Atlantic Council and the Hungarian Association for Foreign Affairs.

PROPOSAL FOR THE RESOLUTION FOR ITEM 6 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect Tibor Antalpéter to be member of the Supervisory Board as of 29 April 2010 for a period of five years.

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect Dr. András Gálszécscy to be member of the Supervisory Board as of 22 April 2010 for a period of five years.

ITEM 7 OF THE AGENDA: TO ELECT MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of Danubius Hotels Nyrt. at present consists of 3 members, who are independent members of the Supervisory Board. The period of the audit committee membership is equal to the period of the supervisory board membership, therefore the Board proposes to the AGM to elect Tibor Antalpéter and Dr. András Gálszécscy to be members of the Audit Committee for the next five years.

For introduction of the nominees, 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 Tibor Antalpéter to be member of the Audit Committee as of 29 April 2010 for a period of five years.

The Board of Danubius Hotels Nyrt. proposes to the AGM to elect Dr. András Gálszécscy to be member of the Audit Committee as of 22 April 2010 for a period of five years.

<p>ITEM 8 OF THE AGENDA: TO MODIFY THE ARTICLES OF ASSOCIATION</p>

Prevailing Articles

Modified Articles

- I. Firm name, seat, type of operation of the company**
- 1.3. Registered locations of the company:
- Danubius Information Office
1052 Budapest, Szervita tér 8.
- 1.4. Based on Paragraph (1) of Section 172 of the Gt. the company operates as a public company.
- V. Rights and obligations of the shareholder, the transfer of the shares, notification about the degree of voting right**
- 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:
following registration in the book of shares in case of registered 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

- I. Firm name, seat, type of operation of the company**
- 1.3. *cancelled*
- 1.3. Based on Paragraph (1) of Section 172 of the Gt. the company operates as a public company.
- V. Rights and obligations of the shareholder, the transfer of the shares, notification about the degree of voting right**
- 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:
following registration in the book of shares in case of registered shares
- a/ participate, to request information, to make remarks and proposals at the general meeting and if holding shares with voting rights, to vote
*The management board shall provide the necessary information to all shareholders in connection with the items placed on the agenda of the general meeting upon written request at least eight days before the scheduled date of the general meeting.
The management board may refuse to provide such information if it is of the opinion that it would infringe upon the company's business secrets.*
- b/ exercise any rights in possession of the ownership certificate issued by the security account keeper,
- c/ receive a share (dividend) from the

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.

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 controlling at least 1% of votes may request in writing from the Board, within 8 days of receiving the invitation to the General meeting or the publication of the notice for calling the general meeting
- indicating the reason and objective thereof, to add an issue on the agenda of the general meeting,
- to have the possibility to table draft resolutions for items on the agenda.

h/ The shareholders controlling at least one per cent of the votes may request simultaneously to advancing the costs the appointment of an independent expert by the court of registration to examine whether the payment made to the shareholder substantiates the application written in Subsection (4) of Section 219 of the Gt

i/ 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

VI. General Meeting

6.3. Convening the general meeting

6.3.1. The shareholders are invited to the general meeting by means of announcement published at least 30 (thirty) days in advance of the first day of the general meeting in the newspapers set for this purpose.

If an extraordinary general meeting is called in consequence of the shareholders' opinion relating to a public takeover offer for the shares of the company or at the request of the person having acquired participating interest upon the successful conclusion of the public takeover offer, the general meeting shall be convened by way of announcement in the newspapers of the company at least 15 days in advance of the date of the general meeting.

Such announcement shall contain the following:

- the name and registered seat of the company,
- the place and time of the general meeting,
- the procedure of holding the general meeting,
- the agenda of the general meeting

keeper of the register of the shareholders is obliged to provide within five days.

VI. General Meeting

6.3. Convening the general meeting

6.3.1. The shareholders are invited to the general meeting by means of announcement published at least 30 (thirty) days in advance of the first day of the general meeting in the newspapers set for this purpose.

If an extraordinary general meeting is called in consequence of the shareholders' opinion relating to a public takeover offer for the shares of the company or at the request of the person having acquired participating interest upon the successful conclusion of the public takeover offer, the general meeting shall be convened by way of announcement in the newspapers of the company at least 15 days in advance of the date of the general meeting.

In this case the Board shall publish a public notice in line with item 7.3.2 in accordance with the articles of association related to the publications of the company, at least fifteen days prior to the extraordinary general meeting.

Such announcement shall contain the following:

- the name and registered seat of the company,
- the place and time of the general meeting,
- the procedure of holding the general meeting,
- the agenda of the general meeting
- *the time until the name of the shareholder or proxy intending to take part at the general meeting can be registered in the book of shares,*
- *information related to the contents of item 6.5.4.*
- *the conditions for exercising rights for*

requesting information and complementing the items of the agenda of the general meeting as stipulated in the articles of association,

- the time and place, and the means of access to proposals for decisions and draft resolutions on the agenda of the general meeting (including the company's website address).

