BHG Brazil Hospitality Group


# 2012
# ANNUAL REPORT

# Summary

# 01 Main Indicators

| Main indicators | | | | 2012 vs. 2011 |
|---|---|---|---|---|
| | | 2012 | 2011 | Δ% |
| Net Revenues | R$ million | 224,185 | 176,578 | 27.0% |
| Hotel EBITDA | R$ million | 74,930 | 58,224 | 28.7% |
| Hotel EBITDA Margin | (%) | 33.4% | 33.0% | 0.4 p.p. |
| Consolidated EBITDA | R$ million | 61,098 | 41,888 | 45.9% |
| Company EBITDA Margin | (%) | 27.3% | 23.7% | 3.6 p.p. |
| Net Income | R$ million | (6,327) | 9,644 | n.m. |
| Cash and cash equivalents and Receivables[1] | R$ million | 57,861 | 44,628 | 29.7% |
| Gross Indebtedness | R$ million | (311,642) | (235,647) | 32.2% |
| Accounts payable due to acquisition of investments[2] | R$ million | (9,592) | (8,543) | 12.3% |
| Net cash (Net Debt) | R$ million | (263,373) | (199,562) | 32.0% |

Receivables[1] = Receivables due to divestment

Accounts payable due to the acquisition of investments[2] = Loans related to the hotel acquisition where seller finances part of the sale (seller financing)

| Hotel indicators | | | 2012 vs. 2011 |
|---|---|---|---|
| | 2012 | 2011 | Δ% |
| Average Occupancy (%) | 63.6% | 66.9% | -3.3 p.p. |
| Average Daily Room Rate R$ | 260.9 | 229.9 | 13.5% |
| RevPar[1] R$ | 165.9 | 153.8 | 7.8% |

RevPar[1] = Revenue per Available Room (dividing hospitality revenue by the number of rooms available).


# 02 Message from the CEO

Dear Sirs/Madams,

If there is one word that can describe what 2012 represented to BHG S.A. – Brasil Hospitality Group, this word is, undoubtedly, maturity. Within its proposal to grow sustainably, innovate its business model, surprise its customers and break paradigms, BHG made 2012 into a year of intense activity oriented toward consolidating and strengthening its business.

We closed one more work cycle with highly satisfactory results and ranked third within the major hotel operators in Brazil. With 8,691 rooms distributed into 49 hotels, between owned and managed, our accommodations grew by 29.6% in 2012, allowing us to meet once again the target set by the Company of adding 1,500 more rooms to its portfolio each year.

Our goal is to be the largest and best hotel management company in Brazil in terms of operating and financial results. We intend to maintain our pace of growth and consolidate the sector, which is still quite disperse for a country the size of Brazil, with the growth potential seen in recent years.

Economic indicators as a whole, and those regarding the tourism market in particular, provide us the foundation for the ambitious long-term plans we have made for BHG, as we have seen a growing interest from Brazilian and foreign investors in the country's hotel industry.


The Company focuses on regions with intense business and economic activity and a vocation for business tourism. And we see a world of opportunities in this country, even without considering the major events scheduled to take place in Brazil in the next years.

We believe that the positive impacts from the World Cup and the Olympic Games will stretch far beyond the sporting arena. In addition to strengthening the country's image abroad, these events will require significant investments in infrastructure from the government and also from the private sector. Our confidence is conveyed by the new phase the Company is entering. We are about to start an aggressive process of building economic hotels, an ambitious development and construction plan to be implemented over the next five years that involves more than 5,000 rooms in 30 cities with strong demand and growth potential for business tourism. We will maintain our solid growth profile shown in 2012.

BHG's economic performance proved to be firmly rooted. Even though in the first quarter of the year results fell short of our expectations, the Company showed exceptional ability to turn around a possible slowdown scenario, and we closed 2012 with a significant net operating revenue of R224.1 million, up by 27.0% on 2011. The Company's Consolidated EBITDA totaled R$61.1 million in 2012, for an EBITDA margin of 27.3%, an increase of around 3.6% above 2011 results.

Among the Company's accomplishments in the year, I wish to point out the launch of our equity fund BHG Modal – Fundo de Investimentos em Participações em Hotelaria (FIP), which will allow us to invest heavily in the development of greenfield hotels. This fund is directly associated with the Company's rapid expansion plan, as it is instrumental for building around 40 midscale hotels over the next five years, with the purpose of further increasing our presence in the Brazilian market.

2012 was also a year of many accomplishments regarding the acquisition and management of new hotels. In January, we announced the acquisition of Grupo Solare, a hotel management group, and during the year we began to operate nine hotels – eight located in São Luis, in Maranhão and one in Maceió, in Alagoas, in line with the Company's strategy of expanding its activities in Northeastern Brazil. In Northern Brazil, where we are also growing, we concluded the acquisition of equity interest in four hotels totaling 1,100 rooms in the city of Belém, the state capital of Pará.

If there is one word that can describe what 2012 represented to BHG S.A. – Brasil Hospitality Group, this word is, undoubtedly, maturity

The agreements for management of new hotels reflected our plans to expand our presence across the entire country. In addition to the acquisitions of Grupo Solare and MB Capital, we signed a Memorandum of Understanding for the management of six hotels in 2012.

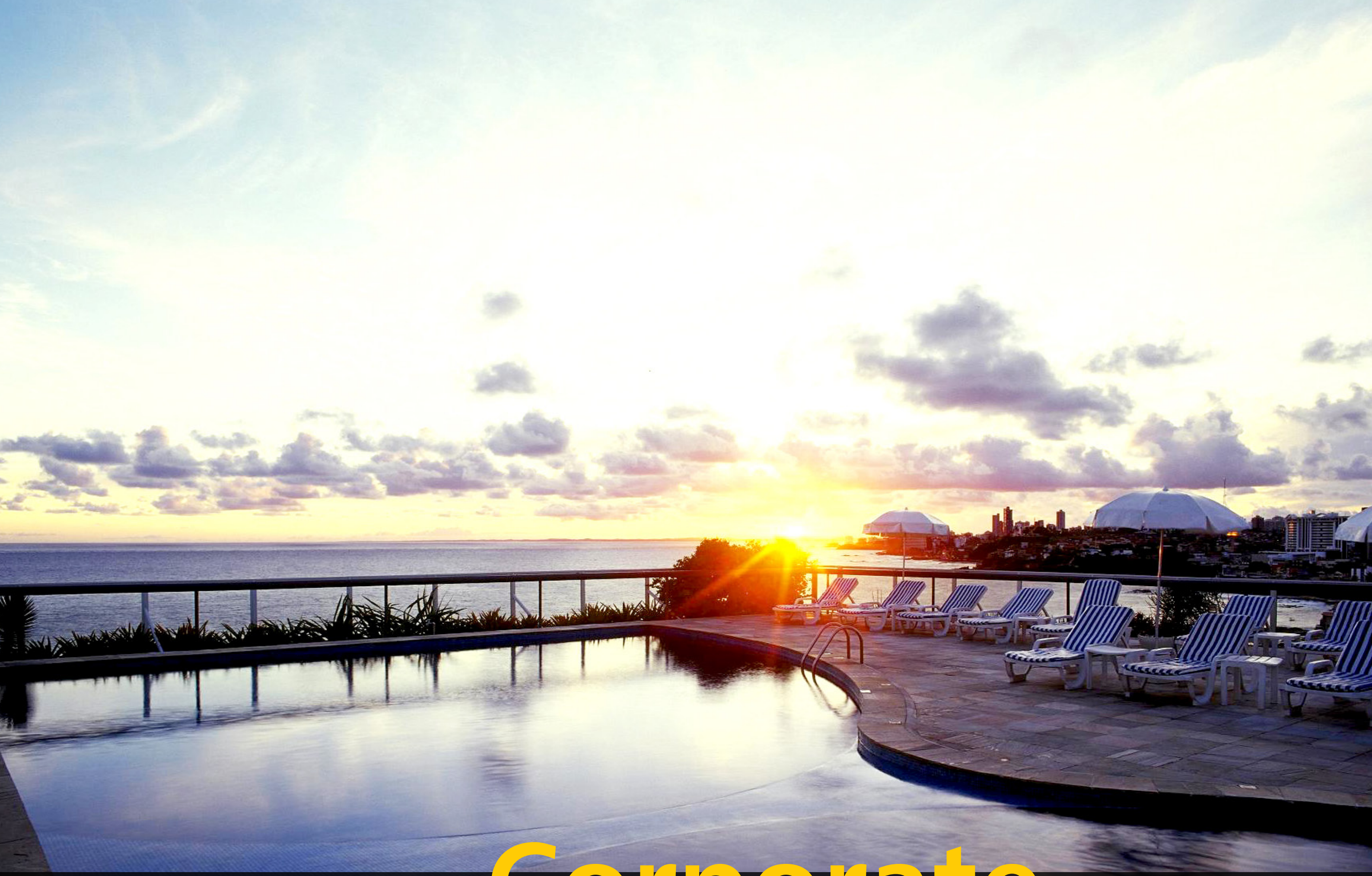
The year also marked BHG's presence in 9 new Brazilian states, with the beginning of operations of two new hotels, one in Goiás and the other in Minas Gerais – a state where four other hotels to be managed by the Company are currently under construction.

As far as the acquisition of Rio Palace Hotel (Sofitel) is concerned, we are taking all the reasonable measures. We remain confident that soon this important hotel will be part of our portfolio.

Despite our conviction that 2012 was a very positive year, we know we still have a long road ahead of us to fulfill our ambition of being the largest hotel management network in Brazil, with significant presence also in Latin America. To achieve this goal, we will continue to invest in the qualification of our professional team and maintain our focus on adopting an efficient and innovative business and management model, with clearly defined targets, always geared toward seeking increasingly sustainable results. And, above it all, we will continue to prioritize and tirelessly pursue our main goal: the complete satisfaction of our customers.

I would like to thank each and every one of you for believing in BHG and supporting our growth. In behalf of the Company, I wish to thank our customers who choose our services when traveling, our employees who are strongly committed to our mission, and our shareholders, directors and officers, who believe in BHG, effectively monitoring and guiding its operations. In 2013, our work will be underpinned by the confidence that, by working alongside you, our accomplishments will be even greater.

**Pieter J. F. van Voorst Vader**
**Chief Executive Officer, BHG S.A. – Brazil Hospitality Group**



# 03 Corporate Profile

BHG S.A. – Brazil Hospitality Group – is considered one of Brazil's largest and most important hotel chains. It stands out in the Brazilian market thanks to its accelerated growth, while prioritizing its operational and marketing efficiency, the excellence of its services and its commitment towards sustainable growth.

The Company is the only one in its industry to be listed in BM&FBovespa's Novo Mercado segment, ensuring more security to its investors and reaffirming the Company's adoption of the highest levels of Corporate Governance. Furthermore, BHG has a Level I ADR program through which its stock may be traded on the OTC market in the United States. Consequently, the Company's stock is traded both on BM&FBovespa (BHGR3) and on the OTC market in New York (BZHGY). Ranking third among the largest hotel companies in Brazil, according to John Lang LaSalle, a consulting firm specializing in the real state and hotel markets, BHG closed 2012 with 8,691 rooms distributed into 49 hotels, of which 16 are wholly-owned, 26 are managed and seven are partly owned, and in which the Company employs all its expertise and operational and marketing management efficiency. BHG's greenfield projects, which are essential for the Company's future and sustainable growth, currently consist of 15 projects under development, in addition to the five to be managed by the Company and developed by its new equity fund, BHG Modal Fundo de Investimentos em Participações em Hotelaria (FIP).

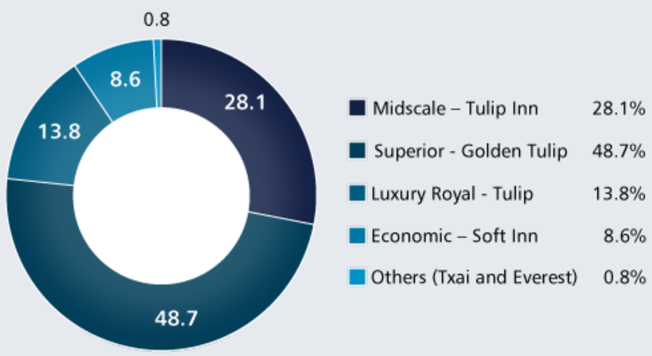
Officially established in February 2009, following a merger involving InvestTur Brasil and Latin America Hotels (LAHotels), the corporate name BHG was carefully chosen in order to convey how important hospitality and service excellence are to the Company. In addition to striving to become the Brazilian market leader, the Company's growth strategy also provides for the expansion to other Latin countries, as evidenced by its logo, in which Brazil stands out against the backdrop of Latin America, reflecting BHG's future ambition of growing across the entire continent.

An innovative company, it was the first to focus on the business tourism segment in Brazil, one of the fastest-growing segments in the country's travel industry. In addition, it was the front-runner in operating synergically in regard to acquisitions, third-party hotel management and construction of three- and four-star hotels. The Company's business model prioritizes the search for good business opportunities in cities with a robust economic activity, high demand for accommodations and a real growth prospect.

Headquartered in São Paulo and with a corporate office in Rio de Janeiro, BHG is present in 15 Brazilian states as well as in the Federal District. At the end of 2012, between own and managed hotels, the Company had three in the luxury segment, 20 in the superior segment, 22 in the midscale segment and three in the economic segment, in addition to the Txai resort.

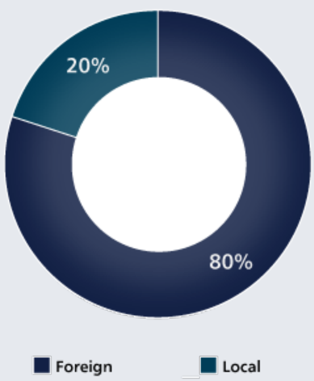
## Headquartered in São Paulo and with a corporate office in Rio de Janeiro, BHG is present in 15 Brazilian states as well as in the Federal District

**Percentage of rooms by segment**

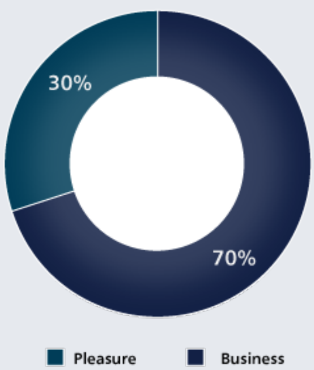



The number of rooms grew by 29.6% in 2012 alone, with 1,984 new units, exceeding the target set by the Company of adding 1,500 rooms to its portfolio each year. These good results are due to the continuous search for an ideal mix of own hotels (results scale) and managed hotels (return on capital invested), attributing the same priority to both of these enterprises.

