

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

SLIGHT OPERATING IMPROVEMENT IN THE LOWEST SEASON

Danubius Hotels Plc, today announced its 2007 first quarter preliminary, unaudited results. This report contains consolidated financial statements for the period ended 31 March 2007 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

HIGHLIGHTS

Danubius Hotels Group (IFRS)	HUF million			EUR million		
	Q1 2007	Q1 2006	Ch %	Q1 2007	Q1 2006	Ch %
Total revenue and income	8,827	8,660	2	34.97	34.03	3
EBITDA	82	(303)	n.a.	0.32	(1.19)	n.a.
Operating result	(1,072)	(1,365)	(21)	(4.25)	(5.36)	(21)
Financial result	87	(957)	n.a.	0.35	(3.76)	n.a.
Loss before tax	(1,031)	(2,361)	(56)	(4.09)	(9.28)	(56)
Operating cash flow	(1,796)	(868)	107	(7.12)	(3.41)	109
CAPEX	999	2,090	(52)	3.96	8.21	(52)
HUF/EUR average FX rate	252.39	254.49	(1)			

- Total net sale **revenues**, in spite of the drop in group level occupancy from 55.8% to 54.7%, increased by 2%, up by HUF 167 million, a 3% increase in EUR terms, amounting to HUF 8,827 million in the first quarter of 2007.
- Average HUF/EUR **foreign exchange rate** during the first quarter of 2007 was slightly below Q1 2006 figure, resulting immaterial, approximately HUF 25 million negative effect on revenue of Hungarian hotels compared to Q1 2006.
- **EBITDA** was HUF 82 million in Q1 2007, remained positive in first quarter low season, compared to the loss of HUF 303 million in Q1 2006.
- **Operating loss** at Group level decreased by HUF 293 million, down by 21% compared to Q1 2006 as the overall effect of our cost efficiency measures
 - Operating loss of **Hungarian** segment amounted to HUF 769, a 4% increase compared to Q1 2006.
 - **Czech** hotels contributed an operating loss of HUF 58 million, a significant improvement compared to the loss of HUF 404 million last year.
 - **Slovakian** segment's operating loss was HUF 219 million, up by 8% compared to Q1 2006.
 - Operating loss of **Romanian** segment was HUF 26 million in Q1 2007, an increase of 75% compared to the first quarter of last year.
- The **Financial** results in Q1 2007 was a gain of HUF 87 million, compared to a loss of HUF 957 million in Q1 2006.
- **Net cash used in operating activities** in Q1 2007 was HUF 1,796 million, a 107% increase compared to HUF 868 million in Q1 2006.
- **Capital expenditure** and investments during Q1 2007 was HUF 999 million, down by 52% compared to the first quarter of 2006.

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

FINANCIAL OVERVIEW

Hungarian Segment

	HUF million			EUR million		
	Q1 2007	Q1 2006	Ch %	Q1 2007	Q1 2006	Ch %
Total revenue and	5,838	5,868	(1)	23.13	23.06	-
Operating result	(769)	(743)	4	(3.05)	(2.92)	4
Financial result	63	(894)	n.a.	0.25	(3.51)	n.a.
Loss before tax	(752)	(1,676)	(55)	(2.98)	(6.59)	(55)
CAPEX	332	653	(49)	1.32	2.57	(49)

Total sales revenue and other operating income decreased slightly to HUF 5,838 million. In EUR terms it was EUR 23.13 million, a slight improvement over comparative figure of EUR 23.06 million.

Room revenue of Hungarian hotels increased by HUF 37 million in spite of the decrease of hotels' occupancy from 52.8% to 50.5% in the first quarter of the year, since the average room rate achieved (ARR) increased to HUF 10,818, a HUF 244 increase over comparative figures. The average length of stay remained almost the same, 2,9 days in Q1 2007 and 3,0 days in Q1 2006. The number of guest-nights during Q1 2007 decreased to 349,440 from 355,338, the number of domestic guest-nights increased by 25,5% to 75,034, while guests from Great Britain and Germany decreased the most, partly compensated by more guest arrivals from Austria, Slovenia and certain Asian countries. Room departmental profit remained at the same level of last year.

Food and beverage revenue of hotels and restaurants grew by HUF 46 million compared to Q1 2006 as the result of the increase of the number of covers from 878,998 to 911,676 and the slight increase of average check from HUF 2,049 to 2,061. F&B departmental profit declined by HUF 30 million as the result of increased payroll and raw material cost to retain or even improve good quality services.

