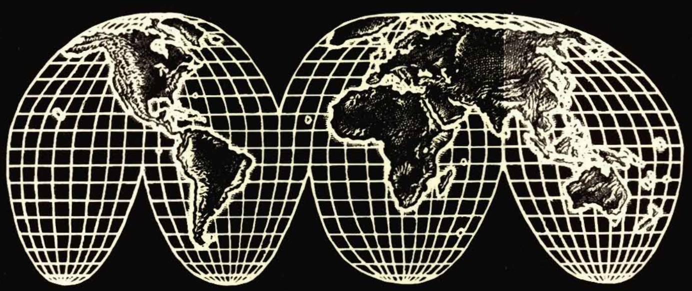
1992



45 HOTELS WORLDWIDE

Four Seasons Hotels Inc.

Annual Review

Company Profile

In 1992, Four Seasons Hotels Inc. acquired Regent International Hotels Limited and created the largest global network of five-star luxury hotels in the world.

Together, Four Seasons Hotels and Resorts and Regent International Hotels manage 45 medium-sized luxury hotels and resorts in major cities and destinations in 19 countries throughout North America, Australasia, the United Kingdom and Europe, including nine properties under development. Both names are recognised, world-wide, for the exceptional quality of their guest facilities, service and atmosphere.

The Company's income is derived partly from equity investments in properties under its management but primarily through the provision of management services under long-term contracts. The Regent acquisition brings 15 new contracts under the Company's management umbrella.

New Four Seasons hotels and resorts have recently opened in Milan and Bali, and a new Regent property has opened in London. New urban properties are under construction and development in New York, Singapore, Mexico City, Jakarta, Paris, Berlin and Prague. Resort properties are being developed in California and Hawaii.

Four Seasons Hotels · Resorts

REGENT® INTERNATIONAL HOTELS

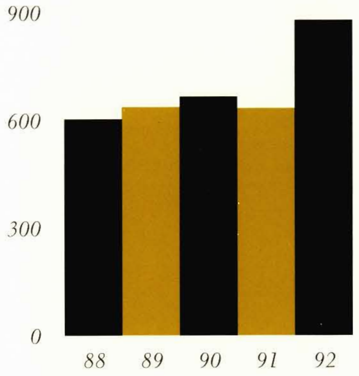
FINANCIAL HIGHLIGHTS

($ in millions except for per share amounts)	**1992**	1991	1990
Total revenues of all managed hotels	**$ 878.9**	631.0	666.1
Net earnings	**$ 7.7**	2.8	17.3
Earnings per share	**$ .32**	.13	.86
Cash provided by operations	**$ 8.7**	6.3	19.7
Debt-to-equity ratio, net of cash	**1.2**	.86	.54

Financial Highlights

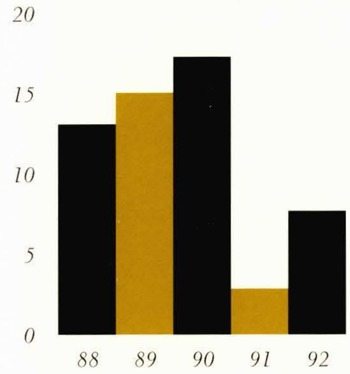
Revenues Under Managment

($ millions)



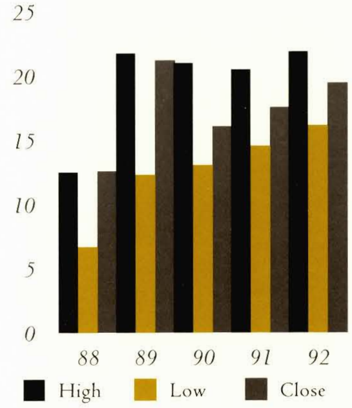
Net Earnings

($ millions)



Stock Price Range

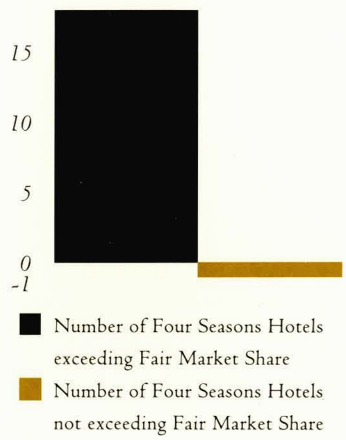
Adjusted to reflect the two-for-one stock split (January 8,1990)



Market Leadership

Four Seasons' and Regent's objectives are to have a leading market share in major markets and maintain their top-of-market brand leadership. In 1992, according to Smith Travel Research/Price Waterhouse, Four Seasons exceeded fair market share as compared to major competitors in 18 of 19 North American markets; as well, in over one-third of the hotels, Four Seasons increased its advantage over the prior year.

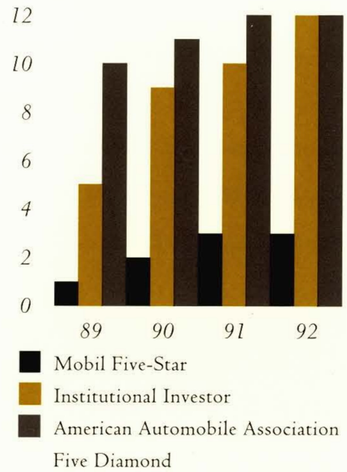
Number of Hotels exceeding Fair Market Share



Operational Strength

Four Seasons' and Regent's overriding objective is to operate the finest urban or resort hotel in each destination. In 1992, Four Seasons guest comment cards revealed we met or exceeded guest expectations 98% of the time. And, again in 1992, Four Seasons topped more prestigious awards lists than any other hotel company.

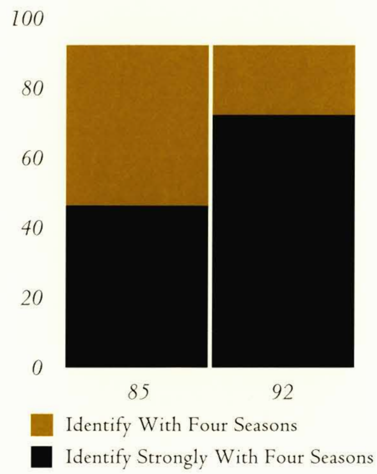
Industry Awards (Number of Awards)



Motivated People

Four Seasons' and Regent's objective is to maintain the industry's most motivated employee group, a factor inextricably linked to building customer value. In 1992, 92% of 2,500 employees surveyed expressed loyalty and pride in working for Four Seasons. Employees have identified positively with Four Seasons – over 90% every year – since the first survey in 1985. The increase in "strong identification" is especially significant in light of the Company's growth during the last few years.

Employee Motivation

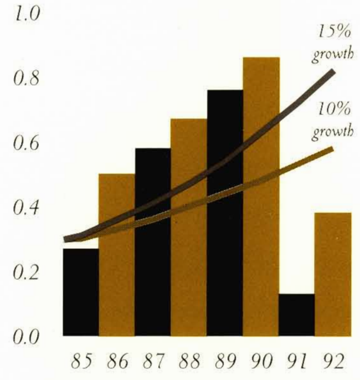


Earnings Growth

The cyclical nature of the hotel ownership segment has not always permitted year-to-year increases in reported earnings. However, with an increased emphasis on the hotel management business, and given normal industry conditions, Four Seasons' objective is to increase trend line earnings by 10% to 15% per annum from the fiscal 1985 base – the year prior to becoming a public company.

Earnings per Share

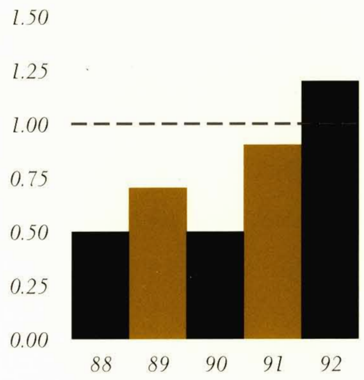
(Objective: 10-15% growth per annum in trend line EPS from 1985)



Leverage

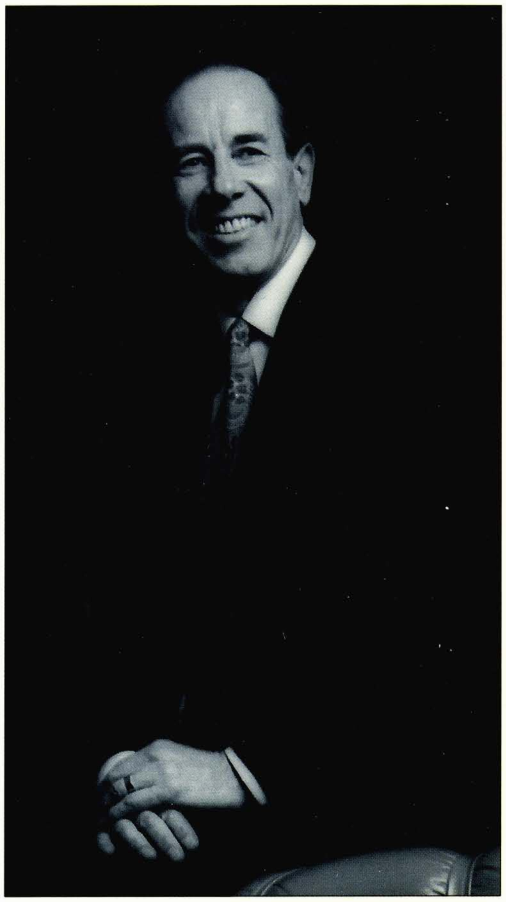
Four Seasons' long-term targeted debt-to-equity ratio, net of cash, is 1:1 or less. By establishing debt targets and using leverage, Four Seasons aims to maintain a strong financial position and a stable, cost-effective capital structure while, at the same time, ensuring financial flexibility and access to capital markets at reasonable cost.

Debt-to-equity Ratio



The harsh financial climate has shaken up our industry, world-wide. While negative economic cycles should be expected, the current recessionary turn has been broader, longer and deeper than anyone anticipated. For the Company, the past two years have been extremely difficult, and our results have suffered accordingly.

However, the very problems created by this economic situation also opened the door to a key opportunity, one that will make 1992 a watershed year for Four Seasons Hotels Inc. This opportunity was the acquisition of Regent International Hotels Limited.


Isadore Sharp, *Chairman and President*

The matching image and complementary geographic distribution of the Four Seasons and Regent properties would have been enough to make this a "once in a lifetime" opportunity. But the rationale for the acquisition was even more compelling.

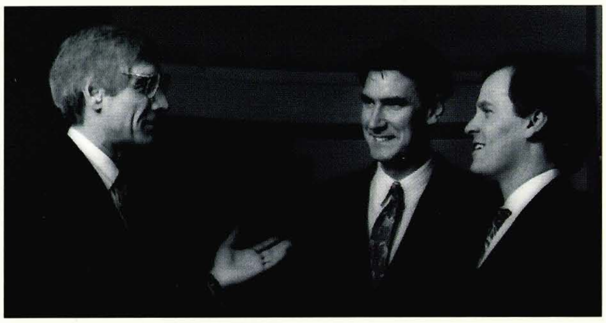
In a single move, it gave the Company international market coverage in the luxury hotel sector that might have taken more than a decade to achieve. The fifteen new management agreements acquired provide the Company with an immediate, substantial and consistent stream of management fees, as well as a springboard for many new management opportunities. All this comes at a critical time when our industry is under significant pressure, allowing the Company to take a giant step forward when many competitors are merely holding their own.

Left to right: John Sharpe, *Executive Vice-President;* John Young, *Senior Vice-President, Human Resources*

Furthermore, without taking on significant additional risks, the Company was able to diversify its real estate holdings by combining certain Regent and Four Seasons ownership positions. The Company now holds a minority interest in a larger and more globally diversified portfolio of luxury hotels and resorts. All are exceptional in quality, location and reputation – the foundations of long-term value.

BEING IN BUSINESS IS BEING PREPARED

The Company's conservative approach to business and financing throughout the late 1980s proved to be to our advantage with Regent. A strong balance sheet and capital base provided the financing capability to move, and move quickly, when the opportunity arose.



Left to right: Christopher Wallis, *Senior Vice-President, Design and Construction;* David Mongeau, *Senior Vice-President;* John Richards, *Senior Vice-President, Marketing*

While additional debt was incurred, the Company raised over $100 million in equity capital in 1992, and is well on its way to once again achieving its long-term, conservative debt-to-equity position.

But this was no ordinary acquisition. The seller was looking for the best package of organizational and management skills to add value to their important real estate assets. Although other bidders were involved, Four Seasons breadth of luxury hotel experience and associated depth of management and marketing expertise gave us an advantage no competitor could match.

BUILDING CUSTOMER VALUE

Looking after day-to-day business remains the Company's most important objective – focusing on today's customer needs, adapting to the future. In a service oriented business, the core of the company is the strength and skills of its people – at all levels of the organization.

Left to right: James Brown, *Senior Vice-President, Operations;* Roger Garland, *Executive Vice-President;* Douglas Ludwig, *Senior Vice-President, Finance*

The service our people provide is the very foundation of the superior reputations of both Four Seasons and Regent. Yet this asset is not owned; it remains here by choice. Our people are encouraged to participate, co-operate and contribute at every level – and are rewarded for their input. As a result, the Company's employees around the world have consistently found ways to build customer value while keeping costs down. Their continuing contribution is an invaluable aspect of the Four Seasons and Regent competitive edge.

BUILDING EQUITY DAY-TO-DAY

Four Seasons Hotels Inc. will continue its strategy of moving steadily on course, pursuing the growth of both brands in a manageable fashion. We are committed to a smooth, effective transition in which both organizations learn and benefit from one another.

Although our major goals have been achieved and the expectations on which the initial decisions were based have been validated, much remains to be done to further capitalize on our expanded market position.

Earnings do not yet fully reflect the benefits of the mid-August acquisition. The Four Seasons Hotel Milano, Four Seasons Resort Bali and The Regent London opened only in early 1993. Yet, all these properties have great strategic value for the future: The Regent London significantly increases brand awareness in a key international financial centre; the Four Seasons Milano makes an important contribution to the Company's European profile, as a complement to the Four Seasons London; and the Four Seasons Bali is a spectacular addition to the Company's resort group, and is the first Four Seasons resort to open in the Asian market.

When the Four Seasons Hotel New York opens in the spring of 1993, Four Seasons will have brand-name identification on a magnificent building in the most important business-generating market for hotels around the world. The Company's global reach and revenue base will continue to expand through the opening of properties under construction in Mexico City and Singapore, as well as Four Seasons and Regent properties under development in North America, Europe and Asia.

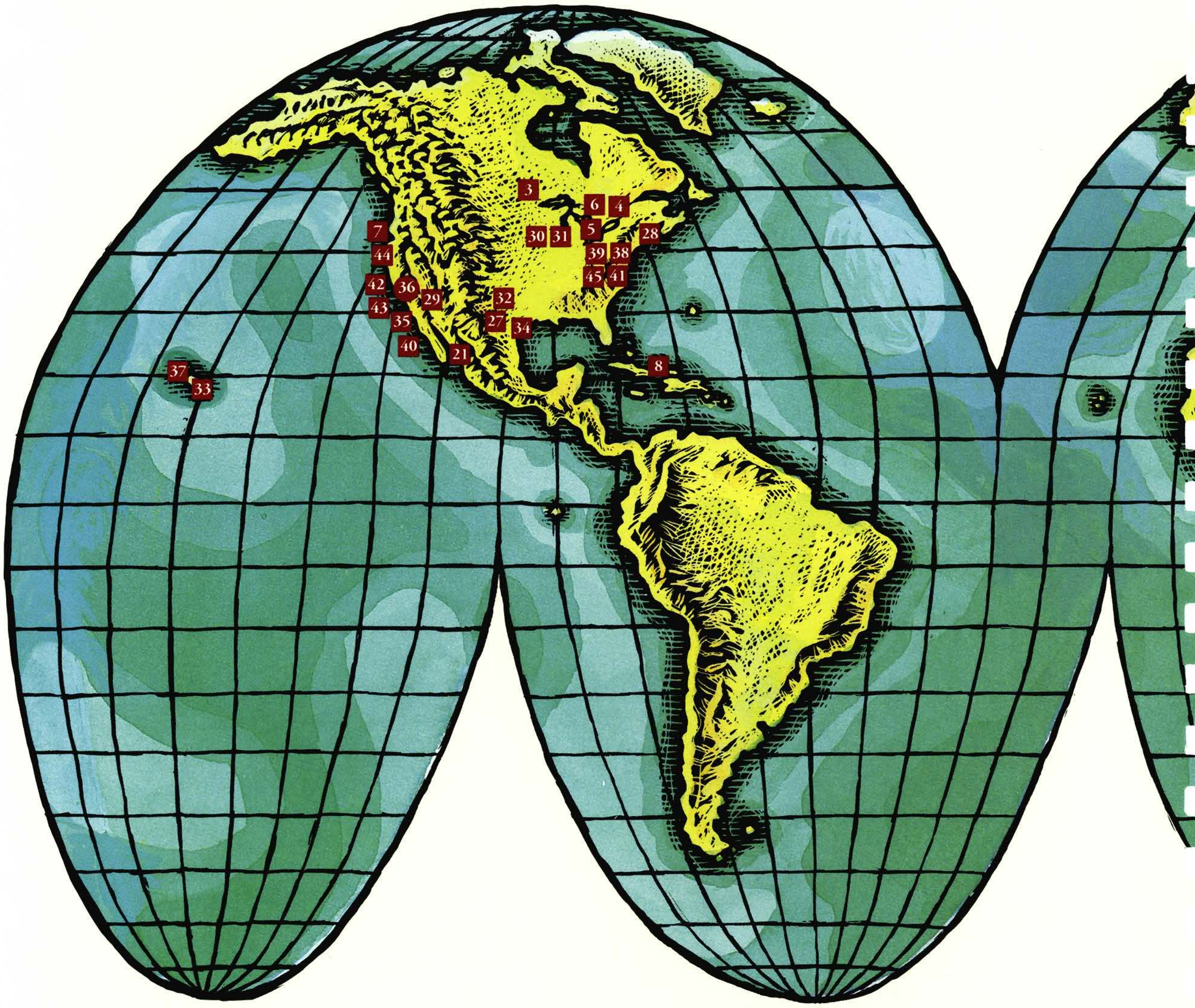
With the economic recovery happening, albeit slower than predicted, the Company is emerging from the worst economic downturn in our industry with unprecedented global presence in the luxury hotel segment. By doubling the size of our management business and balancing our exposure to real estate risk we have established a more stable, reliable revenue base. With these elements in place, we are confident of our ability to steadily improve profitability and sustain long term growth.

Isadore Sharp

Chairman and President

Four Seasons Hotels Inc.

