Danubius Hotels Nyrt.
and Subsidiaries
Consolidated Financial Statements
in accordance with
International Financial Reporting Standards
as adopted by the EU
31 December 2014
with Report of the Independent Auditor

Danubius Hotels Nyrt. and Subsidiaries
Consolidated Financial Statements
For the year ended 31 December 2014

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This is an English translation of the Independent Auditors' Report on the 2014 Consolidated Financial Statements of Danubius Hotels Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete Consolidated Financial Statements it refers to.

Independent Auditors' Report

To the shareholders of Danubius Hotels Nyrt.

Report on the Consolidated Financial Statements

We have audited the accompanying 2014 consolidated financial statements of Danubius Hotels Nyrt. (hereinafter referred to as "the Company") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, which shows total assets of MHUF 90,524, the consolidated statement of profit or loss, which shows profit for the year of MHUF 1,693, and the consolidated statements of comprehensive income, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Danubius Hotels Nyrt. and its subsidiaries as at 31 December 2014, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Consolidated Business Report

We have audited the accompanying 2014 consolidated business report of Danubius Hotels Nyrt. and its subsidiaries.

Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Hungarian Act on Accounting. Our responsibility is to assess whether this consolidated business report is consistent with the consolidated financial statements prepared for the same business year. 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 and its subsidiaries.

In our opinion, the 2014 consolidated business report of Danubius Hotels Nyrt. and its subsidiaries is consistent with the data included in the 2014 consolidated financial statements of Danubius Hotels Nyrt. and its subsidiaries.

Budapest, 31 March 2015

KPMG Hungária Kft.
Registration number: 000202

Szabó Péter
Partner

Boros Judit
Professional Accountant
Registration number: 005374

Danubius Hotels Nyrt. and Subsidiaries
Consolidated Statement of Financial Position
(All amounts in million HUF)

	Notes	At 31 December 2014	2013
Assets			
Cash and cash equivalents	3	4,611	3,556
Trade and other receivables	4	2,908	2,740
Inventory	5	574	554
Assets classified as held for sale	6	60	83
Current income tax receivables		20	12
Total current assets		**8,173**	**6,945**
Property, plant and equipment	7	78,847	76,056
Intangible assets	8	3,002	3,184
Other non-current assets		35	36
Deferred tax assets	18	467	408
Total non-current assets		**82,351**	**79,684**
Total assets		**90,524**	**86,629**
Liabilities and Shareholders' Equity			
Trade accounts payable		2,864	2,686
Advance payments from guests		1,009	1,010
Current income tax payables		240	73
Other payables and accruals, including derivatives	9	4,631	4,605
Interest-bearing loans and borrowings	10	6,009	6,428
Provisions	11	141	68
Total current liabilities		**14,894**	**14,870**
Interest-bearing loans and borrowings	10	14,854	14,549
Deferred tax liabilities	18	1,586	1,450
Provisions	11	1,536	1,474
Total non-current liabilities		**17,976**	**17,473**
Total liabilities		**32,870**	**32,343**
Shareholders' Equity			
Share capital	12	8,285	8,285
Capital reserve	13	7,435	7,435
Treasury shares	13	(1,162)	(1,162)
Translation reserve	13	9,877	8,287
Hedge reserve		-	(22)
Retained earnings	13	30,171	28,605
Attributable to equity holders of the parent		**54,606**	**51,428**
Non-controlling interest	14	**3,048**	**2,858**
Total shareholders' equity		**57,654**	**54,286**
Total liabilities and shareholders' equity		**90,524**	**86,629**

Dr. Imre Deák
Member of Board of Directors

Danubius Hotels Nyrt. 13.
1051 Budapest, Szent István tér 11.
Adószám: 10594702-2-41

János Tóbiás
Member of Board of Directors

Budapest, 31 March 2015

The notes set out on pages 10 to 42 are an integral part of the consolidated financial statements

Danubius Hotels Nyrt. and Subsidiaries
Consolidated Statement of Profit or Loss
(All amounts in million HUF)

	Notes	Year ended 31 December 2014	2013
Room revenue		26,319	24,916
Food and beverage revenue		15,391	14,679
Spa revenue		7,179	6,722
Other departmental revenue		2,246	2,171
Revenue from wineries		42	43
Revenue from security services		503	593
Other income		652	954
Total operating revenue and other income		**52,332**	**50,078**
Cost of goods purchased for resale		526	458
Material costs	15	10,679	10,749
Services used	16	10,972	10,554
Material expenses and services used		**22,177**	**21,761**
Wages and salaries		12,907	12,460
Other personnel expenses		1,259	1,288
Taxes and contributions		3,962	3,824
Personnel expenses		**18,128**	**17,572**
Depreciation and amortisation	7,8	4,964	4,784
Other expenses	17	3,132	2,763
Changes in inventories of finished goods and w.i.p.		4	3
Own work performed and capitalised		(25)	(25)
Total operating expenses		**48,380**	**46,858**
Profit from operations		**3,952**	**3,220**
Interest income		15	24
Interest expense		(783)	(805)
Foreign currency gain / (loss)		(1,010)	(476)
Net finance result		**(1,778)**	**(1,257)**
Share of profit of equity accounted investees		6	8
Profit before tax		**2,180**	**1,971**
Income tax expense	18	487	433
Profit for the year		**1,693**	**1,538**
Attributable to:			
Owners of the Company		1,566	1,430
Non-controlling interest		127	108
Basic and diluted earnings per share (HUF per share):	19	**198**	**181**

Danubius Hotels Nyrt. and Subsidiaries
Consolidated Statement of Comprehensive Income
(All amounts in million HUF)

	Year ended 31 December	
	2014	2013
Profit for the year	1,693	1,538
Other comprehensive income *		
Foreign currency translation differences for foreign operations	1,729	(583)
Changes in fair values of hedge derivatives	25	38
Total other comprehensive income	1,754	**(545)**
Total comprehensive income for the year	**3,447**	**993**
Attributable to:		
Owners of the Company	3,178	899
Non-controlling interest	269	94
Total comprehensive income for the year	**3,447**	**993**

* includes only items that are or may be reclassified to profit and loss.

Danubius Hotels Nyrt. and Subsidiaries
Consolidated Statement of Changes in Equity
(All amounts in million HUF)

	Attributable to equity holders of the parent								
	Share Capital	Capital Reserve	Treasury Shares	Retained Earnings	Translation Reserve	Hedge Reserve	Total	Non-controlling Interest	Total Equity
1 January 2013	**8,285**	**7,435**	**(1,162)**	**27,175**	**8,852**	**(56)**	**50,529**	**2,796**	**53,325**
Total comprehensive income for the year									
Profit for the year	-	-	-	1,430	-	-	1,430	108	1,538
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(565)	-	(565)	(18)	(583)
Changes in fair values of hedge derivatives	-	-	-	-	-	34	34	4	38
Total other comprehensive income	-	-	-	-	**(565)**	**34**	**(531)**	(14)	(545)
Total comprehensive income for the year	-	-	-	***1,430***	***(565)***	***34***	***899***	***94***	***993***
Transaction with owners, recorded directly in equity									
Dividend to Non-controlling interests	-	-	-	-	-	-	-	(32)	(32)
Total transaction with owners	-	-	-	-	-	-	-	*(32)*	*(32)*
31 December 2013	**8,285**	**7,435**	**(1,162)**	**28,605**	**8,287**	**(22)**	**51,428**	2,858	54,286
Total comprehensive income for the year									
Profit for the year	-	-	-	1,566	-	-	1,566	127	1,693
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	1,590	-	1,590	139	1,729
Changes in fair values of hedge derivatives	-	-	-	-	-	22	22	3	25
Total other comprehensive income	-	-	-	-	**1,590**	**22**	**1,612**	142	1,754
Total comprehensive income for the year	-	-	-	***1,566***	***1,590***	***22***	***3,178***	***269***	***3,447***
Transaction with owners, recorded directly in equity									
Dividend to Non-controlling interests	-	-	-	-	-	-	-	(79)	(79)
Total transaction with owners	-	-	-	-	-	-	-	*(79)*	*(79)*
31 December 2014	**8,285**	**7,435**	**(1,162)**	**30,171**	**9,877**	-	**54,606**	3,048	57,654

The notes set out on pages 10 to 42 are an integral part of the consolidated financial statements

Danubius Hotels Nyrt. and Subsidiaries
Consolidated Statement of Cash Flows
(All amounts in million HUF)

	Notes	Year ended 31 December 2014	2013
Profit from operations		**3,952**	**3,220**
Depreciation and amortisation	7,8	4,964	4,784
Gain on sale of property, plant and equipment		(36)	(344)
Changes in working capital			
Increase of provisions	11	*135*	*110*
Increase of accounts receivable and other current assets		*(845)*	*(445)*
(Increase) / decrease of inventory		*(20)*	*(63)*
Increase of accounts payable and other current liabilities		*736*	*1,013*
Interest paid		(757)	(800)
Income tax paid		(303)	(296)
Net cash provided by operating activities		**7,826**	**7,179**
Purchase of property, plant and equipment and intangibles	7,8	(5,504)	(5,502)
Proceeds on sale of property, plant and equipment		62	442
Interest received		15	51
Net cash used in investing activities		**(5,427)**	**(5,009)**
Dividend to non-controlling interests		(79)	(32)
Receipt of long-term bank loans		2,456	4,172
Repayment of long-term bank loans		(4,479)	(4,631)
Net cash used in financing activities		**(2,102)**	**(491)**
Net increase in cash held		297	1,679
Cash and cash equivalents at the beginning of the year		2,779	1,162
Effect of exchange rate fluctuations on cash held		141	(62)
Cash and cash equivalents at the end of the year	3	**3,217**	**2,779**

The notes set out on pages 10 to 42 are an integral part of the consolidated financial statements.

(All amounts in million HUF)

1. The Company and its subsidiaries

Danubius Hotels Nyrt. ("Danubius" or "the Company") is a company limited by shares which is domiciled in, and incorporated under the laws of Hungary. The registered office address of the Company is 11. Szent István tér, Budapest, Hungary 1051. The Company and its subsidiaries (the "Group") provide hospitality services in Hungary, Czech Republic, Slovakia and Romania, with an emphasis on 3, 4 and 5 star spa and city hotels. The Company's shares are listed on the Budapest Stock Exchange. At 31 December 2014, 80.33% of the Company's shares were owned by CP Holdings Limited, a UK private company, companies controlled by CP Holdings Limited other than the Company itself and a member of the Schreier family. The ultimate controlling party of the Group are private persons holding of CP Holdings Limited, having an 84.14% combined direct influence considering the treasury shares held by the Company.

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company's principal subsidiary companies are as follows:

Name	Principal Activity	Country of Incorporation	Group interest held at 31 December 2014	Group interest held at 31 December 2013
Danubius Szállodaüzemeltető és Szolgáltató Zrt.	Hotel operator	Hungary	100%	100%
Gundel Kft.	Restaurant operator	Hungary	100%	100%
Preventív-Security Zrt.	Security	Hungary	78.6%	78.6%
Léčebné lázně Mariánské Lázně a.s.	Hotel operator	Czech Republic	95.36%	95.36%
Slovenské Liečebné Kúpele Piestany a.s.	Hotel operator	Slovakia	88.85%	88.85%
SC Balneoclimaterica SA	Hotel operator	Romania	98.01%	98.01%
Egészségsziget Kft.	Project company	Hungary	50%	50%
Kemenes-Invest Kft.	Holding	Hungary	50%	50%

In 2009, Egészségsziget Kft. and Kemenes-Invest Kft. became fully consolidated subsidiaries due to put option described in note 10.

2. Significant accounting policies

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis of preparation

The consolidated financial statements are presented in Hungarian Forints (HUF), which is the functional currency of the Company, rounded to the nearest million. The functional currency of subsidiaries in the Czech Republic, Slovakia and Romania are the Czech Crowns, the Euros and the Romanian Lei respectively.

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments, which are measured at fair value (see Note 23).

The significant accounting policies did not change compared to previous period and have been consistently applied by the Group entities, except for the changes detailed under a separate subtitle at the end of this chapter.

The consolidated financial statements were authorised for issue by the Board of Directors on 31 March 2015 and by the Supervisory Board on 31 March 2015.

Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of EU IFRS that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 25.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets and liabilities assumed.

Any gain on a bargain purchase is recognised in profit or loss immediately. The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of the debts or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interest arising from transaction that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include the financial statements of the Company and its subsidiaries after elimination of all inter-company transactions and balances, including any unrealised gains and losses.