**Client origin**




**Client Profile**



## Operating Hotels - 2012

| | | | Rooms | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Segment** | **Hotel** | **City** | **Fully Owned** | **Partialy Owned** | **Third-Party Owned** | **Total Rooms** | **Start of Operation** | **Partner/Origin** |
| **Resort** | Txai Resort | Itacaré / BA | - | - | 40 | 40 | feb/09 | - |
| **Luxury** | Royal Tulip Rio de Janeiro | Rio de Janeiro / RJ | 418 | - | - | 418 | oct/11 | - |
| | Royal Tulip Copacabana | Rio de Janeiro / RJ | 388 | - | - | 388 | - | - |
| | Royal Tulip Brasília Alvorada | Brasília / DF | - | - | 395 | 395 | jul/09 | - |
| **UpScale** | Golden Tulip Regente | Rio de Janeiro / RJ | 327 | - | - | 327 | feb/08 | - |
| | Golden Tulip Recife Palace | Recife / PE | 299 | - | - | 299 | mar/10 | - |
| | Golden Tulip Continental | Rio de Janeiro / RJ | 280 | - | - | 280 | feb/08 | - |
| | Golden Tulip Internacional Foz | Foz do Iguaçu / PR | 214 | - | - | 214 | mar/10 | - |
| | Golden Tulip Porto Bali | Angra dos Reis / RJ | 142 | - | - | 142 | aug/08 | - |
| | Golden Tulip Belas Artes | São Paulo / SP | 140 | - | - | 140 | aug/08 | - |
| | Golden Tulip Pantanal | Cuiabá / MT | 104 | - | - | 104 | jul/10 | - |
| | Golden Tulip Rio Vermelho | Salvador / BA | - | 151 | 49 | 200 | jan/10 | - |
| | Golden Tulip Belém | Belém / PA | - | 100 | 27 | 127 | dec/11 | MB Capital |
| | Golden Tulip Brasília Alvorada | Brasília / DF | - | - | 448 | 448 | jul/09 | - |
| | Golden Tulip Paulista Plaza | São Paulo / SP | - | - | 378 | 378 | jan/08 | - |
| | Golden Tulip Porto Vitória | Vitória / ES | - | - | 300 | 300 | mar/11 | - |
| | Gran Solare Resorts (ILoá) Phase I | Maceió / AL | - | - | 152 | 152 | dec/12 | Solare (apr/12) |
| | Golden Tulip late Plaza | Fortaleza / CE | - | - | 232 | 232 | jan/08 | - |
| | Golden Tulip Park Plaza | São Paulo / SP | - | - | 216 | 216 | jan/08 | - |
| | Golden Tulip Interatlântico | Natal / RN | - | - | 171 | 171 | jan/08 | - |
| | Golden Tulip Address | Goiânia / GO | - | - | 130 | 130 | jan/12 | - |
| | Grand Plaza | São Paulo / SP | - | - | 165 | 165 | jan/08 | - |
| | Gran Solare Lençois | São Luís / MA | - | - | 106 | 106 | apr/12 | Solare (jan/12) |
| | Luz Plaza | São Paulo / SP | - | - | 102 | 102 | jan/08 | - |
| | Tulip Inn Centro Histórico (Albert) | Porto Alegre / RS | 148 | - | - | 148 | mar/10 | - |
| | Tulip Inn Nazaré | Belém / PA | 100 | - | - | 100 | apr/11 | - |
| | Tulip Inn Santa Felicidade | Curitiba / PR | 100 | - | - | 100 | sep/08 | - |
| | Tulip Inn São José dos Pinhais | S.J. dos Pinhais / PR | 120 | - | - | 120 | sep/08 | - |
| | Tulip Inn Batista Campos | Belém / PA | 90 | - | - | 90 | sep/08 | - |
| | Tulip Inn Campo Largo | Campo Largo / PR | 88 | - | - | 88 | sep/08 | - |
| | Tulip Inn Batel | Curitiba / PR | 72 | - | - | 72 | sep/08 | - |
| | Tulip Inn Centro de Convenções | Salvador / BA | - | 122 | 130 | 252 | apr/10 | - |
| | Tulip Inn Copacabana | Rio de Janeiro / RJ | - | 56 | 61 | 117 | feb/08 | - |
| | Tulip Inn Hangar | Belém / PA | - | 93 | 39 | 132 | sep/12 | MB Capital |

| | | | Rooms | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Segment** | **Hotel** | **City** | **Fully Owned** | **Partialy Owned** | **Third-Party Owned** | **Total Rooms** | **Start of Operation** | **Partner/Origin** |
| **MidScale** | Tulip Inn Saint Martin | Fortaleza / CE | - | - | 190 | 190 | jan/08 | - |
| | Tulip Inn Interative Flat | São Paulo / SP | - | - | 132 | 132 | jan/08 | - |
| | Tulip Inn Saint Louis | São Luís / MA | - | - | 126 | 126 | apr/12 | Solare (jan/12) |
| | Tulip Inn Uberlândia | Uberlândia / MG | - | - | 125 | 125 | may/12 | - |
| | Praia Mansa Suíte Hotel | Fortaleza / CE | - | - | 110 | 110 | jan/08 | - |
| | Tulip Inn Paulista Convention | São Paulo / SP | - | - | 91 | 91 | jan/08 | - |
| | Tulip Inn American | São Luís / MA | - | - | 89 | 89 | apr/12 | Solare (jan/12) |
| | Tulip Inn Bellagio | São Luís / MA | - | - | 88 | 88 | apr/12 | Solare (jan/12) |
| | Tulip Inn Praia Bela | São Luís / MA | - | - | 78 | 78 | apr/12 | Solare (jan/12) |
| | Tulip Inn Number One | São Luís / MA | - | - | 43 | 43 | apr/12 | Solare (jan/12) |
| | Tulip Inn Biarritz | São Luís / MA | - | - | 41 | 41 | apr/12 | Solare (jan/12) |
| | Hampton Park | São Paulo / SP | - | - | 112 | 112 | jan/08 | - |
| **Economy** | Soft Inn Hangar | Belém / PA | - | 132 | 141 | 273 | sep/12 | MB Capital |
| | Soft Inn Batista Campos | Belém / PA | - | 55 | 203 | 258 | dec/11 | MB Capital |
| | Soft Inn São Luiz | São Luís / MA | - | - | 216 | 216 | apr/12 | Solare (jan/12) |
| **Minority Interest** | Everest Rio e Everest Park Hotel | Rio de Janeiro / RJ | - | 18 | 163 | 181 | 2010 | - |
| | Everest Porto Alegre | Porto Alegre / RS | - | 8 | 100 | 108 | 2010 | - |

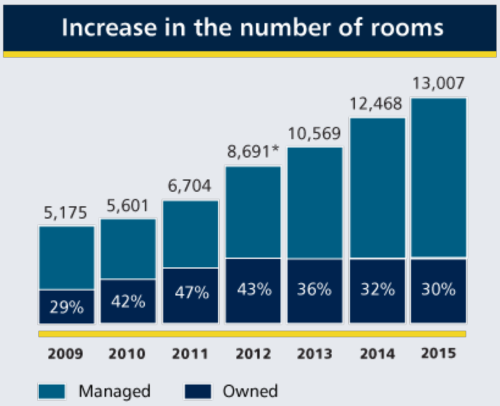

## 2012 Highlights

- **Acquisition** of the hotel management company Grupo Solare, the Company's first project in the state of Maranhão
- **Merger** of four hotels in Belém, state capital of Pará, belonging to Grupo MB Capital
- Entry into **new state markets** – Minas Gerais and Goiânia
- **Launch** of the equity fund BHG Modal Fundo de Investimentos em Participações em Hotelaria (FIP) with a total of R$150 million in capital already subscribed for the development of around 40 midscale hotels over the next five years
- Confirmation of the **validity and effectiveness of the acquisition** of Hotel Rio Palace by Grupo BHG by the 4th Civil Chamber of the Appellate Court of Rio de Janeiro
- BHG's **net operating revenue** posted growth of 27.0% over the previous year
- **The hotel EBITDA** came to R$74.9 million in 2012, up 28.7% on 2011, for a hotel EBITDA margin of 33.4%, an increase of 0.4 p.p. over the previous year
- The Company's **Consolidated EBITDA** stood at R$61.1 million in the year, up 45.9% on 2011, for an EBITDA margin of 27.3%, 3.6 p.p. more than in 2011
- **Not operating losses from shareholders** came to R$6.3 million due to the increase in depreciation and the financial result negative balance
- Second issue of **simple, unsecured debentures**, not convertible into shares, in the amount of R$70 million

## Vision for the Future

BHG's virtuous expansion cycle should remain unchanged over the next years. Brazil' fast-growing economy, combined with the investments the Company has already made and will continue to make in future years, will increase BHG's portfolio by 140% by 2015.

Considering all the 20 hotels under development, including the Tulip Inns selected services and others which will only be managed, the Company should reach the mark of 13,077 managed rooms by the end of 2015, distributed into 69 hotels, of which 16 are wholly-owned (3,030 rooms), 42 are third-party hotels (9,137 rooms), 11 are hotels in which the Company holds a relevant interest (910 rooms), and three are hotels where BHG holds a minority interest.




(*) We included the rooms of Rio Palace Hotel (Sofitel) in 2012, when we started to account for the project's depreciation in our balance sheet

## Products

High service quality, hospitality and the art of serving well are priority issues for BHG, a commitment put into practice by providing a mixed product portfolio able to cater to the needs of different customer profiles.

In order to ensure the quality of the products it provides and monitor the performance of its hotels, the Company conducts a Satisfaction Survey within each hotel and also online, thus ensuring the adoption of the best practices and guidelines established by the Management.  Through this survey, customers assess all the services provided and give an overall grade for their stay, on a scale from 1 to 10. In 2012, taking into account all its hotels, BHG obtained an average overall grade of 8.34. Knowing its customers' opinions is a strategic tool for the Company, and encouraging them to take part in the survey is part of the target set for hotel and regional managers alike.

## Customer satisfaction survey

### Average grades given to services provided in BHG's hotels

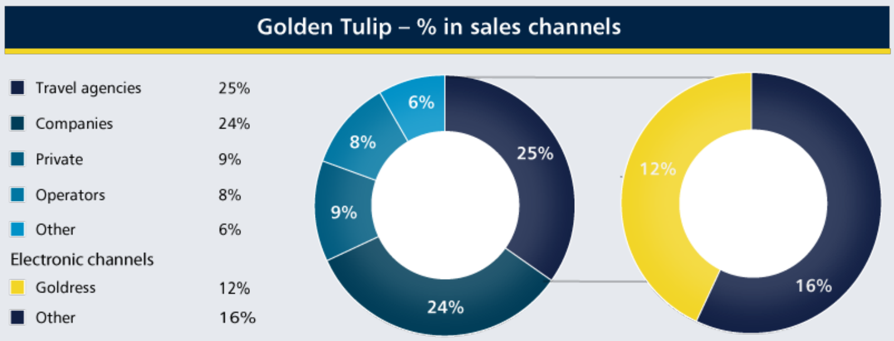
| State/Region | 2012 Grade |
|---|---|
| Rio de Janeiro | 8.17 |
| São Paulo | 8.40 |
| Ceará | 8.85 |
| Northeast | 7.60 |
| Mid-West | 8.31 |
| South | 8.71 |
| **Overall** | **8.34** |

The Company has an exclusive agreement with Golden Tulip that allows access to an international distribution network and guarantees the operating standards of its hotels.  This agreement provides a range of benefits to BHG, such as: the exclusive right to explore the Golden Tulip brands in Latin America, royalty and international marketing benefits, access to an international distribution and call center network, use of the chain's exclusive business tools and access to Golden Tulip's loyalty network (Flavours Program and Ambassador Club).

| Golden Tulip – % in sales channels | |
|---|---|
| Travel agencies | 25% |
| Companies | 24% |
| Private | 9% |
| Operators | 8% |
| Other | 6% |
| Electronic channels | |
| Goldress | 12% |
| Other[1] | 16% |

[1] Other includes airline crew

## High service quality, hospitality and the art of serving well are priority issues for BHG




Currently, BHG operates with under the following brands/categories:

**Royal Tulip Hotels** – include hotels in the five-star category, characterized by their elegant and luxurious amenities, comfort and tailor-made services.

**Golden Tulip Hotels** – four-star hotels according to international standards of comfort, services and facilities. These are strategically located in downtown areas or near airports and main thoroughfares, business districts or close to convention centers.

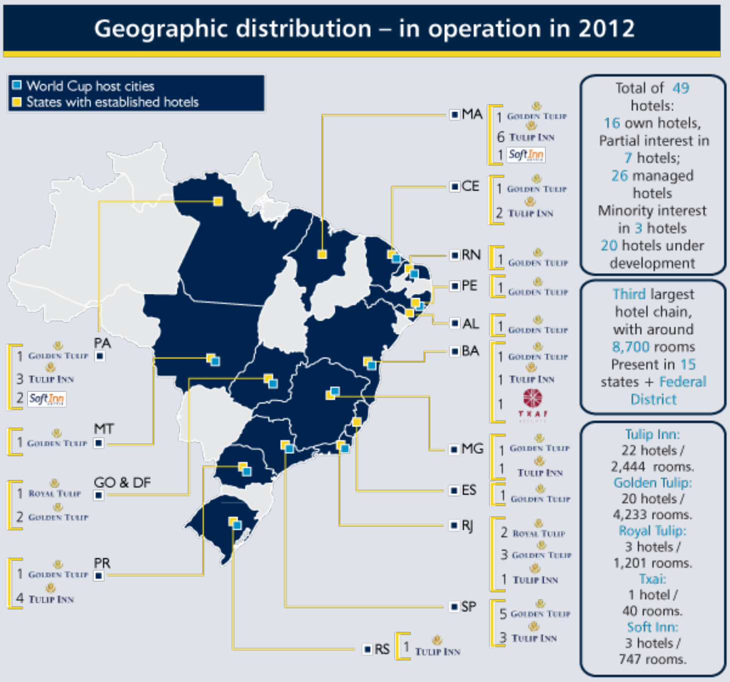
**Tulip Inn** – Classified in the three-star category, these hotels are located downtown or near main highways. They offer functional apartments with qualified services, and an excellent cost-benefit ratio.

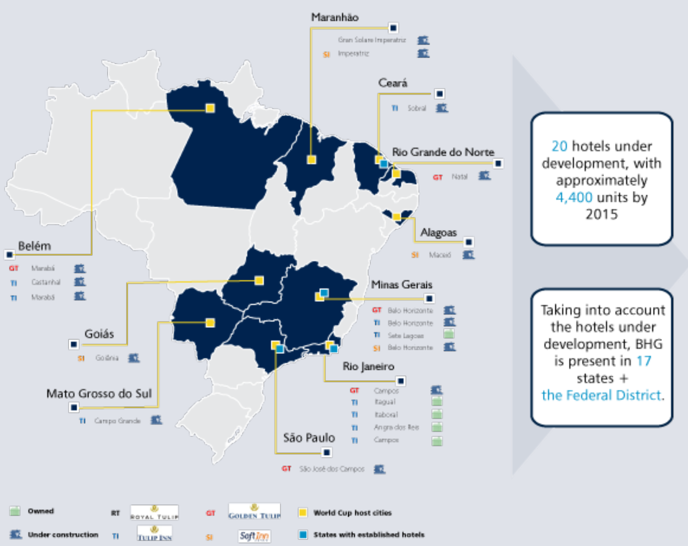
**Soft Inn** – Included in the two-star limited service category, these hotels provide a cost-effective alternative for business tourism.