Worldwide Distribution



AUSTRALIA

1 *Melbourne*

2 *Sydney*

CANADA

3 *Minaki, Minaki Lodge*

4 *Montreal, Le Quatre Saisons*

5 *Toronto*

6 *Toronto, Inn on the Park*

7 *Vancouver*

CARIBBEAN

8 *Nevis*

THE CZECH REPUBLIC

9 *Prague**

ENGLAND

10 *London*

11 *London*

FIJI

12 *Fiji*

FRANCE

13 *Paris**

GERMANY

14 *Berlin**

HONG KONG

15 *Hong Kong*

INDONESIA

16 *Jakarta**

17 *Bali*

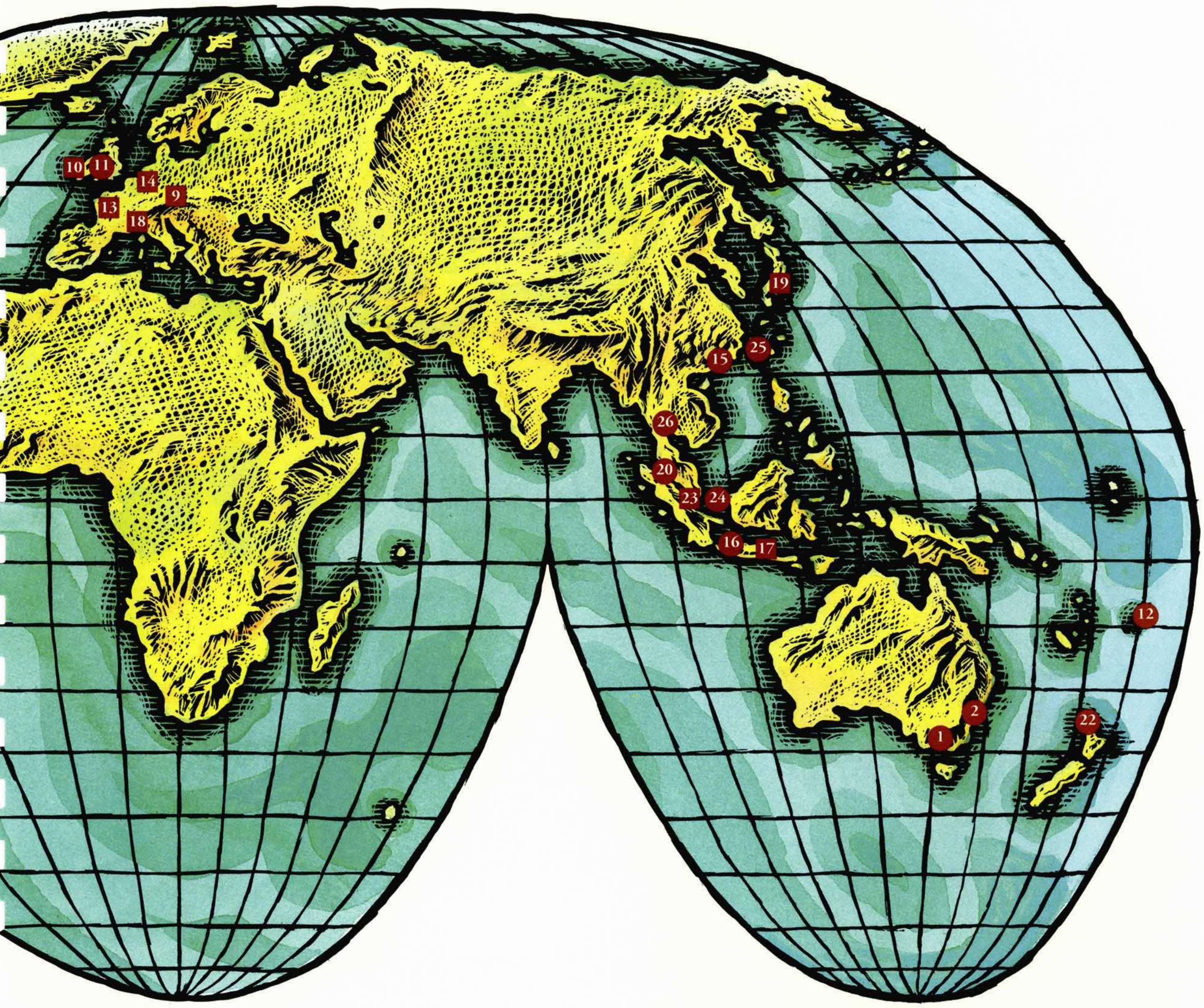
ITALY

18 *Milan*

JAPAN

19 *Tokyo*

■ Four Seasons Hotel ● Regent Hotel *Under Development



MALAYSIA

20 *Kuala Lumpur*

MEXICO

21 *Mexico City**

NEW ZEALAND

22 *Auckland*

SINGAPORE

23 *Singapore**

24 *Singapore*

TAIWAN

25 *Taipei*

THAILAND

26 *Bangkok*

UNITED STATES

27 *Austin*

28 *Boston*

29 *Carlsbad**

30 *Chicago*

31 *Chicago, The Ritz-Carlton*

32 *Dallas*

33 *Hawaii**

34 *Houston*

35 *Los Angeles*

36 *Los Angeles, The Regent Beverly Wilshire*

37 *Maui*

38 *New York**

39 *New York, The Pierre*

40 *Newport Beach*

41 *Philadelphia*

42 *San Francisco*

43 *Santa Barbara*

44 *Seattle*

45 *Washington, DC*

BUILDING GLOBAL DOMINANCE

The Regent transaction creates the largest global network of five-star hotels in the world and brings together two prestigious brand names which have each taken a generation to build.

The combination of Regent's 20 years of luxury-hotel leadership in Asia with Four Seasons' 30 years of success in the North American market produces an organization without equal in the industry. With 45 hotels in 19 countries, including 9 properties under development, Four Seasons Hotels Inc. is now the dominant player in the luxury hotel segment on both continents, with a foothold in Europe and a growing presence in the luxury resort market. The number of rooms under management will increase by nearly 60%, hotels under management by nearly 45% and revenues under management by over 55%. Asia is also anticipated to be the source of much of the world's travel growth in the '90s; the Regent deal permits the Company to capitalize on this market well ahead of schedule.

Conceptually, the transaction was very simple; Four Seasons Hotels Inc. acquired fifteen additional management agreements, the Regent International Hotels trademarks and trade names, and a 25% ownership interest in The Regent Hong Kong, one of the world's most successful hotels. In a parallel transaction, the Company formed a partnership with Hotel Investment Corporation (H.I.C.)

of Japan and exchanged its majority-owned real estate interests for a smaller stake in a larger, more geographically diverse group of Regent and Four Seasons properties.

The partnership, held 80.1% by H.I.C. and 19.9% by Four Seasons, now owns six Four Seasons-contributed hotels in Austin, New York, Santa Barbara, Toronto and Vancouver, and four H.I.C.-contributed hotels in Bali, Fiji, Milan and New York. Two others, The Regent Beverly Wilshire in Beverly Hills and The Regent Sydney, may also be contributed if requisite consents are obtained. The partnership's assets are of exceptional quality.

ACCELERATING STRATEGIC PLANS

The transaction dramatically accelerates the corporate strategy of the past ten years and places the primary focus for the Company's earnings dynamics on hotel management.

The newly acquired management contracts give the Company a considerable source of management fee revenue, the most profitable and stable source of earnings.

The growth in number of hotels under management has solidified the Company's position as the world's premier manager of luxury hotels and resorts, and will increase the value of the Four Seasons and Regent brand names world-wide. This global leadership will open the door to a wider variety of interesting international opportunities as the Company competes for new management contracts.

REINFORCING LEADERSHIP IMAGE

No two other luxury hotel operations could have provided such an exceptional fit for both parties, either through location or market position.

The reputations and operating philosophies of Regent and Four Seasons are highly compatible. Both operate within the same luxury market niche; both are recognized for value-driven service in the corporate and professional business sector; both are perceived as leaders.

Consumer and trade research as well as numerous industry awards support the consistent similarities between the brands. Together, Regent and Four Seasons account for twelve of the top 75 hotels in the world, as ranked by *Institutional Investor* magazine, more than triple that of any competitor. *Condé Nast Traveler*'s 1992 Readers' Choice Awards include fourteen Four Seasons and Regent hotels in its list of the world's Top 100 Travel Experiences. Three were listed among the Top 10 Hotels in the Americas and one was named among the Top 20 Mainland Resorts. In a 1993 survey, *Business Travel News* corporate travel and travel agency subscribers ranked Four Seasons and Regent number one and number two, respectively, among the top luxury hotel chains in the world.

INCREASING INDUSTRY COMPETITIVENESS

The Company is now positioned to serve more guests with more cost-effective systems than any competitor – not just today, but for the foreseeable future.

Through the acquisition of Regent, the Company has created a valuable business franchise without equal in the industry. Over the past few months, great strides have been made toward building a corporate sales and reservations network that will allow both brands to maximize the benefits of this increased market coverage. The cross-selling benefits of operating a fully global hotel chain cannot be over-emphasized.

The integrated sales and marketing organization – represented by 13 regional offices, as well as 200 local salespeople at 34 hotels, provide referrals for all Four Seasons and Regent properties throughout the world. Larger sales forces in Tokyo, London and Sydney, new offices in Frankfurt, Singapore and Hong Kong, and wider coverage in France, Switzerland and Scandinavia, are direct benefits of the integrated organization.

As a further means of more effectively securing global business, the Company also completely upgraded its international reservations network in 1992. This new system provides reservation service in the local language in all major European and Asian cities – a total of 22 locations world-wide. Although separate reservations numbers preserve the integrity and penetration of the individual brand identities, integration enables each hotel group to sell the other in cities or countries where it is not located – or to sell a second hotel in the same city if one is full.

Airline reservation systems are another key part of the Company's global distribution network. More than ever in the travel industry, hotel rooms are sold through the world-wide airline reservation networks; ease and certainty of booking are primary competitive considerations in travel agents' choice of hotel. The Four Seasons/Regent Integrated Reservations Network links the Company's world-wide reservation and sales offices with the airline booking systems through a single database. This enhances service to travel agencies and corporate callers around the world by giving them faster, more detailed access to hotel inventory – adding to their productivity without increased cost.

The Company's integrated sales organization and new reservations systems are competitive with the best currently available in the global luxury hotel market. Combined with a commitment to superior service levels, these technical and operational advantages place the Company at the forefront of global distribution capabilities.

ADDITIONAL FINANCIAL BENEFITS

A number of financial benefits made possible by the integrated organization set the stage for significant increases in shareholder value through normal growth in an improved economy.

The inclusion of the Regent properties creates a more equitable geographic balance for the Company, less exposed to economic cycles in a single region. Four Seasons projects that, by 1994, earnings before interest and taxes will be balanced between Australasia and North America, with Europe adding a growing earnings component.

Since the August 14th transaction closed, tremendous progress has been made in the process of maximizing the benefits of combining the two brands and organizations. They share expertise in hiring, training and motivational programs, and, together, provide more opportunities for employee growth. Major strides have also been made in eliminating duplication, permitting the more streamlined organization to combine higher revenues with lower marginal costs.

Cost base reductions made possible by economies of scale in categories such as design and construction, development, project management, finance, communications, purchasing, marketing and reservations are expected to further enhance the Company's financial results. 1993 will be a period for consolidating gains such as these and taking advantage of new opportunities as global economies improve.

A dramatically reborn 15th century monastery blends with contemporary Italian design in the financial and fashion heart of Milan. The Four Seasons Milano opened in March 1993.

Four Seasons Hotel Milano

FOUR SEASONS HOTELS AND RESORTS OPERATIONS

The events of 1992 brought about the largest one-time expansion in the world-wide Four Seasons brand profile, with four new hotels bearing the Four Seasons name: the Four Seasons Hotel Tokyo, the Four Seasons Resort Bali, Four Seasons Hotel Milano and the soon-to-open Four Seasons Hotel New York.

Heightening this impact, the decision was made to change the name of the Inn on the Park London to the Four Seasons Hotel London. This will strengthen the Four Seasons identity with European and Asian travellers, and build further brand awareness in anticipation of additional European developments.

In this regard, Four Seasons announced plans for new developments in Berlin and Prague. Targeted for mid-1996 opening, the planned 202-room hotel in East Berlin's historic central business district will be part of a 515,000 square foot office and retail complex. Four Seasons has also signed a letter of intent with the city of Prague to negotiate a land lease for a mixed-use luxury hotel development in downtown Prague, expected to be the finest complex of its kind in Eastern Europe.

Construction on Four Seasons hotels in Mexico City and Singapore continues, as do development activities on properties in

Robert Ramirez, Banquet Manager
Four Seasons Resort and Club, Dallas at Las Colinas

Four Seasons Resort Bali offers the indulgence and romance of separate sleeping, bathing and dining pavilions within 2,150 square foot private villas. The resort opened in January 1993.

Four Seasons Resort Bali

Four Seasons Hotel London

Completely refurbished in 1992, the former Inn on the Park London, to be renamed Four Seasons London in 1993, offers quiet elegance and warm personal service in the heart of Mayfair facing Hyde Park.

At Beverly Hills, the Four Seasons is all European grace, Beverly Hills style and relaxed California attitude, wrapped in perfumed, tropical gardens. Located in a quiet, residential oasis, it is just minutes from Rodeo Drive.

Four Seasons Hotel Los Angeles

FOUR SEASONS HOTELS AND RESORTS OPERATIONS

Paris, California and Hawaii. Consistent with its ongoing strategy, Four Seasons continues to pursue hotel developments in key international financial centres, particularly in Europe and Asia, while expanding the Four Seasons luxury resort portfolio throughout the world.

Again this year, Four Seasons hotels, both old and new, received consistently high recognition. Four Seasons hotels appeared more often than any other company on the selective lists of both the Mobil Five-Star Awards and, for the twelfth consecutive year, the American Automobile Association Five Diamond Awards.

In a string of firsts, the Four Seasons Resort Nevis became the first Caribbean resort ever to win the prestigious American Automobile Association Five Diamond rating. The facilities of the Four Seasons Tokyo, which opened only last year, were ranked first in Tokyo by the prestigious Nikkei Resort Magazine Awards. And Four Seasons is the winning hotel chain in the new *Zagat Survey* of frequent travellers.

In 1993, the growing Four Seasons group will strive to exceed past achievements and surpass the standards of excellence that are Four Seasons hallmarks – not just with award-granting bodies, but with the most important judges, Four Seasons guests.

Isabel Bartolemeu, Telecommunications Manager
Four Seasons Hotel London

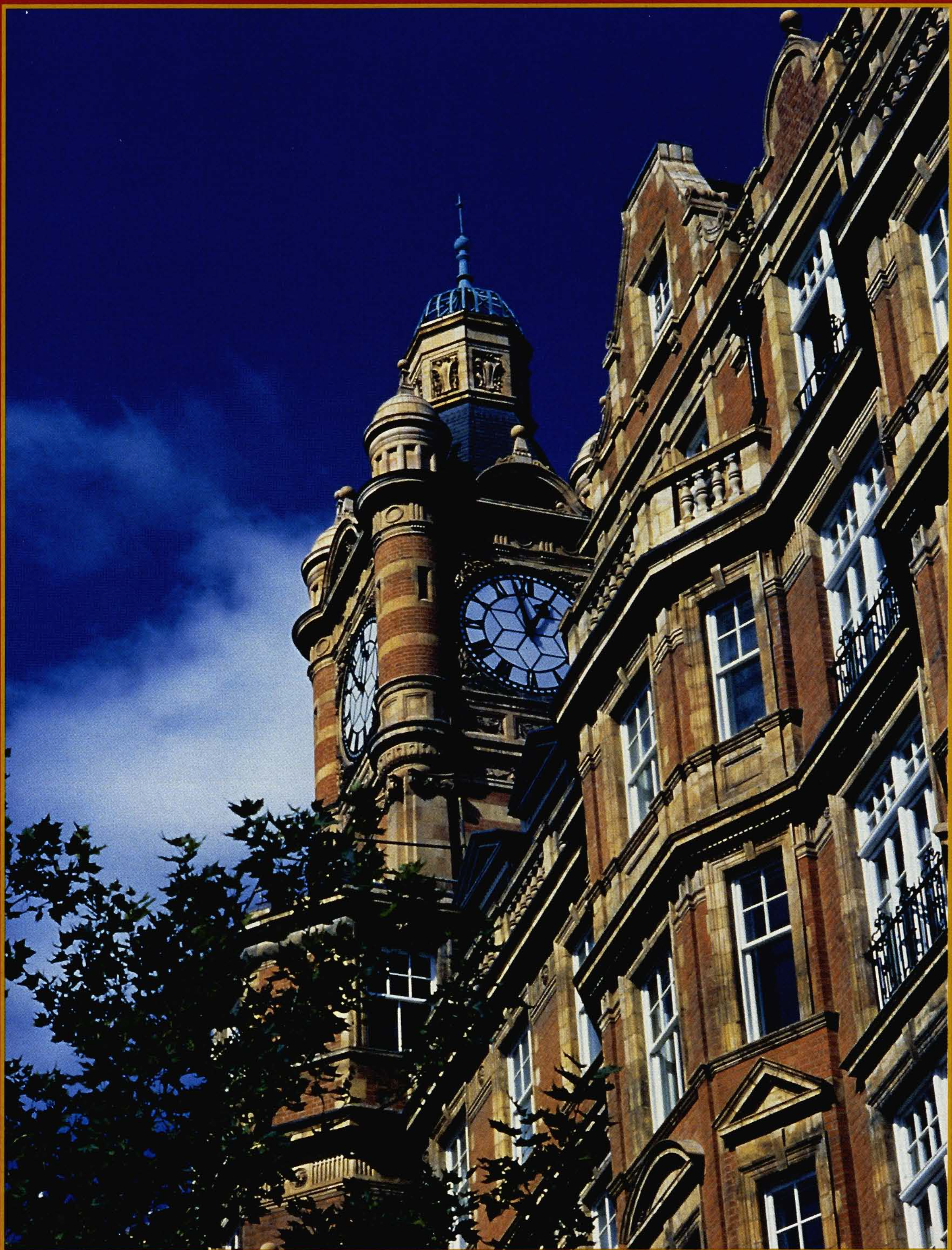
The Four Seasons renowned Pennsylvania Avenue address and prestigious Georgetown location have been enhanced by a graceful refurbishment which has maintained its traditional character and relaxed elegance.

Four Seasons Hotel Washington, DC

Four Seasons Hotel New York

Opening in May 1993, on 57th Street between Park and Madison Avenues, the I.M. Pei-designed Four Seasons New York provides the city its most spacious rooms and its most stunning views.

Situated between London's great Royal parks, the new Regent London, opened in 1992, integrates immaculately restored Victorian splendour with the facilities expected by today's international traveller.



The Regent London

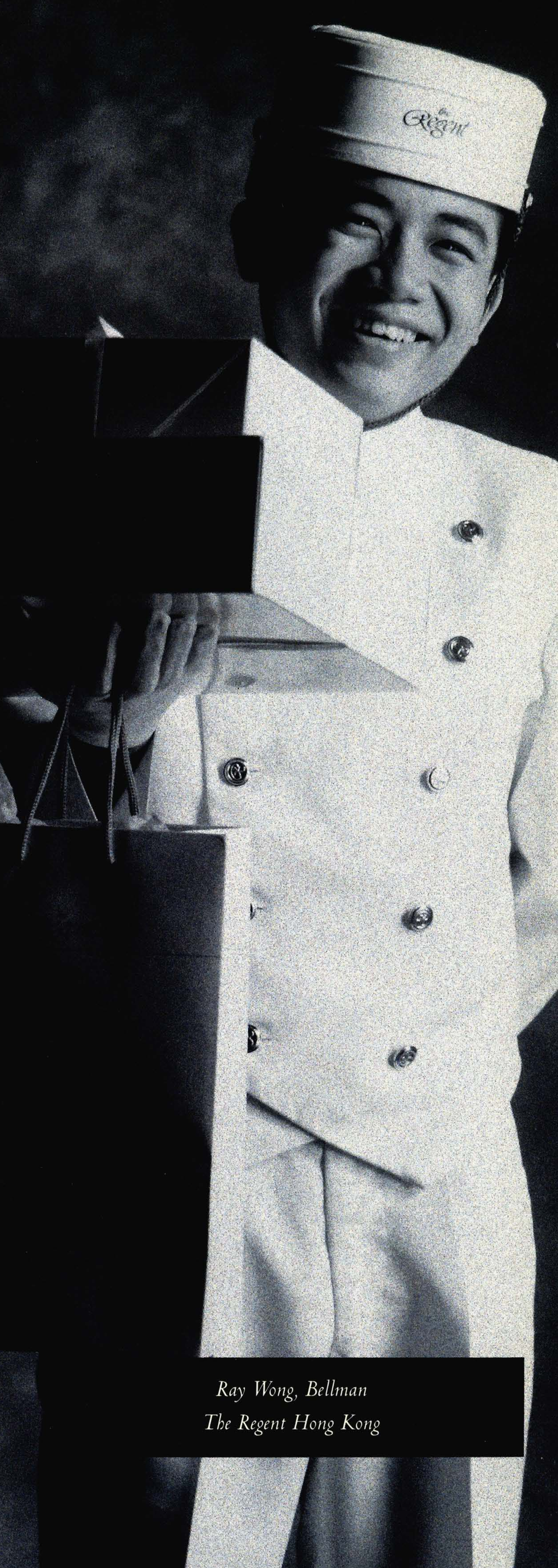
REGENT INTERNATIONAL HOTELS OPERATIONS

In August, Regent International Hotels' Hong Kong head office introduced its new President, Wolf Hengst. Mr. Hengst had been with Four Seasons since 1977, most recently as Area Vice-President for Four Seasons Hotels and Resorts in Eastern North America and Europe.

The primary objectives for Regent in the coming year are to provide the hotels in the Regent group with strong operational support, particularly in the areas of marketing, financial control and human resources. The ultimate goal is to improve the top line and profitability while never compromising the quality of service which has made Regent famous.

In 1992, Regent International Hotels continued its leadership in the Asian and South Pacific markets. The Regent Hong Kong and The Regent Bangkok both appeared in the Top Ten on both the *Condé Nast Traveler* Readers' Choice Awards for outstanding travel experiences and *Institutional Investor* World's

Wolf Hengst, *President*, Regent International Hotels



Ray Wong, Bellman
The Regent Hong Kong

Recently named best hotel in the world by Institutional Investor magazine, The Regent Hong Kong's one-of-a-kind waterfront location provides breathtaking views of Victoria Harbour.

The Regent Hong Kong

The Regent Singapore

A few minutes walk from the fashionable Orchard Road shopping and entertainment area, The Regent Singapore interprets the fresh, contemporary decor of the West with all new warmth, ease and style.

Hand-painted silk ceilings, intricately detailed artwork and the serenity and human scale of traditional Thai architecture make The Regent Bangkok's impressively scaled lobby the social heart of Bangkok's bustling core.

The Regent Bangkok

REGENT INTERNATIONAL HOTELS OPERATIONS

Best Hotels list. In fact, *Institutional Investor* named The Regent Hong Kong the number one hotel in the world for the second consecutive year.

This year also marked the opening of a new Regent hotel in London. This superlative property is Regent's first hotel in Europe and, as such, will create business opportunities for Regent properties in other international centres.

The Regent hotel in Jakarta, Indonesia, is currently on hold, pending arrangement of completion financing. The magnificent 397-room hotel is located in Jakarta's central business district and will be the nearest hotel to Jakarta's Embassy Row. The reputation of Regent International Hotels in Southeast Asia, combined with the clearly superior product quality of The Regent Jakarta, will set a new standard for luxury hotels in the region.

In the coming year, Regent management intends to build and expand upon its existing business relationships and continue its pattern of successful growth as an independent brand. Regent is actively pursuing new development opportunities, particularly in China, India, Thailand and Vietnam.