Gundel's total revenue and income in Q1 2007 decreased by nearly 9% but operating loss was HUF 47 million, compared to a loss of HUF 53 million.

Spa revenue decreased considerably by HUF 54 million, being the combined result of the decrease in the number of treatments sold, from 120,660 to 101,722 and the increase of average rate of a treatment from 3,951 to 4,158. Spa departmental profit decreased by 25% compared to Q1 2006.

Revenue from security services went down by HUF 56 million as a direct result of losing a major customer. Q1 2007 other income includes the accounting gain of HUF 286 million on the sale of Hotel Esztergom, while Q1 2006 figure includes a gain of HUF 193 million on the sale of Gösser.

Reflecting our cost efficiency measures the total material expenses and services used was HUF 3,029 million, a decrease of HUF 86 million compared to Q1 2006, within this energy cost grew by 3.5% to HUF 549 million, well below the average rate of energy price increase, the amount spent on maintenance work decreased by 7,8% to HUF 217 million. Personnel expenses remained at the same level of HUF 2,800 million, in spite of the 5% increase of base salary year-on-year basis since the average number of employees in Hungary decreased from 3,119 to 3,096

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

Due to the increase of 3 months EURIBOR the interest expenses grew to HUF 214 million from HUF 173 million. As the result of strengthening of HUF in Q1 2007 against EUR, in which majority of our long-term borrowings are denominated, a HUF 274 million unrealised foreign exchange gain was recognised in profit and loss, compared to a loss of HUF 737 million in Q1 2006 due to the significant weakening of HUF against EUR over that period.

Capital expenditures decreased by 49% to HUF 332 million, including spending for reconstruction works in DHSR Hévíz, Hotel Palatinus, DHSR Hélia, the establishment of Emporium Wellness & Beauty salon on Margaret Island and new offices for financial and accounting services.

Being the result of the above the loss before tax of Hungarian operations improved to a loss of HUF 752 million compared to a loss of HUF 1,676 million.

Czech Segment

	HUF million		
	Q1 2007	Q1 2006	Ch %
Total revenue and income	1,107	1,114	(1)
Operating result	(58)	(404)	(86)
Financial result	(78)	(9)	765
Loss before tax	(136)	(413)	(67)
CAPEX	316	948	(67)
HUF/CZK average rate	9.00	8.90	1
CZK/EUR average rate	28.04	28.59	(2)

Total sales revenue and other operating income decreased slightly to HUF 1,107 million. Despite of the significant drop in occupancy of Marianbad hotels to 63.8% from 72.8% the room revenue increased by 1.5% to HUF 559 million, since the number of room sold grew from 37,040 to 38,143 as certain hotels were temporarily closed in the first quarter of 2006. The average room rate achieved (ARR) increased slightly HUF 14,659 from HUF 14,506, up by only 27 CZK as the direct result of high competition. The average length of stay was 7.4 days in Q1 2007 almost the same as it was in the comparative period. The number of guestnights increased to 65,212 from 62,294 mainly as a result of the increase in domestic and German guest.

Material expenses and services used declined from HUF 885 million to HUF 517 million since energy costs decreased by 15% to HUF 127 million, partly as the result of lower average temperature than in Q1 2006, and the significant decrease of maintenance expenses from HUF 283 million in Q1 2006, when the reconstruction work of Centralni Lazne spa house was taking place, to HUF 48 million. The amount of non refundable VAT, due to the drop capital expenditures, decreased by HUF 34 million compared to Q1 2006. Total personnel expenses increased only by 2,9% to HUF 359 million despite the temporary closure of Centralni Lazne in Q1 2006.

Due to the increase of 3 months EURIBOR and the additional loan facility drawn down to finance capital expenditures the interest expenses grew by HUF 11 million to HUF 38 million. As the result of weakening of CZK in Q1 2007 against EUR in which all of LLML's long-term borrowings are

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

denominated, a HUF 43 million unrealised foreign exchange loss was recognised in profit and loss, compared to a gain of HUF 18 million in Q1 2006 due to the strengthening of CZK against EUR over that period.

Capital expenditure decreased to HUF 316 million, a swimming pool in DHSR Hvezda, a corridor between Centralni Lazne and DHSR Nove Lazne and medical care compartments of Hotel Villa Butterfly are being built, from the high level of Q1 2006 when extensive reconstruction works were carried out in Centralni Lazne.

Being the result of the above the loss before tax of Czech operations improved considerably to a loss of HUF 136 million from a loss of HUF 413 million.