**Super Luxury** – BHG manages one hotel in this category, Txai Itacaré, in the south of Bahia state.

The geographic diversification promoted by BHG allowed the Company to close 2012 with 16 hotels in the Northeast of Brazil, the same number as in the Southeast. The Southeast of Brazil concentrates the country's largest economic activity, but in recent years the Northeast has become the fastest-growing region of Brazil. Out of the 15 hotels added to BHG's portfolio in 2012, eight carry the Tulip Inn brand.

Regarding room distribution, São Paulo and Rio de Janeiro concentrate approximately 3,000 rooms, predominantly in the superior and economic midscale categories. To counterbalance this concentration, in 2012 the Company reinforced its expansion into other regions. Maranhão comes in third thanks to the acquisition of the hotel management company Grupo Solare, which includes eight projects in the state, totaling 833 rooms, besides another one in Maceió, Alagoas, with 939 own rooms.




* The Grand Plaza, Luz Plaz and Hampton Park, in São Paulo-SP, Gran Solare Lençóis, in Lençóis-AL, and Praia Mansa, in Fortaleza-CE, do not operate under the Golden Tulip brand, even though they are managed by BHG. In the map, these hotels were classified as follows: The four first hotels are shown under the Golden Tulip brand and the Praia Mansa hotel is presented as a Tulip Inn hotel.

## Geographic distribution of rooms and hotels by state

| Location | Rooms | Hotels |
|---|---|---|
| SP | 1,336 | 8 |
| RJ | 1,672 | 6 |
| DF | 843 | 2 |
| PR | 594 | 5 |
| MA | 833 | 8 |
| CE | 532 | 3 |
| BA | 492 | 2 |
| ES | 300 | 1 |
| GO | 130 | 1 |
| MG | 125 | 1 |
| PE | 299 | 1 |
| RN | 171 | 1 |
| RS | 148 | 1 |
| MT | 104 | 1 |
| PA | 980 | 6 |
| AL | 152 | 1 |

## Hotels whose operations began in 2012

| Hotel | Location | Rooms |
|---|---|---|
| Golden Tulip Address | Goiânia / GO | 130 |
| Golden Tulip Belém | Belém / PA | 127 |
| Gran Solare Lençois | São Luís / MA | 106 |
| Tulip Inn Saint Louis | São Luís / MA | 126 |
| Tulip Inn American | São Luís / MA | 89 |
| Tulip Inn Bellagio | São Luís / MA | 88 |
| Tulip Inn Praia Bela | São Luís / MA | 78 |
| Tulip Inn Number One | São Luís / MA | 43 |
| Tulip Inn Biarritz | São Luís / MA | 41 |
| Soft Inn Batista Campos | Belém / PA | 258 |
| Soft Inn São Luiz | São Luís / MA | 216 |
| Tulip Inn Uberlândia (Presidente) | Uberlândia / MG | 125 |
| Tulip Inn Hangar | Belém / PA | 132 |
| Soft Inn Hangar | Belém / PA | 273 |
| Gran Solare Resorts - 1st phase | Maceió / AL | 152 |

## Mission, Vision and Values

**Vision** - Being the preferred choice in the hotel Segment and generating, in a Transparent way, results with efficiency. Leading through its initiatives and providing real joy and satisfaction to its customers, employees and investors.

**Mission** - Looking to the future, working as a motivated and ethical team, with clear goals, and using world-class standards and criteria. Being commercially aggressive, with efficient costs and excellent services. Presenting rapid and sustainable growth, with well-localized and up-to-date products, and always placing high value on our biggest star: "The Customer".

**Values** - Ethics, Commitment, Cordiality, Objectivity and Team work.

## Timeline

**1998** - Chambertin begins its operations as a hotel management company.

**2006** - Chambertin is among Brazil's 15 largest hotel management companies, with 15 hotels in its portfolio.

**2007** - Invest Tur's IPO, raising R$945 million.

**2008** - GP Investimentos acquires Chambertin, incorporating LA Hotels, and the following hotels: Regente, Continental, and the current Tulip Inn Copacabana, in Rio de Janeiro; Hotel Belas Artes, in São Paulo; Porto Bali, in Angra dos Reis; Hotel HI, in Salvador; and the hotels Batel in Curitiba (São José dos Pinhais, Santa Felicidade and Campo Largo).

**2009** - Merger of LA Hotels into InvestTur. Execution of management agreement of the Brasília Alvorada Complex.

**2010** - Acquisition of the hotels Internacional Foz, in Paraná, Recife Palace, in Pernambuco, and Odara, in Cuiabá, Mato Grosso. Expansion of the interest in the Golden Tulip Rio Vermelho to 75.1%.

**2011** - Acquisition of the Royal Tulip hotel in Rio de Janeiro (São Conrado). Purchases of a hotel in Goiânia, Goiás and Rio Palace Hotel, in Copacabana, Rio de Janeiro.

**2012** – Acquisition and operation of four hotels belonging to Grupo MB Capital in Belém, Pará. Acquisition of the hotel management company Grupo Solare and beginning of operation of its nine hotels – eight in the state of Maranhão and one in Alagoas. Launch of the equity fund BHG Modal Fundo de Investimentos em Participações em Hotelaria (FIP).

## Awards and Acknowledgments

**Hotel of the Year** - the 2012 edition of this worldwide event promoted by the Golden Tulip Hospitality Group acknowledged the high quality and efficiency of three of BHG's hotels. Tulip Inn Copacabana, in Rio de Janeiro, was elected Hotel of The Year – Americas in the Tulip Inn category; Golden Tulip Paulista Plaza, in São Paulo, was chosen Hotel of The Year – Americas in the Golden Tulip category; and the Royal Tulip Brasília Alvorada in the Federal District received the top award, Hotel of the Year, for the second consecutive year. The choices are based on the results obtained by the Quality Guarantee Program of the Golden Tulip Hospitality Group, which assesses the standards of the service provided by each hotel by reviewing their hospitality, maintenance and cleaning services, and the preservation of the brand's identity, among other things.

The "Hotel of the Year 2012" awards, promoted by the Golden Tulip Hospitality Group worldwide, highlighted the high quality and efficiency of three BHG hotels in 2012: the Tulip Inn Copacabana, in Rio de Janeiro (RJ); the Golden Tulip Paulista Plaza, in São Paulo (SP); and the Royal Tulip Brasília Alvorada, in the Federal District

# 04 Industry Scenario

The Brazilian tourism segment has been going through significant transformations. The country's economic growth, the substantial increase in the number of business travelers, the rising income and the country's increased visibility as a tourism destination have all had a positive impact on the Brazilian hotel market. Brazil's status as the seventh largest economy in the world and the fifth largest country in terms of population, with 191.7 million inhabitants (IBGE-2010), is enough to ensure its significant potential as a tourism destination.

## Developing tourism

According to the International Congress and Convention Association (ICCA), Brazil was the country with the second highest growth in corporate events - after China – having ranked 7th in 2009 in the global ranking of associative international events. Chosen to be the host of major global events such as the 2014 World Cup and the 2016 Olympic Games, and with São Paulo in the running to become the host city of Expo 2020, Brazil should become the 4th largest global market for domestic tourism by 2030, according to Airbus.

The World Tourism Organization's projections for the Americas are even more promising. The organization estimates that by 2020 the number of global trips will surpass the 280 million mark, a 92% growth compared to 2008. In South America, the number of tourists in the period is expected to almost double. Data from the Ministry of Tourism show that the industry's indicators are improving year on year. In 2012 the country received 9.2 million international travelers, 2.4% more than in 2011. Despite its growth, Brazil was still the destination of less than 1% of the total 1.035 billion world travelers reported in 2012 by the World Tourism Organization.

In comparison, France, the number 1 destination for international travelers, received 77 million passengers in 2012, and Paris, the world's 8th city with the most tourists, received 77 million visitors. The first city in the global ranking is London, with 16 million tourists in 2012. These data demonstrate that tourism in Brazil is still in its infancy, and as such has the potential to grow a great deal in the next years to become one of the world's most attractive tourism destinations.

According to the Brazilian Central Bank, revenues obtained from foreign tourists in Brazil amounted to US$6.6 billion in 2012, a 1.4% increase over 2011. Data from the Ministry of Tourism show that most of these tourists came from South America (46%), followed by Europe (31%) and North America (15%). However, Europeans are the ones who stay longest – 24.3 days compared to South Americans' 10.3 days – and also the ones most willing to spend money in the country. North Americans stay in Brazil for an average of 19.5 days.

Brazil's domestic demand is still the main driver of tourism. According to the Ministry of Tourism, in 2012 the domestic tourist flow was 7.1% higher than in 2011. This year the industry reached a record 84.9 million passengers, even more outstanding when compared to 2010, with a 71.2% growth in the period.

The changes in behavior are also significant, as Brazilians are now traveling by plane more than by bus. Since 2010 the number of airplane passengers has exceeded that of bus passengers, now estimated at 55 million by the Brazilian National Land Transportation Agency (ANTT). This trend clearly reflects a greater purchase power and the need for fast transportation, an essential factor in business trips, which are BHG's main focus. According to the Domestic Air Fare Report published in September 2012 by the Brazilian National Aviation Agency (Anac), air transportation fares decreased from R$505.10 to R$273.32 in ten years.

## The hotel segment

The increase in the flow of international tourists has a big impact on the hotel industry, as it is estimated that accommodation is one of the most significant source of travelers' expenditures. The substantial increase in travel projected for Brazil in the next years tends to bring about even bigger changes in the segment. Currently, the country is witnessing a peculiar scenario regarding this market. While in several other countries the trend is for major global hotel chains to dominate the market, in Brazil the market leaders are the so-called "independent hotels", i.e., smaller family-run hotels.

According to the Brazilian Geography and Statistics Institute (IBGE), 9,600 hotels operate in Brazil, totaling 453,000 rooms. According to Jones Lang LaSalle, a consulting firm specializing in the real estate and hotel industries, independent hotels account for 72% of available rooms and for around 92% of existing hotels. The remaining is composed of national and international hotel chains.

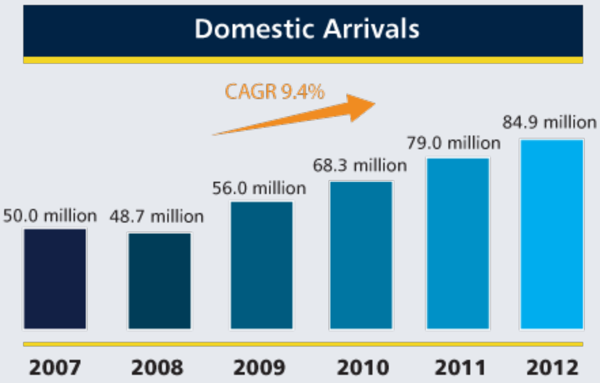
Even though the larger hotel chains take a smaller share of the market than independent hotels, chains such as BHG have been greatly responsible for market modernization, with quality gains, service standardization and support to Brazil's growing demand for accommodation.

In the beginning of the decade, the Brazilian hotel market faced low occupancy rates, but since then it has grown progressively, in line with Brazil's economic boom. Year by year new developments in the country have attested to this market's irreversible growth, such as the accelerated expansion of hotel chains like BHG, which have found a fertile ground for development.

With regard to occupancy, leisure-oriented hotels are comparatively more affected by the segment's seasonality. Business tourism, on the other hand, which is BHG's main focus, is less influenced by seasonality, which allows higher and more stable occupancy rates throughout the year. Approximately 75% of all guests of BHG's hotels belong to the business traveler category.

The substantial increase in travel projected for Brazil in the next years tends to bring about even bigger changes in the segment

According to both IBGE and Jones Long La Salle, in 2011 the corporate segment accounted for 53% of hotel occupancy in Brazil. Data from the Brazilian Institute of Economic Research (FIPE) show that when traveling on business 36.8% of travelers stay in 1- to 3-star hotels and 14.3% prefer 4- to 5-star hotels.





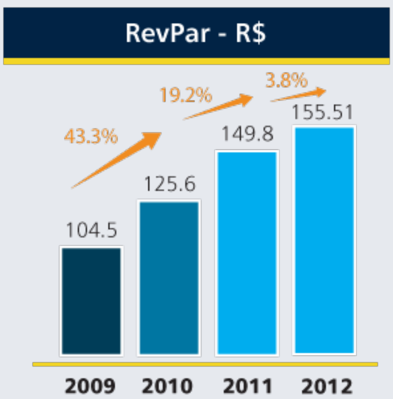
Source: Ministry of Tourism.

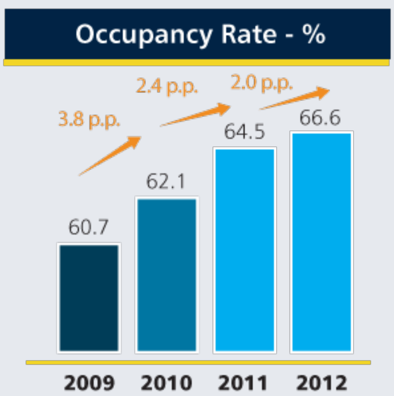
RevPar (Revenue per Available Room) figures, which continue to rise, also attest to domestic market growth. According to Brazil's Hotel Operators' Forum (FOHB), RevPar increased by 3.8% compared to the previous year, totaling R$155.51 versus the R$149.82 reported in 2011. The average daily room rate grew by 14.2% in the period to R$233.77. The occupancy rate stood at 66.5% in 2012, a 2.0 p.p. increase over the 64.5% recorded in 2011.

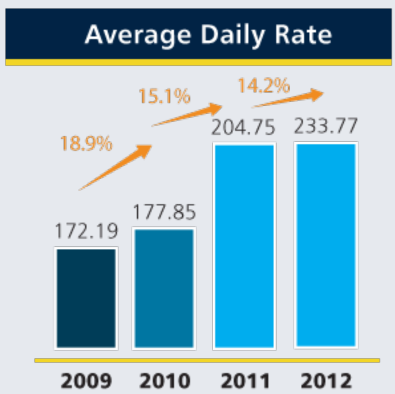
*RevPar is a performance indicator obtained by dividing the total room revenue earned in a year by the number of rooms available in the same year.

Hotel chains such as BHG have been primarily responsible for modernizing the market, with gains in quality, standardized service and support for growing demand for rooms

**Hotel Indicators**




Source: InFohb 2012

The Southeast of Brazil was the region with the highest growth in RevPAR, from R$149.8 in 2011 to R$155.51 in 2012. The North region recorded the lowest growth, with R$111.70. Regarding the average daily room rate, the Southeast once again recorded the highest growth, with R$255.77, whereas the South of Brazil had the lowest growth with an average daily room rate of R$186.46 in 2012. The Northeast region had the highest occupancy rate, 69.82%.