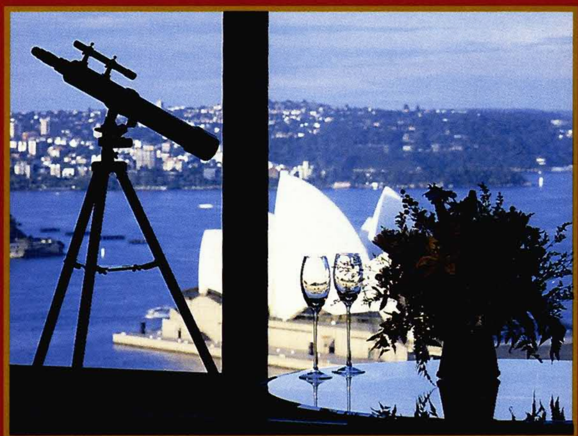
Mary Lau, Guest Relations Officer
The Regent Singapore

Offering contemporary luxury with classic appeal and expansive views, The Regent Auckland is New Zealand's leading hotel, situated one block from famed Waitemata Harbour.

The Regent Auckland

The Regent Sydney

Spectacularly located on Sydney Harbour in the city's historic Rocks area, The Regent Sydney overlooks one of the world's most recognised panoramas, Sydney Opera House and Harbour Bridge.



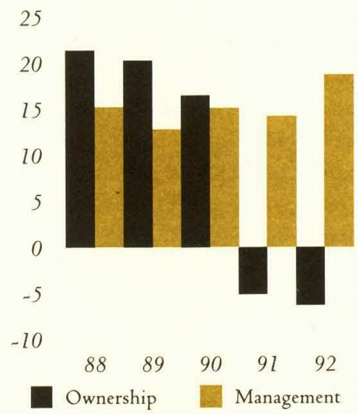
"Our hotels are beautiful. But they are just the package. The key element is inside; our people and our service. They are what our guests experience; they are, in essence, the product. Through them our guests walk away with a perception, good or bad.

In the final analysis, guests judge only the service, nothing else. This is where the battle is won, in every hotel, every day. Magnificent structures and elegant spaces are an essential part of what the Company offers – but only a part.

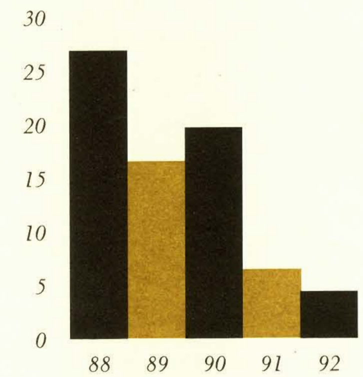
We recognise that providing exceptional day-to-day customer value – while maintaining acceptable levels of profit and growth – is the basis of our success."

Financial Review

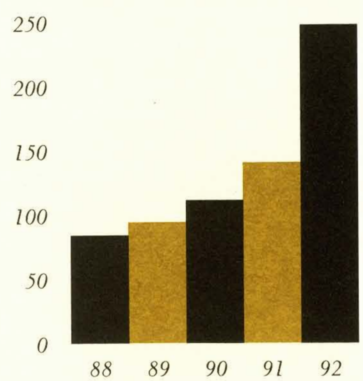
Earnings Before Other Operating Items, Interest and Taxes *($ millions)*



Cash Provided by Operations
($ millions)



Shareholders' Equity
($ millions)



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Four Seasons Hotels Inc. is responsible for the preparation and integrity of the financial statements and related financial information of the Corporation and the selection of accounting principles appropriate to the Corporation's circumstances. The consolidated financial statements, notes and other financial information included in the Annual Report were prepared in accordance with accounting principles generally accepted in Canada. The statements also include estimated amounts based on informed judgements of current and future events, for items such as the useful lives of capital assets and provisions for doubtful notes and mortgages receivable. These estimates are made with appropriate consideration of the materiality of the amounts involved. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management is also responsible for maintaining a system of internal controls and budgeting procedures which are designed to provide reasonable assurance that assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, and relevant and reliable financial information is produced. To augment the internal control system, the Corporation maintains a program of internal audits covering significant aspects of the operations.

The Corporation's Audit Committee is appointed by the Board of Directors annually. The Committee meets with the internal and independent auditors (who have free access to the Audit Committee) and with management, to satisfy itself that each group is properly discharging its responsibilities, and to review the financial statements, the independent auditors' report and other financial information appearing in the Corporation's annual report. The Audit Committee reports its findings to the Board of Directors for their consideration in approving the financial statements for issuance to the shareholders.

Peat Marwick Thorne, the independent auditors appointed by the shareholders of the Corporation, has examined the financial statements in accordance with generally accepted auditing standards.

Isadore Sharp
Chairman and President
March 29, 1993

H. Roger Garland
Executive Vice-President

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Four Seasons Hotels Inc. as at December 31, 1992 and 1991 and the consolidated statements of operations, cash provided by operations, changes in financial position and retained earnings for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and 1991 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada
March 29, 1993

Peat Marwick Thorne
Chartered Accountants

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 1992 and 1991
(In thousands of dollars except for per share amounts)

	1992	1991	
Total revenues of all managed hotels	$ 878,718	$ 631,023	HOTEL MANAGEMENT OPERATIONS
Fee revenues	$ 42,451	$ 34,849	
General and administrative expenses	(23,865)	(20,763)	
	18,586	14,086	
Revenues	93,099	137,365	HOTEL OWNERSHIP OPERATIONS
Distributions from hotel investments	1,845	—	
Expenses:			
Cost of sales and expenses	(97,736)	(136,945)	
Fees to Hotel Management Operations	(3,501)	(5,539)	
	(6,293)	(5,119)	
Earnings before other operating items	12,293	8,967	
Other operating items:			
Investment income	3,202	2,021	
Depreciation and amortization	(12,840)	(10,830)	
Recovery of loss from disposed hotels (note 2(e))	13,789	—	
Provision for loss on mortgages receivable (note 4)	(12,906)	—	
Earnings from operations	3,538	158	
Interest income (expense), net (note 11(f))	(8,604)	40	
Earnings (loss) before taxes	(5,066)	198	
Income tax (expense) recovery (note 13):			
Current	(875)	125	
Deferred	13,662	2,514	
	12,787	2,639	
Net earnings	$ 7,721	$ 2,837	
Earnings per share	$ 0.32	$ 0.13	

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 31, 1992 and 1991 (In thousands of dollars)	1992	1991
ASSETS		
Current assets:		
Cash and short-term investments	$ 15,704	$ 27,689
Receivables (note 3)	37,190	34,123
Inventory	625	2,238
Prepaid expenses	1,712	2,972
	55,231	67,022
Notes and mortgages receivable (note 4)	44,051	54,083
Investments in hotel partnerships (note 5)	231,474	27,475
Assets held for sale (note 6)	—	56,937
Fixed assets (note 7)	72,176	107,188
Investment in management contracts (note 8)	113,464	5,187
Investment in trademarks and trade names (note 9)	74,705	100
Deferred income taxes	2,467	—
Other assets (note 10)	17,110	19,586
	$ 610,678	$ 337,578
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 11(c))	$ 10,198	$ 35,859
Accounts payable and accrued liabilities	57,026	34,332
Long-term debt due within one year	3,699	604
	70,923	70,795
Long-term debt (note 11)	291,995	112,532
Deferred income taxes	—	14,704
Shareholders' equity (note 12):		
Capital stock	169,882	66,913
Contributed surplus	4,784	4,784
Retained earnings	79,280	74,280
Equity adjustment from foreign currency translation	(6,186)	(6,430)
	247,760	139,547
Commitments and contingencies (notes 2 and 14)		
	$ 610,678	$ 337,578

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Isadore Sharp
Director

Benjamin Swirsky
Director

CONSOLIDATED STATEMENTS OF CASH PROVIDED BY OPERATIONS

Years ended December 31, 1992 and 1991(In thousands of dollars)	1992	1991
CASH PROVIDED BY (USED IN) OPERATIONS		
HOTEL MANAGEMENT OPERATIONS		
Earnings before other operating items	$ 18,586	$ 14,086
Items not requiring an outlay of funds	1,135	876
Working capital provided by Hotel Management Operations	19,721	14,962
HOTEL OWNERSHIP OPERATIONS		
Loss before other operating items	(6,293)	(5,119)
Items not requiring (providing) an outlay (inflow) of funds	(2,055)	689
Working capital used in Hotel Ownership Operations	(8,348)	(4,430)
	11,373	10,532
Investment income	1,782	470
Interest income (expense), net	(8,604)	40
Current income tax (expense) recovery	(875)	125
Working capital from operations	3,676	11,167
Change in non-cash working capital	720	(4,905)
Cash provided by operations	$ 4,396	$ 6,262

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

CASH PROVIDED BY (USED IN)

Years ended December 31, 1992 and 1991 (In thousands of dollars)	1992	1991
Operations	$ 4,396	$ 6,262
Financing:		
Long-term debt, including current portion:		
Issued	181,720	100,000
Repaid	(28,166)	(28,721)
Issuance of shares (note 12)	102,969	28,585
Other	(2,097)	(1,118)
Cash provided by financing	254,426	98,746
Capital investments:		
Increase in notes and mortgages receivable	(23,477)	(29,585)
Decrease in notes and mortgages receivable	11,761	1,515
Hotel investments	(161,515)	(7,909)
Investment in Regent (note 2(a))	(159,941)	—
Investment in trademarks and trade names	(2,350)	—
Assets held for sale	—	(26,642)
Disposal of assets held for sale	49,823	—
Disposal of hotels	60,709	—
Purchase of fixed assets	(14,005)	(21,500)
Other assets	(1,717)	(5,838)
Cash used in capital investments	(240,712)	(89,959)
Dividends	(2,721)	(2,441)
Increase in cash	15,389	12,608
Decrease in cash due to unrealized foreign exchange loss	(1,713)	(163)
Cash and short-term investments less bank indebtedness, beginning of year	(8,170)	(20,615)
Cash and short-term investments less bank indebtedness, end of year	$ 5,506	$ (8,170)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 1992 and 1991 (In thousands of dollars)	1992	1991
Retained earnings, beginning of year	$ 74,280	$ 73,884
Net earnings for the year	7,721	2,837
Dividends	(2,721)	(2,441)
Retained earnings, end of year	$ 79,280	$ 74,280

See accompanying notes to consolidated financial statements.

Four Seasons Hotels Inc. is incorporated under the Business Corporations Act of the Province of Ontario and, through its subsidiaries, is engaged in the management of, and the investment in, hotel and resort properties throughout the world. (Four Seasons Hotels Inc. and its subsidiaries are collectively referred to as the "Corporation".)

On August 14, 1992, the Corporation acquired all of the outstanding shares of Regent International Hotels Limited ("Regent") from Hotel Investment Corporation ("HIC"), a Japanese corporation. Regent is a Hong Kong based corporation which is in the business of managing luxury hotels, predominantly in Asia. Contemporaneously, the Corporation formed a group of partnerships (referred to collectively as "FRA Properties") with HIC to which each partner has contributed or will contribute its ownership interest in certain hotels.

At December 31, 1992, and taking into account the transactions referred to above, the Corporation managed 34 hotels and had 11 hotels under development, of which the Corporation had an equity interest in 17 hotels under management and 7 hotels under development. The Corporation earns management and other related fees under long-term management contracts based generally on a percentage of total revenues of the managed hotels. A number of management contracts are subject to certain performance tests which if not met could allow a contract to be terminated prior to its maturity. The Corporation generally has various rights to cure any such defaults to avoid termination.

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's accounting policies and its standards of financial disclosure comply with accounting principles that are generally accepted in Canada. The significant accounting policies are summarized below.

(a) **Principles of consolidation:**

The Corporation consolidates all of its wholly-owned subsidiaries, including its primary operating subsidiaries – Four Seasons Hotels Limited and Regent.

The Corporation also consolidates its wholly-owned hotel – Four Seasons Minaki Lodge – and proportionately consolidates its hotel joint ventures – the Ritz-Carlton Hotel, Chicago (25%) and the Four Seasons Hotel, London (50%).

During 1991, and until their disposition on August 14, 1992, the Corporation also consolidated its wholly-owned hotels in Toronto, Vancouver and The Pierre Hotel, New York (notes 2(b) and 2(e)).

(b) **Accounting for Investments in Hotel Partnerships:**

The Corporation accounts for its investment in notes and mortgages receivable and capital of FRA Properties on the cost basis (FRA Properties owns controlling interests in ten hotels – notes 2(b) and 2(e)). The Corporation recognizes revenue on its investment in the capital of FRA Properties when distributions are received from the partnership. Interest revenue is recognized on notes and mortgages receivable from FRA Properties in accordance with the terms of the related debt instruments and the terms of the FRA Properties partnership agreements.

Investments in other partnerships and corporations that own or lease the following hotels are accounted for by the cost method because the percentage ownership does not give the Corporation significant influence:

The Regent Hotel, Hong Kong	25%
Four Seasons Hotel, Boston	15%
Four Seasons Hotel, Philadelphia	5%
Four Seasons Hotel, Washington D.C.	15%
Four Seasons Hotel, Chicago	7.7%
Four Seasons Olympic Hotel, Seattle	3.35%
Four Seasons Resort, Nevis	15%
Four Seasons Resort Aviara, Carlsbad, California (under construction)	5%
Four Seasons Hotel, Paris (under development)	*
Four Seasons Hotel, Berlin (under development)	*
Four Seasons Hotel, Prague (under development)	*

*Equity interest is not yet finalized.

The Corporation recognizes revenue on its investment in these partnerships and corporations when profit distributions are received from the partnerships or corporations.

In the event of a decline in the value of an investment in the equity or debt of a hotel partnership or corporation which is other than temporary, the investment is written down to the estimated recoverable amount.

(c) Translation of foreign currencies:

Foreign currency balances are translated into domestic currencies at the rates of exchange on the balance sheet date for monetary items, and at the rates of exchange on the date of transaction for non-monetary items. Revenues and expenses are translated at the rates in effect during the year, except for fees hedged by foreign exchange forward contracts, which are translated at the contract rates. The resulting gains or losses are included in the determination of net income, except for gains or losses related to long-term monetary items which are deferred and amortized on a straight-line basis over their ascertainable lives, and gains or losses related to monetary items that are designated as hedges of investments in self-sustaining foreign operations which are deferred and included in a separate component of shareholders' equity.

The financial statements of foreign investments, which are designated as self-sustaining operations, are translated into Canadian dollars as follows:

(i) Assets and liabilities at rates of exchange on the balance sheet date.

(ii) Revenue and expense items at average rates of exchange in effect during the year, except for hotel net revenues which are hedged by foreign exchange forward contracts, in which case the net revenues are translated at the contract rates.

The resulting exchange gains and losses are deferred and included as a separate component of shareholders' equity.

(d) Capital assets:

Land, buildings, furniture, fixtures, equipment and leasehold interests and improvements are recorded at cost less accumulated depreciation and amortization.

Hotel operating equipment which includes linen and tableware is valued at the lower of average cost and replacement cost, and is charged to operations as consumed.

Trademarks, trade names and management contracts are recorded at cost less accumulated amortization. Cost includes amounts paid to third parties to acquire the trademarks, trade names and management contracts, and out-of-pocket expenditures directly related to the acquisition of these intangible capital assets.

(e) **Depreciation and amortization of capital assets:**

Depreciation of buildings is recorded on a straight-line basis over forty years.

Depreciation on furniture, fixtures and equipment is recorded on a straight-line basis at rates which will fully depreciate the assets over their estimated useful lives. The estimated composite useful lives for furniture, fixtures and equipment range from 5 to 10 years.

Amortization of leasehold interests and improvements is recorded on a straight-line basis over the term of the lease.

The costs allocated to trademarks and trade names are being amortized on a straight-line basis over a forty-year period.

The costs allocated to management contracts acquired as part of the acquisition of Regent (note 2 (a)) are being amortized over the remaining terms of the contracts (assuming the exercise of all renewal options), using an increasing charge method of amortization which matches amortization expense with projected fees from the management contracts. The deferred charges associated with new management contracts developed by the Corporation are amortized on a straight-line basis over a ten-year period commencing when the hotel is opened.

(f) **Deferred charges:**

The Corporation defers expenditures directly relating to the negotiation, structuring and execution of new hotel contracts. When the hotel is opened, these deferred charges are reclassified to "Investment in management contracts". If the project is abandoned, any deferred charges are written off.

The Corporation also defers expenditures, including salaries and benefits, directly relating to the pre-operating phase of developing its hotel management operations in new geographic areas. Amortization of deferred development costs is recorded on a straight-line basis over 10 years beginning when the first hotel is opened in the new geographic area.

(g) **Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

2.

ACQUISITION OF REGENT INTERNATIONAL HOTELS LIMITED AND HOTEL PARTNERSHIP INTEREST

(a) **Regent acquisition:**

The purchase price for all of the outstanding shares of Regent was US$122 million, subject to certain adjustments in favour of the Corporation. Specifically, the Corporation and HIC have agreed that Regent's net liabilities on closing, as well as certain transition related costs that were incurred after closing (collectively, the "net liabilities assumed"), will be funded equally by the Corporation and HIC. As at August 14, 1992, the net liabilities assumed amounted to US$16.2 million, of which the Corporation's share is US$8.1 million. HIC's share of the net liabilities assumed was placed in escrow and is available to the Corporation to draw upon as and when liabilities become due and payable.

Further adjustments will be made to the purchase price if, among other matters: (i) management of The Regent Hotel, Sydney is terminated in certain circumstances after January 1, 1994 and prior to August 14, 2002; (ii) HIC does not contribute ownership of The Regent Beverly Wilshire Hotel, to FRA Properties by August 13, 1993 or a US$50 million renovation program in respect of that hotel is not commenced within that period; and (iii) upon completion of post-closing due diligence, it can be shown that the value of Regent's investment in The Regent Hotel, Hong Kong leasehold interest is less than US$20 million (limited to a maximum adjustment of US$3 million). The payment of these purchase price adjustments is secured by letters of credit.

The acquisition of Regent has been accounted for using the purchase method of accounting for business combinations. Accordingly, the Corporation commenced the consolidation of the results of operations of Regent on August 14, 1992. The purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed at their fair values.

The accounting for the acquisition of Regent is summarized as follows:

Consideration:	
Share purchase price	$ 145,424
Estimated transaction costs	14,517
Total cost of acquisition	159,941
Net liabilities assumed:	
Total tangible assets	11,436
Total liabilities	(15,407)
Estimated Regent transition related costs	(15,345)
Net liabilities assumed	(19,316)
Less amount funded by HIC	9,658
The Corporation's portion of net liabilities assumed	(9,658)
Provision for contingencies	17,880
Purchase price discrepancy	$ 187,479
Management has allocated the purchase price discrepancy to the following assets:	
25% interest in The Regent Hotel, Hong Kong	$ 17,459
Regent trademark and trade names	66,814
Management contracts acquired	103,206
	$ 187,479

(b) **Acquisition of investment in FRA Properties:**

The Corporation contributed its ownership interest in the Four Seasons Hotels in Austin (100% interest) and Santa Barbara (50% interest), and its leasehold interests in Vancouver, Toronto and The Pierre Hotel, New York (all 100% interests) to FRA Properties.

The Corporation also negotiated the contribution to FRA Properties of the Inn on the Park Hotel, Toronto with Tengis Limited ("Tengis"), an associate of the Corporation. In consideration, FRA Properties assumed certain debt owed by Tengis to a Canadian chartered bank and settled a portion of the advances made by the Corporation to Tengis (note 14 (b)(ii)).

As consideration for these transfers, the Corporation received notes and mortgages receivable from FRA Properties ("FRA Mortgages"), the majority of which are secured by certain of the properties transferred by the Corporation to FRA Properties, and preferred capital in FRA Properties. In addition, the Corporation owns a 19.9% limited partnership interest in FRA Properties and 19.9% of the outstanding shares in the General Partner of FRA Properties (note 5(a)).

HIC contributed to FRA Properties its ownership interest in its hotels in Fiji (90% interest), Milan (100% interest), New York (75% interest) and Bali (70% interest). As well, upon obtaining requisite consents of other third party owners, and subject to certain conditions, HIC may contribute two additional hotels: The Regent Hotel, Sydney (50% interest) and The Regent Beverly Wilshire Hotel (67% interest). HIC is to use reasonable efforts to obtain such consents.

As consideration for these transfers, HIC received FRA Mortgages from FRA Properties (the majority of which are secured by certain of the properties transferred by HIC to FRA Properties) and preferred capital in FRA Properties. In addition, HIC owns an 80.1% limited partnership interest in FRA Properties and 80.1% of the outstanding shares in the General Partner of FRA Properties.

The Corporation and HIC have entered into a unanimous shareholders' agreement in respect of the General Partner of FRA Properties with the effect that HIC has the ability to exercise control over FRA Properties, subject to certain minority safeguards in favour of the Corporation.

(c) **The Corporation's and HIC's funding commitments to FRA Properties:**

Until December 31, 1996, each partner will be responsible for the development, opening and stabilization costs (including operating cash deficiencies, normal capital refurbishing and major renovation programs) of the hotel properties contributed to FRA Properties. For HIC, this includes the costs to complete the construction, equipping and furnishing, together with the pre-opening and working capital funding, of its hotels in Bali, Fiji, Milan and New York. If The Regent Beverly Wilshire Hotel is contributed to FRA Properties, HIC must fund the renovation programs at The Regent Beverly Wilshire Hotel. The Corporation committed to complete major renovation programs at its contributed hotels by December 31, 1996. As at December 31, 1992, approximately US$22 million remains to be contributed by the Corporation to FRA Properties as FRA Mortgages and preferred capital, to satisfy this commitment. In the case of operating cash deficiencies, funds will be advanced as "Stabilization Loans Receivable" (note 5 (a)).