- the conditions for exercising voting rights, as stipulated in the articles of association,
- the place and time of the reconvened general meeting in the event of failure to have quorum

- the conditions for exercising voting rights, as stipulated in the articles of association,
- the place and time of the reconvened general meeting in the event of failure to have quorum

6.3.2. If the general meeting fails to have quorum the reconvened general meeting shall be held after a period of between three – twenty one days have lapsed.

6.3.2. *If the general meeting did not have quorum, in the case of the second or subsequent convocation of a general meeting issued for lack of a quorum, provided that no new item is put on the agenda, at least ten days must elapse between the final convocation and the date of the general meeting.*

6.5. The procedure of holding the general meeting, the participation at the general meeting and the extent of voting right

6.5. The procedure of holding the general meeting, the participation at the general meeting and the extent of voting right

6.5.2. The shareholder may exercise his general meeting rights personally or through a properly authorised representative or a proxy if he has been entered into the share register of the company till the 3rd (third) working day prior to the day of the general meeting.

6.5.2. *A prerequisite to participating at the general meeting for the shareholder or its proxy in this quality is to be entered into the share register of the company at least till the 3rd (third) working day prior to the day of the general meeting.*

There is no need for the shareholder to present the owner's certificate issued – for the practise of the participation rights at the general meeting – by the securities accounts-keeper, the shareholder verification is established by the Tpt.

There is no need for the shareholder to present the owner's certificate issued – for the practise of the participation rights at the general meeting – by the securities accounts-keeper, the shareholder verification is established by the Tpt.

The company requests Keler Zrt. to establish the shareholders' verification on the 5th (fifth)

The company requests Keler Zrt. to establish the shareholders' verification on the 5th (fifth) working day - as record

working day - as record date - prior to the general meeting with the aim of establishing the shareholders' or proxy's entitlement.

The keeper of the register of shareholders deletes all data available in the register of shareholders' valid at the time of establishing the shareholders' verification, simultaneously registers all data he gained access to as a result of establishing the shareholders' verification. The keeper of the register of shareholders is obliged to act as all deleted data can be determined.

date - prior to the general meeting with the aim of establishing the shareholders' or proxy's entitlement.

The keeper of the register of shareholders deletes all data available in the register of shareholders' valid at the time of establishing the shareholders' verification, simultaneously registers all data he gained access to as a result of establishing the shareholders' verification. The keeper of the register of shareholders is obliged to act as all deleted data can be determined.

- 6.5.3. *At the general meeting shareholders rights may be exercised only by the persons whose name is contained in the register of shareholders at the time it was closed.*
Closing the register of shareholders shall not impede the right of a person whose name is contained in the register of shareholders in transferring his shares after the closure of the register of shareholders.
The transfer of shares before the opening day of the general meeting shall not preclude the right of a person whose name is contained in the register of shareholders from attending the general meeting and from exercising his shareholder's rights
- 6.5.3. The shareholder may exercise his general meeting rights personally or through a properly authorised representative or a proxy.
- 6.5.4. *Shareholders' may exercise their shareholders' rights through representatives.*
A person acting as a proxy holder may hold a proxy from more than one shareholder; however, one shareholder may appoint only one proxy holder. The proxy holder shall cast votes in accordance with the instructions issued by the appointing shareholder, any vote to the contrary shall be disqualified.
If a shareholder has shares of a public limited company held in more than one securities account, the shareholder shall be able to appoint a separate proxy

holder as regards shares held in each securities account, however, the casting of votes differently in respect of shares held by one and the same shareholder is prohibited. In the event of casting of votes differently in respect of shares held by one and the same shareholder, all such votes shall be disqualified.

Authorisations for representation may be valid for one general meeting or a fixed period of time not to exceed twelve (12) months. This validity shall cover general meetings re-convened due to lack of a quorum.

Authorisations shall be submitted to the company in the form of an authentic instrument or private document representing conclusive evidence

Authorisations for representation may be valid for one general meeting or a fixed period of time not to exceed twelve (12) months. This validity shall cover general meetings re-convened due to lack of a quorum.

Shareholders may confer their appointment of a proxy at the general meeting in form of a public document or private document of full evidence or by filling out a standard form received from the public limited company through the postal service in the form of an electronic document and return it to the public limited company.

In the event if the shareholder intends to confer his appointment of a proxy by way of filling out a standard form, his request thereof is to be sent to the Company within the time and method as set down in the notice about the general meeting.

The validity of the appointment of a proxy given on a standard form is subject to the standard form being officially signed by the shareholder or the shareholder's representative (nominee) and forwarded to the Company within the deadline and method as set down in the notice about the general meeting.