## Average of Hotel Indicators by Region - 2012

### Occupancy Rate (%)

| Region | Average |
|---|---|
| Mid-West | 64.58 |
| Northeast | 69.82 |
| North | 57.26 |
| Southeast | 67.16 |
| South | 65.20 |
| **Brazil** | **66.48** |

### Average Daily Room Rate (R$)

| Region | Average |
|---|---|
| Mid-West | 214.93 |
| Northeast | 193.79 |
| North | 194.72 |
| Southeast | 255.77 |
| South | 186.46 |
| **Brazil** | **233.77** |

### RevPar (R$)

| Region | Average |
|---|---|
| Mid-West | 139.41 |
| Northeast | 135.35 |
| North | 111.70 |
| Southeast | 171.94 |
| South | 121.67 |
| **Brazil** | **155.51** |

Ever since it started its activities, BHG chose to specialize in the provision of services to the corporate market, thereby focusing its efforts and investments on urban areas with intense economic activity

In 2012 BHG reported an average daily room rate of R$260.9, up 11.6% on the average recorded by the Brazilian industry and more than offsetting the 2.0 p.p. difference in the occupancy rate reported by the market in general, allowing us to reach a RevPar of R$165.9 – 6.7% higher than the market average. This difference is a result of the constant search for a better sale mix due to client segmentation, marketing campaigns and the constant increase in rates above inflation.

# 05 Strategy and Markets

## Strategy and Markets

Ever since it started its activities, BHG chose to specialize in the provision of services to the corporate market, thereby focusing its efforts and investments on urban areas with intense economic activity. Acknowledged for its obsession with quality, delivery of results and for investing in continuous improvements in its hotels, the Company has contributed greatly to the consolidation of the Brazilian hotel industry.

BHG's well-defined business strategy involves the ongoing expansion of its hotel portfolio, based on solid, sustainable growth, with the goal of becoming the largest hotel operator in Brazil, and possibly in Latin America. Investments are made carefully and only after an extensive and thorough market analysis. To do so, the Company has defined three approaches:

- The acquisition of old and/or depreciated hotels, located in regions of intense economic activity;
- The management of hotels owned by third parties with the aim of increasing synergies and achieving economies of scale;
- The development of greenfield hotel projects in secondary cities/ towns, but with increasing demand for hotel services and intense economic activity.

## Searching for good opportunities to acquire hotels is one of the ways BHG has of expanding its presence in the Brazilian market, thus strengthening its operations and results

### Acquisition of Hotels

Searching for good opportunities to acquire hotels is one of the ways BHG has of expanding its presence in the Brazilian market, thus strengthening its operations and results. This strategy involves acquiring both hotels that are already managed professionally and those that need a higher degree of modernization, heavier investments and a more professional management.

Location is another key factor when deciding a purchase, given that the company is very clear about the regions where it intends to grow, characterized by areas with booming economic activity and demand for business hotel services.

Among the main acquisitions made in 2012 is the agreement for acquisition and/or operation of four hotels located in Belém-PA, belonging to Grupo MB Capital, whereby BHG will add 790 new beds to its portfolio. The agreement establishes that part of the asset acquisition would be paid by shares issued by the Company, upon the merger of shares issued by BHG Norte Hotelaria, owner of the properties where the hotels are located.

As a result of the transaction, in 2012 the Company began the operations of the Hangar Hotel Complex, a development composed of Tulip Inn Hangar and Soft Inn Hangar (which combined make up the largest in the state, with 405 rooms), Soft Inn Batista Campos and Golden Tulip Belém.

Instrumental to the Company's geographic expansion strategy, the acquisition of the hotel management company Grupo Solare will allow BHG to expand its activities in Maranhão by taking over the management of nine hotels, adding a total of 939 rooms to its portfolio. From this total, seven are located in the state capital São Luis, classified in the economic (Soft Inn) and midscale (Tulip Inn) categories. Gran Solare Lençóis Resort, with 106 rooms, is in Barreirinhas, next to the Lençóis Maranhenses National Park. The 9th hotel merged is located in Maceió, Alagoas. In addition, the negotiation also sets forth the management of six other hotels under development, which will add 1,430 rooms between 2013 and 2015.

### Management of Hotels belonging to Third-parties

The search for opportunities in Brazil includes the management of hotels owned by third parties, to which BHG lends all its expertise and knowledge, thus helping investors/owners achieve better results. In return, BHG receives a compensation based on the results delivered by each hotel. Through this type of operation, BHG manages to expand its portfolio without the need to make heavy investments or expenditures.

The management of third-party hotels also contributes to the Company's strategy of increasing its coverage of strategic regions, particularly in locations where it does not identify business opportunities at attractive prices or areas which are appropriate to the construction of new projects. By adopting this strategy, in 2012 the Company entered two important states for its business profile, Minas Gerais and Goiás, and increased its presence in the North and Northeast of Brazil.

Also in 2012, BHG began the operations of the 125-room Tulip Inn Uberlândia (former Hotel Presidente), located in the largest city of Triângulo Mineiro. It also signed an agreement to manage a Soft Inn hotel in Belo Horizonte with 170 rooms, still under construction, and a Golden Tulip in the downtown area of the state capital, both of which are expected to begin operations in 2014. In Goiânia, the Company took over the management of Golden Tulip Address, with 130 rooms.

In line with its strategy of expanding to the Northern and Northeastern states, BHG announced several management agreements that will begin operations in the next years, totaling 1,854 rooms distributed into 13 new projects. Among them is the launch of Gran Solare Resort e Suítes, located in Maceió, Alagoas, which will have 384 rooms. Two hotels will be launched in 2014 in Marabá, Pará, one 120-room Golden Tulip and one 150-room Tulip Inn.

Also in 2014, the Company will start to manage a new hotel with 196 rooms in Imperatriz, Maranhão, the Soft Inn Imperatriz, and in 2015 it expects to inaugurate a hotel complex composed of three towers, totaling 360 rooms. In addition, in 2014 BHG will launch a 123-room Tulip Inn in Castanhal, Pará, and, lastly, in 2015 it will begin the operations of a 249-room Soft Inn in Maceió, Alagoas.

Marking its entry into inland Rio de Janeiro, the Company signed with PDG real estate developer a Memorandum of Understanding for the management of a 260-room hotel project to be developed in the municipality of Campos de Goytacazes. The inauguration is expected for 2015 and the hotel will receive the Golden Tulip brand, used for 4-star hotels.

## Development of New Hotels and Strategic Partnerships

The third approach of BHG's business strategy is to invest in the construction and development of hotels through partnerships (greenfield projects). The cities that will receive investments are chosen carefully, based on the location of strategic municipalities with high potential for economic development and excess demand for new business tourism-oriented hotels.

The Company carried out a thorough study of the Brazilian cities that are being strongly impacted by public and private projects and investments and by new developments, in order to find out the precise ratio between supply and demand. The study resulted in a business plan that provides for the development of 40 Tulip Inn limited service hotels within the next five years, with BHG holding an equity interest of at least 25% in the projects, the remaining interest to be held by strategic partners. In that regard, one of the highlights of 2012 was the creation of the equity fund BHG Modal Fundo de Investimentos em Participações em Hotelaria ("Fund"), to be distributed by Banco Modal with the purpose of raising up to R$400 million to finance these 40 hotels.

By accumulating the double role of investor and manager of all the fund's hotels, not only will BHG receive its share of the fund's performance, but it will also advance its own interest in ensuring that the hotels achieve the best results. The purpose of this format is providing investors with comfort and security.

The fund already has R$150 million in subscribed capital. From this total, around 40% originates from BHG and the remaining 60% comes from investors who joined the fund in 2012. As new investors join the fund, the Company's interest will be diluted to a minimum of 25%.

The following projects are expected to be developed through the equity fund:

- Tulip Inn Itaguaí – RJ: 200 rooms (already approved by the Board)
- Tulip Inn Campos – RJ: 160 rooms (already approved by the Board)
- Tulip Inn Angra dos Reis – RJ: 120 rooms (currently being reviewed by the Board)
- Tulip Inn Itaboraí - RJ: 256 rooms (already approved by the Board)
- Tulip Inn Sete Lagoas - MG: 168 rooms (already approved by the Board)

It is worth mentioning that BHG will no longer participate in the construction of the Maringá and Palmas hotels, as previously announced.

## Landbank

In 2012 the Company continued to pursue its strategy of monetizing its landbank, a legacy from the investments made by Invest Tur before it merged into LA Hotels. By proposing to capitalize on these assets through swaps and sales, the Company intends to expand its available resources to invest in its core activity, i.e. business hotels in urban cities.

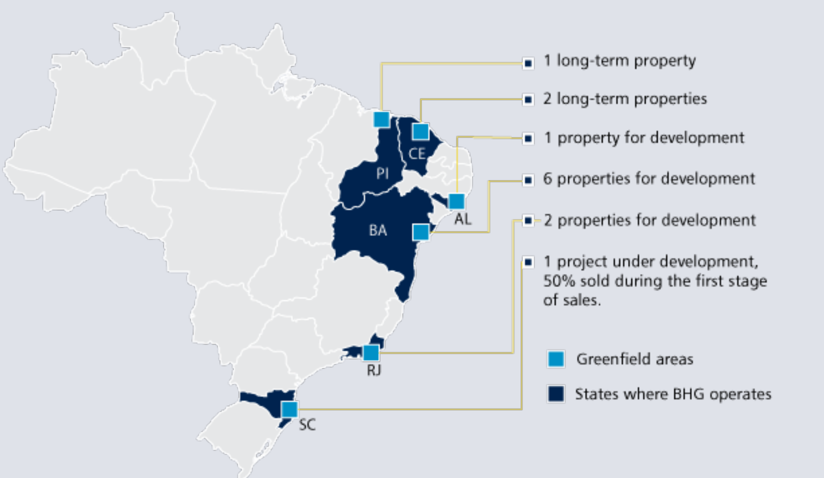
In April 2012, BHG concluded the exchange of 24.5% of the company incorporated to develop Singlehome Trancoso, a tourism and real estate project in Trancoso, in Southern Bahia. In return, BHG received 41 units of the future Golden Tulip Belo Horizonte, in the downtown area of the capital of Minas Gerais. BHG will also be responsible for the management of the 396-room hotel, with operations expected to begin in 2013.

In September 2012, the Company sold its interest in the project Txai Terravista Trancoso, located in Southern Bahia, for an estimated R$14.3 million referring to 13 units and R$750,000 paid in cash.

In addition, it signed a property rental agreement to assess the wind power potential and the implementation of a power plan in part of the property called Port Beach, an area of around 370 hectares located in the municipality of Parnaíba, in the state of Piauí.

At the end of 2012, BHG's landbank has 13 properties distributed across eight Brazilian states, with a total book value of R$165.4 million on December 31, 2012.

**Landbank Breakdown in 2012**



## Subsequent Events

In continuation of the initiatives begun in 2012, in the beginning of 2013 the Company announced three large business deals. A Memorandum of Understanding was signed to develop a superior standard hotel in Natal, Rio Grande do Norte, to be managed by BHG. Scheduled to begin operations in the first quarter of 2014, one of the complex's two towers will be a 168-room hotel, and the second will be a 120-apartment residential tower, with a total of 288 units.

BHG also signed a management agreement for the first of the Chain's hotels in the city of São José dos Campos, São Paulo, expected to open at the end of 2013. Currently at an advanced stage of construction, the 126-room hotel will be managed under the Golden Tulip brand.

Finally, in line with BHG's strategy of expanding into new high potential regions, the Company signed a management agreement for a hotel under development in Goiânia, Goiás. The 322-room hotel, operated under the Soft Inn brand in the super economic standard, will be built as an addition to a shopping mall. It is expected to be inaugurated in the first half of 2014. With this new project, the Company will manage four hotels in the Goiás and Federal District regions, allowing it to improve its operating efficiency and affording it scale gains.

## Management Model

The significant results obtained by BHG throughout its history are directly associated with its solid professional management model, which underpins all of the Company's activities and operations.

Oriented toward the search for the best results and the sustainable growth of its business, this model aims to ensure that the Company remains focused on its core business and establishes clear targets and the right strategy to meet them. BHG has also invested in looking for qualified professionals who are in line with the Company's values, training its workforce, and creating a solid and unique organizational culture to be followed by its entire hotel chain.

In 2012, BHG took large steps forward in business management, having contributed effectively to the good results achieved throughout the year, when the Company associated an even more efficient cost control with revenue gains.

One of the main tools used to put this model into practice is the integrated management system, a platform designed to unify all units' operations. This entirely centralized form of management ensures the assertiveness of results, chiefly with regard to the operating performance, cost reduction and expenses of each unit. Thus the Company can rely on a robust and appropriate structure to ensure that all its operations run smoothly and efficiently.

The commitment of its workforce to the service standardization proposed by the Company is also seen as a top priority. BHG conducts operational and behavioral training programs so as to even out its qualification standards and, consequently, the services provided by its hotels. These training programs also allow each team to remain professionally updated and motivated.

BHG's senior management is composed of a group of professionals with different kinds of expertise, including executives with over 20 years of experience in the hotel industry, as well as professionals who are qualified and renowned in the financial and business administration fields.

## Sales Operational Model

The result of a combination of two crucial factors, BHG's sales operational model associates the efficiency gained by means of a professional management and an aggressive corporate sales intermediation program, geared toward business tourism. For that the Company relies on a dedicated sales team, bookings and sales systems and tools, and call centers integrated with 500,000 tourism agencies in Brazil and abroad and approximately 2,000 websites.

This model allows for an increase in the average daily room rates, and, therefore, also to the revenue earned from acquired or managed hotels. This is primarily due to the higher visibility of the hotels in the market, including the larger number of corporate events hosted and their positive impact on room revenue.

The significant results obtained by BHG throughout its history are directly associated with its solid professional management model, which underpins all of the Company's activities and operations

# 06 Human Resources

BHG knows that delivering good results and meeting the targets set by its strategic planning invariably depend on the commitment and quality of the services provided by its employees, who are responsible for running its business.

In order to make up this outstanding team, the Company searches the market for highly qualified professionals who are in line with the Company's values and solid corporate culture. It also invests in the preparation, qualification and construction of a team motivated to achieve the best results. These people, many of whom have direct contact with customers, are the ones responsible for making sure BHG is a provider of innovative solutions, recognized as one of the best in its industry not only by the market but also by its guests.

BHG closed 2012 with a staff of 3,303 employees, considering both the management team and the hotels' staff. Turnover stood at 3.5% in 2012, far below the average 15% recorded by the hotel industry. The Company's team is mostly composed of professionals from the hotel industry, with an average age of 34. Currently, 70% of the professionals have undergraduate and 10% graduate degrees.

Strong and systematically prepared to provide excellent services, the staff is encouraged to search for innovation and quality – essential intangible assets for a hotel company – with the permanent goal of exceeding guests' expectations.

# BHG seeks to provide its employees with a motivating work environment, so that they see in the Company a place for professional development and personal satisfaction

BHG seeks to provide its employees with a motivating work environment, so that they see in the Company a place for professional development and personal satisfaction.