With effect from January 1, 1997, provided FRA Properties is not terminated (as discussed below), the funding commitments of the Corporation and HIC terminate, and FRA Properties will assume substantially all cash costs of the hotel properties, including debt service and lease payments, on a non-recourse basis to the partners.

(d) **Key terms of the Partnership Agreements:**

FRA Properties is governed by partnership agreements dated August 14, 1992, which contain the terms governing the distribution of cash flow and proceeds from the disposition of properties. As controlling partner, subject to certain limits, HIC will have the right to control the timing of property dispositions. The Corporation has a right of first offer in respect of any such property dispositions. HIC cannot cause the disposition of any of the Corporation's contributed properties prior to January 1, 1997 (or thereafter if such property is contributing positive cash flow to FRA Properties) for consideration less than a specified minimum price without the consent of the Corporation.

The partnership agreements also contain various remedies available to the partners if the contributed properties do not perform at the levels, or achieve the values, originally anticipated. These remedies include the right by either partner to cause the termination of FRA Properties in certain limited circumstances. The first such right is exercisable in 1997 and is based upon performance of the contributed properties of the other partner in the financial year ending December 31, 1996. The partner whose contributed properties are not achieving the requisite level of performance based on net operating profit can, in certain instances, avoid the termination of FRA Properties by restructuring the debt in respect of its contributed properties or withdrawing certain properties from FRA Properties.

If FRA Properties is not terminated in 1997, the Corporation is required to make a capital contribution to FRA Properties of a prescribed amount not to exceed US$6.4 million, subject to reduction upon the prior disposition of any HIC-contributed hotels.

Commencing in 1997 and ending in 2002, HIC has the unilateral right, upon payment to the Corporation of a prescribed amount – US$10 million in 1997 and declining to US$5 million in 2002 – to cause FRA Properties to be terminated if the Corporation's contributed properties do not, as a group, contribute net operating profit to FRA Properties (determined on the basis of a two-year average). The Corporation has the right to avoid termination of FRA Properties during the period from 1997 to 2002 on the same basis that is applicable for the 1997 termination right discussed above.

In the event of the termination of FRA Properties, ownership of the properties that it contributed (and that have not been disposed of by such date) will revert to the Corporation, and the Corporation will retain its role as manager of the hotels then owned by FRA Properties.

The transfer or sale by HIC and the Corporation of their interests in FRA Properties is restricted during the period ending December 31, 1996.

(e) **Accounting for the investment in FRA Properties:**

Due to the control over FRA Properties that is exercisable by HIC, subject only to customary minority protection afforded to the Corporation, management has concluded that the Corporation does not have the ability to exercise significant influence over the strategic operating, financing and investing policies of FRA Properties. Accordingly, the Corporation has accounted for its investment in FRA Properties on the cost basis.

This transaction also represents the disposal by the Corporation of its 100% interests in its hotels in Toronto, Vancouver, Austin and The Pierre Hotel, New York, and its 50% interest in the Four Seasons Biltmore Resort, Santa Barbara. These hotel investments represented a substantial portion of the Corporation's Hotel Ownership segment. Due to the absence of cash consideration, the net gain on the disposed hotels has been deferred. The deferred net gain will be recognized, pro rata, as cash proceeds are received by the Corporation from the redemption, by FRA Properties, of preferred capital of FRA Properties.

The Corporation's Board of Directors authorized management to implement the formal plan to transfer these hotel investments to FRA Properties in early January, 1992 (the "measurement date"). The Corporation fully consolidated the results of operations of the hotels in Toronto, Vancouver and The Pierre Hotel, New York in the Corporation's Hotel Ownership Operations in its Consolidated Statements of Operations from the measurement date to August 14, 1992, the date of disposition. (The Corporation's investments in the hotel in Austin and its 50% interest in the Four Seasons Biltmore Resort, Santa Barbara were being accounted for as "Assets held for sale" through to August 14, 1992 – note 6.) However, the Corporation also reversed the net losses of these three consolidated hotels for this period ("Recovery of loss from disposed hotels" in the Consolidated Statements of Operations) and included them in the calculation of the deferred net gain on disposal of these hotels.

RECEIVABLES

3.	1992	1991
Trade accounts	$ 1,479	$ 9,822
Receivable from hotel partnerships, affiliates and managed hotels	19,761	14,638
Other	15,950	9,663
	$ 37,190	$ 34,123

NOTES AND MORTGAGES RECEIVABLE

4.	1992	1991
Secured loans:		
Due from directors, officers and employees, non-interest-bearing notes and mortgages	$ 3,121	$ 3,686
To managed hotels, secured by the related hotel property, at rates varying between LIBOR + 1% and 12%, including US$29,751 (1991 – US$13,750)	37,861	15,938
To a company owned by certain shareholders of the Corporation (note 14 (b)(ii)), interest at prime + 1/2%, including US$902 (1991 – US$208)	6,159	5,281
Unsecured loans:		
To a hotel under development, interest at US prime + 1%, US$9,281 (1991 – US$7,428)	11,810	8,594
To managed hotels at rates varying between prime + 1/2% and prime + 1%, including US$2,501 (1991 – US$11,950)	7,948	22,341
	66,899	55,840
Provisions for doubtful notes and mortgages	(22,848)	(1,757)
	$ 44,051	$ 54,083

During the year ended December 31, 1992, the Corporation made loans and advances of approximately $11.0 million (1991 – $13.3 million) to various managed hotels (excluding FRA Mortgages, which are included in "Investments in hotel partnerships" – note 5) pursuant to its contractual obligations to fund certain hotel renovation programs and operating cash flow requirements. Loans to managed hotels earn market interest rates and are generally payable out of operating cash flow from the hotel or on the sale or refinancing of the hotel or upon termination of the relevant management contract.

Due to the continuing negative impact of current economic conditions on the hotel industry, there is some uncertainty regarding the timing and form of realization of these loans. The Corporation continues to believe that these loans can be realized upon a return to more normal market conditions and that a material loss should not occur, except with respect to loans and advances discussed in the following paragraph.

As at December 31, 1992, the Corporation has outstanding advances of approximately US$9.3 million (1991 – US$7.4 million) to a hotel under development, where construction has been suspended pending the arrangement of permanent financing for the project. In addition, the Corporation has made advances to other managed hotels totaling approximately $37.1 million as at December 31, 1992, on which interest is not being received by the Corporation and/or where there is significant doubt about the ability of the borrower to fully repay the amounts due to the Corporation. During 1992, the Corporation concluded that there was increasing risk that it could suffer a loss on these loans; accordingly, the Corporation increased the provision for possible loss on the principal amount of these loans by $12.9 million. The Corporation also discontinued recognizing interest revenue on these loans.

In addition, a provision of US$6 million was recorded in connection with the acquisition of Regent (note 2(a)).

5. INVESTMENTS IN HOTEL PARTNERSHIPS

5.	1992	1991
FRA Properties (a):		
FRA Mortgages and Stabilization Loans Receivable	$ 100,315	$ —
Preferred capital, net of deferred gain	76,193	—
	176,508	—
The Regent Hotel, Hong Kong (b)	21,102	—
Other hotel partnerships	33,864	27,475
	$ 231,474	$ 27,475

(a) **Investment in FRA Properties:**

(i) ***FRA Mortgages and Stabilization Loans Receivable (notes 2(b) and (c)):***

FRA Mortgages and Stabilization Loans Receivable (the majority of which are secured by certain of the hotel properties contributed by the Corporation to FRA Properties) are paid out in priority to any distribution to the partners on their preferred or subordinated capital in the partnerships.

From August 14, 1992 to December 31, 1996, FRA Mortgages and Stabilization Loans Receivable on the properties contributed by the partners to FRA Properties are non-recourse to the non-contributing partner and the principal amounts, interest rates and certain other terms must remain within defined limitations. Specifically, interest and scheduled principal amortization on the FRA Mortgages and Stabilization Loans Receivable on a partner's contributed properties may not exceed, on a portfolio basis, a weighted average rate of 4.5% per annum. The maximum principal amount of FRA Mortgages (including commitments to complete the construction, development, opening and renovation of the contributed hotels) in respect of the properties contributed by HIC will be approximately

US$580 million (including an allocation for debt related to The Regent Beverly Wilshire Hotel) and by the Corporation will be approximately US$195 million (in each case based on current applicable currency exchange rates). Of the US$195 million, (i) US$70 million (Cdn. $88.7 million at December 31, 1992) is recorded as FRA Mortgages in the Corporation's balance sheet; (ii) US$40.1 million is payable by FRA Properties to third party lenders; (iii) approximately US$75 million represents the Corporation's right to a preferential payment from the proceeds of disposal of FRA Properties' leasehold interest in the hotels contributed by the Corporation in Toronto and The Pierre Hotel, New York; and (iv) approximately US$9.9 million relates to the Corporation's obligation to fund renovation programs in its contributed hotels (note 2(c)).

With effect from January 1, 1997, provided FRA Properties is not terminated (note 2(d)), the terms of the FRA Mortgages and Stabilization Loans Receivable on the properties contributed to FRA Properties will be restructured. Each partner will be responsible for restructuring the terms of the FRA Mortgages and Stabilization Loans Receivable on the properties contributed by it to FRA Properties such that principal amounts, interest rates and certain other terms are within defined limitations. Specifically, interest and scheduled principal amortization on the FRA Mortgages and Stabilization Loans Receivable relating to a partner's contributed properties may not exceed, on a portfolio basis, a weighted average rate of 7% per annum. The maximum principal amount of FRA Mortgages in respect of the properties contributed by HIC will be reduced from approximately US$580 million to approximately US$337 million (including an allocation for debt related to The Regent Beverly Wilshire Hotel) and by the Corporation will be reduced from approximately US$195 million to approximately US$83 million (based on applicable currency exchange rates and assuming no intervening property dispositions) subject to adjustment for Stabilization Loans Receivable, as described below. The reduction in the maximum amounts of FRA Mortgages will be reclassified to each partners' preferred capital in FRA Properties (see (ii) below).

In addition, the maximum amount of FRA Mortgages payable by FRA Properties, with effect from January 1, 1997, may be increased by up to US$16 million of Stabilization Loans Receivable advanced by the Corporation and US$40 million of Stabilization Loans Receivable advanced by HIC. The remainder, if any, of Stabilization Loans Receivable as at December 31, 1996 will be converted to preferred capital of FRA Properties.

From and after August 14, 2002, the permitted amounts of FRA Mortgages will not be decreased but may be increased based upon a calculation of "supportable debt" as agreed upon by HIC and the Corporation.

(ii) Preferred Capital (note 2(b)):

From August 14, 1992 to December 31, 1996, the amount of preferred capital of FRA Properties, held by the Corporation is US$55,635 (assuming no hotel dispositions or acquisitions). With effect from January 1, 1997, the amount of preferred capital of FRA Properties held by the Corporation will, in connection with the restructuring of the FRA Mortgages and Stabilization Loans Receivable, be increased to US$167,635 (assuming no hotel dispositions or acquisitions). These amounts represent approximately 41.6% and 34.3% of the aggregate amounts of preferred capital of FRA Properties outstanding in the respective period. HIC holds the remaining preferred capital of FRA Properties. With effect from January 1, 1997, the preferred capital may be increased by (i) the excess of Stabilization Loans Receivable as at December 31, 1996 over US$16 million in the case of the Corporation and US$40 million in the case of HIC, and (ii) further advances that may be made by the partners to fund the capital and operating cash requirements of FRA Properties subsequent to December 31, 1996. The amount of preferred capital will also be adjusted in certain circumstances, including if: (i) The Regent Beverly Wilshire Hotel is not contributed to FRA Properties; (ii) HIC contributes The Regent Hotel, Sydney to FRA Properties; or (iii) a hotel (or any interest therein) is disposed of for less than the minimum agreed value of such hotel.

Holders of the preferred capital are entitled to receive a 7% per annum cumulative return, in priority to a distribution made in respect of any subordinate capital which is held 19.9% by the Corporation and 80.1% by HIC. The preferred capital of each partner has been allocated, pro rata, to each of the contributed hotels owned by FRA Properties. The preferred capital allocated to a hotel is redeemable from the proceeds of any capital transaction (sale or refinancing) relating to that hotel, after repayment of any FRA Mortgages and Stabilization Loans.

Any partner's preferred capital that is otherwise redeemable from the proceeds of a capital transaction occurring prior to January 1, 1997 and relating to a hotel contributed by the other partner will be held in escrow until it is determined whether FRA Properties will be terminated effective December 31, 1996 (note 2(d)). If FRA Properties is not terminated, then the escrowed funds will be paid to the partner. If FRA Properties is terminated, the escrowed funds will be used to fund the costs of termination, and then will be distributed to the partner that contributed the hotel.

(b) Investment in The Regent Hotel, Hong Kong:

The Corporation's 25% leasehold interest in The Regent Hotel, Hong Kong is being accounted for using the cost method, as management does not believe it has the ability to exercise significant influence over this investment. The hotel has a history of paying out its earnings as dividends; therefore, the Corporation recognizes revenues on this investment as such dividends are declared. The initial term of the leasehold terminates in December 2000; accordingly, the Corporation allocates a portion of each dividend received as a return of its investment.

6. ASSETS HELD FOR SALE

6.	1992	1991
Water Tower Associates (a)	$ —	$ 11,062
Four Seasons Biltmore Resort, Santa Barbara (notes 2(b) and 2(e))	—	18,161
Four Seasons Hotel, Austin (notes 2(b) and 2(e))	—	27,714
	$ —	$ 56,937

(a) Water Tower Associates:

In 1990, the Corporation acquired a 25% interest in Water Tower Associates, the partnership that owns the freehold interest in the Ritz-Carlton Hotel in Chicago, with the intention that this investment be disposed of in the foreseeable future. During 1992, this freehold interest and the related mortgage were transferred to the partnership that leases and operates the hotel. As a result, with effect from May 1, 1992, the freehold interest and the related mortgage are proportionately consolidated along with the other assets and liabilities of the Ritz-Carlton Hotel, Chicago.

7. FIXED ASSETS

7.	1992			1991
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
Land	$ 3,843	$ —	$ 3,843	$ 1,000
Buildings	20,739	1,435	19,304	5,952
Furniture, fixtures and equipment	25,854	12,906	12,948	39,523
Leasehold interests and improvements	48,683	13,724	34,959	52,759
	$ 99,119	$ 28,065	71,054	99,234
Operating equipment			1,122	7,954
			$ 72,176	$ 107,188

INVESTMENT IN MANAGEMENT CONTRACTS

8.	1992	1991
Management contracts, at cost	$ 118,175	$ 8,144
Less accumulated amortization	(4,711)	(2,957)
	$ 113,464	$ 5,187

Amortization expense for management contracts was $2,043 (1991 – $800).

INVESTMENT IN TRADEMARKS AND TRADE NAMES

9.	1992	1991
Trademarks and trade names, at cost	$ 75,470	$ 100
Less accumulated amortization	(765)	—
	$ 74,705	$ 100

OTHER ASSETS

10.	1992	1991
Bonds and debentures	$ 1,642	$ 51
Cash surrender value of life insurance policies	5,946	4,127
Deferred development costs	2,278	6,348
Prepaid hotel rent	178	2,019
Deferred software development	—	1,435
Other deferred costs	7,066	5,606
	$ 17,110	$ 19,586

LONG-TERM DEBT

11.	1992	1991
Unsecured debentures (a)	$ 110,396	$ 100,652
Bank loans (b)	163,784	—
Mortgages (d)	9,345	3,000
Other long-term liabilities	12,169	9,484
	295,694	113,136
Less amounts due within one year	(3,699)	(604)
	$ 291,995	$ 112,532

(a) **Unsecured debentures:**

The unsecured debentures, due in 1996, were issued for $100,000 at 11.05% on March 25, 1991 and were converted through cross currency interest rate exchange agreements into US$86,994 of which US$43,497 bears interest at 9.37% and US$43,497 bears interest at LIBOR + 0.986%. Interest is payable semi-annually.

(b) **Bank loans:**

Bank loans include a US$102 million acquisition facility used to acquire Regent. This facility bears interest at LIBOR plus 3/4% and matures on August 14, 1994. US$22 million of this loan was repaid with a portion of the proceeds of a share issue completed in December 1992 (note 12 (a)). This bank loan is secured by all of the Corporation's interests in Regent, including the *Regent* trademark and trade names, an assignment of accounts receivable from management contracts acquired, and all of the

Corporation's interest in the partnership capital, FRA Mortgages, and Stabilization Loans Receivable of FRA Properties. The Corporation's other long-term bank debt includes Cdn. $22,903 which bears interest at Canadian prime and US$31,019 which bears interest at LIBOR plus 1/2%. The committed bank credit facility under which these loans have been advanced matures in June 1994. This bank debt is secured by a first floating charge debenture over virtually all of the Corporation's Canadian assets.

(c) **Current bank indebtedness:**

Current bank indebtedness of US$8 million is secured by a mortgage on the Corporation's head office building.

(d) **Mortgages:**

Mortgages are secured by fixed charges on specific hotel properties. $3 million is due on December 31, 1993, and bears interest at the lesser of 15% of principal and 25% of defined profits. US$5 million is due in 1997, and bears interest at the lower of LIBOR plus 2% and U.S.prime plus 1%.

(e) **Scheduled long-term debt repayments:**

1993	$ 3,699
1994	163,301
1995	789
1996	111,192
1997	8,414
Subsequent to 1997	8,299
	$ 295,694

(f) **Interest income (expense), net:**

	1992	1991
Interest on long-term debt	$ (12,016)	$ (7,397)
Other interest expense	(1,682)	(1,305)
Interest income	3,782	6,536
Interest capitalized on assets held for sale	1,312	2,206
Interest income (expense), net	$ (8,604)	$ 40

12. SHAREHOLDERS' EQUITY

(a) **Capital stock:**

Authorized:

5,562,566 Multiple Voting Shares ("MVS"), voting (12 votes per share) and ranking equally with Subordinate Voting Shares ("SVS") as to dividends and distributions on liquidation or winding-up of the Corporation. MVS are convertible into SVS on a one-for-one basis at the option of the holder. The shares automatically convert into SVS upon any transfer outside of the family of Isadore Sharp, except a transfer of a majority of the shares to a purchaser who also makes an equivalent offer to purchase all outstanding MVS and SVS.

Unlimited Subordinate Voting Shares, voting (one vote per share) and ranking equally with MVS as to dividends and distributions on liquidation or winding-up of the Corporation.

290,000 Employee Preference Shares ("EPS"), non-voting and ranking equally (to the extent of issue price plus declared and unpaid dividends) with MVS and SVS as to distributions on liquidation or winding-up of the Corporation. Dividends will be as determined by the Board of Directors. The shares are convertible at the option of the holder (20% exercisable on the anniversaries of the first through fifth years from the date of issue) into 2.14286 SVS per EPS. The shares must be redeemed by the Corporation within 35 days after the holder ceases to be an employee of the Corporation, or after ten years from issuance.

Unlimited First Preference Shares, issuable in series, non-voting and ranking prior to all other shares with respect to payment of dividends and distributions on liquidation or winding-up of the Corporation. The dividend rate, redemption and conversion rights, if any, are to be determined prior to issuance by the directors of the Corporation.

Unlimited Second Preference Shares, issuable in series, non-voting and ranking prior to all other shares except the First Preference Shares with respect to payment of dividends and distributions on liquidation or winding-up of the Corporation. The dividend rate, redemption and conversion rights, if any, are to be determined prior to issuance by the directors of the Corporation.

Issued and fully paid:

	MVS		SVS		EPS		
	Shares	Stated Value	Shares	Stated Value	Shares	Stated Value	Total
December 31, 1990	5,562,566	$ 61	14,525,757	$ 36,455	120,800	$ 1,812	$ 38,328
Public issue	—	—	2,000,000	28,289	—	—	28,289
Converted	—	—	72,532	508	(33,850)	(508)	—
Options exercised for cash	—	—	37,500	296	—	—	296
December 31, 1991	5,562,566	61	16,635,789	65,548	86,950	1,304	66,913
Public issue	—	—	5,500,000	102,669	—	—	102,669
Converted	—	—	9,057	63	(4,227)	(63)	—
Options exercised for cash	—	—	31,700	300	—	—	300
December 31, 1992	**5,562,566**	**$ 61**	**22,176,546**	**$168,580**	**82,723**	**$ 1,241**	**$169,882**

Pursuant to an underwriting agreement dated January 31, 1991, effective February 14, 1991, the Corporation issued and sold 2,000,000 Special Warrants at a price of $14.65 per Special Warrant for gross proceeds of $29,300, less cost of issue (net of tax benefits) of $1,011. Each Special Warrant entitled the holder to receive one SVS without additional payment. The Special Warrants were fully exercised as at March 26, 1991.

Pursuant to an underwriting agreement dated April 10, 1992, amended April 23, 1992, the Corporation issued and sold 2,500,000 SVS at a price of $18.75 per share for gross proceeds of $46,875, less cost of issue (net of tax benefits) of $1,243.