Slovakian Segment

	HUF million		
	Q1 2007	Q1 2006	Ch %
Total revenue and income	1,656	1,449	14
Operating result	(219)	(203)	8
Financial result	112	(26)	n.a.
Loss before tax	(107)	(229)	(53)
CAPEX	325	479	(32)
HUF/SKK average rate	7.34	6.79	8
SKK/EUR average rate	34.37	37.46	(8)

Total sales revenue and other operating income increased considerably by 14% to HUF 1,656 million, being the positive effect of opening 111 new five star rooms in Thermia Palace in December 2006, that was moderated by the closure of 98 two star rooms starting from November 2006 for reconstruction works. Partly due to the new rooms of Thermia Palace the occupancy increased considerably from 64.3% to 70.7% and the number of rooms sold increased from 77,391 to 83,949, together with the significant increase of average room rate achieved (ARR) to HUF 6,553 from HUF 5,180. As the consequence of these, room revenue and profitability improved significantly. The average length of stay in the first quarter of 2007 was 8.9 days, compared to 9.3 days in Q1 2006, that is still far the longest in the Group. The number of guestnights increased to 123,102 from 116,542 being the effect of decreasing guest from Germany that was more than compensated by growing number of domestic, Czech, Austrian, Russian guests.

Total material expenses and services used and personnel expenses grew by 5% and 25% respectively, amounting to HUF 1,413 million mainly as a result of opening Thermia Palace. Within this, energy cost decreased by 11% to HUF 196 million.

Due to the increase of 3 months EURIBOR and the additional loan facility drawn down to finance capital expenditures relating to Thermia Palace, the interest expenses for Q1 2007 was HUF 60 million, compared to HUF 28 million in Q1 2006. As the result of the significant strengthening of SKK in Q1 2007 against EUR in which all of SLKP's long-term borrowings are denominated, a HUF 172

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

million unrealised foreign exchange gain was recognised in profit and loss, compared to a gain of HUF 2 million in Q1 2006.

Capital expenditure during the first quarter of 2007 was HUF 325 million, compared to the HUF 479 million in Q1 2006, both period include spending on Thermia Palace and Irma mud pool.

Being the result of the above the loss before tax of Slovakian operations improved to a loss of HUF 107 million from a loss of HUF 229 million.

Romanian Segment

	HUF million		
	Q1 2007	Q1 2006	Ch %
Total revenue and income	227	229	(1)
Operating result	(26)	(15)	75
Financial result	(10)	(28)	(66)
Loss before tax	(36)	(43)	(17)
CAPEX	26	10	160
HUF/RON average rate	74.61	71.41	4
RON/EUR average rate	3.38	3.56	(5)

Total sales revenue and other operating income remained almost the same as it was in the first quarter of last year. In spite of the slight decrease in occupancy from 37,9% to 37,6%, room revenue increased by more than 10% to HUF 86 million, since the average room rate achieved (ARR) increased from HUF 5,524 to HUF 6,330, departmental profitability improved by more than 16%. The number of guest during the first quarter of 2007 increased to 8,811 from 7,424, primarily due to domestic guests, but since the length of stay decreased from 3,6 days to 2,9 days, the number of guestnights dropped to 25,822 from 26,554.

Total material expenses and services used and personnel expenses increased by 22% and 12% respectively, amounting to HUF 186 million. Within this, energy cost increased only by 3,4% to HUF 45 million.

In spite of the increase of 3 months EURIBOR, due to the lower average outstanding amount of borrowings during Q1 2007 than in Q1 2006 interest expenses decreased by HUF 8 million to HUF 11 million.

Capital expenditure during the first quarter of 2007 was HUF 26 million, mainly for the installation of telecommunication servers and the demolition cost of Vila 26, compared to the HUF 10 million in Q1 2006.

Being the result of the above the loss before tax of Romanian operations improved slightly to a loss of HUF 36 million from a loss of HUF 43 million.

Consolidated Balance Sheet

Total consolidated asset value amounted to HUF 83.8 billion as of 31 March 2007, HUF 2.5 billion, 3% higher compared to the end of March 2006. Current assets includes assets held for sale that comprises the net carrying value, less cost to sell, of certain hotel and hospitality properties and an investment, previously recognised as non-current assets, the Group expects to sell within the next twelve months. Excluding the effect of reclassification, current assets increased only by 1% as a result of higher amount of cash and cash equivalent by HUF 105 million, compared to 31 March 2006 and greater amount of accounts receivable by HUF 177 million, despite the same level of turnover during the first quarter of year 2007 and 2006, that was compensated by the decrease of inventories and current assets.