Associates and joint arrangements

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Associates and joint arrangements are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total recognised gains and losses and equity movements of associates and joint arrangements after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.
Share of the profit of the Group's 50% joint venture, Prev-Info Kft, was recognised in a separate line in the statement of profit or loss.

Investments

Investments in which the Group has less than 20% ownership are classified as available for sale financial assets and carried at cost, less impairment, where such investments are unquoted and fair value cannot be reasonably estimated. Otherwise they are measured at fair value using the quoted bid price of the investment.

Financial statements of foreign operations

The functional currencies of the Group's foreign operations differ from the functional currency of the Company. Assets and liabilities of foreign operations including goodwill and fair value adjustments arising on acquisitions on or after 1 January 2005 (the effective date of revised IAS 21) are translated to HUF at foreign exchange rates effective at the reporting date. Goodwill and any fair value adjustments arising on acquisitions prior to 1 January 2005, are treated as assets and liabilities of the acquiring entity and therefore are not retranslated. The income and expenses of foreign operations are translated to HUF at the exchange rate that approximates the rate at the date of the transaction. Foreign exchange differences arising on translation of foreign operations are recognised in other comprehensive income in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the relevant Group company at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-derivative financial instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or available for sale financial assets, as appropriate. When financial assets and liabilities are recognized initially, they are measured at fair value, adjusted for directly attributable transaction costs, in the case of financial assets and liabilities not at fair value through profit or loss. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The Group determines the classification of its financial assets and liabilities on initial recognition and, where permitted and appropriate, re-evaluates this designation at each financial year end. Purchases and sales of investments and other financial instruments are recognized on settlement date which is the date when the asset is delivered to the counterparty.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in profit or loss.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses, other than impairment losses and foreign currency differences on available-for-sale monetary items, being recognised directly in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

Fair value hierarchy

The different levels of the fair value hierarchy have been defined as follows:

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the financial asset or liability that are not based on observable market data (unobservable inputs)

Classification and derecognition of financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the Group's contractual rights to the cash flows from the asset expire, or when it transfers such rights in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs, or became ineffective. When the hedged item is a non-financial asset or liability, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

The group has no fair value hedges.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses. Cost includes expenditure that is directly or indirectly attributable to the acquisition of the asset, including borrowing costs directly or indirectly attributable to the acquisition, construction or production of a qualifying asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount and are recognised net in profit or loss.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation rates used by the Group are from 2% to 5% for buildings and leasehold improvements and 14.5% to 33% for machinery and equipment. Land and construction in progress are not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Intangible assets

Goodwill

All amounts of goodwill recognised in these consolidated financial statements were determined based on rules effective prior to 1 January 2010, the date the revised IFRS 3 – Business combination became effective.

Acquisitions prior to 31 March 2004, the date that IFRS 3 became effective

The Group applied IFRS 3 to business combinations that occurred on or after 31 March 2004. In respect of business combinations that occurred before that date goodwill represents the amount recorded previously by the Group in accordance with IAS 22 (original cost less accumulated amortisation to 31 December 2005) less accumulated impairments (if any).

Acquisitions between 31 March 2004, the date that IFRS 3 became effective and 1 January 2010 when the revised IFRS 3 became effective

For acquisitions on or after 31 March 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is stated at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Acquisitions of non-controlling interests, prior to 1 January 2010, the date the revised IFRS 3 – Business combination became effective

No goodwill was recognised when acquiring the non-controlling interest in a subsidiary. The difference between the acquisition price and the carrying value of the non-controlling interest was recorded directly in equity.

Other Intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see below).

Where the Group has the legal right to use a particular property the value of these rights is amortised over the term for which the Group holds the rights. These include property rights on Margaret Island, Budapest which are being amortised over 100 years.

Software is amortised on a straight line basis over its expected useful life of 3-4 years.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Inventory

Inventory is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventory is determined on the weighted average cost basis and includes expenditure incurred in acquiring the inventory and bringing it to its existing location and condition.

Cash and cash equivalents

Cash equivalents are liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Trade and other receivables are stated initially at their fair value and subsequently at their amortised cost less impairment losses (see below).

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro-rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss on property, plant and equipment is included in depreciation and amortisation, while impairment on trade and other receivables is included in other expenses. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primary through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the asset (or disposal group) is measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a *pro-rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Provisions

A provision is recognised in the statement of financial position when, as a result of a past event, the Group has a legal or constructive obligation that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Trade and other payables

Trade and other payables are initially measured at fair value and then subsequently at amortised cost.

Interest-bearing loans

Interest bearing loans are recognised initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, they are measured at amortised cost using the effective interest method. Any difference between proceeds received (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings on an effective interest basis.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Revenue recognition

Goods sold and services rendered

Room revenue (based on completed guest nights), food and beverage, spa revenue, winery, security and other departmental revenues are each recognised as the service is provided.

Government grants

Grants that compensate for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants related to assets are presented in the statement of financial position as deferred income and the grant is recognised as other income over the useful life of a depreciable asset.

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Financial Income and expenses

Financial income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, losses on the disposal of available-for-sale financial assets, unwinding of the discount on provisions, impairment on financial assets (except for trade and other receivables) and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except for borrowing costs directly or indirectly attributable to the acquisition, construction or production of a qualifying asset.

Foreign currency gains and losses are reported on a net basis.

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan for Hungarian employees. Pension costs are charged against profit or loss as other personnel expenses in the period in which the contributions are payable. The assets of the fund are held in a separate trustee administered fund and the Group has no legal or constructive obligation with regard to the plan assets outside of its defined contributions.

Defined benefit plans and other long-term employee benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group operates defined post-employment benefit programmes for retirement. None of these programmes require contributions to be made to separately administered funds. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The cost of providing benefits is determined separately for each programme using the projected unit credit actuarial valuation method. Remeasurement of the net defined benefit liability of the defined benefit plans, which comprise actuarial gains and losses, are recognised in other comprehensive income. Remeasurements of other long-term employee benefits are recognised in profit or loss in the period in which they arise. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognised as an expense immediately.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to pay additional termination benefits to certain retirees.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Segment reporting

Group operations are presented in respect of geographical areas identified by location of assets and operational segments that are separately evaluated for management reporting purposes. Management considers that the Group operates primarily in the hotel and hospitality segment. In Hungary the Group also has a security segment through its Preventiv-Security Zrt. subsidiary.

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (operational segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's operational and geographical segments. The Group's primary format for segment reporting is based on geographic segments identified by location of assets. The operational segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

New standards and interpretations not yet adopted as at 31 December 2014

A number of new standards, interpretations and amendments to standards are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these consolidated financial statements:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:
- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

IFRIC 21 Levies (Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.)

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.
In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.
The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.
The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.
None of these amendments are expected to have a significant impact on the financial statements of the Group.

Changes in accounting policies

Except for the changes below the Group has consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated financial statements.
The Group has adopted the following new standards and amendments to standards with a date of initial application of 1 January 2014.

IFRS 10 Consolidated Financial Statements (Effective for annual periods beginning on or after 1 January 2014)

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

(1) it is exposed or has rights to variable returns from its involvements with the investee;
(2) it has the ability to affect those returns through its power over that investee; and
(3) there is a link between power and returns.

As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. In accordance with the transitional provision of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. The adoption of IFRS 10 did not cause any change in the Group's conclusion on control.

IFRS 11 Joint Arrangements (Effective for annual periods beginning on or after 1 January 2014)

IFRS 11 supersedes and replaces IAS 31, *Interest in Joint Ventures*. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.
Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations.
- A joint venture is one whereby the jointly controlling parties, known as joint ventures, have rights to the net assets of the arrangement. Joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; application of the equity method is mandatory in the consolidated financial statements.

As a result of IFRS 11, the Group has changed its accounting policy for its interest in joint arrangements. The Group reassessed its interest in Prev-Info Kft and classified its involvement as a joint venture as the Group has rights only to the net assets of the arrangement. As the share of profit of Prev-Info Kft was recognized with equity method, the new standard has no effect on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities (Effective for annual periods beginning on or after 1 January 2014)

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The Group discloses non-controlling interests in connection to several of its subsidiaries, however it has no subsidiary with individually significant non-controlling interest therefore no additional disclosure is required.

The remaining amendments and interpretations have become effective for annual periods beginning on or after 1 January 2014 does not have a significant effect on the consolidated financial statements.

(All amounts in million HUF)

3. Cash and cash equivalents

	31 December 2014	31 December 2013
Bank balances	4,480	3,386
Call deposits	131	170
Cash and cash equivalents	4,611	3,556
Overdraft (see Note 10)	(1,394)	(777)
Cash and cash equivalents in the consolidated statement of cash flows	3,217	2,779

4. Trade and other receivables

	31 December 2014	31 December 2013
Trade receivables, net of impairment	1,512	1,243
Recoverable taxes and duties, except for income taxes	236	329
Advance payments to suppliers	121	125
Receivables from employees	18	20
Other receivables [1]	1,021	1,023
	2,908	2,740

[1] The largest balance within other receivables relates to accrued revenue relating to guests staying in the hotels at the end of the year.

The ageing of trade receivables at the reporting date was:

	31 December 2014			31 December 2013		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	1,051	-	1,051	726	-	726
Past due 0-60 days	405	(36)	369	440	-	440
Past due 61-90 days	114	(49)	65	69	(9)	60
Past due 91-120 days	45	(29)	16	31	(14)	17
More than 121 days	147	(136)	11	119	(119)	-
	1,762	(250)	1,512	1,385	(142)	1,243

Reconciliation of allowance for doubtful receivables:

Opening balance, 1 January 2013	**151**
Impairment loss recognised	41
Write-offs	(50)
Closing balance, 31 December 2013	**142**
Impairment loss recognised	123
Write-offs	(15)
Closing balance, 31 December 2014	**250**

5. Inventory

	31 December 2014	31 December 2013
Food and beverages	268	262
Materials	177	164
Goods for resale	129	128
	574	554

(All amounts in million HUF)

6. Assets classified as held for sale

Assets classified as held for sale comprises the net carrying value of a hotel in Hungary, called Hotel Hullám that have been advertised for sale and which the Group expects to sell within the next twelve months.

7. Property, plant and equipment

	Land	Buildings and improvements	Furniture, fittings and equipment	Constructions in progress	Total
At 1 January 2013					
Cost	12,884	100,666	26,564	2,857	142,971
Accumulated depreciation and impairment	-	43,291	23,526	77	66,894
Net carrying amount	12,884	57,375	3,038	2,780	76,077
For year ended 31 December 2013					
- Additions and capitalisations	-	3,582	1,512	115	5,209
- Effect of movements in exchange rates	37	(592)	(57)	(1)	(613)
- Depreciation charge for the year	-	(3,155)	(1,364)	-	(4,519)
- Disposals	(13)	(33)	(52)	-	(98)
Closing net carrying amount	12,908	57,177	3,077	2,894	76,056
At 31 December 2013					
Cost	12,908	103,153	27,417	2,927	146,405
Accumulated depreciation and impairment	-	45,976	24,340	33	70,349
Net carrying amount	12,908	57,177	3,077	2,894	76,056
For year ended 31 December 2014					
- Additions and capitalisations	5	4,223	2,106	(904)	5,430
- Effect of movements in exchange rates	384	1,382	234	91	2,091
- Depreciation charge for the year	-	(3,315)	(1,389)	-	(4,704)
- Disposals	(3)	-	-	(23)	(26)
Closing net carrying amount	13,294	59,467	4,028	2,058	78,847
At 31 December 2014					
Cost	13,294	110,435	29,709	2,094	155,532
Accumulated depreciation and impairment	-	50,968	25,681	36	76,685
Net carrying amount	13,294	59,467	4,028	2,058	78,847

The net carrying amount of property, plant and equipment pledged as loan security was HUF 42,004 million as of 31 December 2014 and HUF 40,621 million as of 31 December 2013. The amount of borrowing cost capitalised in 2014 was HUF 46 million (2013: HUF 110 million), the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.7% in 2014 (2013: 5.0%).