It encourages companionship and integration practices and gives room for employees to express their ideas and opinions, thus directly contributing to the Company's growth. In addition to compensation and benefit programs entirely compatible to the industry's average, BHG understands that valuing its employees also includes supporting them in every moment of their lives. It is the Human Resources department's responsibility to provide all necessary support to the staff and their families in eventual adverse or unexpected situations.

The Company's growth allows it to offer a wealth of professional opportunities, underpinned by a well-structured career plan, in which employees can see clearly the paths they need to follow in order to achieve their professional maturity. Whenever there is a new opening, all employees are informed through the Prata da Casa Project and may apply for the position, provided they have the adequate profile and qualifications.

## Code of Conduct

All new employees receive a Welcome Manual during the Integration Program. In a clear, user-friendly way, the manual presents the Company's guidelines as well as the practices and proceedings its employees should adopt in their daily activities.

The Company also has a Code of Conduct aiming to provide clear guidance on the appropriate conducts and behavior at the most diverse relationship levels and activities. The Code applies to all employees, as well as interns, service providers and consultants, members of the Board of Directors, Fiscal Council and Board of Executive Officers.

The document call employees' attention to sensitive issues and is considered to be a preventive and guiding tool, necessary to detect and avoid violations of the Group's policies and the legislation in force. The Code also addresses the relationships with the community and the environment.

## Meritocracy

BHG's employee management is entirely based on meritocratic principles. Every year Management establishes a set of targets for each employee, including those in operational positions. The employees go through systematic evaluations and the variable compensation programs depend entirely on the achievement of previously-established individual and collective targets. This process also involves monthly follow-up cycles, which monitor the progress made toward achieving each established target.

## Stock Option Plan

BHG's officers, executive officers and senior managers are entitled to a Stock Option Plan. Through this plan, the Company aims to motivate and retain these executives, by aligning their individual expectations to those of shareholders and reinforcing the sense of prosperity among management. In 2012, 21 executives participated in this program.


## Training and Qualification

Developing the best team of hotel professionals in Brazil is one of the Company's targets. BHG's accelerated expansion, with aggressive growth targets for the next years, demands even more attention from the Company regarding the qualification of its employees. The preparation of new professionals and the continuous development of those who already work at the Company are achieved through a series of programs, training sessions, qualifications and workshops, which are offered to all levels of the organization.

One of the training program's highlights is the BHG Teaching Hotel, located in the Golden Tulip Belas Artes, in São Paulo, which since 2011 has provided qualification activities to around 1,800 employees. Through theoretical and practical activities, the project allows its participants to have a hands-on experience in daily hotel operations. The center has a training room equipped with computers and a model apartment with a complete bathroom, featuring an ambience that matches Golden Tulip's international standards.

The Company also offers the BHG Academy, an online portal that provides distance learning training for activities such as reception and governance, in addition to online training sessions, on-site training material, forums, bulletin boards, articles, and videos, among other resources that help employees enlarge their knowledge. Given that the network's focus is on corporate events, in addition to operational subjects, the portal also offers online language classes and adult high-school education.

The BHG Trainee program, in turn, was created with the purpose of preparing the Company's future leaders. The program seeks to capture recently-graduated talents and train them in the Company's structure, so that in the future these professionals may become managers or heads of departments. The professionals with the highest potential receive cross training, take part in internal and external (technical, behavioral and internship) modules, and deliver bi-monthly reports on the job, including suggestions for improvements to be implemented by the Company.

Since the program's inception, five young professionals have concluded all its stages and joined BHG's staff, four of whom as general managers and one as a corporate manager. In 2012 the third class began with eight participants.

Another initiative that also contributes to employee qualification is the BHG internship program, which allows undergraduate students to put the theoretical knowledge acquired in class into practice. Through this project, students realize the differences between the academic and the corporate worlds and adapt themselves to the corporate reality.

One of the training program's highlights is the BHG Teaching Hotel,located in the Golden Tulip Belas Artes, in São Paulo, which since 2011 has provided qualification activities to around 1,800 employees

# 07 Corporate Governance

The only Brazilian hotel company to have its stock listed in BM&FBOVESPA's Novo Mercado segment, BHG has organized itself as a company committed to the highest corporate governance standards. To do so, it has built a complete governance structure. BHG's strong and transparent information disclosure policy ensures full coverage of the Company's steps by institutional investors, individuals and market analysts. The Company – via Invest Tur – conducted its IPO on July 16, 2007.

BHG's careful governance management has earned it the recognition of the IBGC Award, promoted by the Brazilian Corporate Governance Institute, as one of the finalists in the Best Improvement - Listed Companies category.

## Corporate Governance Structure

**Board of Directors** - A resolution panel responsible for setting forth the Company's general business policy, including its long-term strategy. Among other statutory duties, it is also responsible for appointing the Company's officers, as well as for monitoring and supervising the management, to verify the effective implementation of the defined strategy. Exceeding the requirements of BM&FBovespa's Novo Mercado, BHG's Articles of Incorporation and Bylaws establishes that the Board should be composed of seven members, at least 20% of whom should be independent directors. They are elected by a General Meeting of shareholders for a unified term of two years, and they may be reelected and removed at any time by the shareholders' general meeting. On

December 31, 2012, the Board of Directors was composed of seven members – two of whom are independent directors – and an independent alternate member.

## Composition of the Board of Directors – 2012

### Directors

| | | |
|---|---|---|
| Antonio Carlos A. Ribeiro Bonchristiano | Chairman of the Board | |
| Fersen Lamas Lambranho | Sitting Member | Sitting Members |
| Francisco Ribeiro de Magalhães Filho | Sitting Member | Sitting Members |
| Daniel Cunha | Sitting Member | Sitting Members |
| Ricardo Abecassis Espírito Santo | Sitting Independent Member | Sitting Members |
| Horácio Lafer Piva | Sitting Independent Member | Sitting Members |
| Rubens Mario Marques de Freitas | Sitting Member | Sitting Members |
| Miguel Garcia Rugeroni Ahlers | Independent Alternate Member | |

**Antonio Carlos A. Ribeiro Bonchristiano** – Chairman of the Board of Directors of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a BA in politics, philosophy and economics from the University of Oxford. He joined GP Investments, Ltd. in 1993, where he is the Co-Chairman of the Board, Co-CEO and Investor Relations Officer. He is or was a member of the Board of Directors of the following companies: ALL – América Latina Logística S.A. (2003-2008), GP Investments, Ltd (2003 - up to the present date), BR Malls Participações S.A. (2005-2006), Tempo Participações S.A. (2005-2006), Gafisa S.A (1997-2006), Submarino S.A. (2005-2006), LA Hotels S.A. (merged into the Company) (2007-2009), Magnesita Refratários S.A. (2006-2008), Allis Participações S.A. (2006 - up to the present date), BRZ Investimentos S.A. (2006 - up to the present date), BR Properties S.A. (2006 - up to the present date) and Estácio Participações S.A. (2008 - up to the present date). He is or was an alternate member of the Board of Directors of the following companies: Magnesita S.A. (2007-2008) and Magnesita Refratários S.A. (2009 - up to the present date). He is or was the Chairman of the Board of Directors of the following companies: Submarino S.A. (2005-2006), Tempo Participações S.A. (2006), BR Malls Participações S.A. (2006), Magnesita Refratários S.A. (2006-2008), BR Properties S.A. (2006-2009), Co-Chairman of the Board of Directors of GP Investments, Ltd. (2006 - up to the present date), LA Hotels S.A. (merged into the Company) (2008-2009), Allis Participações S.A. (2008 - up to the present date). He is or was the Vice-Chairman of the Board of Directors of the following companies: BR Properties S.A. (2009 - up to the present date). He is or was an Executive Vice-President of the following company: GP Investments, Ltd. (alternately from 2006 up to the present date). He is or was the Executive President of the following company: GP Investments, Ltd. (alternately from 2006 up to the present date). He is or was the Investor Relations Officer of the following company: GP Investments, Ltd. (2010 - up to the present date).

**Daniel Cunha** – Member of the Board of Directors of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a B.A. in mechanical and aeronautical engineering from Instituto Tecnológico de Aeronáutica (ITA) and an MBA from Harvard Business School. He joined GP Investments in 2011. Previously, he worked as a consultant at McKinsey & Company (specializing in strategic consulting) from 2006 to 2008 and was a Planning Manager at Vale from 2008 to 2009.

**Fersen Lamas Lambranho** – Member of the Board of Directors of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a B.A. in civil engineering from Universidade Federal do Rio de Janeiro and an MBA from COPPEAD-UFRJ. He also concluded the Owner President Management Program at Harvard Business School. He joined GP Investments, Ltd. in 1998. He is Co-Chairman of the Board of Directors and Co-CEO of GP Investments, Ltd. He is or was a member of the Board of Directors of the following companies: Contax Participações S.A. (2003 -2006), Telemar Participações S.A. (2003 – 2008), GP Investments, Ltd. (2003 – up to the present date), Gafisa S.A. (2004 – 2007), BRZ Investimentos S.A. (2006 – up to the present date), BR Malls Participações S.A. (2006 - up to the present date), Telemar Participações S.A. (2007 – 2008), Allis Participações S.A. (2007 – up to the present date), Magnesita Refratários S.A. (2007 – up to the present date), Magnesita S.A. (2007 – 2008), BR Properties S.A. (2007 – 2010) and Estácio Participações S.A. (2008 – up to the present date). He is or was an alternate member of the Board of Directors of the following company: Companhia Energética do Maranhão – CEMAR (2004 – 2008). He is or was the Chairman of the Board of Directors of the following companies: Telemar Participações S.A. (2003 – 2006), Co-Chairman of the Board of Directors of GP Investments, Ltd. (2006 – up to the present date) and Magnesita Refratários S.A. (2008 – up to the present date). He is or was the Vice-Chairman of the Board of Directors of the following company: BR Properties S.A. (2006 – 2009). He is or was an officer of the following company: Telemar Participações S.A. (2005 – 2007). He is or was an Executive Vice-President of the following company: GP Investments, Ltd. (2006 (alternately) - up to the present date). He is or was the Executive President of the following company: GP Investments, Ltd. (2006 (alternately) - up to the present date).

**Francisco Ribeiro de Magalhães Filho** – Member of the Board of Directors of BHG S.A. - BRAZIL HOSPITALITY GROUP. An entrepreneur in the financial industry, he currently supervises the self-managed Fundo de Investimentos de Ações e Empresa de Participações (a family wealth management company). He was a member of the Board of Directors of Brasil Telecom S.A.

(telecoms) from 2005 to 2009. In addition, he was the co-founder and an officer of the Brazilian Association of Capital Markets Investors (AMEC, formerly known as ANIMEC). He began his career as an employee of Investbanco, a partner of Supra DTVM.

**Horácio Lafer Piva** – Independent member of the Board of Directors of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a B.A. in economics and has post-graduation studies in business administration from Fundação Getulio Vargas. He is a shareholder and has been a member of the Board of Directors of Klabin S/A (pulp and paper) since April 1980, of the Board of Directors of Atmosfera - Higienização de Têxteis S.A. (disinfection of textiles) since January 2007, of Redecard S.A. (registration of merchants, capture of sales and financial transactions made with payment cards) since August 2007, of Martins Atacadista (investments) since April 2009, and of Tarpon Investimentos S.A. (investments) since February 2009. Member of the Consulting Board of Spread Informática (IT) since February 2005, of Brasilpar Serviços Financeiros (financial services) since September 2005, and of Revista Piauí (journalism) since August 2008. Chairman of the Association for Assistance to Disabled Children (AACD) (social assistance) since April 2007. Member of the Boards of Hospital A.C. Camargo (hospital) since December 1997, São Paulo Research Foundation (FAPESP) (research) since September 2003, São Paulo State Symphony Orchestra Foundation (Osesp) (music) since June 2005 (music), Brazilian Muscular Dystrophy Association (ABDIM) (medicine) since January 2006. He was the president of the Brazilian Pulp and Paper Association (Bracelpa) from 2006 to 2011. He was a member of the Economic and Social Development Council of President Lula's administration from 2003 to 2008.

**Rubens Mario Marques de Freitas** - An aerospace engineer graduated from ITA (Instituto Tecnológico de Aeronáutica), he also holds an MBA from Harvard. Joined GP Investimentos in 2006 as an Associate, becoming an officer in May 2011. From May 2009 to April 2011 he served as sales officer and later as CFO of Leitbom (currently LBR). Before joining GP Investimentos, he worked for five years as a consultant for Roland Berger Strategy Consultants. Mr. Freitas is currently a member of the board of directors of LBR (a dairy products producer) and an executive officer of Lesotho Participações e Empreendimentos S.A. and of Monticiano Participações S.A. (companies specializing in investments and acquisition of interest in other companies). He previously sat on the boards of Telemar and Tempo Assist.

**Ricardo Abecassis Espírito Santo Silva** – Independent member of the Board of Directors of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a B.A. in economics from The City University, London, England. He is a shareholder and a member of the Board of Directors of Banco Espírito Santo S.A. (finance), member of the Board of Directors of Bradespar S.A. (holding company) and of Agribahia S.A. Since 2001, he has been the Executive President of Banco Espírito Santo Investimentos-Brasil, which, in turn, is part of Grupo Espírito Santo, a holder of relevant investments in the tourism real estate industry. In the last five years, he served at: (i) Agriways S.A. (a company operating in the agribusiness industry) (Brazil) (Vice-Chairman of the Board of Directors); Associação Brasileira de Bancos Internacionais S.A. (Member of the Advisory Board); Associação Espírito Santo Cultura (Brazil) (Director); AVISTAR – S.G.P.S., S.A. (Member of the Board of Directors); Banco Bradesco, S.A. (Member of the Fiscal Council); Banco Espírito Santo de Angola, SARL (Chairman of the Board of Directors); Banco Espírito Santo de Investimento S.A. (Vice-Chairman of the Board of Directors); Banco Espírito Santo do Oriente, S.A. (Chairman of the Fiscal Council); Banco Espírito Santo, S.A. (Member of the Board of Directors); Banco Espírito Santo Finance Limited (Member of the Board of Directors); Banco Espírito Santo Investimento do Brasil S.A. (Member of the Board of Directors); Banco Espírito Santo Investimento do Brasil, S.A. (CEO); Bradespar S.A. (Brazil) (Member of the Board of Directors); Portuguese Chamber of Commerce in Brazil (Vice-Chairman of the Board of Directors); Companhia Agrícola Botucatu (CEO); E.S. Holding Administração e Participações S.A. (Brazil) (CEO); ES Consultoria Ltda. (Brasil) (Executive Officer); ESAI - Espírito Santo Activos Imobiliários Ltda. (Brazil) (Executive Officer); ESAP Brasil Agro-Pecuária Ltda. (Brazil) (Diretor); ESAP Espírito Santo Agro-Pecuária S.A. (Uruguay) (Executive Officer); ESCAE - Administração e Participações Ltda. (Brazil) (Executive Officer); Espírito Santo Bank (U.S.) (Vice-Chairman of the Board of Directors); Euroamerican Finance Corporation, Inc. (BVI) (Member of the Board of Directors); Europ Assistance (Brazil) (Member of the Board of Directors); GESPAR S/C Ltda. (Brazil) (Executive Officer); Monteiro Aranha S.A. (Brazil) (Member of the Board of Directors); Novagest Assets Management Ltd. (Member of the Board of Directors); Pojuca Administração S.A. (Brazil) (Chairman of the Board of Directors); Pojuca S.A. (Brazil) (Chairman of the Board of Directors); Rioforte Investment Holding Brasil S.A. (Member of the Board of Directors); Saramagos S.A. Empreendimentos e Participações (Brazil) (Executive Officer); Ushuaia – Gestão e Trading International Limited (Member of the Board of Directors).