The amount of property, plant and equipment increased by 3%, by HUF 2.4 billion, compared to 31 March 2006 in line with the sum of capitalised investments less amortisation. The investments in associated companies, amounted to HUF 1,669 million show the historic cost adjusted by share of earnings of the investment in CP Regents Park Two Ltd.

Total liabilities decreased by 1% to HUF 33.2 billion, as the combined effect of the increase in suppliers by HUF 207 million, the increase of other payables and accruals by 25% due to the growth of tax payment obligations, increased amount of wages and salaries payable and the increase of the liabilities of the Czech and Slovakian subsidiaries partly owing to the changes in the exchange rates, and the 5% decrease of long-term borrowings, including amounts repayable within a year.

The Group had EUR 82.4 million and GBP 5.1 million long-term loan on 31 March 2007. The GBP loan, borrowed from related parties and shown in a separate line, was spent on the financing of the share purchase in London.

The value of shareholders' equity went up by HUF 2.8 billion compared to 31 March 2006 as the result of net after tax profit between 1 April 2006 and 31 March 2007 retained to the business. The parent company mitigates its interest exposure by means of hedging instruments the effect of which is included in hedging reserve in accordance with IAS 39.

Cash flow

Net cash used in operating activities was HUF 1,796 million, up by 107% compared to Q1 2006, primarily due to the increased payments to suppliers during Q1 2007 and the increase of current assets. Capital expenditure was HUF 999 million, a 52% decline compared to Q1 2006 when significant amount was spent on Thermia Palace (Piestany) and Centralni Lazne (Marianbad). During Q1 2007 the Slovakian subsidiary draw down EUR 1.9 million long-term bank loans to finance its capital expenditure program. No repayment of long-term bank loans was made in Q1 2007 and 2006.

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

APPENDIX I - Unaudited

CONSOLIDATED BALANCE SHEET PREPARED IN ACCORDANCE WITH IFRS (HUF million)

31 December 2006		31 March 2007	31 March 2006	Ch %
	Assets			
3,087	Cash and cash equivalents	2,089	1,984	5
2,000	Accounts receivable	1,933	1,756	10
1,142	Other receivables and prepayments	1,420	1,566	(9)
844	Inventory	808	864	(6)
535	Assets held for sale	470	-	n.a.
7,608	Total current assets	6,720	6,170	9
72,947	Property, plant and equipment	72,679	70,262	3
2,147	Intangible assets	2,064	2,092	(1)
1,715	Investments in associates	1,669	1,724	(3)
92	Other non-current assets	110	441	(75)
571	Deferred tax assets	578	646	(11)
77,472	Total non-current assets	77,100	75,165	3
85,080	Total assets	83,820	81,335	3
	Liabilities and Shareholders' Equity			
3,226	Trade accounts payable	2,176	1,969	11
518	Advance payments from guests	811	653	24
61	Income tax payable	62	230	(73)
3,690	Other payables and accruals	3,319	2,645	25
3,941	Interest-bearing loans and borrowings	5,082	4,777	6
868	Provisions	843	803	5
12,304	Total current liabilities	12,293	11,077	11
17,470	Interest-bearing loans and borrowings	17,504	19,048	(8)
1,866	Loan from related party	1,815	1,897	(4)
1,631	Deferred tax liabilities	1,586	1,555	2
20,967	Total non-current liabilities	20,905	22,500	(7)
33,271	Total liabilities	33,198	33,577	(1)
	Shareholders' Equity			
8,285	Share capital	8,285	8,285	-
7,435	Capital reserve	7,435	7,435	-
(1,162)	Treasury shares	(1,162)	(1,162)	-
3,850	Translation reserve	3,656	3,557	3
8	Fair valuation reserve	12	-	n.a.
30,543	Retained earnings	29,581	26,875	10
48,959	Attributable to equity holders of the parent	47,807	44,990	6
2,850	Minority interests	2,815	2,768	2
51,809	Total shareholders' equity	50,622	47,758	6
85,080	Total liabilities and shareholders' equity	83,820	81,335	3

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

APPENDIX II - Unaudited

CONSOLIDATED STATEMENT OF OPERATION PREPARED IN ACCORDANCE WITH IFRS

(HUF million)