(All amounts in million HUF)

8. Intangible assets

	Goodwill	Land usage rights	Software and other intangibles	Total
At 1 January 2013				
Cost	2,175	564	2,764	5,503
Accumulated amortisation and impairment	-	195	2,154	2,349
Net carrying amount	2,175	369	610	3,154
Year ended 31 December 2013				
- Additions and capitalisations	-	-	293	293
- Effect of movements in exchange rates	-	-	(2)	(2)
- Amortisation charge for the year	-	(7)	(258)	(265)
- Other	-	-	4	4
Closing net carrying amount	2,175	362	647	3,184
At 31 December 2013				
Cost	2,175	564	3,020	5,759
Accumulated amortisation and impairment	-	202	2,373	2,575
Net carrying amount	2,175	362	647	3,184
Year ended 31 December 2014				
- Additions and capitalisations	-	-	74	74
- Effect of movements in exchange rates	-	-	4	4
- Amortisation charge for the year	-	(5)	(255)	(260)
Closing net carrying amount	2,175	357	470	3,002
At 31 December 2014				
Cost	2,175	563	3,124	5,862
Accumulated amortisation and impairment	-	206	2,654	2,860
Net carrying amount	2,175	357	470	3,002

At 31 December 2014 intangible assets include HUF 357 million, net of amortisation (2013: HUF 362 million) for land usage rights relating to two hotels on Margaret Island held under licenses given by the Municipality of Budapest.

Goodwill relates to the following acquisitions:

	31 December 2014	31 December 2013
Léčebné lázně Mariánské Lázně a.s.	565	565
Gundel Kft.	944	944
Egészségsziget Kft.	549	549
Preventív-Security Zrt.	117	117
Total goodwill	2,175	2,175

(All amounts in million HUF)

The Group determines whether goodwill is impaired on an annual basis or when there is an indication that it might be impaired. This requires an estimation of the recoverable value of the cash-generating units (CGUs) to which the goodwill is allocated. The higher of fair value, less cost to sell or value in use is the base of any impairment. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 5-year business plan, which includes an annual 3 percent growth rate on average. Cash flows for a further indefinite period were extrapolated using a constant growth rate of 3 percent, which does not exceed the long-term average growth rate for the industry. Management believes that this indefinite forecast period was justified due to the long-term nature of the Group's hospitality business.

- A weighted average cost of capital (WACC) of 4.6 percent (2013: 6.1%) was applied in determining the net present value of future cash flows of cash generating units located in Hungary, except for Gundel in which case 6.9% (2013: 8.4%) was applied, while 7.3% (2013: 6.4%) was used in case of CGUs located in Czech Republic. The discount rate was estimated based on the risk free interest rate, market risk premium, industry beta and company's leverage.

In 2014 and 2013 no impairment loss was recognised in respect of goodwill as the estimated recoverable amount of each CGU the goodwill relates to exceeded its carrying amount. Management has identified the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that these assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

In percentage	**Change required for carrying amount to equal the recoverable amount**	
CGU	2014	2013
Léčebné lázně Mariánské Lázně a.s.		
- change of after-tax discount rate	156	157
- change of EBITDA	(11.3)	(11.2)
Gundel Kft.		
- change of after-tax discount rate	45	44
- change of revenue growth rate	(2.2)	(2.7)
Egészségsziget Kft.		
- change of market value of the land	(8.5)	(8.4)
Preventív-Security Zrt.		
- change of after-tax discount rate	112	4
- change of EBITDA	(78)	(7)

The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data).

(All amounts in million HUF)

9. Other payables and accruals, including derivatives

	31 December 2014	31 December 2013
Wages and salaries	959	941
Social contribution tax	447	493
Taxes payable, excluding income taxes	640	646
Accrued expenses	1,363	1,404
Derivatives	-	32
Government grants *	183	199
Other	1,039	890
	4,631	4,605

* The government grants recognized in profit or loss as other income was HUF 19 million in 2014 (2013: HUF 19 million).

10. Interest-bearing loans and borrowings

Non-current liabilities	31 December 2014	31 December 2013
Secured bank loans	14,284	14,011
Obligation due to written put option to acquire the remaining 50% shareholding in Egészségsziget Kft.*	570	538
	14,854	14,549

Current liabilities	31 December 2014	31 December 2013
Current portion of secured bank loans	4,615	5,651
Bank overdrafts	1,394	777
	6,009	6,428

* In August 2009 Danubius entered into a put and call option agreement with CP Holdings to purchase the remaining 50% shareholding in Kemenes-Invest Kft which holds 50% of Egészségsziget Kft. The amount to be paid by Danubius under the option agreement is EUR 1.7 million. The option agreements provide for an option fee of EUR 111,000 and 3 month EURIBOR + 1% interest from August 2010.

The Group's secured long-term bank loans and overdrafts fall due for repayment, as follows:

	31 December 2014	31 December 2013
Within 1 year	6,009	6,428
1 to 2 years	4,783	4,304
2 to 5 years	9,447	9,707
over 5 years	54	-
Total debt	20,293	20,439
Less total current debt	(6,009)	(6,428)
Total non-current debt	14,284	14,011

The Group's long-term bank loans are denominated in Euro. At year-end, the outstanding amount of these long-term bank loans, including short-term instalments, was EUR 60.8 million (2013: EUR 67.2 million). For additional information on interest rates see also note 23.

(All amounts in million HUF)

11. Provisions

	Acquisition of Piestany	Employee benefits	Other	Total
Balance at 1 January 2013	**705**	**677**	**50**	**1,432**
Provision made during the year	-	69	20	89
Provision used during the year	-	(27)	-	(27)
Effect of movements in exchange rates	14	4	(2)	16
Unwinding of discounts	-	32	-	32
Balance at 31 December 2013	**719**	**755**	**68**	**1 542**
Provision made during the year	-	51	37	88
Provision used during the year	-	(18)	-	(18)
Provision released during the year	-	-	(6)	(6)
Effect of movements in exchange rates	43	10	3	56
Unwinding of discounts	-	15	-	15
Balance at 31 December 2014	**762**	**813**	**102**	**1,677**
Current portion 2013	**-**	**-**	**68**	**68**
Non-current portion 2013	**719**	**755**	**-**	**1,474**
Current portion 2014	**-**	**39**	**102**	**141**
Non-current portion 2014	**762**	**774**	**-**	**1,536**

Acquisition of Piestany
In 2002 a provision for legal cases of HUF 621 million was initially recognised at the acquisition of Piestany from which HUF 11 million was utilized in 2003 as a result of a lost legal case. At the end of 2006 HUF 163 million of the provision was released as it was no longer considered probable that an outflow of resources embodying economic benefits will be required to settle certain cases. The timing of the resolution of the remaining cases is uncertain. The change in the amount of provision in HUF terms is only due to foreign exchange translation effect.

Employee benefits
Group companies in Hungary, the Czech Republic and Slovakia operate benefit programmes that provide lump sum benefits to employees after three years' employment and upon retirement. The amount of the benefits is determined by the base monthly salary.

The principal actuarial assumptions are the discount rate used to determine the net present value of cash outflows and the average salary increase. The average discount rate used was 5% as at 31 December 2014 (2013: 5%), while the average salary increase was 3% at 31 December 2014 (2013: 3%). Assumptions regarding future mortality and job leavers are based on published statistics and mortality tables.

In case of certain top management members of the Group additional provision was created regarding post-employment benefits based on individual contracts signed with them. The amount of the benefits is determined by the average monthly salary.
None of these programs have separately administered funds.

12. Share Capital

The registered share capital at 31 December 2014 and 2013 consists of 8,285,437 authorised, issued and fully paid ordinary shares, each of par value of HUF 1,000. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company with the exception of Treasury shares which do not have voting rights and are not entitled to receive dividends.

(All amounts in million HUF)

13. Reserves

Capital reserve
The capital reserve was established in 1991, when the company was privatized and transformed to a public limited company.

Treasury shares
The reserve for treasury shares comprises the cost of the Company's shares held by the Group. As at 31 December 2014 and 2013 the Group held 374,523 of the Company's shares, purchased at a total cost of HUF 1,162 million.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the consolidated financial statements of foreign operations.

Retained Earnings
Dividends are available for distribution from Danubius Hotels Nyrt.'s company only up the amount of retained earnings (including profit/loss for the year) calculated according to the Hungarian Accounting Law. The amount available for distribution as dividends at 31 December 2014 is HUF 29,804 million (2013: HUF 26,190 million).

If dividends are paid to non-resident shareholders, a withholding tax of up to 20% must be paid. The rate applicable is dependent on the country of residence of the shareholder, the period in which the dividend is paid and the number of shares held. The withholding tax is also payable by individual shareholders who are resident in Hungary (resident legal entities are exempt).

14. Non-controlling interest

	31 December	
	2014	2013
Preventív-Security Zrt.	68	73
Léčebné lázně Mariánské Lázně a.s.	825	774
Slovenské Liečebné Kúpele Piestany a.s.	2,126	1,981
SC Balneoclimaterica SA	29	30
	3,048	2,858

15. Material costs

	2014	2013
Materials used in providing guest services	6,037	5,883
Utility costs (gas, electricity, fuel and water consumption)	3,335	3,524
Other materials used	1,307	1,342
	10,679	10,749

(All amounts in million HUF)

16. Services used

	2014	2013
Washing, cleaning services	1,473	1,426
Maintenance services	1,819	1,756
Safety services	799	777
Professional and membership fees	998	761
Hospitality services	729	771
Marketing, PR services	910	831
Rental of buildings, equipment and vehicles	573	587
Travel agency and other commissions	933	773
Bank and insurance charges	595	538
Hire of temporary personnel	194	212
Telecommunications services	267	271
Software, IT support	472	446
Delivery and transport fees	197	193
Training	72	78
Other	941	1,134
	10,972	10,554

17. Other expenses

	2014	2013
Taxes and contributions	2,686	2,449
Damages	20	18
Other	426	296
	3,132	2,763

Taxes and contributions do not include taxes on wages and salaries and income taxes (note 18).

(All amounts in million HUF)

18. Income tax

The income tax charge for the year comprises:

	2014	2013
Current tax	465	270
Deferred tax	22	163
	487	433

A reconciliation of the difference between the income tax expense calculated using the effective tax rate and the statutory tax rate, is shown in the following table:

	2014	2014	2013	2013
Profit before tax		2,180		1,971
Income tax using effective corporation tax rate of the parent	13%	283	13%	256
Effect of different tax rates		190		147
Non-deductible expenses		128		199
Tax exempt revenues		(139)		(292)
Effect of tax rate changes		-		(31)
Current year losses for which no deferred tax asset was recognised		44		142
Tax losses utilised		-		(3)
Tax allowances		(16)		(14)
Other		(3)		29
		487		433

The corporate income tax rate in Hungary is 10% for the first HUF 500 million and 19% for the exceeding amount. Accordingly, each company has to determine its average tax rate applicable to deferred tax assets and liabilities. The corporate income tax rate was 19% in the Czech Republic (2013: 19%), 22% in Slovakia (2013: 22%) and 16% in Romania (2013: 16%).

(All amounts in million HUF)

Deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December 2014 and 31 December 2013 are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant and equipment	41	49	2,120	1,976	(2,079)	(1,927)
Legal provisions	169	160	-	-	169	160
Impairment of receivables	22	4	-	-	22	4
Provision for employee benefits	156	153	-	-	156	153
Valuation of loans due to exchange rates	109	122	-	-	109	122
Valuation of investments due to exchange rates	-	-	40	122	(40)	(122)
Tax loss carry forwards	586	588	-	-	586	588
Hedge	-	6	-	-	-	6
Other	12	24	54	50	(42)	(26)
	1,095	**1,106**	**2,214**	**2,148**	**(1,119)**	**(1,042)**
Offset of assets and liabilities within individual legal entities	(628)	(698)	(628)	(698)	-	-
	467	**408**	**1,586**	**1,450**	**(1,119)**	**(1,042)**

Movement in temporary differences during the year

	Balance 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2014
Property, plant and equipment	(1,915)	(38)	26	(1,927)	(88)	(64)	(2,079)
Legal provisions	164	(7)	3	160	(1)	10	169
Impairment of receivables	9	(5)	-	4	17	1	22
Provision for employee benefits	129	26	(2)	153	-	3	156
Valuation of loans due to exchange rates	34	88	-	122	(13)	-	109
Valuation of investments due to exchange rates	-	(122)	-	(122)	82	-	(40)
Tax loss carry forwards	683	(95)	-	588	(2)	-	586
Hedge	17	-	(11)	6	-	(6)	-
Other	(17)	(8)	(1)	(26)	(17)	1	(42)
	(896)	(161)	15	(1,042)	(22)	(55)	(1,119)

As at 31 December 2014 HUF 2,079 million deferred tax liabilities are recognised in respect of temporary differences between the tax base of Property, plant and equipment (primarily hotel buildings) and their carrying amount recorded in these consolidated financial statements.

At 31 December 2014 tax loss carry forwards of HUF 586 million can be utilised over 10 years, however no deferred tax asset was recognised on negative tax base of HUF 4,600 million as it is not expected to reverse within reasonable period of time (10 years), due partly to the recent change of Hungarian corporate taxation, according to which, starting from 2012 the utilisation of tax loss carry forwards is maximised to 50% of taxable income of the period.

19. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of HUF 1,566 million in 2014 (2013: of HUF 1,430 million) and the weighted average number of qualifying ordinary shares outstanding was 7,910,914 during 2014 and 2013.

	31 December	
	2014	2013
Weighted average number of issued ordinary shares	8,285,437	8,285,437
Weighted average number of treasury shares	(374,523)	(374,523)
Weighted average number of qualifying ordinary shares	7,910,914	7,910,914
Profit for the year attributable to the owners of the Company in million HUF	1,566	1,430
Basic earnings per share (HUF/share)	198	181

There are no dilutive factors to earnings per share disclosed above, therefore the diluted earnings per share equals to basic earnings per share.

20. Commitments and contingencies

In 2014, the Group signed off agreements relating to the renovation project of Hilton Budapest, according to which it had HUF 800 million commitments to continue with the development works at the end of the year. As of 31 December 2014 and 31 December 2013 there were no other material contractual commitments for the acquisition of property, plant and equipment.

The Group did not have any significant contingent liabilities as at 31 December 2014 and 31 December 2013.

As at 31 December 2014 and 31 December 2013 the Group had no material lease obligation that is due over a year, leasing agreements can be abandoned at any time without significant penalty suffered.

21. Pension Plans and other post-employment benefits

The Group's employees participate in state pension plans to which the law requires employers and employees to pay contributions based on a percentage of each employee's employment earnings. The pension liability resides with the state in Hungary, the Czech Republic, Slovakia and Romania.

The Group has a defined voluntary pension fund contribution plan in addition to the state plan, which is available for all Hungarian employees after six months employment. The Group pays contributions equal to 4% of the salary plus HUF 160 per month for fund member employees. The contribution expense in 2014 was HUF 212 million (2013: HUF 207 million). The assets of the fund are held in separate trustee administered funds and are not included in these consolidated financial statements.

The Group also has a defined health fund contribution plan, which is available for all Hungarian employees after six months employment. The Group pays contributions equal to 0.8% of the salary plus HUF 3,200 per month for fund member employees. The total contribution expense was HUF 134 million in 2014 (2013: HUF 131 million). The assets of the fund are held in separate trustee administered funds and are not included in these consolidated financial statements.

There are no Group pension or health plans for employees of the Czech, Slovak and Romanian subsidiaries.

See employee benefit section of Note 11 for further details of other post-employment benefits.

(All amounts in million HUF)

22. Related Party Transactions

Transactions with related parties are summarised as follows:

	Expenses / (income)	
	2014	2013
Management fee to CP Holdings Limited	421	386
Interest to CP Holdings Limited	7	6
Management support fee from CP Regents Park Two Limited	(99)	(60)
Rental fee to Interag Zrt.	151	154
Services provided by Interag Zrt.	17	18
Services provided to Interag Zrt.	(25)	(24)
Services provided to ZI Group	(122)	(129)
Services provided to Auto-fort Kft.	(31)	(35)

	Receivables / (Liabilities)	
	31 December 2014	31 December 2013
Put option to CP Holdings Ltd. (see note 10)	(570)	(538)
Management fee to CP Holdings Ltd.	(103)	(116)
Payables to Interag Zrt.	(174)	(11)

Interag Zrt, ZI Group and CP Regents Park Two Limited are each subsidiaries of CP Holdings Limited.

The pricing of all transactions with related parties is at arm's length.

Transactions with key management personnel

Total remuneration is included in personal expenses:

	2014	2013
Short-term employee benefits	263	257
Post employment benefits	37	31
Total	**269**	**263**

23. Financial instruments and financial risk management

A) Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

	31 December 2014	31 December 2013
Financial Asset		
Loans and receivables [*]	7,162	5,842
Financial Liability measured at		
Amortised cost[3]	27,088	26,930
Fair value through profit or loss or equity[2]	-	32

[*] Includes the total amount of cash and cash equivalents and trade and other receivables in the consolidated statement of financial position, except for advance payments and recoverable taxes and duties

[2] Includes the fair value of derivatives

[3] Includes the total amount of trade accounts payable, other payables and accruals, interest bearing loans and borrowings recognised in the consolidated statement of financial position, except for taxes payable, contribution payable and government grants.

Carrying value and fair value for all of the Group's financial assets at 31 December 2014 and 2013 are deemed to be equal. The carrying amount of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximates their relative fair values due to the relatively short-term maturity. Derivative assets and liabilities are carried at fair value. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. All non-current borrowings have floating interest rates, so their fair values are not significantly different from their amortised cost and consequently carrying value is deemed to approximate fair value. To measure and disclose the fair values the Group considered inputs included in Level2 category in the fair value hierarchy.

B) Financial risk management

The Group has documented its financial risk management policy. This policy sets out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the Group's financial assets and liabilities. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, use of derivative financial instruments and investing excess cash. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the Finance Departments under the policies approved by the Board of Directors. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

I) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of giving credit to counterparties with good payment history and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The extent of individual hotels' exposure and the credit ratings of their counterparties are continuously monitored. Credit exposure is controlled by the counterparty limits that are continuously reviewed by credit managers.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers and advance payment is encouraged and enforced.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. At the end of 2014 HUF 528 million (2013: HUF 333 million), or approximately 18 percent of the Group's total receivables (2013: 12%), is attributable to sales transactions with the top 30 customers. However, geographically there is no concentration of credit risk.

The carrying amount of trade receivables and other financial assets recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk.

II) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has annual, monthly and weekly cash flow forecasts and continuously monitors liquidity both at group and subsidiary levels. For cash flow optimisation purposes in 2014 the repayment of several borrowings has been rescheduled and the original amounts of instalments in 2015 were reduced by 25% (in 2013: approximately 50% of 2014 borrowings). At the reporting date the Group has the following unused loan facilities:

(All amounts in million HUF)

	31 December 2014	31 December 2013
Overdraft	2,606	3,559
Long-term loan	3,085	2,316

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2014	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Interest bearing loans and borrowings	18,899	19,653	2,120	3,043	5,188	9,239	63
Liability due to put option	570	582	-	-	-	582	-
Bank overdrafts	1,394	1,394	442	952	-	-	-
Trade payables	2,864	2,864	2,864	-	-	-	-
Other payables and accruals *	3,361	3,361	3,361	-	-	-	-
Total	**27,088**	**27,854**	**8 787**	**3 995**	**5,188**	**9,821**	**63**

31 December 2013	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Interest bearing loans and borrowings	19,662	20,759	2,600	3,731	4,248	10,180	-
Liability due to put option	538	550	-	-	550	-	-
Bank overdrafts	777	777	239	538	-	-	-
Trade payables	2,686	2,686	2,686	-	-	-	-
Other payables and accruals [1]	3,267	3,267	3,267	-	-	-	-
Total	**26,930**	**28,039**	**8,792**	**4,269**	**4,798**	**10,180**	**-**

* Consists of other payables and accruals including derivatives, except for social contribution tax, other taxes payable (other than income taxes) and government grants as detailed in note 9.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts, however negotiations are currently in progress with financial institutions to modify the current loan repayment schedule in order to postpone part of the repayable amounts due within a year.

Although the amount of current liabilities exceeds current assets, the group remains solvent based on its cash-flow forecast due to its operation profits. Additionally, in case of an unpredicted difficulty occurred the Group has options to postpone future capital expenditures as necessary.

III) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

The Group is exposed to currency risk on sales and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro.

At the reporting date, the carrying amounts of financial assets and financial liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Financial liabilities		Financial assets		Net asset/(liability)	
HUF million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Euros	17,508	21,743	842	779	(16,666)	(20,964)
GBP	679	671	1	21	(678)	(650)
US dollars	20	-	33	12	13	12
Financial instruments denominated in foreign currency	18,207	22,414	876	812	(17,331)	(21,602)
Total financial instruments	**27,088**	**26,930**	**7,162**	**5,967**	**(19,926)**	**(20,963)**

The Group's sales prices are primarily quoted in Euro and income is received in foreign currency or local currency. This provides a natural hedge against foreign exchange movements for the interest and capital instalments of loans and borrowings the majority of which are denominated in EUR.

Management periodically reviews the merits of entering into foreign currency hedging contracts or other derivative products. Based on the approval of Board of Directors the Group may use forward exchange contracts to hedge its currency risk in respect of sales revenues, with a maturity of less than one year from the reporting date. The effect of such hedges was not material in 2014 and 2013.

(All amounts in million HUF)

Foreign currency sensitivity

The following strengthening of the Euro against each of the following currencies at 31 December would have increased (decreased) profit or loss and thus equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and margins, remain constant.

When analysing foreign currency sensitivity the changes of functional currencies of operational segments against the euro are monitored, as the euro has the highest possible exposure on the Company's operational performance.

	Strengthening	Profit or Loss and equity effect
31 December 2014		
Hungarian forint (HUF)	7%	(983)
Czech Crown (CZK)	2%	(38)
Romanian Lei (RON)	3%	(34)
31 December 2013		
Hungarian forint (HUF)	8%	(1,247)
Czech Crown (CZK)	6%	(140)
Romanian Lei (RON)	5%	(25)

The weakening of the Euro against the above currencies by the above shifts at 31 December would have had the equal but opposite effect, on the basis that all other variables remain constant.

ii) Interest rate risk

The interest rates for all bank borrowings are floating and determined by 1 or 3 months EURIBOR + margins between 1.1% to 4.5%. The weighted average margin is 3.5% at 31 December 2014 (2013: 3.3%), while the average rate of interest is 3.7% (2013: 3.6%).

Since June 2006 the Company has used an interest rate swap to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings.

Slovenské Liečebné Kúpele Piestany a.s. has entered into an interest rate swap agreement in 2011 to manage its exposure to interest rate risk associated with floating interest-bearing borrowings. As of 31 December 2014, the notional amount was nil (2013: EUR 5.2 million) and previously the 3 months EURIBOR floating interest rate was swapped with a fixed rate of 2.55%. The fair value of the agreement was a nil as of 31 December 2014 (2 013: HUF 31 million, which – m eeting the criteria of hedge accounting – was recognised in other comprehensive income).

(All amounts in million HUF)

Interest rate sensitivity

3 months EURIBOR was 0.078% as of 31 December 2014 and 0.287% as of 31 December 2013. A change of 3.5 basis points in interest rates (2013: 5 basis points) at the reporting date would have increased (decreased) profit or loss and thus equity by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates and interest margins, remain constant.

	Profit or Loss and equity effect
31 December 2014	
3.5 basis points increase	(7)
3.5 basis points decrease	7
31 December 2013	
5 basis points increase	(10)
5 basis points decrease	10

C) Capital Management

The Group's policy is to maintain a capital base which is sufficient to maintain investor and creditor confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Therefore Group's target to keep shareholders' equity to total liabilities and shareholders' equity ratio anytime above 55%, as of 31 December 2014 this ratio was 63.7% (2013: 62.7%).

There were no changes in the Group's approach and processes to capital management during the year.

The Corporate Act requires that the equity of the Company as reported in its standalone financial statements has to be higher than two third of the share capital, otherwise the share capital should be decreased or transformation of the Company into other legal form should be undertaken. As of 31 December 2014 and 2013 the Company complied with this requirement.