**Miguel Garcia Rugeroni Ahlers** – Independent and alternate member of the Board of Directors of BHG S.A. - BRAZIL HOSPITALITY GROUP. Business Administrator from Universidade Católica Portuguesa. He was the CEO of Espírito Santo Tourism (Portugal) (2005 to 2010) and General Manager of Espírito Santo Resources (Portugal) (2006 to 2010).

**Executive Board** – BHG's Officers are its legal representatives, primarily responsible for the management of the businesses and for implementing the Company's general guidelines and policies. They are elected by BHG's Board of Directors for a two-year term, and they may be reelected and - at any time - removed by that body.

Currently, the Company's officers are:

### Executive Officers (2012)

| Officers | |
|---|---|
| CEO | Pieter J. F. van Voorst Vader |
| CIRO | Ricardo Levy |
| COO | Reginaldo Luchini Olivi |
| CMO / CCO | André Luiz Dias Lameiro |
| CIO | Flavio Maia |

### Members of the Executive Board

**Pieter Jacobus Franciscus van Voorst Vader** - CEO of BHG S.A. - BRAZIL HOSPITALITY GROUP. Mr. Vader is the former CEO of Brazil Fast Food Corporation (BFFC) (food), he held various sales and marketing positions at Shell International Petroleum Co. (energy). He also worked as a consultant for Latin America Investment Partners Limited, Movi&Art, Odebrecht, and Golden Tulip Hotels. He holds a Master's degree in International Business from Florida International University, as well as a B.A. in Hotel Management from FIU and HHS The Hague.

**Ricardo Levy** - Chief Financial and Investor Relations Officer of BHG S.A. - BRAZIL HOSPITALITY GROUP. A holder of a B.A. degree in Business Administration from Pontifícia Universidade Católica do Rio de Janeiro (PUC RJ), he concluded his Executive MBA in Business Administration from Instituto Coppead de Administração (UFRJ) in 2000. He was the Investor Relations and Financial Superintendent of Light S.A. (energy). Previously, he performed financial duties at Aracruz Celulose S.A. (pulp and paper).

**Reginaldo Luchini Olivi** - Executive Officer with no specific designation of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a B.A. in economics from Pontifícia Universidade Católica de São Paulo (PUC SP). He joined the Chambertin Group - the main activity of which was the management of hotels - in 1998, as a partner. Previously, he worked as an executive officer at Olivi Assessoria e Consultoria S/C Ltda. (hotel) and was the financial manager of Arquitetura da Paisagem, an architecture firm.

**André Luiz Dias Lameiro** - Executive Officer with no specific designation of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a B.A. in economics from Faculdade Metropolitana de Vitória (FMV) and in marketing from Anhembi Morumbi. He joined the Chambertin Group - the main activity of which was the management of hotels - as a partner. He previously worked in the marketing area of Lameiro Consultoria, a consulting firm, and of Residence Administradora de Flats (hotel).

**Flavio Maia** - Mr. Maia holds a B.A. in Business Administration from Faculdade de Ciências Políticas e Econômicas do Rio de Janeiro, with an MBA in Marketing from Pontifícia Universidade Católica – PUC/RJ; in addition, he concluded the General Management Program from Harvard Business School in 2011. He worked at multinational companies such as Ogilvy & Mather, Shell Brasil and Young & Rubicam. Prior to joining BHG, he held leadership positions at BFFC – Brazil Fast Food Corp for 12 years, where he headed the Brands, Development and Marketing offices.

**Fiscal Council** - The Fiscal Council operates on a non-permanent basis, with powers and duties defined by law, and it will only be convened by a resolution from the General Meeting, or at the request of the shareholders, in the circumstances provided by law. When convened, the Fiscal Council will be comprised of three sitting members and their deputies, in an equal number, who may be shareholders or otherwise. The members of the Fiscal Council will have a one-year, unified term, and may be reelected. When convened, the Fiscal Council will hold meetings, in accordance with the law, whenever necessary, and it will analyze, at least on a quarterly basis, the financial statements and information.

Currently, the members of the Company's Fiscal Council are:

### Fiscal Council (2012)

| Members | | |
|---|---|---|
| Ricardo Scalzo | Sitting Member | Elected by the Controlling Shareholder |
| Sérgio Antonio Cordeiro de Oliveira | Sitting Member | Elected by the Controlling Shareholder |
| Emanuel Sotelino Schifferle | Alternate Member | Elected by the Controlling Shareholder |
| Pedro Wagner Pereira Coelho | Alternate Member | Elected by the Controlling Shareholder |
| Aloísio Kok | Sitting Member | Elected by Minority Shareholders |
| Alexandre Luiz Oliveira de Toledo | Alternate Member | Elected by Minority Shareholders |

## Members of the Fiscal Council

**Aloísio Kok** – Member of the Fiscal Council of BHG S.A. - BRAZIL HOSPITALITY GROUP. He has 27 years of experience in banking institutions, with ample knowledge in the areas of Direct Consumer Credit, Capital Markets, Finance, Fund and Credit management. He worked for four years in the administrative-financial area of an industrial company, and five years as a consultant for industrial and service companies. He has three years of experience as a Fiscal Council Member of Publicly-traded Companies. Alternate member of the Fiscal Council of: Paranapanema S.A., a company whose main activity is to operate in the metallurgy industry (Apr/2009 up to the present date); Contax Participações S.A., whose main activity is the provision of Contact Center services (Apr/2009 – Apr/2011); Mahle Metal Leve S.A., whose main activity is the operation in the automotive industry (Apr/2009 – Apr/2011). He is also an alternate member of the Board of Directors of Marisol S.A., a company whose main activity is its operation in the garment segment (Jul/2009 up to the present date).

**Ricardo Scalzo** – Member of the Fiscal Council of BHG S.A. - BRAZIL HOSPITALITY GROUP, and member of the Fiscal Council of the following companies: (1) Lojas Americanas S.A. (trade and retail); (2) ALL - América Latina Logística S.A. (logistics); (3) Beneficência Médica Brasileira S.A. Participações S.A. (insurance); (4) Tecnisa S.A. (civil construction); (5) Ferroban - Ferrovias Bandeirantes S.A. (transportation); (6) HopiHari S.A. (entertainment); (7) Centrais Elétricas do Maranhão - Cemar S.A. (energy); (8) Equatorial Energia S.A. (energy); and Companhia de Bebidas das Américas – AmBev (beverages).

**Sérgio Antonio Cordeiro de Oliveira** – Member of the Fiscal Council of BHG S.A. - BRAZIL HOSPITALITY GROUP. From 2002 to 2009, he was the CEO of CDMA Participações S/A (entertainment) and CEO of LPS Participações S/A (investments). From 2005 to 2009, he was the Chairman of the Board of Directors of HopiHari S.A. (entertainment).

**Alexandre Luiz Oliveira de Toledo** – Member of the Fiscal Council of BHG S.A. - BRAZIL HOSPITALITY GROUP. He holds a B.A. in Law from the Law School of Universidade de São Paulo (1983). Since 1997, he has been a member of the Fiscal Council and the Board of Directors of publicly-traded companies from the most various industries. In 2005, he was the Sitting member of the Fiscal Council of Ripasa S.A. Celulose e Papel; CELG – Cia. Energética de Goiás; Cia. Fluminense de Refrigerantes (Coca-Cola); and Cerâmica Chiarelli S.A. In 2006, he was the Sitting member of the Board of Directors of CELG – Cia. Energética de Goiás; Cia. Fluminense de Refrigerantes (Coca-Cola); Cerâmica Chiarelli S.A.; Nossa Caixa – Nosso Banco S.A.; Ripasa S.A. Celulose e Papel, and an alternate Member at COPEL – Cia. Paranaense e de Energia Elétrica; SABESP – Cia. de Saneamento Básico do Estado de São Paulo; and at Polialdem Petroquímica S.A. In 2007, he was a sitting member of the Board of Directors of CELG – Cia. Energética de Goiás; Cerâmica Chiarelli S.A. and of Café Solúvel Brasília S.A.; a sitting member of the Fiscal Council of Datasul S.A. and an alternate Member of the Fiscal Council of SABESP – Cia. de Saneamento Básico do Estado de São Paulo. He is currently a liberal professional focused on the area of capital markets, and previously he was the legal manager of domestic financial institutions.

**Emanuel Sotelino Schifferle** – Alternate Member of the Fiscal Council of BHG S.A. - BRAZIL HOSPITALITY GROUP. He held various board positions in the financial industry and in companies connected to GP Investimentos. He was previously a member of the Fiscal Council of Estácio Participações S.A. (educational services), Companhia de Bebidas das Américas – AmBev (beverages), ALL – América Latina Logísticas S.A. (logistics) and Lojas Americanas S.A. (trade and retail). He was also a member of the Board of Directors of Manasa S.A. (wood) and São Carlos Empreendimentos e Participações S.A. (real estate investments).

**Pedro Wagner Pereira Coelho** - Alternate Member of the Fiscal Council of BHG S.A. - BRAZIL HOSPITALITY GROUP, and Chairman of the Fiscal Council of Magnesita Refratários S.A. (refractories). He was also the Chairman of the Magnesita Refratários of Lojas Americanas S.A. (trade and retail), Tele Norte Leste Participações S.A. (telecoms), Telemar Participações S.A. (telecoms), Tam S.A. (transportation), and Enersul – Energética do Matogrosso do Sul (energy). A partner in Fiscal and Accounting Consulting, Corporate Planning and Advisory, and Project and Shareholding companies.

## Independent Audit Services

BHG uses the Independent Audit services of Ernst & Young Terco Auditores Independentes S.S. Over the year ended December 31, 2012, in addition to the independent audit services, the company hired Due Dilligence services.

## Investor Relations

BHG tries to keep its investors, shareholders and market analysts always very well informed about the Company's events, results and investments. In a relationship marked by ethics and transparency, the Company goes beyond the compliance with mandatory routines for companies listed on a stock exchange headquartered in Brazil, paying special attention to its communication with these strategic stakeholders.

Among its various communications tools, the Company maintains an exclusive, regularly updated investor relations area on its website (www.bhg.net/ri), containing information about its performance or results. The communication channel also allows visitors to register to receive news alerts, notices to the market, and other relevant information. Quarterly, the Investor Relations (IR) area organizes the disclosure of the Company's earnings releases, coordinating a conference call in English and Portuguese, open to the market, promoting direct access between interested investors and the Company's top executives.

# 08 Risk Management

BHG adopts risk management standards, but it also develops its own processes based on stringent guidelines, which prepare it in an efficient way to face the risks inherent to the business. Specialized professionals work directly in the monitoring of the operations with a view to identifying possible divergences, and developing and adopting solutions that may avoid the exposure of the Company to each of the potential risks, detailed below.

**Business Strategy**

The risk of adoption of an inadequate strategy is inherent to any economic activity. At BHG, the experience of both directors and officers, in the establishment and implementation of the Company's strategy, contributes to mitigating these risks. The substantial improvements in the operating results obtained over the last years, despite the strong, on-going investments, indicate the appropriateness of the business model adopted.

BHG takes a series of steps in its daily activities to minimize the Company's risk of following the wrong strategy. The performance of the operations is constantly monitored and all acquisitions are based on detailed analysis of the market potential of the project, always observing each project's risk-return ratio. Leveraging is strictly maintained at the level defined by management, and medium-term projects are periodically reassessed in view of economic and industry scenarios.

Throughout 2012 the Company sought to increase sales synergy by also strengthening the connection between the BHG brand and the quality of the hotels' facilities and services, which is a constant concern in the management of daily operations

## Brand Value

Despite being a new company, BHG believes that a renowned and valuable brand is a key driver of customers' decisions, especially when choosing a hotel. For this reason, the Company adopts in 80% of its hotels the internationally-recognized brands of the Golden Tulip Hospitality Group, to which it has exclusive rights in Latin America.

Throughout 2012 the Company sought to increase sales synergy by also strengthening the connection between the BHG brand and the quality of the hotels' facilities and services, which is a constant concern in the management of daily operations. Management has an integrated system that allows a close monitoring of the activities in all units, contributing to the standardization of the services in different hotels.

Personal training and qualification, including e-learning, are also tools used to ensure the adoption of such quality standard. In terms of facilities, investments are constantly being made in the upkeep and modernization of the hotels. With relation to the hotels under BHG's management - but not owned by it - the risk of deterioration is mitigated because the agreements entered into with the owners provide for the investments necessary for their maintenance.

The agreement for the use of brands from the Golden Tulip Hospitality Group – Tulip Inn, Golden Tulip and Royal Tulip – was renewed in 2010 for 15 years, renewable for another 10 years. The agreement provides for the exclusive use of the Golden Tulip's brands in Latin America, in addition to other benefits, such as access to their international distribution chain, currently responsible for approximately 20% of its total bookings, and to the global loyalty programs known as Flavours and Ambassador Club.

Since 2011, with the sale of its equity interest in Txai Resort Itacaré and of the Txai brand, BHG became responsible only for managing the resort, maintaining its right to use the Txai brand for future landbank launches. The projects currently in development are Txai Ganchos, in Santa Catarina, Txai Paraty (Rio de Janeiro), Txai Salvador (Bahia) and Txai Terravista Trancoso, in which BHG recently sold its equity interest, maintaining only the hotel's management.

In 2012, BHG acquired the Soft Inn brand through the acquisition of Grupo Solare. This was the platform selected by the Company to target the 2-star, super-economy segment. The brand is aimed at a public that travels often and demands a minimum level of practicality and comfort, in cities with more than 80,000 inhabitants and that are experiencing a clear expansion.

### Location

Another essential factor when choosing a hotel is its location. An inadequate location or the deterioration of a region may affect the performance of a unit, regardless of the quality of its facilities and services. Aware of this risk, the Company seeks to be prepared by conducting feasibility studies prior to the acquisition or development of new hotels, monitoring on a continuous basis this aspect in relation to the hotels in its portfolio. Its business management policy provides for the sale of the unit, whenever an increase in risk or non-conformity with BHG's quality standards is identified, in the case of third-party hotels in development to be managed by the Company.

### Change in Consumers' Preference

Success depends to a large extent on the ability to anticipate, identify and understand the tastes and preferences of its guests, especially in the business travel industry. BHG has an offer in line with the current hotel market demand. Therefore, the need to anticipate and identify consumers' behavior is a continued challenge, in an attempt to understanding how these preferences are created and their duration.