6.5.4. Members of the board of directors, executive employees of the company, members of the supervisory board or the auditor may not serve as representatives.

6.5.5. *A member of the management board, the director, an executive employee of the company, or a supervisory board member, may not serve as a shareholder's proxy, except if these persons have in their possession the principal shareholder's mandate made out in writing containing specific voting instructions for each resolution in respect of which the proxy holder is to*

- | | |
|---|--|
| <p>6.5.5. Every share of 1000 forint nominal value entitles to one vote.</p> <p>6.5.6. Resolutions are passed at the general meeting by casting the votes</p> <p>6.6. <u>The sphere of authority of the general meeting</u></p> <p>6.6.1 Issues falling within the exclusive competence of the general meeting:</p> <p>a) decisions to approve and modify the articles of association unless stipulated otherwise by the Gt.</p> <p>b) decision on changing the form of operation of the Company,</p> <p>c) decision on the transformation and termination of the Company without legal successor,</p> <p>d) election and removal of members of the board of directors, the supervisory board and the auditor and establishing their remuneration,</p> <p>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,</p> <p>f) decision to pay interim dividends, if not stipulated otherwise by the Gt.</p> <p>g) alteration of the rights attached to various series of shares and the conversion of categories or classes of shares,</p> <p>h) decision to issue convertible bonds, or bonds with subscription rights, unless otherwise stipulated by the Gt.</p> <p>i) decision to increase the share capital unless otherwise stipulated by the Gt,</p> <p>j) decision to decrease the share capital unless otherwise stipulated by the Gt,</p> <p>k) decision to abolish pre-emptive subscription right</p> <p>l) decision on the authorisation of the board of directors -including</p> | <p><i>vote on behalf of the shareholder.</i></p> <p>6.5.6. Every share of 1000 forint nominal value entitles to one vote.</p> <p>6.5.7. Resolutions are passed at the general meeting by casting votes.</p> <p>6.6. <u>The sphere of authority of the general meeting</u></p> <p>6.6.1 Issues falling within the exclusive competence of the general meeting:</p> <p>a) decisions to approve and modify the articles of association unless stipulated otherwise by the Gt.</p> <p>b) decision on changing the form of operation of the Company,</p> <p>c) decision on the transformation and termination of the Company without legal successor,</p> <p>d) election and removal of members of the board of directors, the supervisory board and the auditor and establishing their remuneration,</p> <p>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,</p> <p>f) decision to pay interim dividends, if not stipulated otherwise by the Gt.</p> <p>g) alteration of the rights attached to various series of shares and the conversion of categories or classes of shares,</p> <p>h) decision to issue convertible bonds, or bonds with subscription rights, unless otherwise stipulated by the Gt.</p> <p>i) decision to increase the share capital unless otherwise stipulated by the Gt,</p> <p>j) decision to decrease the share capital unless otherwise stipulated by the Gt,</p> <p>k) <i>based on a written motion presented by the management board, decision about restricting or excluding the exercise of preferential subscription rights.</i></p> <p>l) decision on the authorisation of the board of directors -including conditions- related</p> |
|---|--|

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.

6.9. A minutes shall be kept about the general meeting. The minutes contains the name and registered seat of the company, the method, place and time of the general meeting, the name of the chairman, keeper of the minutes, the person confirming the Minutes, the official vote counters, the key events taken place at the general meeting, the proposals made, the draft resolutions, the number of votes cast for and against draft resolutions, and the number of abstentions.

The minutes shall be signed by the keeper of the minutes and the chairman and shall be confirmed by a shareholder being present and elected as the person in charge thereof.

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.

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.

6.9. A minutes shall be kept about the general meeting. The minutes contains the name and registered seat of the company, the method, place and time of the general meeting, the name of the chairman, keeper of the minutes, the person confirming the Minutes, the official vote counters, the key events taken place at the general meeting, the proposals made, the draft resolutions, the number of votes cast for and against draft resolutions, ***and the number of abstentions, and information indicating the proportion of the share capital represented by the votes.***

The minutes shall be signed by the keeper of the minutes and the chairman and shall be confirmed by a shareholder being present and elected as the person in charge thereof.

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*** legal-relation) or
 - b/ regulations in connection with the labour relation shall apply.