	Q1 2007	Q1 2006	Ch %
Room revenue	3,604	3,390	6
Food and beverage revenue	2,936	2,879	2
Spa revenue	1,290	1,289	0
Other departmental revenue	434	466	(7)
Revenue from wineries	38	43	(12)
Revenue from security services	195	251	(22)
Other income	330	342	(3)
Total operating revenue and other income	8,827	8,660	2
Cost of goods purchased for resale	58	46	26
Raw material costs	2,167	2,205	(2)
Services used	2,134	2,506	(15)
Material expenses and services used	4,359	4,757	(8)
Wages and salaries	2,715	2,458	10
Other personnel expenses	301	417	(28)
Taxes and contributions	929	911	2
Personnel expenses	3,945	3,786	4
Depreciation and amortisation	1,154	1,081	7
Other expenses	435	402	8
Changes in inventories of finished goods and work in progress	15	6	155
Work performed by the entity and capitalised	(9)	(7)	29
Total operating expenses	9,899	10,025	(1)
Loss from operations	(1,072)	(1,365)	(21)
Interest income	10	18	(44)
Interest expense	(323)	(247)	31
Foreign currency loss / (gain)	400	(728)	n.a.
Financial Income/(loss)	87	(957)	n.a.
Share of loss of associates	(46)	(39)	18
Loss before tax	(1,031)	(2,361)	(56)

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

APPENDIX III - Unaudited

CONSOLIDATED STATEMENT OF CASH FLOWS PREPARED IN ACCORDANCE WITH IFRS

(HUF million)

	Q1 2007	Q1 2006	Ch %
Loss from operations	(1,072)	(1,365)	(21)
Depreciation and amortisation	1,154	1,081	7
Gain/(loss) on sale of fixed assets	(286)	(192)	49
Change of provisions	(25)	(37)	(32)
Write off of receivables	14	22	(36)
<i>Changes in working capital</i>			
<i>(Increase)/ decrease of accounts receivable and current assets</i>	<i>(167)</i>	<i>36</i>	<i>n.a.</i>
<i>Decrease of inventory</i>	<i>36</i>	<i>20</i>	<i>80</i>
<i>Decrease of accounts payable and other current liabilities</i>	<i>(1,154)</i>	<i>(221)</i>	<i>422</i>
Interest paid	(296)	(220)	35
Income tax paid	-	8	n.a.
Net cash used in operating activities	(1,796)	(868)	107
Purchase of property, plant and equipment and intangibles	(999)	(2,090)	(52)
Interest received	9	2	350
Proceeds on sale of property, plant and equipment	350	242	45
Other cash inflow / (outflow)	-	(213)	n.a.
Net cash used in investing activities	(640)	(2,059)	(69)
Receipt of long-term bank loans	466	912	(49)
Repayment of long-term bank loans	-	-	-
Payment of finance lease liabilities	(36)	(158)	(77)
Net cash provided by financing activities	430	754	(43)
Net increase (decrease) in cash held	(2,006)	(2,174)	(8)
Cash at the beginning of the financial year, net ¹	2,015	2,326	(13)
Cash and cash equivalents at the end of the period, net¹	9	152	(94)

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

2007 FIRST QUARTER PRELIMINARY RESULTS OF DANUBIUS HOTELS GROUP

APPENDIX IV

SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the result of those operations or the state of affairs of the Group in future periods.

APPENDIX V

SHAREHOLDER STRUCTURES AND CHANGES IN ORGANISATION

In the first quarter of 2007 there were no significant organisational or key personnel changes within the Group.

Shareholder ¹	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007 ³
CP Holdings and its investments ²	53.40%	53.40%	53.40%	53.41%	60.25%
<i>Of which:</i>					
<i>Interag Zrt.</i>	29.38%	29.38%	29.38%	29.38%	29.38%
<i>CP Holdings Ltd.</i>	17.90%	17.90%	17.90%	17.91%	24.75%
<i>Israel Tractors</i>	6.12%	6.12%	6.12%	6.12%	6.12%
Foreign financial investors	31.60%	34.66%	32.83%	32.75%	25.90%
<i>Of which over 5%:</i>					
<i>British Empire Securities and General Trust Ltd</i>	6.29%	6.29%	-	-	-
<i>Citibank</i>	5.29%	-	-	5.57%	-
<i>Deutsche Bank</i>	-	-	-	6.70%	-
Domestic financial investors	7.04%	3.26%	5.38%	5.81%	6.04%
Domestic individuals	3.14%	3.88%	3.60%	3.27%	3.06%
Employees	0.30%	0.28%	0.27%	0.24%	0.23%
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 60.25% ownership of CP Holdings and its investments results a 63.09% combined direct interest in Danubius Hotels Nyrt

³ 2007 Q1 data are based on the Book of Shares and the information of the announcement made by the owners on 23 February 2007.