Aware of such risk, all efforts are dedicated to offering new services that meet the dynamic need of consumers, or to adapting existing products to be in line with such changes. To mitigate this risk, the Company makes investments, carries out market research and satisfaction studies, and monitors economic and industry conditions. As a result, BHG is constantly introducing improvements to existing hotel facilities and services, or even launching new services.

### Financing

BHG invests continuously in all hotels, as a way of maintaining the projects attractive and competitive. The strategy of strong expansion also depends on the raising of funds through loans, as the Company adopts a 40%-leverage level in the acquisitions it makes. The difficulty in obtaining these funds and/or the occurrence of a relevant increase in market interest rates may harm the performance of the business.

The strong and increasing cash generation capacity, allowing the payment of its financial obligations, combined with the strict cash flow control and the level of financial leveraging, contribute to mitigating this risk. The possibility of raising funds through other financial instruments may also be used. The Company makes loans in reals in order to have a natural hedge, as its revenues are in this currency.

BHG invests continuously in all hotels, as a way of maintaining the projects attractive and competitive

# 09 Business Performance

BHG continues recording a solid growth of operating margins, with Hotel EBITDA totaling R$74.9 million in 2012, up 28.7% on 2011 and EBITDA margin of 33.4%. The Company's operating indicators revealed growth's positive results in 2012, with RevPar up by 7.8%.

Despite the economy growth (GDP) in 2012 came below market's expectations, the foreign exchange supported the hotel activity in this period, reflected into better results in the second half of the year. Following the Company's business strategy of progressively increasing the average daily room rate of our hotels, we posted a growth of 11.8% over 2011. This performance reflects continued investments in improvements that the Company has been making to offer better quality of infrastructure/convenience and services rendered to our guests and clients.

In 2012, the average daily room rate was up 13.5% or R$31.0 and occupancy rate was down 3.3 p.p. on 2011, resulting in a RevPar of R$165.9. The occupancy rate drop was fully offset by an increased average daily room rate, with positive effects on REVPar, which grew by 7.8% in 2012.

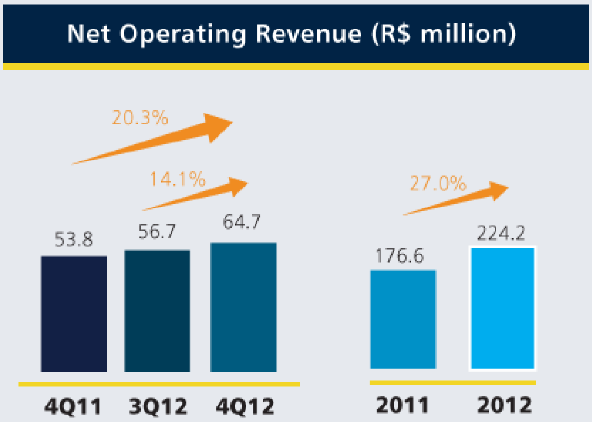
In 2012, we advanced our strategy of monetizing non-core assets, such as beach properties and invest in the development and acquisition of city hotels focused on business tourism. In October, we announced the execution of the property lease agreement to appraise the wind power potential and implement the wind generation center with Zeta Energia S.A (Zeta), through its subsidiary Port Beach Empreendimento Turístico e Imobiliário Ltda. (Port Beach). If this potential to install a wind complex is proved, the agreement provides for receiving an amount of sales generated by Zeta. The agreement's duration is 31 years, automatically renewable for additional 4-year periods.

Referring to the Company's acquisition of Rio Palace Hotel, we obtained a favorable court's decision in the first half of 2012. A new appeal filed against such decision is pending judgment from the Superior Court of Justice in Brasília (see details in economic and financial performance). It is worth mentioning that we are taking all the legal and reasonable measures so that this temporary impediment to formalize the acquisition overcomes as soon as possible.

## Economic and Financial Results

### Gross Operating Revenue

In 2012, the Company's Gross Operating Revenue reached R$245.9 million, up 24.8% on 2011. The increase of Gross Revenues is mainly due to the combined effects of higher average daily room rate between periods and the operational improvement of basis hotels. The Company's RevPar stood at R$165.9 in 2012, a 7.8% increase.




### Net Operating Revenue (NOR)

NOR in 2012 totaled R$224.2 million, up 27.0% on 2011. In absolute terms, revenues grew by R$47.6 million over 2011, mainly reflecting the consolidation in 2012 of Royal Tulip Rio de Janeiro's net revenues in the amount of R$42.0 million, an increase of R$31.6 million.


In 2012, the Company's Gross Operating Revenue reached R$245.9 million, up 24.8% on 2011

## Costs and Expenses – Hotel

| Quarterly Data – Consolidated Result (R$ thousand) | 2012 | 2011 | 2012 vs. 2011 Δ% |
|---|---|---|---|
| Hotel Activities | | | |
| **Net Revenues** | **224,185** | **176,578** | **27.0%** |
| **Total Hotel Costs and Expenses** | **(149,255)** | **(118,354)** | **26.1%** |
| % of NOR | 66.6% | 67.0% | -0.4 p.p. |
| **Cost of Services Rendered** | **(61,770)** | **(53,877)** | **14.6%** |
| % of NOR | 27.6% | 30.5% | -2.9 p.p. |
| Hospitality | (32,301) | (26,302) | 22.8% |
| F&B and Other | (29,468) | (27,575) | 6.9% |
| **Selling, General & Adm. Expenses - Hotel** | **(87,485)** | **(64,477)** | **35.7%** |
| % da Rol | 39.0% | 36.5% | 2.5 p.p. |
| General and Administrative | (62,222) | (43,754) | 42.2% |
| Maintenance | (8,466) | (7,282) | 16.2% |
| Marketing and Advertising | (16,798) | (13,440) | 25.0% |

Hotel operations total costs and expenses totaled R$149.3 million in 2012 (consolidated). The percentage of costs and expenses in relation to NOR decreased by 0.4 p.p. from 67.0% in 2011 to 66.6% in 2012, when Hotel EBITDA margin reached 33.4% against 33.0% in 2011. This result may be mainly due to the expenses contingent plan implemented as of April 2012 over all the Company's projects, combined with the highest net revenue between periods, with a positive variation of R$47.6 million between 2012 and 2011, more than offsetting higher costs at R$30.9 million.

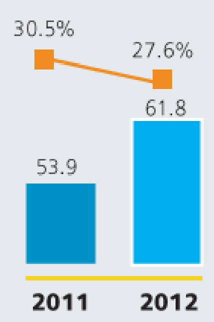
### Cost of Services Rendered

The ongoing proportional reduction of costs in relation to NOR is a result of scale gains of our projects, greater revenue generation and the continued pursuit of improved operations. Considering the Cost of Services Rendered in relation to Net Revenues, we saw that Costs percentage decreased by 2.9 p.p. over 2011, reaching 27.6% of NOR. Both in hospitality (13.7% of NOR) and F&B cost items and other (12.8% of NOR), it was possible to achieve greater efficiency of operating activities.

### Selling, General and Administrative Expenses

In 2012, Selling, General and Administrative Expenses related to hotel operations reached 39.0% of NOR, up 2.5 p.p. on 2011. These expenses refer to the number of hotels at the chain and vary according to the growth of operations and demand for our hotels. In 2012, the increase of these expenses in relation to NOR occurred due to the impact of the collective bargaining agreement, higher number of employees and increased operations basis to serve a higher number of hotels. These expenses were also influenced by the startup of Royal Tulip Rio de Janeiro, which on the year-on-year comparison significantly impacted personnel expenses.

Cost of Services Rendered (R$ MM) and Percentage (%) over NOR



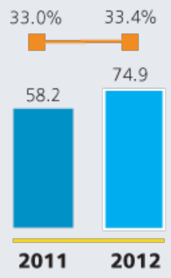

### Hotel EBITDA

Hotel EBITDA was mainly influenced by higher revenue from hospitality and food & beverage of hotels, besides a strong cost control management by BHG, EBITDA of the Company's hotel operations reached R$74.9 million in 2012, up 28.7% on 2011. Hotel EBITDA margin stood at 33.4% in 2012, 0.4 p.p. higher than the margins seen in 2011.

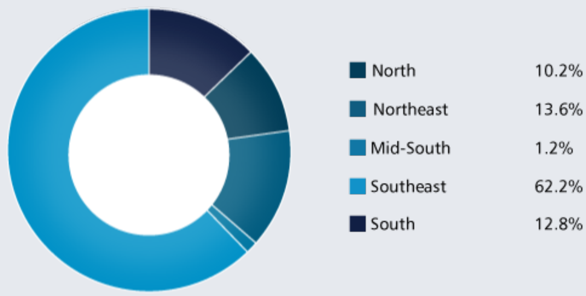
In 2012, hotels of Brazil's southeast region showed the best performance, totaling an EBITDA of R$47.6 million compared to R$31.6 million in 2011, a 50.7% increase. Then, the north and south regions stand out, which reported the best performance compared to 2011. Considering all Brazilian regions, we had an increase of R$15.6 million between periods.

The Company continues pursuing the strategy outlined since its inception of keeping strictness and efficiency, focused on costs control and the pursuit of synergies and economies of scale, combined with a segmentation business strategy focused on the business market. We are always seeking to increase BHG's operational level, which more and more stands out as one of the largest hotel chains nationwide and internationally.

**EBITDA (R$ million) and EBTIDA Margin (%) – hotel industry**




**Hotel EBITDA by Region – 2012**




## Revenue from non-Operated Properties

This indicator refers to revenue deriving from hotel properties which currently are not operated by the Company. Although the strategy in every hotel acquisition is to start management and carry out the property turnaround, in few cases, due to agreements between former owners and the management company, it is necessary to observe certain contractual clauses.

In the specific case of Hotel Rio Palace of Rio de Janeiro, a lower court's decision of the 6th Corporate Court of the District of Rio de Janeiro recognized the alleged preemptive right of Nova Riotel Empreendimentos Hoteleiros Ltda. ("Nova Riotel"), in the capacity of lessee in the Hotel acquisition, even if BHG's acquisition has been conducted in the judicial level. In view of said lower court's decision, the Company on January 9, 2012, filed an interlocutory appeal before the 4th Civil Chamber of the Appellate Court of Rio de Janeiro aiming at reversing the lower court's decision.

On May 23, 2012, said court unanimously decided to reverse the lower court's decision in order to reject the alleged preemptive right of Nova Riotel and therefore, confirm the validity and efficacy of BHG's hotel acquisition, favoring the Company in all queries.

On June 5, 2012, Nova Riotel filed motions for clarification of judgment, pointing out supposed omissions, vagueness and contradictions in the favorable decision to BHG. On July 11, 2012, the 4th Civil Chamber of the Appellate Court of Rio de Janeiro judged the motions for clarification of judgment, accepting the appeal only to include further clarifications, without changing the previous court's decision, so that the validity and efficacy of BHG's hotel acquisition is upheld. The decision on the judgment of motions for clarification of judgment was published on July 20, 2012.

Not accepting this decision, on September 17, 2012, Nova Riotel filed Special Appeal aiming at reversing the decision at the Superior Court of Justice, in Brasília. The 3rd Vice Chief Justice of the Appellate Court of the State of Rio de Janeiro understood that the appeal met the appealability requirements, with decision published on January 30, 2013 and now the case is pending from the Appellate Court of Rio de Janeiro to be judged by the Superior Court of Justice, in Brasília. Thus, until the Superior Court of Justice analyzes the appeal, the decision of the Appellate Court of Rio de Janeiro has its practical effects restricted. Furthermore, we are confident that no reversal will occur and the Superior Court of Justice will uphold the unanimous decision of the 4th Civil Chamber of the Appellate Court of Rio de Janeiro which supported by the Public Prosecutor Office's opinion, removed the adverse party's allegations.

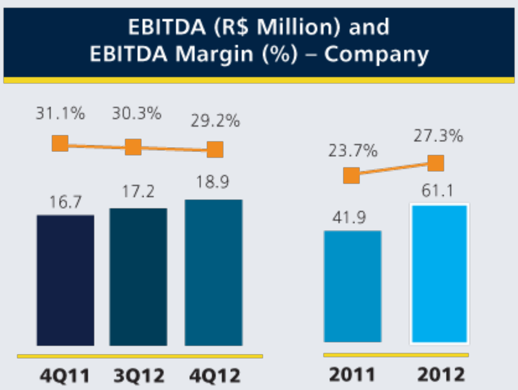
We also reiterate that all legal and reasonable measures taken been taken so that this temporary impediment to formalize the acquisition is surpassed as soon as possible. Anyway, the discussions referring to the preemptive right resulted, amongst other practical effects, in the non-receipt up to date of amounts owed to us as of August 17, 2011 in view of the hotel management of Rio Palace Hotel by said management company. As soon as the case is solved favoring us, we should receive the retroactive lease amounts, duly adjusted for inflation.

Therefore, the total amount of R$3.4 million was accounted for as Revenue from non-Operated Properties, referring to the remuneration over the amount deposited by BHG in court, which yearly, yields 6.0% plus benchmark interest rate (TR), related to the payment for the property acquisition.

**Company's Consolidated EBITDA**

Our Consolidated EBITDA totaled R$61.1 million in 2012, an increase of R$19.3 million, or up 45.9% on 2011. The Company's Consolidated EBITDA accounts for the hotel EBITDA, real estate development activities, revenue from non-operated properties and corporate expenses. The Company's EBITDA Margin in 2012 reached 27.3%, up 3.6 p.p. on 23.7% seen in 2011. Margin growth in 2012 reveals that the Company's growth strategy via the expansion of its hotel operations, simultaneously maintaining a solid cost control over corporate expenses, is the correct path to a continued development of BHG.

The increase compared to 2011 was mostly proportional due the startup of Royal Tulip Rio de Janeiro by the end of 2011, which added R$13.1 million to hotel EBITDA and partly due to investments in Rio Palace Hotel, which resulted in revenue from non-operated properties of R$13.1 million in the aforementioned periods. The result also reflects the Company's cost management, with reduced cost of services rendered and higher revenue from hospitality, food & beverage in the last quarter.




Our Consolidated EBITDA totaled R$61.1 million in 2012, an increase of R$19.3 million, or up 45.9% on 2011

### Depreciation

Mainly reflecting investments made between periods and the start of depreciation of Rio Palace Hotel, in 2012, depreciation totaled R$30.8 million, up 71.7% when compared to R$18.0 million in 2011. Only the depreciation of Rio Palace Hotel in 2012 impacted results by R$4.0 million. In addition, the acquisition of Royal Tulip Rio de Janeiro, which recorded depreciation of R$3.8 million in 2012, as well as higher capitalization of works in progress during the period and the depreciation of other hotels also impacted net income for the period.

### Net Financial Result

In 2012, the Net Financial Result was negative at R$27.6 million, with a negative variation of R$15.9 million when compared to 2011. Recent acquisitions and hotel renovations were the main factors contributing to change the Company's net financial result, deriving from reduced balance of available cash for financial investments. Likewise, loans and borrowings increased due the strategy of leveraging acquisitions by nearly 40% of total amount invested, which results in higher payment of loan interest rates and amortizations.