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

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

- | | |
|--|--|
| <p>Supervision with the contents set and till the date determined by the provisions of the law,</p> <p>n) to announce any modification of data registered into the company registry or any other data subscribed by law to the court of registration,</p> <p>o) to purchase or alienate own shares based on the authorisation of the general meeting,</p> <p>p) to acquire own shares to avoid any serious damage the company is directly facing,</p> <p>q) decision on taking suitable steps for the disturbance of the procedure of making a public purchase offer</p> <p>r) decision on the acceptance of a public purchase offer made for the own share.</p> | <p>the date determined by the provisions of the law,</p> <p>n) to announce any modification of data registered into the company registry or any other data subscribed by law to the court of registration, <i>in case of stipulations by the law to have the stipulated decisions and declarations appear in the Céggközlöny.</i></p> <p>o) to purchase or alienate own shares based on the authorisation of the general meeting,</p> <p>p) to acquire own shares to avoid any serious damage the company is directly facing,</p> <p>q) decision on taking suitable steps for the disturbance of the procedure of making a public purchase offer</p> <p>r) decision on the acceptance of a public purchase offer made for the own share.</p> <p>s) <i>based on the authorisation by the general meeting, decision about the increase of capital and during the authorization for increasing the capital decision about the exclusion or restriction of preferential subscription rights.</i></p> |
|--|--|

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 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.

7.3.2. 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

7.3.2. The board of directors publishes major data of the statement ***draft*** prepared based on the Accounting Act, the report of the board of directors and the report of the supervisory board and ***totalising of the shares and voting rights at the time of convening the general meeting (including separate totals for each class of shares)*** as well as a summary about the proposals of the issues included on the agenda of the general meeting and the draft resolutions at least ***twenty-one days***

disclosure of announcements of the company.

prior to the general meeting, in line with the provisions related to the disclosure of announcements of the company.

If the shareholders exercised their rights under item 5.1.1.g. and it entails changes in the agenda of the general meeting, this provision shall also apply as to the means of publication of the additional items put on agenda and of the draft proposals tabled by the shareholders

X. The Auditor of the company

X. The Auditor of the company

10.3. The sphere of authority and tasks of the auditor

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

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.

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 **current 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

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

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.

XII. Increase of Registered Capital

12.4. Preferential right for subscription

Where the share capital is increased by way of a cash infusion, within the company's shareholders first the holders of shares belonging to the same series of issue, and then the holders of convertible bonds and the holders of bonds with subscription rights in tandem shall be granted preferential rights - in this sequence - for the subscription of shares subject to the conditions laid down in the Articles of association.

By publishing an announcement the company shall notify its shareholders and the holders of convertible bonds and bonds with subscription rights concerning their options and the procedure to exercise the preferential right for the subscription of shares, including the face value or issue price of shares which may be acquired, and the first and last days of the period (at least 15 days) during which such right can be exercised.

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.

XII. Increase of Registered Capital

12.4. Preferential right for subscription

Where the share capital is increased by way of a cash infusion, within the company's shareholders first the holders of shares belonging to the same series of issue, and then the holders of convertible bonds and the holders of bonds with subscription rights in tandem shall be granted preferential rights - in this sequence - for the subscription of shares subject to the conditions laid down in the Articles of association.

By publishing an announcement the company shall notify its shareholders and the holders of convertible bonds and bonds with subscription rights concerning their options and the procedure to exercise the preferential right for the subscription of shares, including the face value or issue price of shares which may be acquired, and the first and last days of the period (at least 15 days) during which such right can be exercised.

The company shall also supply information concerning the exercise of preferential subscription rights by electronic means at the request of the shareholder conveyed through electronic mail.

The company shall also supply information concerning the exercise of preferential subscription rights by electronic means at the request of the shareholder conveyed through electronic mail.

The general meeting – based on a written motion presented by the management board – may decide to restrict or disallow the exercise of preferential subscription rights

In this case the Board must present in the written motion the reasons for the proposal for restricting or disallowing the exercise of subscription rights.

The general meeting resolution authorizing the management board to increase the share capital may also contain an authorization for the exclusion or restriction of preferential subscription rights for the duration of authorization for increasing the capital.

Budapest, 22 April 2010

Dr. Deák Imre
Chairman at the AGM

Countersigned by:

.....
Dr. Mária Szabó Dr. Gerelyes
company head solicitor
Budapest, 22 April 2010

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:
TO APPOINT THE AUDITOR AND APPROVE HIS/HER 2010 REMUNERAION**

Pursuant to the Articles the AGM of Danubius Hotels Nyrt. elects an auditor every year. In the course of 2009 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 2010 from 29 April 2010 for a one year period and state the remuneration to be 13 million 480 thousand HUF.

PROPOSAL FOR THE RESOLUTION FOR ITEM 9 OF THE AGENDA:

The Board of Danubius Hotels Nyrt. proposes to the AGM to appoint KPMG Hungária Kft. – assigned representative Péter Szabó – for 2010 from 29 April 2010 for a one year period for a remuneration of 13 million 480 thousand HUF.

**ITEM 10 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 10 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 from the current AGM until the forthcoming AGM, no change in remuneration compared to 2009.

PROPOSAL FOR THE RESOLUTION FOR ITEM 10 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 from the current AGM until the forthcoming AGM, no change in remuneration compared to 2009.