Pursuant to an underwriting agreement dated December 1, 1992 the Corporation issued and sold 3,000,000 SVS at a price of $19.50 per share for gross proceeds of $58,500, less cost of issue (net of tax benefits) of $1,463.

1,000,000 SVS were previously reserved for issuance at $6.30 per share under an option granted to the chief executive officer of the Corporation. At the Special Meeting of Shareholders on December 19, 1989, the shareholders approved a Long-Term Incentive Plan whereby these options were cancelled in return for the right to receive a special payment on an arm's length sale of control of the Corporation ("the sale"). The payment becomes fully vested on December 31, 1993 provided the sale has not occurred. The amount of the payment is determined with reference to the sales price and the trading price of SVS on The Toronto Stock Exchange in the period preceding the sale. The right to receive the payment may be transferred among members of the officer's family, their holding companies and trusts.

Under executive share option plans, eligible directors, executives and employees may be granted options to acquire SVS at a price which is not less than 90% of The Toronto Stock Exchange price at the date of grant. The options are not transferable, have a term of 10 years, and become exercisable in varying proportions on the first, second, third, fourth and fifth anniversaries of the date of grant. All such options become immediately exercisable in the event of retirement, incapacity or death of the director, executive or employee or a change in control of the Corporation. As at December 31, 1992, there were options outstanding on 1,973,600 SVS at prices varying between $7.00 and $19.55 per share. During 1992, 532,000 (1991 – 60,000) options were granted to officers and employees at prices ranging from $18.49 to $19.55 per share (1991 – $17.94 per share).

(b) **Equity adjustment from foreign currency translation:**

The change in the equity adjustment from foreign currency translation is primarily caused by changes in the exchange rates used to translate the Corporation's net investment in self-sustaining foreign operations.

13. INCOME TAXES

Income tax recovery shown in the consolidated statements of operations varies from the amount computed by applying the combined Canadian federal and provincial tax rates as follows:

	1992	1991
Earnings (loss) before income taxes	$ (5,066)	$ 198
Earnings not subject to tax	(1,705)	(1,383)
Loss subject to tax	$ (6,771)	$ (1,185)
Expected Canadian federal and provincial statutory tax rate	41.5%	41.5%
Expected income tax recovery	$ 2,810	$ 492
Increase in income tax recovery due to lower foreign tax rates	4,029	2,888
Change in estimated income taxes previously provided	6,000	—
Other	(52)	(741)
Income tax (expense) recovery	$ 12,787	$ 2,639

14. COMMITMENTS AND CONTINGENCIES

(a) **Lease commitments:**

The Corporation has entered into lease agreements for certain hotel properties for periods up to the year 2003. The lease terms may be extended under renewal options for periods up to the year 2077.

Future minimum lease payments, exclusive of any contingent rentals and occupancy costs, are as follows:

1993	$ 12,980
1994	12,155
1995	11,991
1996	11,952
1997	11,879
Subsequent to 1997	46,258
	$ 107,215

The majority of these future operating lease commitments relate to leases of the Corporation's hotels in Toronto, Vancouver and The Pierre Hotel, New York. In connection with the transfer of the operations and operating assets of these hotels to FRA Properties (note 2(b)), the Corporation entered into sub-lease agreements with FRA Properties that provide for the payment by FRA Properties of all rental payments due by the Corporation to the landlords. In addition, with respect to the sub-leases for the hotels in Toronto and The Pierre Hotel, New York, FRA Properties is required to pay to the Corporation, as additional rent, an amount equal to the depreciation expense on the unamortized cost of the Corporation's investment in leasehold improvements in these hotels, and an amount equal to 4.5% (7% from January 1, 1997) of approximately US$75 million in total for the two hotels (which represents the Corporation's preferential payment from the proceeds on disposition of FRA Properties' leasehold interest in these two hotels – note 5(a)).

(b) Contingencies:

(i) The Corporation is contingently liable for all the obligations of certain of the partnerships and joint ventures in which it has a direct interest (note 5). However, against this contingent liability the Corporation would have a claim upon the assets of the partnerships and joint ventures and their partners.

(ii) The Corporation is contingently liable for the following obligations in connection with the transfer in February 1986 of certain assets and liabilities to Tengis:

(a) notes payable in the aggregate amount of $8,031 as at December 31, 1992;

(b) guarantees and undertakings given by the Corporation related to certain of the transferred assets aggregating $1,427 as at December 31, 1992; and

(c) any other contingent liabilities related to the transferred assets. The Corporation is not aware of any other contingent liabilities related to the transferred assets.

Tengis has indemnified the Corporation for any payments made by the Corporation in respect of these contingent liabilities.

During 1992, the Corporation advanced $9,408 (1991 – $5,281) to Tengis to enable it to meet principal and interest payment obligations on mortgages guaranteed by the Corporation, and to meet the company's operating cash needs. The Corporation also advanced $3,100 (1991 – $2,924) to the Inn on the Park Hotel, Toronto on which Tengis held mortgages (which were in default). During 1992, the mortgagor agreed to quitclaim the property, following which Tengis contributed the Inn on the Park Hotel, Toronto to FRA Properties. As a result of this transfer, FRA Properties repaid $2,980 of the advances made by the Corporation to the Inn on the Park Hotel, Toronto; Tengis repaid $8,530 of the advances made by the Corporation to Tengis; and the Corporation received preferred capital in FRA Properties of $3,044. In addition, FRA Properties assumed debt of $16.9 million owed by Tengis to a Canadian chartered bank. A guarantee has been provided by the Corporation on this amount.

As at December 31, 1992, $6,159 is owed by Tengis to the Corporation. This amount is secured by certain real estate and other assets of Tengis and bears interest at prime plus one-half percent. In order to repay these amounts to the Corporation and liquidate the other obligations guaranteed by the Corporation, Tengis will be required to sell or refinance the majority of its assets. Due to the impact of current economic conditions on the real estate industry, there is some uncertainty that Tengis will be able to sell or refinance its assets for amounts sufficient to liquidate all of its obligations; however, the

Corporation believes that a sale or refinancing of Tengis' assets can be realized upon a return to more normal market conditions and that a material loss on its advances to and guarantees on behalf of Tengis should not occur.

(iii) The Corporation has guaranteed US$6,250 of the mortgage debt on the Four Seasons Biltmore Resort, Santa Barbara, together with interest costs.

(iv) The Corporation has jointly and severally guaranteed US$3,000 of the mortgage debt on the Ritz-Carlton Hotel, Chicago.

(v) The Corporation has received notice that the owner of a managed hotel is asserting that the Corporation's acquisition of Regent, which manages a hotel in the same city, has breached the radius restriction in their management contract. The Corporation is currently in discussions with the owner to resolve this issue and is hopeful that litigation can be avoided.

(vi) In the ordinary course of its business, the Corporation is named as defendant in legal proceedings resulting from incidents taking place at hotels owned or managed by it. The Corporation maintains comprehensive liability insurance and also requires hotel owners to maintain adequate insurance coverage. The Corporation believes such coverage to be of a nature and amount sufficient to ensure that it is adequately protected from suffering any material financial loss as a result of such claims.

(vii) The Corporation has guaranteed certain obligations of various directors, officers, and employees in the amount of $2,602.

15. SEGMENTED INFORMATION

	1992	1991
Revenues:		
United States	$ 66,680	$ 81,287
Canada	35,875	61,704
United Kingdom and Europe	21,853	23,684
Asia	8,279	—
South Pacific	1,207	—
Total consolidated revenues	$ 133,894	$ 166,675
Operating profit:		
United States	$ (1,646)	$ 681
Canada	(2,499)	(5,473)
United Kingdom and Europe	2,389	4,950
Asia	4,597	—
South Pacific	697	—
Total operating profit	$ 3,538	$ 158
Assets:		
United States	$ 280,469	$ 203,317
Canada	160,377	113,937
United Kingdom and Europe	38,159	20,324
Asia	116,284	—
South Pacific	15,389	—
Total assets	$ 610,678	$ 337,578

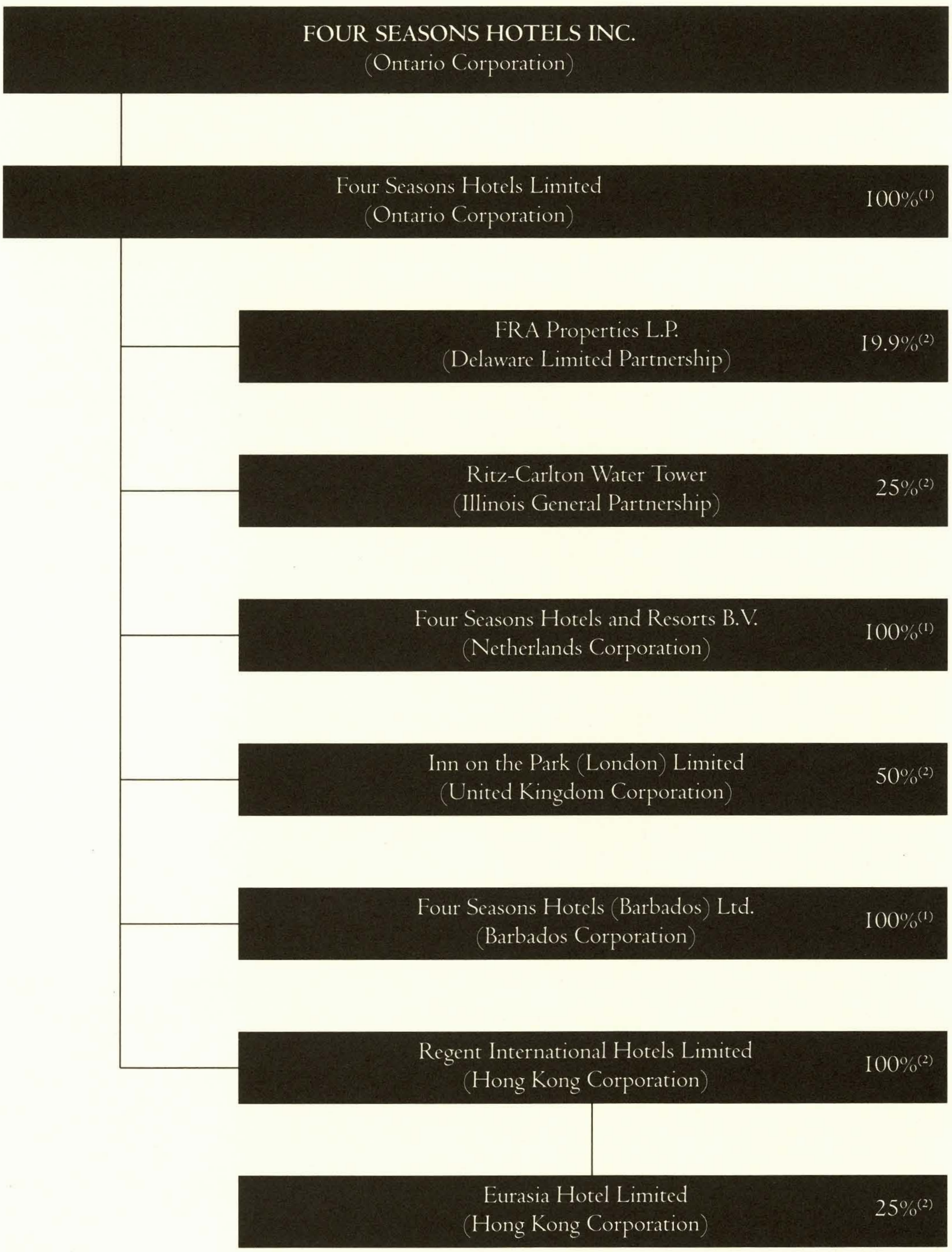
Years ended December 31
(Dollar amounts are in millions except per share amounts)

	1992	1991	1990	1989	1988	1987	1986	1985	7-year Annual Compound Growth Rate
Summary of Operations									
Revenues under management	$ 878.7	631.0	666.1	634.3	603.4	584.3	509.3	441.0	10.3%
Consolidated revenues	$ 133.9	166.7	188.2	207.8	228.4	216.7	194.7	164.9	—
Management operations*	$ 18.6	14.1	15.0	12.7	15.1	13.5	13.6	11.2	7.5%
Ownership operations*	$ (6.3)	(5.1)	16.5	20.3	21.4	19.0	16.6	10.7	—
Total operations*	$ 12.3	9.0	31.5	33.0	36.5	32.5	30.2	21.9	—
Net interest expense	$ 8.6	—	1.2	4.6	7.4	5.7	4.8	6.4	
Tax rate	n.a.	n.a.	21.8%	23.5%	36.7%	41.5%	47.5%	51.4%	
Net income before extraordinary items	$ 7.7	2.8	17.3	15.0	13.1	11.3	9.5	3.5	12.0%
Changes in Financial Position									
Cash provided by operations	$ 4.4	6.3	19.7	16.4	26.9	19.8	28.1	12.4	
Notes and mortgages receivable	$ (11.7)	(28.1)	1.7	(11.5)	(4.7)	(3.0)	(4.5)	(6.1)	
Hotel investments	$(323.8)	(7.9)	(5.4)	(4.9)	(1.2)	(0.2)	(1.1)	(2.3)	
Assets held for sale	$ 49.8	(26.6)	(20.1)	—	—	—	—	—	
Disposals (purchases) of hotels	$ 60.7	—	10.8	—	39.8	(40.1)	0.8	6.5	
Capital expenditures	$ (14.0)	(21.5)	(19.1)	(15.9)	(26.2)	(11.4)	(8.7)	(13.8)	
Depreciation and amortization	$ 12.8	10.8	8.1	8.7	8.4	7.5	7.2	8.1	
Capitalization and returns									
Debt, net of cash	$ 290.2	121.3	60.7	66.0	38.6	72.4	28.5	66.1	
Shareholders' equity	$ 247.8	139.6	112.4	93.8	85.1	45.3	44.0	41.9	28.9%
Debt-to-equity ratio, net of cash	1.2	0.9	0.5	0.7	0.5	1.6	0.7	1.6	
Return on equity	3.1	2.0	15.4	16.0	23.3	24.9	21.7	11.1	
Per share data**									
Earnings per share, before other operating items, interest and taxes	$ 0.51	0.41	1.56	1.66	1.85	1.65	1.56	n.a.	
Earnings per share, before extraordinary items – basic	$ 0.32	0.13	0.86	0.76	0.67	0.58	0.50	0.27	
Earnings per share, before extraordinary items – fully diluted	$ 0.32	0.13	0.84	0.74	0.63	0.55	0.47	0.27	
Cash dividend per share	$ 0.11	0.11	0.11	0.11	0.10	0.08	0.08	n.a.	
Book value per share	$ 8.94	6.29	5.56	4.72	4.32	2.30	2.27	n.a.	25.8%
Other Data**									
Dividend yield	0.57%	0.63%	0.69%	0.52%	0.78%	0.52%	0.40%	n.a.	
Market price at year-end	$ 19.38	17.50	16.00	21.13	12.50	8.00	9.44	n.a.	12.7%
Common stock outstanding (millions)	27.7	22.2	20.1	19.9	19.7	19.7	19.4	n.a.	
Market capitalization	$ 536.8	388.5	323.2	419.8	246.0	157.6	182.9	n.a.	19.6%
Interest coverage	0.4	n.a.	19.4	5.3	3.8	4.4	4.7	2.1	
Available rooms	12,138	7,300	7,400	7,050	6,705	7,270	6,995	6,143	
Employees	19,500	11,300	10,700	10,300	9,900	10,000	9,000	7,000	

*Earnings (loss) before other operating items, interest and taxes.

**All share and per share data reflect a two-for-one stock split in January 1990.

The following chart illustrates the Corporation's corporate structure, including all significant subsidiaries of the Corporation or partnerships in which the Corporation has a significant interest, either directly or indirectly, and their jurisdictions of incorporation or organization.



Notes: (1) Direct (2) Indirect

					Management Agreement		Ownership	
Location	Hotel	Date of opening[1]/major renovations[2]	Date of appointment as manager	Number of Rooms	Initial Expiry	Final Expiry	Equity Interest	Title
Canada								
Minaki	Four Seasons Resort Minaki Lodge	1925[1]/1986[2]	1990	144	2012	2072	100%	Freehold
Montreal	Le Quatre Saisons	1976[1]	1976/1993	300	2003	2043	—	—
Toronto	Four Seasons Hotel	1974[1]/1978[2]/1984[2]/1992[2]	1978	380	2012	2077	19.9%	Leasehold
Toronto	Inn on the Park Hotel	1963[1]/1971[1]/1985[2]	1963/1984	568	2012	2072	19.9%	Freehold
Vancouver	Four Seasons Hotel	1976[1]/1990[2]	1974	385	2012	2035	19.9%	Leasehold
United States								
Northeast								
Boston	Four Seasons Hotel	1985[1]/1992[2]	1982	288	2010	2085	15%	Freehold
New York	Four Seasons Hotel	1993[3]	1992	367	2013	2073	14.9%[4]	Freehold
New York	The Pierre Hotel	1929[1]/1981[2]/1991[2]	1981	205	2012	2021	19.9%	Leasehold
Philadelphia	Four Seasons Hotel	1983[1]	1980	371	2013	2053	5%	Freehold
Washington, D.C.	Four Seasons Hotel	1979[1]	1977	196	2007	2022	15%	Freehold
Mid-West								
Chicago	Ritz-Carlton Hotel	1975[1]/1991[2]	1977	431	2025	2075	25%	Freehold
Chicago	Four Seasons Hotel	1989[1]	1987	343	2024	2104	7.7%	Leasehold
West Coast								
Carlsbad	Four Seasons Resort Aviara	1995[3]	1989	443	2024	2084	5%[5]	Freehold
Los Angeles	Four Seasons Hotel	1987[1]	1985	285	2042	2062	—	—
Newport Beach	Four Seasons Hotel	1986[1]	1984	285	2016	2046	—	—
San Francisco	Four Seasons Clift Hotel	1915[1]/1976[2]/1983[2]/1990[2]	1976/1983	329	2006	2066	—	—
Santa Barbara	Four Seasons Biltmore Resort	1929[1]/1988[2]	1987	234	2012	2072	10%	Freehold
Seattle	Four Seasons Olympic Hotel	1924[1]/1982[2]/1992[2]	1980	450	2040	2040	3.4%	Leasehold
South West								
Austin	Four Seasons Hotel	1986[1]	1985	292	2012	2072	19.9%	Freehold
Dallas	Four Seasons Resort and Club	1979[1]/1986[1]/1991[2]	1979	315	2002	2042	—	—
Houston	Four Seasons Hotel	1982[1]/1992[2]	1979	399	2016	2046	—	—
Hawaii								
North Kona, Hawaii	Four Seasons Resort	1994[3]	1989	253	2018	2063	—	—
Wailea, Maui	Four Seasons Resort	1990[1]	1987	380	2010	2055	—	—
Asia								
Bali	Four Seasons Resort	1993[1]	1992	147	2013	2073	14%	Freehold
Singapore	Four Seasons Hotel	1994[3]	1990	260	2023	2043	—	—
Tokyo	Four Seasons Hotel	1992[1]	1988	286	2002	2032	—	—

See accompanying notes on page 49.

Location	Hotel	Date of opening[1]/major renovations[2]	Date of appointment as manager	Number of Rooms	Management Agreement Initial Expiry	Management Agreement Final Expiry	Ownership Equity Interest	Ownership Title
Europe								
Berlin	Four Seasons Hotel	1996[3]	1992	202	2011	2071	up to 20%[6]	Freehold
London	Four Seasons Hotel	1970[1]/1991[2]	1984	227	2054	2054	50%	Leasehold
Milan	Four Seasons Hotel	1993[1]	1992	98	2013	2073	19.9%	Freehold
Paris	Four Seasons Hotel	1995[3]	1989	204	2023	2083	15%	Freehold
Prague	Four Seasons Hotel	1996[3]	1993	185	2012	2072	[7]	Leasehold
Mexico and The Caribbean								
Mexico City	Four Seasons Hotel	1994[3]	1990	238	2013	2038	—	—
Nevis	Four Seasons Resort	1991[1]	1989	196	2021	2066	15%	Freehold

REGENT INTERNATIONAL HOTELS

Location	Hotel	Date of opening[1]/major renovations[2]	Date of appointment as manager	Number of Rooms	Management Agreement Initial Expiry	Management Agreement Final Expiry	Ownership Equity Interest	Ownership Title
United States								
Beverly Hills	The Regent Beverly Wilshire	1927[1]/1990[2]	1985	335	2025	2025	[8]	[8]
Asia								
Bangkok	The Regent Hotel	1983[1]	1985	400	1995	2002	—	—
Hong Kong	The Regent Hotel	1980[1]/1989[2]	1979	514	2000	2000	25%	Leasehold
Jakarta	The Regent Hotel	1994[3]	1986	397	2014	2014	[9]	[9]
Kuala Lumpur	The Regent Hotel	1989[1]	1988	469	2009	2029	—	—
Singapore	The Regent Hotel	1982[1]/1991[2]	1988	441	2008	2028	—	—
Taipei	The Regent Hotel	1990[1]	1984	555	1998	1998	—	—
Australia, New Zealand and The South Pacific								
Auckland	The Regent Hotel	1985[1]/1990[2]	1983	332	2004	2004	—	—
Melbourne	The Regent Hotel	1980[1]/1987[2]	1982	363	1995	1995	—	—
Nadi Bay, Fiji	The Regent Resort	1975[1]	1971	290	2011	2071	18%	Freehold
Sydney	The Regent Hotel	1983[1]/1990[2]	1980	596	2023	2023	[8]	[8]
Europe								
London	The Regent Hotel	1899[1]/1992[1]	1992	309	2011	2071	—	—

Notes:

(1) Date of opening.