(All amounts in million HUF)

24. Segment reporting

2014	Hungarian operations							
	Hotel & Hospitality segment	Security segment	Total	Czech operations	Slovakian operations	Romanian operations	Inter-segment transfers	TOTAL
Revenue								
Sales to external customers	28,604	516	29,120	10,132	10,946	2,134	-	52,332
Inter segment sales	793	534	1,327	-	-	-	(1,327)	-
Total operating expenses	28,222	1,023	29,245	8,393	10,207	1,862	(1,327)	48,380
of which Depreciation and amortisation	*1,891*	*11*	*1,902*	*1,250*	*1,430*	*382*	-	*4,964*
Operating profit	**1,175**	**27**	**1,202**	**1,739**	**739**	**272**	-	**3,952**
Financial results	(1,581)	2	(1,579)	(76)	(65)	(58)	-	(1,778)
of which interest expense	*(600)*	-	*(600)*	*(62)*	*(72)*	*(49)*	-	*(783)*
Share of profit of equity accounted investees	-	6	6	-	-	-	-	6
Profit before tax	**(406)**	**35**	**(371)**	**1,663**	**674**	**214**	-	**2,180**
Assets and liabilities								
Property, plant and equipment	36,415	41	36,456	16,036	22,533	3,822	-	78,847
Cash and cash equivalents	602	132	734	2,287	1,271	319	-	4,611
Accounts receivables	1,003	71	1,074	169	201	68	-	1,512
Inventories	229	1	230	132	189	23	-	574
Intangibles	2,251	118	2,369	598	32	3	-	3,002
Assets held for sale	60	-	60	-	-	-	-	60
Total segment assets	**40,560**	**363**	**40,923**	**19,222**	**24,226**	**4,235**	-	**88,606**
Other non-allocated assets								1,918
Total assets								**90,524**
Trade accounts payable	1,880	117	1,997	360	409	98	-	2,864
Advance payments from guests	281	-	281	336	324	68	-	1,009
Interest bearing loans and borrowings	14,504	2	14,506	1,998	3,170	1,189	-	20,863
Provisions	642	5	647	202	828	-	-	1,677
Total segment liabilities	**17,307**	**124**	**17,431**	**2,896**	**4,731**	**1,355**	-	**26,413**
Other non-allocated liabilities								6,457
Total liabilities								**32,870**
Capital expenditure	**1,517**	**32**	**1,549**	**800**	**2,072**	**1,083**	-	**5,504**

(All amounts in million HUF)

24. Segment reporting (continued)

2013	Hungarian operations			Czech operations	Slovakian operations	Romanian operations	Inter-segment transfers	TOTAL
	Hotel & Hospitality segment	Security segment	Total					
Revenue								
Sales to external customers	27,594	598	28,192	9,598	10,417	1,871	-	50,078
Inter segment sales	675	430	1,105	-	-	-	(1,105)	-
Total operating expenses	27,359	1,005	28,364	8,258	9,800	1,541	(1,105)	46,858
of which Depreciation and amortisation	*1,881*	*13*	*1,894*	*1,177*	*1,418*	*295*	-	*4,784*
Operating profit	910	23	933	1,340	617	330	-	3,220
Financial results	(974)	4	(970)	(183)	(90)	(14)	-	(1,257)
of which interest expense	*(644)*	-	*(644)*	*(56)*	*(90)*	*(15)*	-	*(805)*
Share of profit of equity accounted investees	-	8	8	-	-	-	-	8
Profit before tax	**(64)**	**35**	**(29)**	**1,157**	**527**	**316**	-	**1,971**
Assets and liabilities								
Property, plant and equipment	36,627	30	36,657	15,820	20,703	2,876	-	76,056
Cash and cash equivalents	431	170	601	1,666	741	548	-	3,556
Accounts receivables	804	73	877	129	196	41	-	1,243
Inventories	228	2	230	117	190	17	-	554
Intangibles	2,430	118	2,548	595	38	3	-	3,184
Assets held for sale	83	-	83	-	-	-	-	83
Total segment assets	**40,603**	**393**	**40,996**	**18,327**	**21,868**	**3,485**	-	**84,676**
Other non-allocated assets								1,953
Total assets								**86,629**
Trade accounts payable	1,633	98	1,731	316	495	144	-	2,686
Advance payments from guests	373	-	373	329	259	49	-	1,010
Interest bearing loans and borrowings	15,834	-	15,834	2,390	2,248	505	-	20,977
Provisions	563	-	563	188	791	-	-	1,542
Total segment liabilities	**18,403**	**98**	**18,501**	**3,223**	**3,793**	**698**	-	**26,215**
Other non-allocated liabilities								6,128
Total liabilities								**32,343**
Capital expenditure	**1,580**	**4**	**1,584**	**1,926**	**1,033**	**959**	-	**5,502**

Other non-allocated assets and liabilities include deferred tax assets and liabilities and many, individually not material items that were not allocated to segments in this presentation.

Operations in foreign counties perform only Hotel and Hospitality activities.

25. Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Deferred tax assets

The Group recognizes deferred tax assets in its statement of financial position relating to tax loss carry forwards. The recognition of such deferred tax assets is subject to the future utilization of tax loss carry forwards. The utilization of certain amounts of such tax loss carry forwards might be subject to statutory limitations and is dependent on the amount of future taxable income. If the future taxable income is significantly less than the amount estimated the deferred tax asset or a portion therefore may need to be derecognised (see Note 18).

Impairment of property, plant and equipment and intangible assets

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

The recoverable amount of intangible assets is measured based on discounted projected cash flows. The most significant variables in determining cash flows are discount rates, terminal values and the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows.

For property, plant and equipment the recoverable amount is determined to be the fair value rather than the value in use. The estimated fair value of the Group's assets or group of assets significantly exceeds its net carrying amount.

The Group considers that the accounting estimate related to asset impairment is significant due to the need to make assumptions when estimating the recoverable amount and the material impact that recognising impairment could have on the results of the Group. See Notes 7 and 8 for more information.

Depreciation

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives of assets is based on historical experience with similar assets. The appropriateness of the estimated useful lives is reviewed annually. Due to the significance of property, plant and equipment in the asset base of the Group, the impact of any changes in these assumptions could be material to the results of operations (see Note 7 and 8).

Provisions

The Group establishes provisions where management considers that it is probable that an outflow of economic benefits will be required to settle obligations arising from past events. The estimated amounts of provisions are reviewed on an ongoing basis. Changes in estimates are recognised in the statement of profit or loss and such changes could be material to the net results reported in a particular year. See Note 11 for more information.

26. Post Balance Sheet events

No event occurred after the reporting date that would have material effect on the consolidated financial statements presented.

Independent Auditors' Report
issued on the 2014 Annual Report
of Danubius Hotels Nyrt

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KPMG

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

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

This is an English translation of the Independent Auditors' Report on the 2014 statutory Annual Report of Danubius Hotels Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This translation has been prepared solely for the information of the Board members of Danubius Hotels Nyrt. and must not be distributed to any other party.

Independent Auditors' Report

To the shareholders of Danubius Hotels Nyrt.

Report on the Annual Report

We have audited the accompanying 2014 annual report of Danubius Hotels Nyrt. (hereinafter referred to as "the Company"), which comprises the balance sheet as at 31 December 2014, which shows total assets of THUF 56,764,062 and retained profit for the year of THUF 3,733,505, and the income statement for the year then ended, and supplementary notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of this annual report in accordance with the provisions of the Hungarian Act on Accounting, and for such internal control as management determines is necessary to enable the preparation of annual report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this annual report based on our audit. 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the annual report 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual report gives a true and fair view of the financial position of Danubius Hotels Nyrt. as at 31 December 2014, and of its financial performance for the year then ended in accordance with the provisions of the Hungarian Act on Accounting.

Report on the Business Report

We have audited the accompanying 2014 business report of Danubius Hotels Nyrt.

Management is responsible for the preparation of the business report in accordance with the provisions of the Hungarian Act on Accounting. Our responsibility is to assess whether this business report is consistent with the annual report prepared for the same business year. 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.

In our opinion, the 2014 business report of Danubius Hotels Nyrt. is consistent with the data included in the 2014 annual report of Danubius Hotels Nyrt.

Budapest, 31 March 2015

KPMG Hungária Kft.
Registration number: 000202

Szabó Péter
Szabó Péter
Partner

Boros Judit
Boros Judit
Professional Accountant
Registration number: 005374

10594702551011401
Statistical number
01-10-041669
Company registration no.

Danubius Hotels Nyrt

Balance sheet date: 31 December 2014
Balance sheet "A" variation

data in HUF'000

		Prior year	Current year
a	b	c	e
01.	**INVESTED ASSETS**	**51,944,221**	**52,312,877**
02.	INTANGIBLE ASSETS	43,747	33,654
03.	Cap.value of transformation		
04.	Cap.value of exper.develop.		
05.	Intangible assets		
06.	Intellectual products	43,747	33,654
07.	Goodwill		
08.	Intangible assets advance payment		
09.	Revaluation of intangible assets		
10.	**TANGIBLE ASSETS**	**5,121,133**	**4,867,953**
11.	Real estates	4,982,718	4,726,308
12.	Equipments and machines	2,374	1,335
13.	Other equipments and fixtures	1,310	762
14.	Breeding stock		
15.	Capital projects	134,731	139,548
16.	Advance payments for projects		
17.	Revaluation of tangible assets		
18.	**FINANCIAL INVESTMENTS**	**46,779,341**	**47,411,270**
19.	Shares in daughter Co-s	44,678,591	45,311,270
20.	Loan to daughter Co-s	2,100,000	2,100,000
21.	Other investments	750	
22.	Loans given to other investments		
23.	Other long term loans		
24.	Long term securities		
25.	Reval. of invested financial assets		
26.	**WORKING ASSETS**	**2,156,082**	**4,323,245**
27.	STOCKS	35	1,530
28.	Raw materials		
29.	WIP.semifinished goods		
30.	Livestocks		
31.	Finished goods		
32.	Goods	35	1,530
33.	Advance payments for stocks		
34.	RECEIVABLES	945,486	3,111,560
35.	Debtors	634	2,789
36.	Amounts owed by daughter Co-s	939,952	3,101,161
37.	Amounts owed by other investm.		
38.	Bills of exchange		
7	Other receivables	4,900	7,610
40.	SECURITIES	1,161,021	1,161,021
41.	Shares in daughter Co-s		
42.	Other investments		
43.	Treasury shares	1,161,021	1,161,021
44.	Short term securities		
45.	TOTAL CASH AND BANK DEPOSITS	49,540	49,134
46.	Cash at hand	710	724
47.	Bank deposits	48,830	48,410
48.	**ACCRUALS**	**20,716**	**127,940**
49.	Accruals of revenues	0	80,286
50.	Accruals of costs & expenditures	20,716	47,654
51.	Defered expenditures		
52.	**TOTAL ASSETS**	**54,121,019**	**56,764,062**

data in HUF'000

		Prior year	Current year
a	b	c	e
53.	**OWN CAPITAL**	**43,154,545**	**46,888,050**
54.	SUBSCRIBED CAPITAL	8,285,437	8,285,437
55.	From this: Repurchased shrares	374,523	374,523
56.	NOT YET PAID SUBSCRIBED CAPITAL		
57.	CAPITAL RESERVE	7,138,139	7,138,139
58.	PROFIT RESERVE	26,815,275	26,070,159
59.	COMMITED RESERVES	1,540,810	1,660,810
60.	REVALUATION RESERVE		
61.	PROFIT PER BALANCE SHEET	-625,116	3,733,505
62.	**PROVISIONS**	**281,167**	**317,858**
63.	Provisions for possible liabilities	281,167	317,858
64.	Provisions for possible loss		
65.	Other provisions		
66.	**LIABILITIES**	**10,557,614**	**9,422,093**
67.	LONG TERM LIABILITIES	**0**	**0**
68.	Long term liabilities to daughter Co-s		
69.	Long term liabilities to other investments		
70.	Long term liabilities to other Co-s		
71.	LONG TERM LIABILITIES	7,686,178	5,509,542
72.	Long term loans		
73.	Convertible bonds		
74.	Liability from bond issue		
75.	Project loans		
76.	Other long term loans	7,686,178	5,509,542
77.	Long term liabilities to daughter Co-s		
78.	Long term liabilities to other investments		
79.	Other long term liability		
80.	SHORT TERM LIABILITIES	2,871,436	3,912,551
81.	Short term credits		
82.	From this: convertible bonds		
83.	Short term loans	2,256,788	1,717,925
84.	Advance payments from debtors		
85.	Creditors	57,996	86,659
86.	Bills of exchange		
87.	Short term liabilities to daughter Co-s	460,703	1,996,950
88.	Short term liabilities to other investments		
89.	Other short term liabilities	95,949	111,017
90.	**ACCUALS**	**127,693**	**136,061**
91.	Accruals of revenues		
92.	Accruals of costs & expenditures	127,693	136,061
93.	Defered revenues		
95.	**TOTAL LIABILITIES**	**54,121,019**	**56,764,062**