### Net Income (Loss)

Despite the second half of 2012 has recorded a net income of R$1.2 million, in 2012 we had a net loss from shareholders of R$6.3 million compared to a net income of R$9.6 million in 2011. Although Consolidated EBITDA was 45.9% or R$19.2 million higher, this result mainly was due to an increase of outstanding balance of financial result between periods at the amount of R$15.9 million (+135.1%), higher depreciation of R$12.8 million (+71.7%) and the partial recognition of revenues deriving from Rio Palace Hotel, which in 2012 totaled R$13.1 million.

### Indebtedness

The Company's gross indebtedness on December 31, 2012 was R$311.6 million, up 32.3% over December 31, 2011 (R$235.6 million). The highlight was the funding of R$ 70.0 million through the issue of debentures in December 2012. The proceeds were mainly used to pay few working capital short-term debts. Higher debt compared to December 2011 is related to the funds raised in 2012 totaling R$136.4 million, allocated to finance higher investments, rollover/lengthen short-term lines of credit, as well as working capital between periods, proceeding with the Company's strategic planning.

Net indebtedness (net cash) of R$263.4 million was up 3.6% over indebtedness recorded in September 2012. Debt average cost in December 2012 stood at 10.1% p.a., down 0.6 p.p. when compared to September 2012 (10.7% p.a.) due to loans with rates lower than those previously practiced. The debt average maturity was 5.7 years in December 2012.

| Indebtedness[1] - Debt (R$ thousands) | | Current | | Non-Current | | Total | |
|---|---|---|---|---|---|---|---|
| **Type** | **Charges** | **R$** | **(%)** | **R$** | **(%)** | **R$** | **(%)** |
| Work financing | TJLP+Spread | 5,341 | 4.2% | 19,493 | 10.6% | 24,834 | 8.0% |
| Bank credit certificate[2] /working capital | CDI+Spread | 103,956 | 81.8% | 2,772 | 1.5% | 106,728 | 34.2% |
| Bank credit certificate | TR+Spread | 17,162 | 13.5% | 90,414 | 49.0% | 107,576 | 34.5% |
| Debentures | CDI+Spread | - | - | 70,211 | 38.0% | 70,211 | 22.5% |
| Purchase and Sale Agreement | INPC+Spread | 641 | 0.5% | 2,243 | 1.20% | 2,883 | 0.9% |
| Commissions Expenses - Debentures | - | - | - | -592 | - | -592 | - |
| **Total** | | **127,100** | **100.0%** | **184,542** | **100.0%** | **311,642** | **100.0%** |

[1] In domestic currency

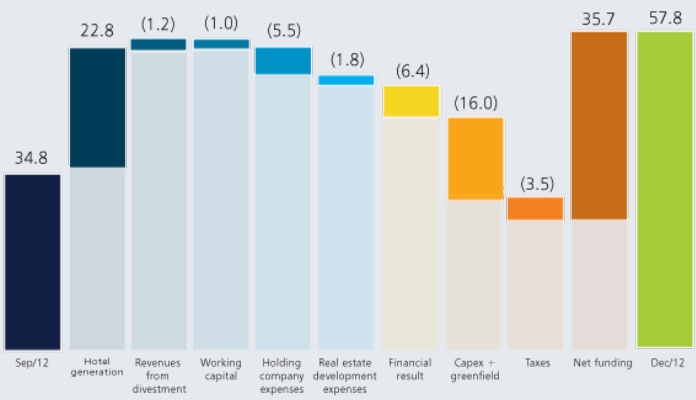
[2] Loans and borrowings of R$71 million (current) have addenda already negotiated to lengthen maturity (10 years)

| Quarterly Data | | | 4Q12 vs. 4Q11 |
|---|---|---|---|
| **Net Cash Reconciliation (R$ thousand)** | **4Q12** | **4Q11** | **Δ%** |
| **(+) Cash and cash equivalents** | **42,615** | **28,985** | **47.0%** |
| (+) Cash/Banks | 40,468 | 6,650 | 508.5% |
| (+) Financial investments | 2,147 | 22,335 | -90.4% |
| **(+) Receivables due to divestment** | **15,246** | **15,643** | **-2.5%** |
| **(-) Loans and borrowings** | **(321,234)** | **(244,190)** | **31.6%** |
| (-) Loans (Gross Indebtedness)[1] | (311,642) | (235,647) | 32.2% |
| (-) Accounts payable due to acquisition of investments[2] | (9,592) | (8,543) | 12.3% |
| **Net Cash (Net Indebtedness)** | **(263,373)** | **(199,562)** | **32.0%** |

[1] Includes commissions expenses - Debentures

[2] Accounts payable due to acquisition of investments[1] = loans related to hotel acquisitions where seller finances part of sale (seller financing)

## Debt and Cash Flows




# 10 Capital Markets

## Corporate Structure

BHG is directly controlled by Latin America Hotels, LLC, which holds approximately 45% of its total and voting capital stock. Latin America Hotels, LLC is, in turn, an indirect subsidiary of the investment fund GP Capital Partners IV L.P. ("GPCPIV" or "Fund"), duly incorporated under the laws of the Cayman Islands, which holds approximately 89.47% of the voting and total capital of Latin America Hotels LLC and, as a result, indirectly, approximately 40.4% of BHG's capital stock. GP Investments Ltd., through GP Private Equity, Ltd., as a limited partner of GPCPIV, has, indirectly, approximately 14% of BHG's capital stock. GPCP4 also holds approximately 1% of a direct interest in BHG.

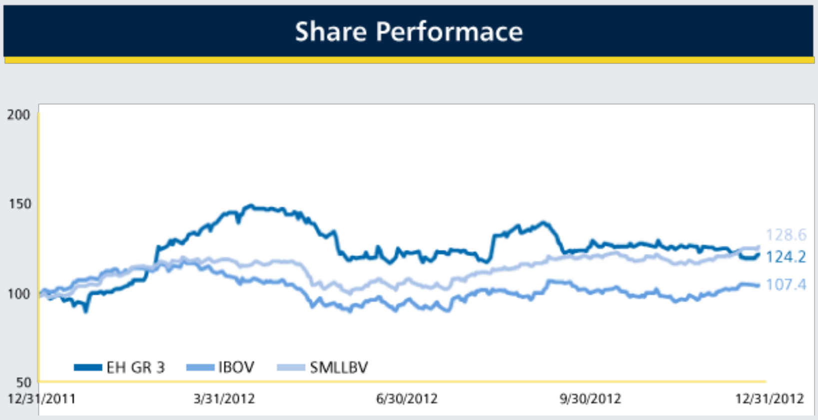
## Share Performance

| Quarterly Data[1] | | | | 4Q12 vs. 3Q12 | 4Q12 vs. 4Q11 |
|---|---|---|---|---|---|
| **Capital Market** | **4Q12** | **3Q12** | **4Q11** | **Δ%** | **Δ%** |
| Number of shares (in thousands) | 42,567 | 42,567 | 41,067 | - | 3.7% |
| Market cap (R$ million) | 819.4 | 834.3 | 636.5 | -1.8% | 28.7% |
| Quote* | | | | | |
| BHGR3 (R$) | 19.25 | 19.60 | 15.50 | -1.8% | 24.2% |
| Small Cap Index** | 1,467 | 1,294 | 1,162 | 13.3% | 26.2% |
| Ibovespa | 60,952 | 59,175 | 56,754 | 3.0% | 7.4% |
| Dow Jones | 13,104 | 13,515 | 12,218 | -3.0% | 7.3% |
| Average monthly share volume | 51,580 | 16,268 | 11,567 | 217.1% | 345.9% |
| Average monthly financial volume | 1,017,371 | 321,660 | 193,579 | 216.3% | 425.6% |

[1] Amounts updated in accordance with the share split on January 12, 2010 (1:20).

* End of quarter; ** Small Cap index of BM&F Bovespa; Source: Economática.

On December 31, 2012, the Company shares closed at R$19.25, a market capitalization of approximately R$819.4 million. Referring to share performance, BHGR3 appreciated by 24.2% in 2012, in line with 26.2% appreciation of Small Caps Index (SMLLBV) and above Bovespa Index (IBOV), which appreciated by 7.4% in same period, as seen in the graph below.

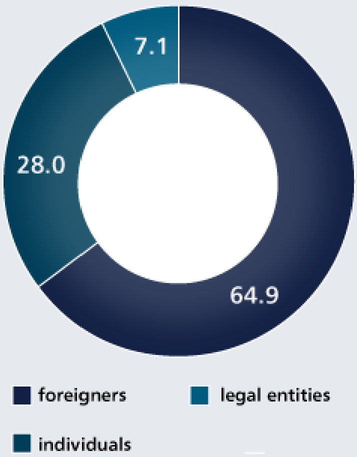



On December 31, 2012, the Company shares closed at R$19.25, a market capitalization of approximately R$819.4 million. Referring to share performance, BHGR3 appreciated by 24.2%

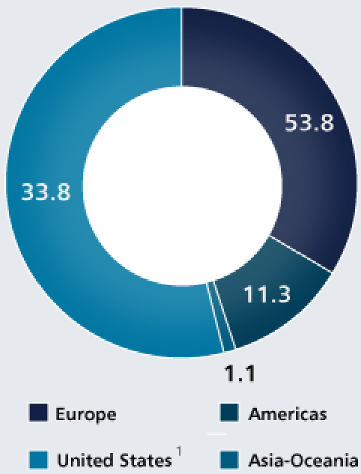
At the end of December 2012, the Company's controlling shareholders held 44.6% of equity interest. Excluding treasury shares and shares of Management and Board members, the Company's free float stood at 52.6%. Also excluding shareholders holding more than 5.0% of the Company's capital, BHG's effective free float at the end of the period was 27.8%, down 5.3 p.p. over 33.1% seen at the end of 3Q12. This decrease was mainly due to the inclusion of Banco Fator in the group of shareholders holding more than 5.0% of the Company's capital on November 28, 2012.


Referring to the profile of holders of outstanding shares of the Company, on December 31,2012, including shares in CBLC (Brazilian Clearing and Depository Corporation) and in books, foreign investors held approximately 14.5 million shares, including 5,800 shares of the Company's ADR Program, accounting for 64.9% of total free float.

**Shareholder Base Profile**




**Abroad**




[1] Includes shares from ADR Program

## Shareholder Compensation

The Board of Directors is responsible for defining and approving the distribution of dividends and/or interest on capital. The decision is based on the results presented in the annual - or half-annual - financial statements, and on factors, such as the Company's operating income, financial situation, need for funds, prospects, and other issues deemed relevant.

The Company's Bylaws establish that the mandatory dividend shall not, in each fiscal year, be less than 25% (twenty five percent) of the adjusted annual net income, as provided for in Article 202 of the Brazilian Corporation Law.

In view of performance in 2012 (see economic and financial results), income was allocated to the accumulated losses account, there being no profit retention or dividend distribution in the period.

# 11 Social and Environmental Responsibility

## Environment

BHG's commitment to the sustainable growth of its business also involves the adoption of strict environmental practices that seek to reduce the impact of its operations to the lowest possible level. The company makes it a priority to use equipment, materials and buildings which reduce consumption and, consequently, the use of natural inputs.

When selecting and engaging suppliers, the Company takes into account the vendors' commitment toward good social and environmental practices, and the same happens with the supply of textiles, cleaning material, glass, amenities and gas, among others. Waste sorting, selective collection and the correct destination of solid waste are also part of our hotels' routine and, whenever possible, the Company uses technologies such as solar heating and rainfall catchment systems.

In regard to greenfield projects, one of the main requirements when choosing a construction company, for example, is that it holds a certification in good environmental practices, adopts sustainable methods in construction sites and fully complies with the ISO 14001 standard and Resolution 307/2002 of the National Environment Council (Conama).

When taking over a hotel's management, some of the first measures adopted by BHG are those related to better usage of energy and water resources. Water flow control valves are installed with the aim of saving water in showers and faucets, and air conditioning system is technologically updated to eliminate the need for cooling towers, which are sources of considerable water loss.

Txai Resort in Itacaré (BA) applies modern technological resources in its operations, as well as leading regular awareness-raising initiatives targeting both the population of the surrounding areas and the community in general, with the purpose of increasing their commitment to the environment

Initiatives such as the replacement of conventional lamps for LEDs, renowned for their energy efficiency, the replacement of low yield equipment such as A/C units with economical equipment, and the campaigns to raise employees' awareness of the need to reduce consumption have all resulted in increasing energy savings. As an example, after two years investing in eco-efficiency a standard hotel under the Golden Tulip brand has achieved an average of 30% reduction in energy costs per room.

Txai Resort in Itacaré (BA) applies modern technological resources in its operations, as well as leading regular awareness-raising initiatives targeting both the population of the surrounding areas and the community in general, with the purpose of increasing their commitment to the environment. The resort conducts environmental education programs focusing on conservation, solid waste and environmentally friendly agricultural practices.

Considered a benchmark program, the Txaitaruga monitors daily, throughout the reproductive season, ten kilometers of shoreline to identify and protect turtles' nests in the region. The population, already aware of the issue, usually collaborates with the project by reporting when spawning takes place.

The Companheiros do Txai (Txai's Companions) project, carried out in a partnership with the Floresta Viva Institute, promotes actions such as selective waste collection, recycling workshops, composting, encouraging rational water consumption and beach cleaning, and currently has over 200 volunteers.

## Social Responsibility

BHG seeks to have a positive influence on the lives of people who live in the areas surrounding its hotels. As such, it encourages the harmonious integration between its employees and neighboring communities. Social projects such as Florescer, conducted in the Royal Tulip Rio de Janeiro's surroundings, allow the exchange of knowledge between the community and the hotel's employees, facilitating the participants' social inclusion process. This is a volunteer project and consists of carpentry, sewing, table-waiting, housekeeping, bakery and pastry workshops, among others. Each workshop is four months long, with a monthly course workload of 60 hours.

# 12 Corporate Data

**HEADQUARTERS**
BHG S.A. - BRAZIL HOSPITALITY GROUP
Rua Ramos Batista 444 - 10º andar
Vila Olímpia - São Paulo - SP
CEP 04552-020
http://www.bhg.net

**INVESTOR RELATIONS**
Officer: Ricardo Levy
IR Manager: Deborah Nunes
IR Analyst: Pedro Yagelovic
E-mail: ri@bhg.net

**INDEPENDENT AUDITORS**
Ernst & Young Auditores Independentes S/S

**BOOK-ENTRY SHARE SYSTEM**
Banco Itaú Unibanco S/A
Depositary Institution Center
Rua Lélio Gama, 105 – 38º andar
CEP 20031-080
Tel: 55 21 3808 3715

**TRADING MARKETS FOR BONDS AND SECURITIES**
São Paulo Stock Exchange ("Bolsa de Valores de São Paulo" or Bovespa)
Ticker: BHGR3
American OTC Market
Ticker: BZHGY

# 13 Credits

**In-house coordination**
Investor Relations

**Contents and text coordination**
MVL Comunicação

**Translation**
MZ Group

**Graphic Design**
MZ Group

**Photography**
BHG stock photos

BHG Brazil Hospitality Group