(2) Date of major renovations.

(3) Under development – information concerning hotels under development is based upon agreements and letters of intent and may be subject to change. Expiry dates are calculated from the estimated dates of opening.

(4) A portion of the equity in this property is held through a participating debt instrument.

(5) The Corporation has the right to acquire an additional 4.9% of the equity in this hotel.

(6) The Corporation currently has a 23% interest in the corporate joint venture which holds the land relating to the development. The Corporation is actively seeking a partner for a portion of this investment (Reference is made to note 12 on page 66).

(7) Details not yet finalized.

(8) Upon obtaining requisite consents of other third party owners, and subject to certain conditions, HIC may contribute, or cause to be contributed, two additional hotels to FRA Properties. If both hotels are contributed to FRA Properties, the Corporation would have a 10% interest in The Regent Hotel, Sydney and a 13.3% interest in The Regent Beverly Wilshire Hotel.

(9) The Corporation has also agreed to invest up to US$5 million in The Regent Hotel, Jakarta if completion financing can be arranged on satisfactory terms.

THE YEAR IN REVIEW

In 1992, the Corporation's operating results were severely and adversely affected for the second consecutive year by the continuation of the most serious economic recession in decades. At the same time, the ongoing disruption in the international capital markets presented the Corporation with a unique opportunity to make a strategic acquisition which had the effect of accelerating the Corporation's global expansion program, well ahead of schedule. On August 14, 1992, the Corporation acquired Regent International Hotels Limited ("Regent") and formed a hotel property partnership with Hotel Investment Corporation ("HIC"), the details of which are described below.

With virtually no improvement in the economy in 1992, the highlights of the year are as follows:

- Net earnings were $7.7 million, as compared to $2.8 million in 1991, reflecting only a partial year's effect of the Regent acquisition and the full effect of the Corporation's disposition of its controlling interest in its hotels in Toronto, Vancouver and New York.
- The contribution to earnings from Hotel Management Operations increased by 32% to $18.6 million, representing only a partial year's effect of the Regent acquisition.
- To reflect current uncertainty as to the timing and form of realization on certain notes and mortgages receivable, the Corporation established an additional provision against its notes and mortgages portfolio of $12.9 million.
- A new Four Seasons hotel opened in Tokyo, Japan, completing the Corporation's strategy of establishing a presence in each of the world's three key financial centres.
- The Regent Hotel, London opened in December, 1992, giving Regent its first property in Europe – the most significant source of business for Regent outside Australasia.

The balance of this discussion focuses on the key aspects of the Regent acquisition, and the overall effect of that transaction and the year's events on the Corporation and its prospects.

REGENT ACQUISITION

On August 14, 1992, the Corporation acquired 100% of Regent, a leading operator of luxury hotels, primarily in Australasia, for over 20 years. The key benefits and risks of this acquisition are set forth below.

Benefits and Opportunities of the Regent Acquisition

The major benefits of the acquisition to the Corporation include the following:

(i) Management contracts

- The Corporation acquired 15 management contracts for luxury hotels located in key Australasian destinations, as well as in London, Milan, New York and Beverly Hills. Three of these properties, New York, Milan and Bali, will operate under the *Four Seasons* brand name.
- These management contracts give the Corporation an immediate and substantial increase in management fee revenues and accelerate the Corporation's long-term strategy of concentrating on the hotel management business.
- By increasing the number of open hotels under management by 57%, the Corporation has access to a stable and predictable source of income which is less affected by changing economic cycles.
- The acquired management contracts have an average remaining life of 44 years. When combined with the Four Seasons' management contracts on existing hotels, the Corporation has a total of 36 hotels operating under management contracts having an average remaining life of 56 years.
- Ten of the acquired management contracts, which relate to open hotels, contributed $6.9 million to the Corporation's fee revenues in the period from August 14 to December 31, 1992. Regent's fee revenues from these contracts were $16.7 million (US$ 13.8 million) in 1992, as compared to $14.9 million (US$ 13 million) in 1991.
- Five of the contracts acquired related to hotels under construction, four of which will contribute to 1993 fee revenue: The Regent Hotel, London, opened in late December 1992; the Four Seasons Resort, Bali, opened in January 1993; the Four Seasons Hotel, Milan, opened in March 1993; and the Four Seasons Hotel, New York, expected to open in the spring of 1993.

(ii) Trademark and Trade Names

- In acquiring Regent, the Corporation also gained control of one of the most prestigious trade names in the luxury hotel industry. Renowned for a commitment to personal service and attention to detail, the *Regent* reputation is a perfect complement to the *Four Seasons* brand name. Together, they create a global network of luxury hotel properties that is unmatched in the industry.

(iii) The Regent Hotel, Hong Kong

- The acquisition of a 25% leasehold interest in The Regent Hotel, Hong Kong permits the Corporation to benefit from a substantial revenue stream from one of the world's most successful hotels. This 25% interest generated approximately US$5.3 million in dividend income to Regent in both 1991 and 1992.

(iv) Geographic Diversification

- The acquisition of the additional management contracts, when coupled with the opening of the Four Seasons Hotel, Tokyo, has significantly diversified the geographic source of the Corporation's management revenues. By 1994, earnings are expected to be derived 40% from each of North America and Australasia, and 20% from Europe. This diversification helps to moderate the effects of regional economic downturns.

(v) Leveraging the Corporate Cost Base

- The acquisition will allow the Corporation to utilize its existing base of management expertise to oversee a significantly larger hotel management business, without a significant increase in overhead. Accordingly, the profit margin on management operations is expected to increase over the next few years.

(vi) Enhanced Marketing Opportunities

- The integration of the Four Seasons and Regent worldwide sales, marketing and reservations systems creates a larger and more cost effective organization in the highly competitive international five-star travel market.

Cost and Risks of the Regent Acquisition

The total cost of the Regent acquisition was $187.5 million, which was allocated as follows:

	($ in millions)
Management contracts acquired	$103.2
Regent trademark and trade names	66.8
25% leasehold interest in The Regent Hotel, Hong Kong	17.5
Total cost of acquisition	$187.5

The total acquisition cost is being amortized as follows:

	Term	**Expensed in 1992**	*($ in millions)* Expected Expense in 1993
Management contracts acquired	over remaining terms of contracts	$ 1.3	$ 4.0
Regent trademark and trade names	over 40 years	0.7	1.8
25% leasehold interest in The Regent Hotel, Hong Kong	over 8.5 years	0.8	2.2
Total		$ 2.8	$ 8.0

(Reference is made to Notes to Consolidated Financial Statements, notes 1 and 5(b).)

Management has identified the following risks associated with the Regent acquisition:

(i) Transition

- Discussions are continuing with the owners of The Regent Hotel, Singapore and the Four Seasons Hotel, Los Angeles in connection with assertions that the Corporation's acquisition of Regent has breached the non-competition clauses in the relevant management contracts. The owner of The Regent Hotel, Singapore has agreed to take no action in respect of this allegation for at least three years, during which time the Corporation and the owner will work toward a resolution. Discussions are continuing with the owner of the Four Seasons Hotel, Los Angeles and the Corporation is hopeful that the matter can be resolved in 1993 without litigation.
- A dispute with the owner of The Regent Hotel, Taipei concerning Regent's right to retain the management contract for that property following the change of control of Regent was settled to the Corporation's satisfaction in early 1993.
- Members of senior management of the Corporation have devoted a significant amount of time in the past year to hotel owner and partner communications. Management believes that positive relationships are being established with owners of Regent hotels and maintained with owners of Four Seasons hotels.

(ii) Foreign Currency Matters

- Regent earns management fees from hotel operations in ten countries.
- Certain currencies are subject to exchange controls which, in practice, have never resulted in a restriction of the payment of management fees to Regent.
- In addition, certain of these currencies are not freely-traded and have relatively low liquidity. To date, Regent has not incurred any material losses resulting from an inability to convert these foreign currencies at favourable exchange rates.

(iii) Hong Kong 1997

- The Chinese government takes control of Hong Kong in 1997. Management does not believe that this event will significantly affect Regent's ability to operate in Hong Kong.
- However, should the situation deteriorate, management does not believe that the impact on the Corporation would be material. With the exception of The Regent Hotel, Hong Kong, all of the management fees from Regent hotels relate to operations outside Hong Kong.
- As well, the Corporation's valuation of the fee and dividend income from The Regent Hotel, Hong Kong was based on a forecast to the year 2000 (the end of the initial expiry of the leasehold interest and management contract). The net present value of the fees and dividends relating to the years after 1996 to the expiry date are not material to the Corporation.

(Reference is also made to "Operating Risks".)

HOTEL PARTNERSHIP TRANSACTION

As a second component to the overall transaction, the Corporation formed a group of property partnerships ("FRA Properties") with HIC to which each partner contributed wholly-owned or controlling ownership interests in certain Regent and Four Seasons hotels. As a result, the Corporation has acquired a minority interest in a more diversified group of hotel investments, without the assumption of material additional financial obligations. The formation of FRA Properties has also allowed the Corporation to accelerate its strategic plan of limiting its hotel ownership interests to primarily minority positions.

The Corporation contributed its ownership interest in its hotels in Austin (100%) and Santa Barbara (50%), and its leasehold interests in its hotels in Vancouver, New York and Toronto (all 100%) to FRA Properties. The Corporation also negotiated the contribution to FRA Properties of the Inn on the Park, Toronto with Tengis Limited ("Tengis"), an associate of the Corporation. In consideration, FRA Properties assumed certain debt owed by Tengis to a Canadian chartered bank and repaid a portion of the advances made by the Corporation to the Inn on the Park. (Reference is made to the heading "Advances to Managed and Owned Hotels".) As a result of all of these transfers, the Corporation received notes and mortgages receivable from FRA Properties (the "FRA Mortgages"), the majority of which are secured by certain of the properties transferred by the Corporation to FRA Properties, and preferred capital in FRA Properties. In addition, the Corporation owns a 19.9% limited partnership interest in FRA Properties and 19.9% of the outstanding shares in the general partner of FRA Properties.

HIC contributed its ownership interest in its hotels in Fiji (90%), Milan (100%), Bali (70%), and New York (75%) to FRA Properties. As well, upon obtaining requisite consents of other third party owners and subject to other conditions, HIC may contribute, or cause to be contributed, the ownership interest in two additional hotels: The Regent Hotel, Sydney (50%) and The Regent Beverly Wilshire Hotel (67%).

The Corporation's 19.9% investment in FRA Properties is included in "Investments in hotel partnerships" on the Corporation's balance sheet and is comprised of the following:

	(in millions)
FRA Mortgages and Stabilization Loans Receivable	$100.3
Preferred capital, net of deferred gain	76.2
Investment in FRA Properties	**$176.5**

(Reference is made to the Notes to Consolidated Financial Statements, notes 5(a), 2(b) and (c).)

The disposition of the Four Seasons hotels in Vancouver, Toronto and The Pierre Hotel in New York by the Corporation has been reflected at book value on the balance sheet, with the investments in fixed assets and working capital of the three hotels being reclassified as an investment in FRA Properties. Due to the absence of cash consideration in these disposals, the Corporation has deferred the net gain on this transaction until cash is realized by the Corporation through its investment in FRA Properties. The effect of this disposition on the Corporation's earnings is described under the heading "1992 Operating Results and 1993 Outlook".

Benefits of the Hotel Partnership Transaction

Management identified the following benefits associated with the hotel partnership transaction:

(i) Limited Financial Exposure

- No material additional financial exposure has been assumed by the Corporation in the formation of FRA Properties.
- The establishment of a $4\frac{1}{2}$-year initial stabilization period was a critical component in limiting the Corporation's financial risk. During this period, the Corporation will only be responsible for the cash needs, whether capital or operational, of the six hotels it contributed, or caused to be contributed, to FRA Properties. HIC will be responsible for any cash needs of its contributed hotels, including costs of completing and stabilizing the properties that were under construction on August 14, 1992. HIC has committed working capital facilities in place to ensure that these funds are available.

(ii) Non-Recourse, Supportable Debt Levels

- The debt levels associated with each of the contributed hotels were determined based on the ability of each hotel to support the applicable debt over the longer term.
- The debt on each of the HIC-contributed hotels is non-recourse to the Corporation and to other partnership assets.
- Certain lenders to the HIC-contributed properties have agreed not to foreclose on such properties as long as specified minimum interest payments are being made. The weighted average "standstill" interest rate on the debt associated with the HIC-contributed hotels is less than 2% per annum.
- If after 1997 the cash flow from HIC-contributed properties does not cover debt service, the resulting cash calls are non-recourse to the Corporation.

(iii) Non-Disturbance Arrangements

- There are non-disturbance arrangements in place relating to all of the management contracts for the HIC-contributed hotels. These arrangements are intended to protect the existence and value of the Corporation's management contracts in the event of a foreclosure or refinancing of these hotels.

(iv) Third Party Debt

- The only third party debt secured against the Corporation's contributed properties is $62.5 million relating to 100% of the Four Seasons Biltmore Resort, Santa Barbara and $16.5 million relating to the Inn on the Park Hotel, Toronto. Of these amounts, 31% continues to be recourse to the Corporation. The four other properties contributed by the Corporation are free of debt, other than amounts owing to the Corporation.

(v) Mortgage Portfolio

- The FRA Mortgages held by the Corporation are generally secured against the related contributed hotels, allowing the Corporation to protect such assets if financial difficulties are experienced by FRA Properties.
- The Corporation will recognize income on the FRA Mortgages at a maximum blended rate of 4.5% until January 1, 1997. Interest will be paid to the extent of available cash flow.

(vi) Dissolution of FRA Properties

- Both the Corporation and HIC are committed to the success of FRA Properties. However, if the partnerships are unwound, both partners will effectively reacquire ownership of their remaining contributed hotels at their original contribution values. In such event, the Corporation would retain the management contracts for hotels owned by FRA Properties.

Risks of the Hotel Partnership Transaction

Management has identified the following risks as being associated with the hotel partnership transaction:

(i) Third party debt exposure

- The Corporation has guaranteed third party debt of approximately $16.5 million, and the obligations of an interest rate swap agreement entered into by FRA Properties, in connection with the Inn on the Park Hotel, Toronto, as well as $7.9 million (US$6.2 million) relating the Four Seasons Biltmore Resort, Santa Barbara. Although these guarantees evidence a contingency to the Corporation, they do not create any incremental risk. The guarantee in respect of the Four Seasons Biltmore Resort, Santa Barbara has been in place since July 1991. The guarantee in respect of the Inn on the Park Hotel, Toronto replaces a guarantee that the Corporation originally gave to a Canadian chartered bank in 1986 in respect of certain liabilities of Tengis relating to this hotel.

(ii) Realization of Investment in FRA Properties

- The Corporation's net investment in FRA Mortgages and preferred capital of FRA Properties is composed of (i) the net book value as at August 14, 1992 of the Corporation's investment in the hotels it contributed to FRA Properties, plus (ii) subsequent advances to FRA Properties (in the form of FRA Mortgages, Stabilization Loans Receivable and preferred capital) to cover operating and capital requirements at its contributed hotels until December 31, 1996. As at December 31, 1992, this net investment is less than the Corporation's proportionate share of the values attributed to the hotels contributed to FRA Properties by the Corporation and HIC.

  However, these attributed values represent the Corporation's and HIC's projections of the stabilized values of the contributed hotels as at December 31, 1996, and are based on assumptions regarding the future operating performance of the contributed hotels, including the effect of stabilization of three new properties which opened in 1993, and a return to normal conditions in the real estate and capital markets. If these assumptions prove to be optimistic, there is a risk that the Corporation will not recover all of its investment in FRA Properties.

(iii) Equity Dilution

- Although after 1997 the obligations relating to the cash requirements of the HIC-contributed hotels are non-recourse to the Corporation, the Corporation's interest in the relevant hotel can be diluted if the Corporation chooses not to fund its proportionate share of the cash required.
- The equity value ascribed to each of the contributed properties is fixed in U.S.dollars. As amounts owing in respect of certain of the FRA Mortgages are denominated in currencies other than U.S.dollars (Yen and Lire in the case of the

HIC-contributed properties and Canadian dollars in the case of the Four Seasons-contributed properties), it is possible that the economic value of the Corporation's indirect equity interest in the contributed properties could be reduced by currency fluctuations. Any negative impact of such fluctuations would only be realized on the sale of a particular property.

(iv) Dissolution of FRA Properties

- In the event that FRA Properties is unwound in accordance with the provisions described in note 2 to the Notes to Consolidated Financial Statements, the benefits of the partnerships described above would be lost. However, based on the projections of cash flow prepared at the time FRA Properties was created, and having regard to the mechanisms for avoiding termination under the applicable partnership agreement, management believes that it is unlikely that the partnerships will be unwound.

For further information relating to FRA Properties and the hotels it holds, reference should be made to the Annual Information Form and to the Notes to Consolidated Financial Statements.

OPERATIONS OVERVIEW

The Corporation has two distinct operating segments: Hotel Management Operations and Hotel Ownership Operations.

Hotel Management Operations

The Corporation manages 36 hotels under the *Regent* and *Four Seasons* brand names in 15 countries. An additional nine properties which the Corporation will manage are under construction or development in seven countries. Generally, the Hotel Management segment has the following characteristics:

- stable earnings and cash flow, as approximately 75% of fee revenues from Hotel Management Operations are derived from fees based upon total revenues of managed hotels;
- management contracts are generally long-term. The average remaining term, including all renewal options, of all existing management contracts is 56 years;
- hotel owners fund substantially all capital expenditures and working capital needed for the hotel, including funding of all employment and operating costs; and
- reputation is essential to success in the luxury segment and is a significant barrier to entry.

Hotel Management Operations now represents the primary means by which the Corporation participates in expansion opportunities. Concentrating on hotel management rather than hotel ownership has enabled the Corporation to expand steadily in recent years without assuming significant additional capital risks.

Hotel Ownership Operations

The Corporation holds an equity interest in 19 of the 36 hotels and resorts under management. Three of the 19 equity interests are currently being consolidated in the Hotel Ownership segment. Generally, this segment has the following characteristics:

- it is capital and labour intensive and is subject to greater economic fluctuations than Hotel Management Operations;
- generally, significant large equity positions are in premium locations in London, Hong Kong and Chicago – markets which are traditionally stable over the long-term; and
- equity ownership allows the Corporation to participate in the long-term capital appreciation in value which the *Four Seasons* and *Regent* brand names and operations bring to a property.

The Corporation's strategy is to obtain long-term management contracts, while maintaining a minority equity position of less than 20% in new hotels and resorts which present attractive opportunities for long-term capital appreciation. The Corporation has or is expected to have an equity interest of less than 20% in the following properties under construction and development: Aviara, Berlin, New York, Paris and Prague.

1992 OPERATING RESULTS AND 1993 OUTLOOK

Hotel Management Operations

Yield

In the hotel business the term "yield" is defined to be occupancy multiplied by achieved room rate. The product of these factors is the base upon which a significant portion of the Corporation's management fees are earned.

The 1992 average yield of all hotels under management increased 8.8% as compared to the 1991 average yield. This improvement resulted from an increase of 8% in average achieved room rates over 1991 levels and an increase of 0.7% from occupancy levels achieved in 1991. In 1992, riots in Bangkok and Los Angeles, a typhoon in Fiji and the continuing recession in Canada, negatively affected yields in these regions. These negative effects were more than offset by strong yields in other parts of the world. In particular, large yield increases were experienced in hotels in Nevis, Singapore, Taipei, Kuala Lumpur, Melbourne and Auckland.

The average yield of all hotels under management in 1993 is expected to exceed the 1992 level by over 10%, with occupancies expected to increase by an average of 3.3% and achieved room rates expected to increase by an average of 10.4%.

Fee Revenues

Fee revenues from Hotel Management Operations increased 22% in 1992 to $42.5 million from $34.8 million in 1991. Of the $7.7 million increase in fee revenues, $6.9 million relates to the Corporation's acquisition of Regent and represents base, incentive and other ancillary fees from the ten ongoing Regent management contracts for the eighteen week period from August 14 to December 31, 1992. The balance of the increase resulted from the growth in fees from the recently opened Four Seasons properties in Tokyo and Nevis, a percentage fee increase from the Four Seasons Hotel, Los Angeles, and development fees from properties under construction and development, all of which were partially offset by lower business volumes at the Canadian hotels and by a decline in purchasing fees earned in 1992.

The Corporation's consolidated fee revenues are expected to increase significantly in 1993. A full year's recognition of fee revenue from ten of the Regent management contracts acquired will account for the majority of this increase. The 1992 full-year fee revenues under these contracts were approximately $16.7 million (US$13.8 million), as compared to $14.9 million (US$13.0 million) in 1991. The 1993 management fee revenues will also increase due to the opening of four new hotels and resorts in London, Bali, Milan and New York over a five-month period from December 1992 through mid-1993, and a full year of fee revenues earned from the Four Seasons Hotel, Tokyo which opened in January 1992.

The acquisition of Regent has enhanced the geographic diversification of the Corporation's management business and revenue sources. During 1992, approximately 27% of fee revenues was derived from properties outside North America, as compared to 11% in 1991. With a full year of Regent's fee revenues in 1993, this percentage is expected to increase to approximately 33%.