10594702551011401
Statistical number
01-10-041669
Company registration no.

Financial year 2014
Income statement 'A' variation

data in HUF'000

		Prior year	Current year
a	b	c	e
01.	Net domestic sales revenue	2,917,121	3,006,183
02.	Export sales revenue		
I.	**Net domestic sales revenue**	**2,917,121**	**3,006,183**
03.	Export sales revenue		
04.	Export sales revenue		
II.	**Cap. value of own production**	**0**	**0**
III.	**Other income**	**38,642**	**11,798**
	from this re-booked loss of value		
05.	Raw material costs	4,995	4,194
06.	Value of services used	766,082	802,492
07.	Other services	36,133	21,825
08.	Purchase price of goods sold		
09.	Value of sold services	25,386	41,280
IV.	**Material expenditures**	**832,596**	**869,791**
10.	Salaries and wages	365,439	364,499
11.	Other personnel payments	45,070	43,342
12.	Related costs	103,931	104,724
V.	**Total payroll & related costs**	**514,440**	**512,565**
VI.	**Depreciation**	344,094	351,782
VII.	**Other expenditures**	190,119	182,512
	from this: loss of value		
A.	**Operating profit**	**1,074,514**	**1,101,331**
13.	Dividend received	593,104	2,980,602
	from this: from related party	592,192	2,979,912
14.	Capital gain on the sale of shares		
	from this: from related party		
15.	Exchange gain of inv. fin. assets	0	230,272
	from this: from related party		
16.	Other interests received	118,268	102,604
	from this: from related party	115,822	102,480
17.	Other financial income	268,611	28,051
VIII.	**Rev. from financial transact.**	**979,983**	**3,341,529**
18.	Exchange loss of inv. fin. assets	473,967	750
	from this: to related party	467,280	0
19.	Interests payable	532,872	449,566
	from this: to related party	7,145	65,821
20.	Loss of value -securities, deposits		
21.	Other financial expences	153,695	190,350
IX.	**Expenditures of fin. transact.**	**1,160,534**	**640,666**
B.	**Financial profit or loss**	**-180,551**	**2,700,863**
C.	**Profit from ordinary activities**	**893,963**	**3,802,194**
X.	**Extraordinary income**	1,448,509	1,024
XI.	**Extraordinary loss**	2,953,627	66,293
D.	**Extraordinary profit or loss**	**-1,505,118**	**-65,269**
E.	**Profit before tax**	**-611,155**	**3,736,925**
XII:	**Corporate tax payable**	13,961	3,420
F.	**Profit after tax**	**-625,116**	**3,733,505**
22.	Dividend paid from profit reserve		
23.	Dividend payable		
G.	**NET PROFIT**	**-625,116**	**3,733,505**

REPORT OF THE BOARD OF DIRECTORS ON THE YEAR 2014 PERFORMANCE OF DANUBIUS HOTELS GROUP

This report contains consolidated financial statements for the year ended 31 December 2014 as prepared by the management in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRS).

HIGHLIGHTS

	HUF million			EUR million [1]		
Danubius Hotels Group	FY 2014	FY 2013	Ch%	FY 2014	FY 2013	Ch%
Net sales revenues	52,332	50,078	5	169.6	168.6	1
EBIDTA	8,916	8,004	11	28.9	26.9	7
Operating profit / (loss)	3,952	3,220	23	12.8	10.8	18
Financial results	(1,778)	(1,257)	(41)	(5.8)	(4.2)	(36)
Profit /(loss) before tax	2,180	1,971	11	7.1	6.6	6
Operating cash flow	7,826	7,179	9	25.4	24.2	5
CAPEX	5,504	5,502	0	17.8	18.5	(4)
HUF/EUR average rate	308.6	297.0	4			

[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] *The numbers in this schedule are extracted from the financial statements in appendices 1 to 5.*

- In 2014 total net sales **revenues** were HUF 52.3 billion, up by 5% compared to last year, due to beneficial changes in foreign exchange rates and improvements in all of the geographical segments. In EUR terms the Group's revenue increased slightly by 1% due to weaker average EUR exchange rates than in the comparative period. Group **occupancy** in 2014 was 66.6% compared to 64.9% in 2013.
- In 2014 **operating profit** of the group increased to HUF 4 billion from HUF 3.2 billion in 2013.
- **Segmental (geographical)** performance in 2014 was as follows:
  - **Hungarian** segment's revenue increased by 3% to HUF 29.1 billion due to the occupancy of hotels improved to 64.6% from 62.1% and the weakening of the annual average HUF/EUR exchange rate compared to 2013. The operating profit increased to HUF 1.2 billion from HUF 0.9 billion in 2013.
  - **Czech** hotels showed a revenue increase of 6% mainly in connection with the 3% increase of the rooms sold. Operational profit increased to HUF 1.7 billion from HUF 1.3 billion in 2013.
  - **Slovakian** segment's operating revenue increased by 5% due to weakening Huf and increased average price. Operational profit increased to HUF 739 million in 2014 compared to HUF 617 million in 2013.
  - The total revenue of the **Romanian** segment grew by 14% to HUF 2.1 billion. However, due to ongoing hotel reconstructions, the year to date operating profit decreased by HUF 58 million.
- The **Financial** result in 2014 was a loss of HUF 1,778 million compared to HUF 1,257 million in 2013 mainly due to unrealised FX differences. In 2014 HUF 1,010 million (mostly unrealised) FX loss was recognised on monetary assets and liabilities, compared to HUF 476 million in 2013. Interest expenses decreased to HUF 783 million in 2014 from HUF 805 million in 2013.
- Thanks to the pickup in revenue and operational efficiency gains, **EBITDA** improved by HUF 912 million or 11% comparing 2014 to 2013.
- **Net cash provided by operating activities** in 2014 was HUF 7.8 billion compared to HUF 7.2 billion in 2013.
- During 2014 **capital expenditure** and investments amounted to HUF 5.5 billion which was in line with the previous year.
- Average Group **headcount** during 2014 was 4,355 which is practically identical with the 2013 average.

FINANCIAL OVERVIEW

Hungarian Segment

HUNGARY	HUF million FY 2014	FY 2013	Ch%	EUR million [1] FY 2014	FY 2013	Ch%
Net sales revenues	29,120	28,192	3	94.4	94.9	(1)
EBITDA	3,104	2,827	10	10.1	9.5	6
Operating profit /(loss)	1,202	933	29	3.9	3.1	24
Financial results	(1,579)	(970)	(63)	(5.1)	(3.3)	(57)
Profit /(Loss) before	(371)	(29)	(1,179)	(1.2)	(0.1)	(1,131)
CAPEX	1,549	1,584	(2)	5.0	5.3	(6)

[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.*

Total net revenues of 2014 increased by 3% to HUF 29.1 billion, most of which increase was realised on room and F&B revenues. Compared with the previous year, the revenue increase is partly due to the strong performance of Budapest hotels in December. Total operational revenue of our hotels in Budapest increased by 19% in December compared to the same period of the previous year. In Q4 2013 a minor hotel was sold with net gain of HUF 344 million which amount partially offset the revenue increase.

Room revenue of Hungarian hotels improved by 7% to HUF 15.6 billion, due to the combined effect of increasing occupancy (to 64.6% from 62.1%), and the 3.7% increase of average room rates. Average room rates in HUF terms increased by 3.7% as a combined result of a 3.9% weakening in the average HUF/EUR rates and 0.2% decrease in the EUR average room rates. The number of rooms sold increased by 2.9% in 2014. Russia represents the largest part of the occupancy increase, although in the fourth quarter the grow of the Russian guestnights stopped, due to the Ukrainian conflict, and the extraordinary weakening of the Ruble. Room department profit for 2014 increased by HUF 820 million or 7.2% compared to 2013.

Food and beverage revenue of hotels was HUF 8.2 billion in 2014, which is a 4% growth driven by both the improving occupancy and higher average prices. F&B departmental profit improved by HUF 125 million compared to the last year. Gundel's F&B revenue decreased by 2.5% in 2014 compared to 2013 mainly because the strong banqueting activity in 2013 could not be fully reproduced. Spa revenue was HUF 1.5 billion in 2014, up by 6% compared to 2013 therefore Spa department profit increased by HUF 79 million.

Raw material expenses did not change significantly due to the combined effect of an increase in the number of rooms sold offset by less energy used due to the mild weather. The value of services used in 2014 increased by 4% to HUF 6.2 billion mainly because of an increase in commissions, marketing and maintenance expenses. Personnel expenses of hotel operation in 2014 were HUF 10.3 billion, up by 1%, reflecting annual salary increases.

The HUF 66 million operation profit of Gundel for 2013 turned into an operating loss of HUF 120 million in 2014, due to the decreasing revenues and some one-off items, of which the most significant occurred in connection with a cancelled construction project.

According to an agreement signed in July 2014, we ceased our own management of Hotel Lövér and instead rented out the hotel with effect from 1 August 2014. This had only minor effect on our results for the current year, but we expect more positive impact on future years.

Interest expenses decreased by 6% compared to the last year mainly due to lower annual average loans and lower average interest rates. Primarily as the result of weaker HUF/EUR rate at 31 December 2014 compared to 31 December 2013, a HUF 982 million foreign exchange loss (mostly unrealised loss on EUR loans) was recognised in the profit and loss for 2014, compared to a foreign exchange loss of HUF 338 million in 2013.

Capital expenditures were HUF 1,549 million in 2014, compared to HUF 1,584 million spent in 2013.

As a result of the unrealised foreign exchange losses, the Hungarian segment realised a loss before tax of HUF 371 million in 2014, compared to a loss of HUF 29 million in 2013. However, operating profit improved to HUF 1,202 million in 2014 from 933 million in 2013. Operating result reflects more appropriately the real performance improvement of the hotels than the profit/loss before tax due to fluctuations of the non-realised foreign exchange losses.

Czech Segment

CZECH REPUBLIC	HUF million			EUR million [1]		
	FY 2014	**FY 2013**	**Ch%**	**FY 2014**	**FY 2013**	**Ch%**
Net sales revenues	10,132	9,598	6	32.8	32.3	2
BITDA	2,989	2,517	19	9.7	8.5	14
Operating profit /(loss)	1,739	1,340	30	5.6	4.5	25
Financial results	(76)	(183)	58	(0.2)	(0.6)	60
Profit /(Loss) before tax	1,663	1,157	44	5.4	3.9	38
CAPEX	800	1,926	(58)	2.6	6.5	(60)
HUF/CZK average rate	11.2	11.4	(2)			
CZK/EUR average rate	27.5	26.0	6			

[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.*

Total net revenue increased by 6% to HUF 10.1 billion in 2014 due to an increase in the number of rooms sold after the completion of reconstruction works in the comparative period and further increase of average room rates (ARR) achieved in CZK terms due to a weaker exchange rate against the euro. In local currency the ARR was largely unchanged. The average occupancy of the hotels was 74.4% during 2014 similarly to the comparative period, and still the highest within the group.

Due to construction of 36 new rooms at the beginning of 2013, Hotel Hvezda was temporarily unavailable. Therefore in 2014 there were 3% more rooms available than in 2013 and although the overall occupancy did not change, the number of rooms sold increased to 227,000 in 2014 from 220,000 in 2013. The number of guests from Russia, Ukraine and Kazakhstan slightly decreased as a result of recent events, however the number of domestic guests increased significantly, partially in connection with a recovery in local insurance business. Any escalation of the conflict further increases the risks of decreasing guest numbers in respect of the above-mentioned countries.

The amount of material expenses and services used in 2014 was HUF 3.9 billion, up by 1.5%. The slight increase is mainly due to the maintenance costs relating to the renovation project. Total personnel expenses in 2014 were HUF 2.6 billion, 2.3% above the 2013 level due to an increase in both average wages and average staff number in connection with the increased number of rooms. Depreciation charge increased by 6.2% due to the investments made in the comparative period.

The operational profit of Czech hotels was HUF 1.7 billion in 2014 compared to HUF 1.3 billion in 2013 as a consequence of the above changes.

Due to the increase in the average amount of outstanding bank loans (in connection with the capex), interest expense was HUF 62 million in 2014, compared to HUF 56 million in 2013. As the result of the weakening of CZK against EUR a HUF 20 million mostly unrealised foreign exchange loss was recognised in profit and loss on monetary assets and liabilities denominated in EUR, compared to a loss of HUF 129 million in 2013.

Capital expenditure in 2014 amounted to HUF 800 million, a significant drop compared to HUF 1,926 million in 2013, when the hotel construction project was in progress. The project was completed at the end of April 2013.

Overall, the profit before tax of Czech operations for 2014 was HUF 1,663 million compared to HUF 1,157 million in 2013

Slovakian Segment

	HUF million			EUR million [1]		
SLOVAKIA	FY 2014	FY 2013	Ch%	FY 2014	FY 2013	Ch%
Net sales revenues	10,946	10,417	5	35.5	35.1	1
EBITDA	2,169	2,035	7	7.0	6.9	3
Operating profit /(loss)	739	617	20	2.4	2.1	15
Financial results	(65)	(90)	28	(0.2)	(0.3)	30
Profit /(Loss) before tax	674	527	28	2.2	1.8	23
CAPEX	2,072	1,033	101	6.7	3.5	93
HUF/EUR average rate	308.6	297.0	4			

[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.*

Total net revenue in 2014 increased by 5% to HUF 11 billion mainly as a consequence of the impact of the weakening HUF and increasing average rates. The average room rate (ARR) was EUR 46.8 showing 3% increase from the previous period's EUR 45.3. Coupled with a 4% weakening of the HUF/EUR exchange rate the ARR increased by 7% in HUF terms. The occupancy of Piestany hotels was 70.8% in 2014 compared to 71.2% in 2013, which is a 1% decrease, furthermore the number of rooms available also decreased by 1% due to the renovation works, and the different opening periods.

The amount of material expenses and services used in 2014 was HUF 4 billion, up by 3.2% due to the 4% weakening of the 2014 average HUF/EUR exchange rate compared to the 2013 average. Personnel expenses for 2014 were HUF 3.9 billion, a 4.2% increase that is also resulted from the euro exchange rate changes described above.

Capital expenditures during 2014 were HUF 2.1 billion mainly reflecting the balneotherapy reconstruction works started in Q4 2013, largely funded by a medium term bank loan.

As the result of the mentioned factors, the Slovakian segment recognised a profit before tax of HUF 674 million for 2014 compared to a profit before tax of HUF 527 million in 2013.

Romanian Segment

ROMANIA	HUF million			EUR million [1]		
	FY 2014	FY 2013	Ch%	FY 2014	FY 2013	Ch%
Net sales revenues	2,134	1,871	14	6.9	6.3	10
EBITDA	654	625	5	2.1	2.1	1
Operating profit /(loss)	272	330	(18)	0.9	1.1	(21)
Financial results	(58)	(14)	(314)	(0.2)	(0.0)	(299)
Profit /(Loss) before tax	214	316	(32)	0.7	1.1	(35)
CAPEX	1,083	959	13	3.5	3.2	9
HUF/RON average rate	69.4	67.2	3			
RON/EUR average rate	4.4	4.4	1			

[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.*

Total net revenue for 2014 increased by 14% in HUF terms compared to 2013. The increase of revenues mainly derives from the 12% increase of average room rate (ARR) to RON 161 from RON 144, partially because renovated four star superior rooms in Hotel Bradet were sold at significantly higher price than its former two stars rooms. The increase of ARR in HUF terms was 15% due to the 3% weakening of the HUF/RON exchange rate.

In 2014 the occupancy was broadly in line with the last year average. F&B and spa revenues also increased 12.7% and 8.2% respectively compared to 2013.Total material expenses and services used in 2014 amounted to HUF 861 million, that is an increase of 13% compared to 2013. Within that raw material costs increased 15% reflecting the purchase of operating equipment required to start the operation of Hotel Bradet. Personnel expenses increased by 27% compared to 2013 due to a combination of salary increases and additional staff requirements of the renovated four star superior operation and spa facilities. Depreciation charge increased by 29% compared to the previous period as a result of new additions to Hotel Bradet. As a combined result of the above, the Romanian segment realised an operating profit of HUF 272 million in the period compared to HUF 330 million in 2013.

Capital expenditure during 2014 was HUF 1,083 million compared to HUF 959 million in 2013. The increased capital expenditure reflects phase two (larger part) completed in Q2 2014 compared to phase one (Q2 2013) of reconstruction of Hotel Bradet as a four star superior category hotel.

The profit before tax was HUF 214 million in 2014 compared to HUF 316 million in 2013.

Consolidated Balance Sheet

Total consolidated assets amounted to HUF 90.5 billion as of 31 December 2014, a 4% increase compared to the year end of 2013. Cash and cash equivalents increased by 30% mainly due to the result of accumulated operating cash-flows of the Czech and Slovakian subsidiaries. Trade receivables increased by 22% compared to 31 December 2013 mainly due to the effects of the one-off exceptional December in Budapest.

The amount of property, plant and equipment (PPE) and intangible assets was HUF 81.8 billion as at 31 December 2014. Compared to the end of 2013 the amount increased by 3% due to the combined effect of HUF 5.5 billion purchase, HUF 5 billion depreciation and HUF 2.1 billion increase due to the effect of foreign exchange rate fluctuations. Total liabilities at 31 December 2014 were HUF 32.9 billion, a 2% increase compared to 31 December 2013 mainly as a result of drawing new bank loans to finance capital expenditures and exchange rate fluctuations. The Group had EUR 60.8 million long-term loans, including short-term portion, as of 31 December 2014, while it had EUR 67.2 million at the end of year 2013.

The value of shareholders' equity increased by 6% compared to 31 December 2013 being the combined effect of the profit after tax of HUF 1.6 billion, the HUF 1.6 billion increase of translation reserve and the HUF 0.2 million increase of non-controlling interests.

Cash flow

Net cash provided by operating activities in 2014 was HUF 7.8 billion, a significant improvement compared to the HUF 7.2 billion in 2013, due to better operational performance. Capital expenditure in 2014 was HUF 5.5 billion, which was the same in 2013.

During 2014 EUR 7.8 million loan has been drawn down for corporate and project financing purposes, and EUR 14.2 million repayment of long-term borrowings has taken place. Overall loans (current and non-current) have decreased from HUF 21.0 billion to HUF 20.9 billion over the period, in spite of the effect of the euro rate fluctuations.

Commitments

During Q4 2014 Danubius Hotels Group signed off agreements relating to the renovation project of Hilton Budapest, according to which it had HUF 0.8 billion commitments to continue with the development works at the end of the year.

APPENDIX I - Audited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(HUF million)

	At 31 December	
	2014	2013
Assets		
Cash and cash equivalents	4,611	3,556
Trade and other receivables	2,908	2,740
Inventory	574	554
Assets classified as held for sale	60	83
Current income tax receivables	20	12
Total current assets	**8,173**	**6,945**
Property, plant and equipment	78,847	76,056
Intangible assets	3,002	3,184
Other non-current assets	35	36
Deferred tax assets	467	408
Total non-current assets	**82,351**	**79,684**
Total assets	**90,524**	**86,629**
Liabilities and Shareholders' Equity		
Trade accounts payable	2,864	2,686
Advance payments from guests	1,009	1,010
Current income tax payables	240	73
Other payables and accruals, including derivatives	4,631	4,605
Interest-bearing loans and borrowings	6,009	6,428
Provisions	141	68
Total current liabilities	**14,894**	**14,870**
Interest-bearing loans and borrowings	14,854	14,549
Deferred tax liabilities	1,586	1,450
Provisions	1,536	1,474
Total non-current liabilities	**17,976**	**17,473**
Total liabilities	**32,870**	**32,343**
Shareholders' Equity		
Share capital	8,285	8,285
Capital reserve	7,435	7,435
Treasury shares	(1,162)	(1,162)
Translation reserve	9,877	8,287
Hedge reserve	-	(22)
Retained earnings	30,171	28,605
Attributable to equity holders of the parent	**54,606**	**51,428**
Non-controlling interest	**3,048**	**2,858**
Total shareholders' equity	**57,654**	**54,286**
Total liabilities and shareholders' equity	**90,524**	**86,629**

APPENDIX II - Audited
CONSOLIDATED STATEMENT OF INCOME
(HUF million)

	Year ended 31 December 2014	2013
Room revenue	26,319	24,916
Food and beverage revenue	15,391	14,679
Spa revenue	7,179	6,722
Other departmental revenue	2,246	2,171
Revenue from wineries	42	43
Revenue from security services	503	593
Other income	652	954
Total operating revenue and other income	**52,332**	**50,078**
Cost of goods purchased for resale	526	458
Material costs	10,679	10,749
Services used	10,972	10,554
Material expenses and services used	**22,177**	**21,761**
Wages and salaries	12,907	12,460
Other personnel expenses	1,259	1,288
Taxes and contributions	3,962	3,824
Personnel expenses	**18,128**	**17,572**
Depreciation and amortisation	4,964	4,784
Other expenses	3,132	2,763
Changes in inventories of finished goods and w.i.p.	4	3
Own work performed and capitalised	(25)	(25)
Total operating expenses	**48,380**	**46,858**
Profit from operations	**3,952**	**3,220**
Interest income	15	24
Interest expense	(783)	(805)
Foreign currency gain / (loss)	(1,010)	(476)
Net finance result	**(1,778)**	**(1,257)**
Share of profit of equity accounted investees	6	8
Profit / (loss) before tax	**2,180**	**1,971**
Current tax expense	465	270
Deferred tax expense / (benefit)	22	163
Profit / (loss) for the year	**1,693**	**1,538**
Attributable to:		
Owners of the Company	1,566	1,430
Non-controlling interest	127	108
Basic and diluted earnings per share (HUF per share):	**198**	**181**

APPENDIX III – Audited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(HUF million)

	Year ended 31 December	
	2014	2013
Profit / (loss) for the year	**1,693**	**1,538**
Other comprehensive income *		
Foreign currency translation differences for foreign operations	1,729	(583)
Changes in fair values of hedge derivatives	25	38
Total other comprehensive income	**1,754**	**(545)**
Total comprehensive income for the period	**3,447**	**993**
Attributable to:		
Owners of the Company	3,178	899
Non-controlling interest	269	94
Total comprehensive income for the period	**3,447**	**993**

* includes only items that are or may be reclassified to profit and loss.

APPENDIX IV – Audited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(HUF million)

	Attributable to equity holders of the parent							Non-controlling Interest	Total Equity
	Share Capital	Capital Reserve	Treasury Shares	Retained Earnings	Translation Reserve	Hedge Reserve	Total		
1 January 2013	**8,285**	**7,435**	**(1,162)**	**27,175**	**8,852**	**(56)**	**50,529**	**2,796**	**53,325**
Total comprehensive income for the year									
Profit for the year	-	-	-	1,430	-	-	1,430	108	1,538
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(565)	-	(565)	(18)	(583)
Changes in fair values of hedge derivatives	-	-	-	-	-	34	34	4	38
Total other comprehensive income	**-**	**-**	**-**	**-**	**(565)**	**34**	**(531)**	**(14)**	**(545)**
Total comprehensive income for the year	**-**	**-**	**-**	***1,430***	***(565)***	***34***	***899***	***94***	***993***
Transaction with owners, recorded directly in equity									
Dividend to Non-controlling interests	-	-	-	-	-	-	-	(32)	(32)
Total transaction with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(32)***	***(32)***
31 December 2013	**8,285**	**7,435**	**(1,162)**	**28,605**	**8,287**	**(22)**	**51,428**	**2,858**	**54,286**
Total comprehensive income for the year									
Profit for the year	-	-	-	1,566	-	-	1,566	127	1,693
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	1,590	-	1,590	139	1,729
Changes in fair values of hedge derivatives	-	-	-	-	-	22	22	3	25
Total other comprehensive income	**-**	**-**	**-**	**-**	**1,590**	**22**	**1,612**	**142**	**1,754**
Total comprehensive income for the year	**-**	**-**	**-**	***1,566***	***1,590***	***22***	***3,178***	***269***	***3,447***
Transaction with owners, recorded directly in equity									
Dividend to Non-controlling interests	-	-	-	-	-	-	-	(79)	(79)
Total transaction with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(79)***	***(79)***
31 December 2014	**8,285**	**7,435**	**(1,162)**	**30,171**	**9,877**	**-**	**54,606**	**3,048**	**57,654**

APPENDIX V - Audited
CONSOLIDATED STATEMENT OF CASH FLOWS
(HUF million)

	Year ended 31 December	
	2014	2013
Profit from operations	**3,952**	**3,220**
Depreciation and amortisation	4,964	4,784
Gain on sale of property, plant and equipment	(36)	(344)
Changes in working capital		
Increase of provisions	*135*	*110*
Increase of accounts receivable and other current assets	*(845)*	*(445)*
Decrease of inventory	*(20)*	*(63)*
Increase of accounts payable and other current liabilities	*736*	*1,013*
Interest paid	(757)	(800)
Income tax paid	(303)	(296)
Net cash provided by operating activities	**7,826**	**7,179**
Purchase of property, plant and equipment and intangibles	(5,504)	(5,502)
Proceeds on sale of property, plant and equipment	62	442
Interest received	15	51
Net cash used in investing activities	**(5,427)**	**(5,009)**
Dividend to non-controlling interests	*(79)*	*(32)*
Receipt of long-term bank loans	2,456	4,172
Repayment of long-term bank loans	(4,479)	(4,631)
Net cash used in financing activities	**(2,102)**	**(491)**
Net decrease in cash held	297	1,679
Cash and cash equivalents at the beginning of the period [1]	2,779	1,162
Effect of exchange rate fluctuations on cash held	141	(62)
Cash and cash equivalents at the end of the period [1]	**3,217**	**2,779**

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

APPENDIX VI

SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the year 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 VII

SHAREHOLDER STRUCTURES AND CHANGES IN ORGANISATION

In the current period there were no significant organisational changes within the Group.