Earnings Before Other Operating Items, Interest and Taxes

In 1992, earnings before other operating items (which include depreciation and amortization), interest and taxes from Management Operations increased to $18.6 million, 32% higher than the prior year. General and administrative expenses were $23.9 million in 1992, an increase of $3.1 million, of which $2.6 million related to Regent's management operations for the period from August 14 to December 31, 1992.

The Corporation's profit margin before other operating items, interest and taxes increased to 43.8% from the 1991 level of 40.4%. The profit margin is expected to exceed this level in future years as (i) the nine hotels and resorts under construction and development are opened and begin to generate additional fees, and (ii) the benefits of the ongoing rationalization of the Regent and Four Seasons corporate overheads are realized.

Hotel Ownership Operations

Revenues and Earnings Before Other Operating Items, Interest and Taxes

Financial Statement Presentation

Operating results from The Pierre, New York and the Four Seasons hotels in Toronto and Vancouver are consolidated in Hotel Ownership Operations from January 1 to August 13, 1992. On August 14, 1992, as part of the Hotel Partnership Transaction, the Corporation disposed of its interest in these three properties. In accordance with generally accepted accounting principles applicable to the disposition of a significant portion of a business segment, the Corporation has reversed the net losses of $13.8 million related to these hotels ($8.1 million after tax) for the same period. In 1991, the before tax loss of $14.8 million from these hotels was included in Hotel Ownership Operations.

Continuing Operations Presentation

	($ in millions) 1992	1991
Revenues	$33.9	$ 33.1
Distributions from hotel investments	1.8	—
Earnings before other operating items, interest and taxes	$ 5.3	$ 3.8

Under the continuing presentation of Hotel Ownership Operations, virtually all of the revenues and earnings represent the proportionate consolidation of the Corporation's 50% interest in the Four Seasons Hotel, London and 25% interest in the Ritz-Carlton Hotel, Chicago, and the dividend income from the 25% leasehold interest in The Regent Hotel, Hong Kong.

The $1.5 million improvement in earnings before other operating items, interest and taxes in 1992 is due to $1.8 million of dividend income recorded by the Corporation during the fourth quarter of 1992 from The Regent Hotel, Hong Kong leasehold interest. This dividend income was partially offset by higher operating costs in Hotel Ownership Operations.

The Regent Hotel, Hong Kong

The Corporation's 25% leasehold interest in The Regent Hotel, Hong Kong has been accounted for using the cost method of accounting, as management does not believe it has the ability to exercise significant influence over this investment. The Corporation will recognize revenues from this investment as dividends are declared. A dividend of $2.4 million (US$1.9 million) was declared for the six months ended December 31, 1992, which has been reflected in the Corporation's Consolidated Financial Statements as an allocation between dividend income and a return on investment. Dividends recognized by Regent in 1992 were $6.4 million (US$5.3 million) as compared to $6.1 million in 1991 (US$5.3 million). For 1993, the Corporation anticipates receiving dividends of approximately $5.2 million (US$4.1 million) related to this investment.

The $17.5 million cost of acquiring the 25% leasehold interest is being amortized over an eight-and-a-half year period through December 28, 2000, which is the date of the initial expiry of the leasehold.

Four Seasons Hotel, London

The continued depressed economic situation and the strength of the pound sterling against the U.S. dollar early in the year negatively affected the 1992 results for the Four Seasons Hotel, London. The 1992 yield was down 3.6% as compared to the prior year. The recent devaluation of the pound sterling has resulted in stronger rooms business in 1993 than in 1992, as 40% to 50% of the Four Seasons Hotel, London's guests are residents of North America. Future bookings are improving and, although the 1993 yield is expected to improve over 1992 levels, it is expected to remain below the 1990 pre-Gulf War level.

Ritz-Carlton Hotel, Chicago

After a 3.3% yield increase in 1992, a 5.6% yield increase is expected for the property in 1993.

Depreciation and Amortization

Depreciation and amortization expense was $12.8 million in 1992, as compared to $10.8 million in 1991. The increase was primarily due to the amortization of the management contracts acquired, the *Regent* trademark and trade names, and the 25% leasehold interest in The Regent Hotel, Hong Kong for the period August 14 to December 31, 1992, offset by reduced depreciation related to the hotels disposed of on August 14, 1992.

In 1993, total amortization expense is expected to be approximately $13 million, including approximately $8 million relating to assets acquired in connection with the Regent acquisition.

Net Interest

During the year, the Corporation recognized net interest expense of approximately $8.6 million, as compared to net interest income of $40,000 in 1991. The variance results from payment of a full year's interest expense related to the $100 million 11.05% debentures issued in March 1991, interest paid on the US$102 million Regent acquisition facility issued on August 14, 1992 and increased use of credit lines during the year. The weighted average cost of debt during 1992 was approximately 6%.

In addition, interest income from notes and mortgages receivable declined in 1992 compared to 1991 as a result of lower interest rates during the year, the repayment of certain notes and mortgages receivable in 1992, and the fact that interest was not accrued on certain loans against which provisions have been established. (Reference is made to the heading "Advances to Managed and Owned Hotels".)

Taxes

The difference between the expected and actual income tax recovery for the year is due to: (i) $1.7 million of earnings not subject to tax; (ii) a $4 million increase in tax recovery resulting from lower foreign tax rates; and (iii) a $6 million reduction in income tax expense resulting from a change in estimated income taxes expensed in prior years. (Reference is made to Notes to Consolidated Financial Statements, note 13.)

OPERATING RISKS

The major risks associated with the Corporation's operations relate to interest rate exposure on floating rate debt, foreign currency fluctuations and the ability of the Corporation to maximize its investment in its underlying real estate assets over the longer term.

Interest Rate Risks

Twenty-four percent of the Corporation's long-term debt is at fixed interest rates. Of the balance, 90% is at floating rates based on U.S. LIBOR and 10% is at floating rates based on Canadian prime rates. These percentages are expected to remain constant in 1993, subject to any refinancings which may occur during the year. Management anticipates that U.S. and Canadian interest rates will remain at current levels for most of 1993, but utilizes interest rate hedging instruments to protect the Corporation's interest rate exposure.

Currency Risks

Although the Corporation reports its results in Canadian dollars, its relevant currency exposure is in U.S. dollars, as most of its revenues and assets are U.S. dollar denominated. Fifty-two percent of the Corporation's consolidated revenues were U.S. dollar denominated, or pegged to the U.S. dollar, in 1992 (49% in 1991). Forty-nine percent of its consolidated revenues in 1993 are expected to be U.S. dollar denominated.

Exchange fluctuations against the U.S. dollar have little economic significance to the Corporation as it continues to use its U.S. dollar cash flow for reinvestment in U.S. dollar assets and to service its U.S. dollar obligations. The Corporation expects the Canadian dollar to continue trading in the range of US$0.80 in 1993.

The Corporation also earned 16% of its consolidated revenues in pounds sterling in 1992 (14% in 1991). The Corporation manages this currency exposure through the use of forward contracts. It is expected that 24% of the consolidated revenues earned in 1993 will be in pounds sterling.

In addition, in 1993 the Corporation will earn fee revenues in eight other currencies throughout Asia and the South Pacific. None of these currencies exceeds 2% of the Corporation's consolidated revenues. Management manages this foreign currency exposure by keeping fee receivables current, by monitoring the political climate in each country, and by utilizing financial hedging instruments when necessary.

Capital Markets

The ongoing disruption in the capital markets will continue to affect the Corporation's ability to sell its interests in equity investments in hotels at favourable prices in the near term. In addition, financing constraints will continue to cause short-term interruptions in the progress of certain properties under construction or development. These factors will slow the pace of the Corporation's real estate divestiture and management operations expansion programs.

Financings and Use of Proceeds

Cash flow from operations, before changes in non-cash working capital, decreased from $11.2 million in 1991 to $3.7 million in 1992. This decrease arose primarily as a result of the additional interest expense incurred during the year as described above. However, this decrease was partially offset by changes in non-cash working capital. Overall, cash provided by operations was $4.4 million in 1992 ($6.3 million in 1991).

On August 14, 1992, the Corporation acquired all of the outstanding shares of Regent for a purchase price of US$122 million. The cash purchase price and related acquisition expenses were financed through a combination of existing working capital lines and a two-year US$102 million acquisition facility, which bears interest at LIBOR plus 3/4%.

The Corporation successfully completed two equity financings during 1992. Pursuant to an underwriting agreement dated April 10, 1992, amended April 23, 1992, the Corporation sold 2,500,000 Subordinate Voting Shares at a price of $18.75 per share to a group of underwriters on a bought deal basis. Total net proceeds of the issue, which closed on May 6, 1992, were approximately $45.6 million and were used to pay down short-term bank debt. Pursuant to an underwriting agreement dated December 1, 1992, the Corporation sold an additional 3,000,000 Subordinate Voting Shares at a price of $19.50 per share to a group of underwriters, also on a bought deal basis. Total net proceeds of the issue, which closed on December 30, 1992, were approximately $57.0 million and were used, in part, to repay a portion of the acquisition facility described above, and, in part, to pay down short-term bank debt. It is the Corporation's intention to refinance the balance of the acquisition facility in 1993 on a longer term basis.

In 1991, the Corporation completed offerings of both debt and equity securities. Pursuant to an underwriting agreement dated January 31, 1991, effective February 14, 1991, the Corporation issued and sold 2,000,000 Special Warrants at a price of $14.65 per Special Warrant for net proceeds of $28.3 million. Each Special Warrant entitled the holder to receive one Subordinate Voting Share without additional payment. The Special Warrants were fully exercised on March 26, 1991.

During 1991, the Corporation also issued $100 million of 11.05% unsecured debentures maturing in March 1996. In order to take advantage of lower U.S. interest rates and to hedge the Corporation's significant U.S. income stream and exposure to U.S. dollar investments, 50% of this debenture issue was exchanged through cross currency interest rate exchange agreements into U.S. dollar fixed interest rate obligations. The effective interest rate of this part of the debt is 9.37%. The other 50% of the issue was exchanged for U.S. based floating rate debt through similar agreements which had an average cost of 5.68% during 1992.

The net proceeds of both the debt and equity securities issued in 1991 were used to repay short-term indebtedness and to finance capital needs of the Corporation.

At December 31, 1992, the Corporation had $65.2 million in drawn credit facilities.

As discussed below under "Capital Expenditures" and "Advances to Managed and Owned Hotels", the Corporation has commitments to fund operational, capital and development needs that could amount to $47 million in 1993. These commitments will be funded by 1993 cash flow from operations generated by the hotels and by the Corporation. To the extent 1993 cash flow from operations is inadequate, the Corporation had available $46.8 million in undrawn credit facilities with three banks and $5.5 million of cash otherwise available at December 31, 1992. In addition, the hotels contributed by the Corporation to FRA Properties had $5.5 million of cash otherwise available at December 31, 1992.

At December 31, 1992, the Corporation's debt-to-equity position, net of cash, was 1.17:1, higher than the Corporation's target of 1:1 and the debt-to-equity position, net of cash, at December 31, 1991, of .86:1. The majority of the Corporation's debt is in U.S. dollars. Based upon the low interest rate environment the United States experienced in 1992 and early 1993, this debt level is manageable in the short-term.

CAPITAL EXPENDITURES

The owners of Four Seasons hotels spend on average 3% to 5% of gross revenues of the hotel per annum on capital expenditures in the hotels (other than in newly constructed or recently renovated properties). Additional funds are made available for special capital projects as required. In 1992, approximately $41 million was invested in capital projects by owners of Four Seasons hotels, as compared to $48 million in 1991. The Corporation's share of these capital expenditures was $23 million in 1992 and is described in more detail under the heading "Advances to Managed and Owned Hotels" below. The Corporation's share of the expenditures was $21.5 million in 1991 and is estimated to be approximately $12 million in 1993. The capital expenditures will be funded by working capital generated from operations of the hotels and through advances from the Corporation as described below.

Renovations are scheduled so as to minimize loss of revenue, inconvenience to guests and construction and labour costs.

ADVANCES TO MANAGED AND OWNED HOTELS

Advances to Hotels Contributed to FRA Properties

Approximately $17 million for capital expenditures (included in the $23 million described under the heading "Capital Expenditures") and $18 million for operating requirements were advanced by the Corporation to Four Seasons hotels in Toronto, Vancouver, Santa Barbara and The Pierre Hotel, New York during 1992, including approximately $7 million advanced in respect of amounts paid to the Corporation for interest and management fees. The aggregate of these advances are reflected on the Corporation's balance sheet as FRA Mortgages and preferred capital.

In 1992, the Corporation also advanced $3.1 million (1991 – $2.9 million) to the Inn on the Park Hotel, Toronto and $2.0 million ($3.9 million in 1991) to Tengis in connection with the Inn on the Park Hotel, Toronto, relating to the Corporation's guarantee of certain of Tengis' liabilities resulting from the reorganization in 1986. During 1992, the Corporation negotiated the contribution to FRA Properties of the Inn on the Park Hotel, Toronto with Tengis. In consideration for this contribution, (i) FRA Properties assumed certain debt owed by Tengis to a Canadian chartered bank; (ii) FRA Properties repaid the Corporation approximately $3.0 million for its direct advances to the Inn on the Park Hotel, Toronto; (iii) Tengis repaid $8.5 million of the advances made to it by the Corporation; and (iv) the Corporation received additional FRA Mortgages and preferred capital in FRA Properties as consideration for the balance of its direct advances to the Inn on the Park, Toronto. (Reference is made to the heading "Other Loans".)

It is estimated that approximately $17.8 million will be invested in five of the Corporation's contributed properties in 1993 for operational needs as Stabilization Loans Receivable, together with an additional $4.9 million for capital expenditures which will be advanced as FRA Mortgages and preferred capital. (Reference is made to the heading "Capital Expenditures" above and to Notes to Consolidated Financial Statements, note 2(c).)

Equity Investments (Other Than FRA Properties)

In those hotels in which the Corporation has less than a 20% interest, it invested $5.9 million in 1992 ($4.3 million in 1991) to fund operating and capital requirements, primarily in recently opened hotels or hotels under development. It is estimated that a further $2.0 million will be invested in these hotels in 1993. (Reference is made to the heading "Capital Expenditures" above.) As well, the Corporation has agreed to invest up to $6.4 million in The Regent Hotel, Jakarta if completion financing for the development can be arranged on satisfactory terms.

Loans to Hotels in Which the Corporation Has An Equity Interest (Other Than FRA Properties)

In addition to the above, the Corporation advanced $2.3 million in 1992 ($8.6 million in 1991) to fund certain construction costs of the Aviara project in Carlsbad, California. It is estimated that $400,000 will be invested in 1993. These advances earn interest at market rates and will be repaid from the construction financing for the project when arranged. The advances are unsecured, but the project is unencumbered by liens or mortgages, other than a US$15 million mortgage relating to the golf course, which mortgage is the responsibility of the majority partner in the project.

Loans Made to Hotels Pursuant to Management Contract Obligations (Other Than FRA Properties)

During 1992, $6.0 million was advanced as capital and operating deficit loans to two hotel properties. The Corporation expects to advance a further $6.9 million of capital and operating loans to managed hotels in 1993.

These loans earn interest at market rates and are generally repayable out of operating cash flow from the hotel or on the sale or refinancing of the hotel or termination of the relevant management contract. At the end of 1992, all of the net loans outstanding were secured.

Other Loans

As at December 31, 1991, the Corporation was owed $5.3 million in respect of loans made to Tengis pursuant to the Corporation's guarantee of certain of Tengis' liabilities arising out of the reorganization in 1986 (including the $3.9 million advanced to Tengis in respect of the Inn on the Park Hotel, Toronto). During 1992, an additional $9.4 million (including the $2.0 million advanced to Tengis in respect of the Inn on the Park, Toronto) was advanced to Tengis primarily in respect of the guaranteed liabilities. On August 14, 1992, Tengis repaid $8.5 million of these advances to the Corporation. (Reference is made to the heading "Advances to Hotels Contributed to FRA Properties".)

At December 31, 1992, $6.2 million is owing by Tengis to the Corporation. It is anticipated that an additional $2.7 million will be advanced to Tengis in 1993 in respect of the guaranteed liabilities. These advances earn interest at market rates, are secured by a floating charge over all of Tengis' assets, and must be repaid in priority to any distributions to the Tengis shareholders.

Provision For Loss on Notes and Mortgages Receivable

The Corporation has total provisions of $22.8 million set up against its notes and mortgages receivable portfolio, including $12.9 million established in the third quarter of 1992, and $7.6 million (US$6 million) recorded as a provision in connection with the acquisition of Regent. Due to the continuing negative impact of the current economic conditions on the hotel industry, there is some uncertainty regarding the timing and form of realization of certain notes and mortgages receivable. The provision of $22.8 million represents 47% of that portion of the notes and mortgages portfolio on which interest is not being received or where there is significant doubt about the ability of the borrower to fully repay the amounts due to the Corporation. However, it is the Corporation's view that these loans should be recoverable upon a return to more normal market conditions.

ECONOMIC OUTLOOK

World Travel

The sluggish world economic growth in 1992 is expected to turn around slowly in 1993, led by a weak recovery in North America. According to Boeing's 1993 Current Market Outlook, however, from 1994 to 1996 travel growth is expected to average 6.5% per year as world economic growth accelerates. The growth of air travel will be led by travel to, from and within Asia. These markets account for 25% of world air travel today, and are forecast to grow at a faster rate than any other area over the next two decades.

The Hotel Industry

According to Smith Travel Research, U.S. hotels' occupancy rates rose 1.5% to 61.7% in 1992, and room rates increased an average of 1.3% for the same period.

In 1993, the hotel industry should experience improved occupancies and room rates due to the economic growth occurring in North America. Increasing demand coupled with the virtual absence of new construction should allow the industry to gradually absorb excess supply.

The capital shortage in the North American real estate market is expected to continue for at least another twelve months. In the short-to-medium term, this will continue to affect the ability to sell certain of the hotels that the Corporation and its partners have designated for sale and to complete financing of certain properties under development.

Despite the unfavourable capital market conditions, there may be profitable opportunities for hotel management companies such as the Corporation to assume new management responsibilities as lenders and owners seek to protect the value of their assets by retaining the most experienced management available.

In Asia, dynamic economies, rising disposable income and expanding trade and tourism should result in expansion in the hotel industry. Business travel should also increase in Eastern Europe as the political situation stabilizes and as economies develop rapidly.

SUMMARY

Although 1992 was another difficult year, there were signs of improvement in the Corporation's business and Management is confident that the Corporation's performance will improve in 1993. The acquisition of Regent has positioned the Corporation to serve more luxury hotel customers with more cost effective systems than any other competitor, and has enhanced the Corporation's leadership position in the luxury segment of the global hotel market.

Four Seasons Hotels Inc. was incorporated under the laws of Ontario on January 6, 1978 and has its registered and principal office at 1165 Leslie Street, Toronto, Ontario M3C 2K8. The Subordinate Voting Shares of Four Seasons Hotels Inc. are listed on The Toronto Stock Exchange and the Montreal Exchange.

Four Seasons Hotels Inc.'s principal business is the management of medium-sized luxury urban and resort hotels. Hotel management is carried out through its various operating subsidiaries. The management of North American hotels (other than The Regent Beverly Wilshire Hotel) and the Four Seasons Hotel, London is carried out by the Corporation's wholly-owned subsidiary, Four Seasons Hotels Limited ("FSHL"), an Ontario corporation. The management of hotels outside North America (other than the Four Seasons Hotel, London) and The Regent Beverly Wilshire Hotel is generally carried out by Regent International Hotels Limited ("RIHL"), a Hong Kong corporation, and by Four Seasons Hotels and Resorts, B.V., a Netherlands corporation, both of which are wholly-owned subsidiaries of FSHL.†

The Corporation also holds an ownership interest in certain hotels it manages. These equity interests are generally held through partnerships or by wholly-owned subsidiaries. Equity interests in hotels are structured having regard to the legal, tax and accounting requirements of the particular jurisdiction and the ownership objectives of the Corporation. (A chart depicting all of the significant subsidiaries of the Corporation is set out on page 47.)

BUSINESS OF THE CORPORATION

The Corporation is engaged in the management and ownership of medium-sized luxury urban hotels and resort hotels through its main operating subsidiary groups, Four Seasons and Regent.

Four Seasons Hotels and Resorts

Four Seasons currently manages 25 hotels under the *Four Seasons* trade name containing approximately 7,500 guest rooms located in principal cities and resort destinations in Canada, the United States, England, Italy, Indonesia, Japan, and the Caribbean. Four Seasons owns a freehold or leasehold interest in 17 of these hotels. Eight additional urban hotels and resort hotels, containing approximately 2,150 guest rooms, are under construction or development in Europe, Asia, the United States and Mexico. Four Seasons expects to own an equity interest in five of these new properties. Four Seasons also owns a 19.9% indirect freehold interest in The Regent Hotel, Fiji.