	Period end of				
Shareholder[1]	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
CP Holdings and its investments[2]	80.33%	80.33%	80.33%	80.33%	80.33%
Of which:					
CP Holdings Ltd.	*38.85%*	*38.85%*	*38.85%*	*38.85%*	*38.85%*
Interag Zrt.	*31.45%*	*31.45%*	*31.45%*	*31.45%*	*31.45%*
Israel Tractors Ltd.	*6.12%*	*6.12%*	*6.12%*	*6.12%*	*6.12%*
Foreign financial investors	6.15%	5.89%	8.21%	3.94%	8.13%
Domestic financial investors	3.84%	3.91%	3.94%	3.80%	3.91%
Foreign individuals	2.00%	2.36%	0.03%	1.37%	0.03%
Domestic individuals	3.16%	2.83%	2.81%	2.64%	2.65%
Treasury shares	4.52%	4.52%	4.52%	4.52%	4.52%
Other	0.00%	0.16%	0.16%	3.40%	0.43%
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 80.33% ownership of CP Holdings and its investments results an 84.14% combined direct interest in Danubius Hotels Nyrt. and includes the shares directly held by family members Schreier family.

APPENDIX VIII

CONSOLIDATED MANAGEMENT REPORT

(The following consolidated management report does not analyse the performance of the Group, which is available in the above sections of this document.)

While the start of 2014 demonstrated positive trends, the impact of the Russian-Ukrainian dispute escalation began to be felt in Q2. The impact has mostly been seen in Marienbad where typically more than 50% of our guests are from Russia. In the Hungarian and Slovakian spa hotels, the percentage is less – approximately 10% – but this is still an important source of business and so far while Slovakia has also experienced a slight decline, Hungary has seen an increase. The wider economic consequences of these events also affect us. Since the beginning of 2013, the Russian ruble has devalued significantly – ranging from 50% to 70%. The growth of the Russian economy slowed and the oil prices also fell to levels not seen for years. All of these events could have an adverse influence on the willingness to travel of guests from this market. We continue to monitor the situation and have developed contingency plans to handle the uncertain Russian/Ukrainian situation with the aim of minimising any negative effects.

According to data provided by the Hungarian Central Statistical Office the number of guestnights increased in the Hungarian market by 5.4% comparing the previous year. Within that, increase of domestic guestnights was 8.3% while guestnights from foreign countries increased by 2.7%. Guestnights provided by hotels increased by 4.6%. The Széchenyi card performed 6.1% stronger in 2014, than 2013. Guestnights of the Russian guests decreased by 21.2% in December 2014 compared to the same period in the previous year.

According to data provided by the Czech Statistical Office in 2014 the number of guestnights in collective accommodation establishments decreased by 0.4% year-on-year. The number of nights by domestic tourists went down by 1.1%, while the foreign guest nights increased by 0.3%. There were in total more guests' arrivals by 1.5%. The number of domestic guests decreased by 0.5% but the number of foreign guests went up by 3.5%. The highest number of guests arrived from Germany (1,560,000 guest which is an increase of 5.1%) and the second largest from Russia (695,000 guests, -13.4%). Guestnights of the Russian guests decreased by 26.3% in December 2014 compared to the same period in the previous year.

According to data provided by the Slovakian Statistical Office in 2014 the number of guests in Slovakian accommodation establishments was 3,727,710 which is a decrease of 7.9% compared to 2013. The number of domestic guests decreased by 5.3% while foreign guests decreased by 11.7%. The total number of guestnights was 10,900,434 that is a decrease of 5.1% from which the foreign guestnights fell by 10% while the domestic guestnights decreased by 2.1%.

Our main goal for 2014 was to further increase the turnover, which goal was achieved. In Budapest, it was challenging to replicate the growth achieved in 2013, because the majority of our surplus revenues in 2013 came from significant sport events organised in the capital which did not reoccur to that extent in 2014. In our countryside hotels we have seen more domestic demand, in line with our expectations, mainly due to the weaker local currencies and new government incentives offered by the Széchenyi Card, which is the most popular form of cafeteria payments in Hungary. Despite the events in Ukraine the number of guests from the former Soviet Union countries increased further in 2014 which played a significant role in achieving our targets.

In 2014 we further increased the efficiency of the central reservation system and continued implementation of the new operating software in two countryside hotels. This provides greater efficiency in the fields of operations, sales, guest relations as well as accounting and finance. In addition, the group is focusing on increasing the turnover through electronic sales channels, especially through our own website, which we also support with marketing actions.

In addition to the risks involved in the Hotel industry, we are most significantly affected by the fluctuation of foreign exchange rates. In particular, the Hungarian forint against the Euro which weakened during the current period and also during the comparative period and the yearly average exchange rate was also weaker in 2014 than in 2013. Weaker average exchange rate results higher revenues in HUF terms, however a weaker rate at the end of the period also causes unrealised foreign exchange losses recognised on loans denominated in Euros.

APPENDIX IX - **DECLARATION**

Danubius Hotels Nyrt. hereby declares that the audited Consolidated Financial Statements presented in this report, prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Consolidated Financial Statements give a true and fair view on the assets, liabilities, financial position, net income and loss of the Issuer Company and the consolidated subsidiaries. In addition, this report also gives true and fair view on the position, development, performance and risks of the Issuer Company and the consolidated subsidiaries. The Consolidated Financial Statements do 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 reports. 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 X

BALANCE SHEET OF DANUBIUS HOTELS NYRT. PREPARED IN ACCORDANCE WITH HUNGARIAN ACCOUNTING ACT - Audited

			data in HUF'000
		Prior year	**Current year**
a	b	c	e
01.	**INVESTED ASSETS**	**51,944,221**	**52,312,877**
02.	INTANGIBLE ASSETS	43,747	33,654
03.	Cap.value of transformation		
04.	Cap.value of exper.develop.		
05.	Intangible assets		
06.	Intellectual products	43,747	33,654
07.	Goodwill		
08.	Intangible assets advance payment		
09.	Revaluation of intangible assets		
10.	**TANGIBLE ASSETS**	**5,121,133**	**4,867,953**
11.	Real estates	4,982,718	4,726,308
12.	Equipments and machines	2,374	1,335
13.	Other equipments and fixtures	1,310	762
14.	Breeding stock		
15.	Capital projects	134,731	139,548
16.	Advance payments for projects		
17.	Revaluation of tangible assets		
18.	**FINANCIAL INVESTMENTS**	**46,779,341**	**47,411,270**
19.	Shares in daughter Co-s	44,678,591	45,311,270
20.	Loan to daughter Co-s	2,100,000	2,100,000
21.	Other investments	750	
22.	Loans given to other investments		
23.	Other long term loans		
24.	Long term securities		
25.	Reval. of invested financial assets		
26.	**WORKING ASSETS**	**2,156,082**	**4,323,245**
27.	STOCKS	35	1,530
28.	Raw materials		
29.	WIP.semifinished goods		
30.	Livestocks		
31.	Finished goods		
32.	Goods	35	1,530
33.	Advance payments for stocks		
34.	RECEIVABLES	945,486	3,111,560
35.	Debtors	634	2,789
36.	Amounts owed by daughter Co-s	939,952	3,101,161
37.	Amounts owed by other investm.		
38.	Bills of exchange		
7	Other receivables	4,900	7,610
40.	SECURITIES	1,161,021	1,161,021
41.	Shares in daughter Co-s		
42.	Other investments		
43.	Treasury shares	1,161,021	1,161,021
44.	Short term securities		
45.	TOTAL CASH AND BANK DEPOSITS	49,540	49,134
46.	Cash at hand	710	724
47.	Bank deposits	48,830	48,410
48.	**ACCRUALS**	**20,716**	**127,940**
49.	Accruals of revenues	0	80,286
50.	Accruals of costs & expenditures	20,716	47,654
51.	Defered expenditures		
52.	**TOTAL ASSETS**	**54,121,019**	**56,764,062**

			data in HUF'000
		Prior year	**Current year**
a	b	c	e
53.	**OWN CAPITAL**	**43,154,545**	**46,888,050**
54.	SUBSCRIBED CAPITAL	8,285,437	8,285,437
55.	From this: Repurchased shrares	374,523	374,523
56.	NOT YET PAID SUBSCRIBED CAPITAL		
57.	CAPITAL RESERVE	7,138,139	7,138,139
58.	PROFIT RESERVE	26,815,275	26,070,159
59.	COMMITED RESERVES	1,540,810	1,660,810
60.	REVALUATION RESERVE		
61.	PROFIT PER BALANCE SHEET	-625,116	3,733,505
62.	**PROVISIONS**	**281,167**	**317,858**
63.	Provisions for possible liabilities	281,167	317,858
64.	Provisions for possible loss		
65.	Other provisions		
66.	**LIABILITIES**	**10,557,614**	**9,422,093**
67.	LONG TERM LIABILITIES	**0**	**0**
68.	Long term liabilities to daughter Co-s		
69.	Long term liabilities to other investments		
70.	Long term liabilities to other Co-s		
71.	LONG TERM LIABILITIES	7,686,178	5,509,542
72.	Long term loans		
73.	Convertible bonds		
74.	Liability from bond issue		
75.	Project loans		
76.	Other long term loans	7,686,178	5,509,542
77.	Long term liabilities to daughter Co-s		
78.	Long term liabilities to other investments		
79.	Other long term liability		
80.	SHORT TERM LIABILITIES	2,871,436	3,912,551
81.	Short term credits		
82.	From this: convertible bonds		
83.	Short term loans	2,256,788	1,717,925
84.	Advance payments from debtors		
85.	Creditors	57,996	86,659
86.	Bills of exchange		
87.	Short term liabilities to daughter Co-s	460,703	1,996,950
88.	Short term liabilities to other investments		
89.	Other short term liabilities	95,949	111,017
90.	**ACCUALS**	**127,693**	**136,061**
91.	Accruals of revenues		
92.	Accruals of costs & expenditures	127,693	136,061
93.	Defered revenues		
95.	**TOTAL LIABILITIES**	**54,121,019**	**56,764,062**

APPENDIX XI

INCOME STATEMENT OF DANUBIUS HOTELS NYRT. PREPARED IN ACCORDANCE WITH HUNGARIAN ACCOUNTING ACT – Audited

			data in HUF'000
		Prior year	**Current year**
a	b	c	e
01.	Net domestic sales revenue	2,917,121	3,006,183
02.	Export sales revenue		
I.	**Net domestic sales revenue**	**2,917,121**	**3,006,183**
03.	Export sales revenue		
04.	Export sales revenue		
II.	**Cap. value of own production**	**0**	**0**
III.	**Other income**	**38,642**	**11,798**
	from this re-booked loss of value		
05.	Raw material costs	4,995	4,194
06.	Value of services used	766,082	802,492
07.	Other services	36,133	21,825
08.	Purchase price of goods sold		
09.	Value of sold services	25,386	41,280
IV.	**Material expenditures**	**832,596**	**869,791**
10.	Salaries and wages	365,439	364,499
11.	Other personnel payments	45,070	43,342
12.	Related costs	103,931	104,724
V.	**Total payroll & related costs**	**514,440**	**512,565**
VI.	**Depreciation**	344,094	351,782
VII.	**Other expenditures**	190,119	182,512
	from this: loss of value		
A.	**Operating profit**	**1,074,514**	**1,101,331**
13.	Dividend received	593,104	2,980,602
	from this: from related party	592,192	2,979,912
14.	Capital gain on the sale of shares		
	from this: from related party		
15.	Exchange gain of inv. fin. assets	0	230,272
	from this: from related party		
16.	Other interests received	118,268	102,604
	from this: from related party	115,822	102,480
17.	Other financial income	268,611	28,051
VIII.	**Rev. from financial transact.**	**979,983**	**3,341,529**
18.	Exchange loss of inv. fin. assets	473,967	750
	from this: to related party	467,280	0
19.	Interests payable	532,872	449,566
	from this: to related party	7,145	65,821
20.	Loss of value -securities, deposits		
21.	Other financial expences	153,695	190,350
IX.	**Expenditures of fin. transact.**	**1,160,534**	**640,666**
B.	**Financial profit or loss**	**-180,551**	**2,700,863**
C.	**Profit from ordinary activities**	**893,963**	**3,802,194**
X.	**Extraordinary income**	1,448,509	1,024
XI.	**Extraordinary loss**	2,953,627	66,293
D.	**Extraordinary profit or loss**	**-1,505,118**	**-65,269**
E.	**Profit before tax**	**-611,155**	**3,736,925**
XII:	**Corporate tax payable**	13,961	3,420
F.	**Profit after tax**	**-625,116**	**3,733,505**
22.	Dividend paid from profit reserve		
23.	Dividend payable		
G.	**NET PROFIT**	**-625,116**	**3,733,505**