Four Seasons earns revenue from hotel management and hotel ownership. Four Seasons' hotel management revenue is derived from basic, incentive and other fees earned in respect of the management of hotels under long-term management contracts (having an average remaining term of approximately 69 years). Basic fees are calculated as a percentage of the gross revenue of each hotel, whereas incentive fees are related to the profitability of each hotel. Four Seasons also earns development, technical services and purchasing fees in connection with the development and construction of new hotels and the refurbishment of existing hotels. Four Seasons' earnings from hotel ownership are derived from cash flow participation and realization of capital appreciation upon the sale of the ownership interest. The majority of Four Seasons' hotel ownership positions are non-material or minority positions (less than 20%), some of which are held through a 19.9% interest in a group of partnerships formed with Hotel Investment Corporation ("HIC"), a Japanese corporation. These ownership positions do not contribute materially to Four Seasons' current earnings.

†*Unless the context otherwise requires, in this annual information form, the term "Corporation" means Four Seasons Hotels Inc. and all of its subsidiaries. The term "Four Seasons" refers to FSHL and its subsidiaries other than Regent, and the term "Regent" refers to RIHL and its subsidiaries.*

Regent International Hotels

Regent is headquartered in Hong Kong and currently manages 11 hotels under the *Regent* trade name containing approximately 4,600 guest rooms. Regent hotels are located in Asia (Bangkok, Hong Kong, Kuala Lumpur, Singapore, Taipei), the South Pacific (Fiji), Australia and New Zealand (Auckland, Melbourne, Sydney), England (London) and the United States (Beverly Hills). One urban hotel is under construction in Jakarta, Indonesia. Construction of The Regent Hotel, Jakarta has been temporarily delayed pending arrangement of completion financing. Regent's only hotel ownership position is a 25% interest in the leasehold of The Regent Hotel, Hong Kong.

Regent earns revenue from hotel management and hotel ownership. Regent's hotel management revenue is derived from basic, incentive and other fees earned in respect of the management of hotels under long-term management contracts (having an average remaining term of approximately 29 years). The contracts provide for the payment to Regent of basic fees based on gross revenue and incentive fees based on profitability, or, in some cases, a single fee based on a percentage of gross operating profit, or in one case a lump-sum amount payable annually.

MARKET POSITION AND MARKETING STRATEGY

The Corporation's principal objective is to operate the finest urban hotel or resort hotel in each destination in which it locates.

Demand for luxury hotel accommodation is derived from two sources: business travel (including group and conference business) and leisure or tourist travel. The Corporation estimates that business travel and leisure travel represent approximately 66% and 34%, respectively, of Four Seasons' and Regent's combined occupancy. Forty-nine percent of hotel revenue is derived from the sale of guest rooms; forty-one percent from the sale of food and beverages; with the balance being attributable to the sale of other services to hotel guests, including telephone, laundry and valet, and health club services.

The overall marketing strategy of the Corporation is to serve the luxury segment of the market for business and resort travel world-wide. Having established a network of hotels in major destinations in North America, Asia, the Caribbean, Australia, New Zealand, the South Pacific, Italy and England, the Corporation is now focusing on expanding its presence in other major international cities and luxury resort destinations. Expansion into international markets and resort operations is intended to allow the Corporation to better serve the travel needs of the existing customer base and, at the same time, introduce international business travellers to the *Four Seasons* and *Regent* products and attract them to the Four Seasons and Regent hotels and resorts world-wide.

The Corporation's 29 existing urban hotels and the seven urban hotels under construction or development are all located in major business and commercial centres, either in urban cores or in significant suburban developments. Accommodation in or near such areas is of particular importance to business travellers. In addition, all of these hotels are located in areas that have access to attractions for tourists, such as sites of interest, retail and entertainment facilities and special events.

Hotel decor is residential in style. Each Four Seasons and Regent hotel provides such amenities as concierge service, non-smoking rooms and floors, 24-hour room service, seminar and meeting facilities, fine cuisine and twice-daily maid service. Most also offer modern health and fitness facilities.

The seven existing resorts and the two resorts under construction or development are intended in part to provide a vacation alternative to the business travellers who constitute a substantial part of Four Seasons' and Regent's customer base at their urban hotels.

At present, 37% of occupied rooms at Four Seasons and Regent resorts are sold to vacationers. Other major markets for these resorts are corporate groups and incentive groups, representing 29% and 16%, respectively, of all occupied rooms. Incentive travel is purchased by companies to reward employees for excellence on-the-job and to increase employee productivity through motivation.

Four Seasons and Regent each achieve room rates which are among the highest in each of their market areas. Hotel design, decor and service standards are carefully tailored to appeal to the luxury-segment of the market for business and leisure travel. Competition from other hotels is vigorous in all of their markets and arises primarily from individual luxury hotels, small luxury hotel chains and a few specific properties of certain larger hotel chains.

To meet this competition, the Corporation strives to maintain and improve the quality and scope of its services. In recent years, Four Seasons has expanded its list of amenities to include Private Reserve℠, a custom-tailored corporate service program which provides Four Seasons' regular corporate customers and travel planners with certain exclusive benefits and services. These include a private reservation line, 24-hour confirmations, guaranteed corporate rates, priority waiting lists, special access to Four Seasons' world-wide concierge services (regardless of whether the person is staying at the hotel), complimentary room upgrades on a space-available basis, 24-hour business services and pre-registration and express check-out. The Corporation is exploring the possibility of introducing these programs in Regent hotels as well.

Approximately 40% of the Corporation's urban business and virtually all of its resort business is booked through travel agents. The importance of travel agents to the Corporation will increase as the two resorts under construction and development open. To acknowledge its commitment to servicing, and the importance of, the travel agent community, Four Seasons introduced Lasting Impressions℠. This program provides a standardized amenity program which enables travel agents to provide in-room gifts for their clients, an expanded staff to work with the travel agent market, a special resort desk at Four Seasons' centralized reservations offices dedicated to travel agent business, and the payment of agency commissions within 72 hours of a guest's departure. The Corporation is exploring the possibility of introducing these programs in Regent hotels as well.

Separate toll-free reservations offices serviced by 90 agents will maximize the identity and market penetration of both Four Seasons and Regent. Each reservation system is able to sell the other brand in cities where it is not located, and second hotels in the same city, if one hotel is full. The Corporation completely reorganized and upgraded its international reservations network to be able to offer the best available reservation service to travel agents in Europe and Australasia. The integration of this network began in 1992 with the introduction of the system for both Four Seasons and Regent reservations in North America. In 1993, the benefits will extend to worldwide airline and telephone bookings in the local language of the caller and worldwide commission payments. The system will allow the Corporation to give travel agents instant confirmation of bookings made in the major airline systems.

INDUSTRY AWARDS

Four Seasons and Regent have gained reputations for quality, service and innovation in the luxury segment of the business and leisure travel market. These reputations have been widely acknowledged by the following leading surveys of hotel properties:

Institutional Investor

Eight Four Seasons hotels and four Regent hotels were ranked among the world's top 75 hotels in a survey of international financiers published in the October 1992 issue of *Institutional Investor.* The Regent Hotel, Hong Kong was ranked the world's best hotel for the second year in a row and also ranked first among the top 22 hotels in the "Asia-Pacific" regional ranking along with other Regent hotels located in Bangkok, Sydney and Melbourne. Seven Four Seasons hotels located in Chicago (both Ritz-Carlton and Four Seasons), Washington, Boston, Toronto, New York (The Pierre) and Montreal (Le Quatre Saisons) were ranked in the top 23 hotels in the "Americas" regional rankings, while the Four Seasons Hotel, London was included in the "Europe" listing, as has been the case in 11 of the past 12 years.

AAA Five Diamond Awards

In 1992, and for the twelfth consecutive year, Four Seasons topped the list of hotels receiving the American Automobile Association Five Diamond Award for excellence – an award based upon superiority of guest facilities, services and atmosphere. Four Seasons' properties received 12 of the 48 awards.

The Four Seasons Hotel, Vancouver has received the American Automobile Association Five Diamond Award every year since the awards began in 1977. The Four Seasons Resort, Nevis and the Four Seasons Hotel, Newport Beach are the newest Four Seasons to be honoured with a Five Diamond Award.

Mobil Five-Star Awards
Three Four Seasons hotels were among the 21 hotels and resorts to receive 1993 Mobil Five-Star Awards. The Four Seasons Clift Hotel in San Francisco and the Four Seasons hotels in Chicago and Los Angeles were the recipients of this prestigious award.

Condé Nast Traveler's Readers' Choice Awards
Fourteen Four Seasons and Regent properties ranked in the *Condé Nast Traveler's* 1992 Readers' Choice Awards.

Executive Travel
In 1992 Regent was named the Best Hotel Group in Asia and the Pacific by *Executive Travel*.

Business Travel News
In a 1993 survey of 7,500 corporate travel managers and business travel agency subscribers, *Business Travel News* ranked Four Seasons number one among the four luxury chains, with Regent in second place.

Zagat Survey
A newly published guide, *1993 Zagat Survey – Top Hotel Chains*, which is based on a recent poll of 7,000 frequent travellers in the United States, rated Four Seasons as the winner in the Hotel Chain category. Four Seasons and Regent together had 12 of the top 50 hotels and two of the top 50 resorts.

Nikkei Resort Magazine
After only nine months of operation, the Four Seasons Hotel, Tokyo has been awarded the top overall ranking in a survey of Tokyo's finest hotels conducted by *Nikkei Resort Magazine* in October 1992.

BUSINESS STRATEGY

Since the early 1980s, hotel management, rather than hotel ownership, has become the primary focus of the Corporation's business. When it first entered the hotel business, the Corporation was both the manager and owner of its hotels. As these hotels matured and the Corporation's reputation and expertise as a manager became better known, other hotel owners and developers approached the Corporation to manage new properties. Hotel management now represents the primary means by which the Corporation participates in expansion opportunities. The Corporation expects to have 80% to 90% of future total earnings and cash flow produced by hotel management operations.

Concentrating on hotel management, rather than hotel ownership, has enabled the Corporation to expand steadily in recent years. The Corporation's emphasis on hotel management operations reduces its exposure to the risks inherent in the highly capital and labour intensive hotel ownership business. Hotel ownership business can also be significantly affected by seasonal and business cycle risks to a much greater degree than hotel management. Hotel management activities are characterized by relatively stable earnings and cash flow as approximately 75% of the Corporation's fee revenue is based upon total revenues of the hotels which it manages. Hotel ownership will, however, remain an important aspect of the Corporation's business.

Equity participations in managed hotels are generally structured to limit the financial exposure of the Corporation to a fixed dollar amount. The Corporation does not acquire equity interests in hotels for which it does not have management responsibility and generally seeks to structure its relationships with other investors so that its equity interests can be dealt with separately from its management interests. This approach enables the Corporation to dispose of equity ownership interests as sales opportunities arise without jeopardizing its management interests. The Corporation's current strategy is to acquire up to a 20% equity interest in hotels which present attractive opportunities for capital appreciation. The Corporation is not necessarily offered an equity position in each hotel and resort it manages.

Both the hotel management and the hotel ownership segments are seasonal. The first quarter of the year is traditionally the slowest quarter for urban hotels, while the second and fourth quarters are the strongest. In contrast, resorts typically enjoy strong first quarter occupancies. The Corporation anticipates that the January 1993 opening of the Four Seasons Resort, Bali and the expected openings in 1994 and 1995 of the Four Seasons resorts in North Kona, Hawaii and Aviara, Carlsbad, California will help to reduce the seasonality of its future earnings. A fundamental element of the Corporation's long-term strategy is to reduce the seasonal variations of its cash flow.

Although its partners are generally responsible for financing and managing the development of hotels, the Corporation also assumes a significant pre-opening role. It advises on and must approve the design and construction specifications of hotels and resorts it manages or in which it has an equity interest during the development stage to ensure that they meet Four Seasons' and Regent's standards. The Corporation earns a variety of fees for these pre-opening services.

The Corporation's earnings from hotel management are derived from the basic, incentive, purchasing and refurbishing fees earned in connection with the management of existing hotels, and development, technical services and purchasing fees earned in connection with the development and construction of new hotels. The Corporation's earnings from hotel ownership are derived from cash flow participation from operations and realization of capital appreciation upon the sale of the ownership interests.

DESCRIPTION OF HOTELS AND RESORTS

The Corporation presently manages 36 hotels and resorts and has nine hotels and resorts under construction or development. These properties are described in the following tables:

Four Seasons Hotels and Resorts

				Facilities	Management Agreement	
Hotel and Location	Date of opening/major renovations	Date of appointment as manager[1]	Number of Rooms	Other Features	Initial Expiry	Final Expiry[2]
Four Seasons Hotel Austin, Texas	1986	1985	292	15,237 sq.ft. of function space[3][4]	2012	2072
Four Seasons Resort Bali, Indonesia	1993	1992	147	2,300 sq.ft. of banquet space[3][4] 35 acres of gardens[3][4] Access to three-mile beach Tennis club and spa[3][4]	2013	2073
Four Seasons Hotel Boston, Massachusetts	1985/1992	1982	288	100 condominium apartments[3] 9,865 sq.ft. of function space[3][4]	2010	2085
Ritz-Carlton Hotel Chicago, Illinois	1975/1991	1977	431	Carlton Club[3][4] 20 residential apartments[3][4] 18,321 sq.ft. of function space[3][4]	2025	2075
Four Seasons Hotel Chicago, Illinois	1989	1987	343	15 residential apartments[3][4] 19,476 sq.ft. of function space[3][4]	2024	2104
Four Seasons Resort and Club Dallas, Texas	1979/1986/1991	1979	315	25,000 sq.ft. of conference space[3] 176,000 sq.ft. sports club[3] Racquet and fitness facilities[3] Two 18-hole golf courses[3] 12,000 sq.ft. spa[3]	2002	2042
Four Seasons Hotel Houston, Texas	1982/1992	1979	399	117 residential apartments[3] 12,826 sq.ft. of function space[3]	2016	2046[5]
Four Seasons Hotel London, England	1970/1991	1984	227	6,734 sq.ft. of function space[3][4]	2054	2054

See accompanying notes on page 66.

Four Seasons Hotels and Resorts

Hotel and Location	Date of opening/major renovations	Date of appointment as manager[1]	Number of Rooms	Facilities: Other Features	Management Agreement: Initial Expiry	Management Agreement: Final Expiry[2]
Four Seasons Hotel Los Angeles, California	1987	1985	285	9,650 sq.ft. of function space[3]	2042	2062
Four Seasons Hotel Milan, Italy	1993	1992	98	6,250 sq.ft. of function space[3][4]	2013	2073
Four Seasons Minaki Lodge Minaki, Ontario	1925/1986	1990	144	2,800 ft. airstrip[4] 9-hole golf course[4]	2012	2072
Le Quatre Saisons Montreal, Quebec	1976	1976/1983	300	14,755 sq.ft. of function space[3]	2003	2043
Four Seasons Resort Nevis, West Indies	1991	1989	196	2,100 feet of ocean frontage 18-hole Robert Trent Jones II-designed golf course[3][4] 5,000 sq.ft. of meeting and banquet facilities[3][4]	2021	2066
Four Seasons Hotel Newport Beach, California	1986	1984	285	14,460 sq.ft. of function space[3]	2016	2046
The Pierre Hotel New York, New York	1929/1981/ 1991	1981	205[6]	99 cooperative apartments[3] 16,840 sq.ft. of function space[3][4]	2012	2021
Four Seasons Hotel Philadelphia, Pennsylvania	1983	1980	371	600,000 sq.ft. of leasable office space[4] 11,585 sq.ft. of function space[3][4] Garage[3][4]	2013	2053
Four Seasons Clift Hotel San Francisco, California	1915/1976/ 1983/1990	1976/1983	329	4,549 sq.ft. of function space[3]	2006	2066
Four Seasons Biltmore Resort Santa Barbara, California	1929/1988	1987	234	Coral Casino Beach & Cabana Club[3][4] 13,927 sq.ft. of function space[3][4]	2012	2072
Four Seasons Olympic Hotel Seattle, Washington	1924/1982/ 1992	1980	450	6,543 sq.ft. of leasable office space[3][4] 30,942 sq.ft. of leasable retail space[3][4] 21,474 sq.ft. of function space[3][4] Garage[4]	2040	2040
Four Seasons Hotel Tokyo, Japan	1992	1988	286	13,440 sq.ft. fitness facility[3] 29,784 sq.ft. of conference and banquet facilities[3]	2002	2032[7]
Four Seasons Hotel Toronto, Ontario	1974/1978/ 1984/1992	1978	380	7,400 sq.ft. of leasable retail space[4] 26,613 sq.ft. of function space[3][4]	2012	2077
Inn on the Park Toronto, Ontario	1963/1971/ 1985	1963/1984	568	8 shops and boutiques Health club 33,183 sq.ft. of function space[3][4] 10,936 sq.ft. of leasable office space[3][4]	2012	2072
Four Seasons Hotel Vancouver, British Columbia	1976/1990	1974	385	18,851 sq.ft. of function space[3][4]	2012	2035
Four Seasons Resort Wailea, Maui, Hawaii	1990	1987	380	19,020 sq.ft. of function space[3]	2010	2055
Four Seasons Hotel Washington, D.C.	1979	1977	196	77,588 sq.ft. of function space[4] 9,690 sq.ft. of leasable retail space[4] 10,689 sq.ft. of function space[3][4] 6,000 sq.ft. health club[4]	2007	2022

See accompanying notes on page 66.

Regent International Hotels

Hotel and Location	Date of opening/major renovations	Date of appointment as manager[1]	Number of Rooms	Facilities: Other Features	Management Agreement: Initial Expiry	Management Agreement: Final Expiry[2]
The Regent Hotel Auckland, New Zealand	1985/1990	1983	332	1,586 sq.ft. of function space[3] Health club[3]	2004	2004
The Regent Hotel Bangkok, Thailand	1983	1985	400	6,821 sq.ft. of function space[3] Health club[3]	1995	2002
The Regent Beverly Wilshire Hotel, Beverly Hills, California	1927/1990	1985	335	25,529 sq.ft. of function space[3]	2025	2025[8]
The Regent Hotel Hong Kong	1980/1989	1979	514	22,000 sq.ft. of function space including Hong Kong's largest ballroom of 9,500 sq.ft.[3][4] Health club[3][4]	2000	2000
The Regent Hotel Kuala Lumpur, Malaysia	1989	1988	469	6,758 sq.ft. of function space[3] Health club[3]	2009	2029
The Regent Hotel London, England	1899/1992[9]	1992	309	7,204 sq.ft. health club and pool[3] 15,231 sq.ft. of function space[3]	2011	2071
The Regent Hotel Melbourne, Australia	1980/1987	1982	363	4,578 sq.ft. of function space[3] Health club	1995	1995[10]
The Regent Resort Nadi Bay, Fiji	1975	1971	290	3,200 sq.ft. banquet room[3] Private beach front	2011	2071
The Regent Hotel Singapore	1982/1991	1988	441	11,638 sq.ft. of function space[3] Health club[3]	2008	2028
The Regent Hotel Sydney, Australia	1983/1990	1980	596	13,055 sq.ft. of function space[3] Health club[3]	2023	2023[8]
The Regent Hotel Taipei, Taiwan	1990	1984	555	13,252 sq.ft. of function space[3] Health club[3]	1998	1998

Notes:

(1) In some cases, the Corporation's appointment as manager precedes the date of opening or renovation of the particular hotel. In such cases, the Corporation typically assists the owners in the development, construction and refurbishment of, and the purchase of furniture, fixtures and equipment for, the hotel and receives income for such services.

(2) Final expiry is the expiry date if all renewal options are exercised.

(3) The Corporation receives or will receive a fee income for the management of these facilities.

(4) The Corporation has an equity interest in these facilities.

(5) The management contract may be terminated by the owners in the event of a change of control of Four Seasons Hotels Inc.

(6) Includes 30 co-operative suites leased from individual owners and operated as hotel rooms.

(7) The management contract may be terminated by the owner if control of the Corporation is transferred to a competitor of the owner.

(8) Upon obtaining requisite consents of other third party owners, and subject to certain conditions, HIC may contribute, or cause to be contributed, two additional FRA Properties. If both hotels are contributed to FRA Properties the Corporation would have a 10% interest in The Regent Hotel, Sydney, and a 13.3% interest in The Regent Beverly Wilshire Hotel.

(9) Reconstruction of the former Grand Central Hotel.

(10) The Corporation and the owners have agreed in principle to negotiate in good faith a renewal of this contract, provided certain specified financial tests are met.

(11) Information concerning hotels under construction and under development is based upon agreements and letters of intent and may be subject to change. The dates of opening have been estimated. Expiry dates are calculated from the estimated date of opening.

(12) The Corporation signed a letter of intent relating to the management of this hotel. As is customary in Germany, the management rights for this hotel are combined with terms of an operating lease. The Corporation is actively seeking a partner to assume a controlling interest in the leasehold excluding the hotel management portion, and to acquire the same share of the Corporation's equity interest in this hotel. (Reference is made to the table which outlines the Corporation's equity interests on page 68.)

(13) The Corporation has also agreed to invest up to US$5 million in The Regent Hotel, Jakarta if completion financing can be arranged on satisfactory terms.

Four Seasons Hotels and Resorts

Hotel and Location	Date of opening/major renovations	Date of appointment as manager[1]	Number of Rooms	Facilities Other Features	Management Agreement Initial Expiry	Final Expiry[2]
Under Construction[11]						
Four Seasons Resort Aviara Carlsbad, California	1995	1989	443	8-acre fitness facility[3][4] 39,600 sq.ft. of meeting and banquet space[3][4] 18-hole Arnold Palmer-designed golf course and Club House[3][4]	2024	2084
Four Seasons Resort North Kona, Hawaii, Hawaii	1994	1989	253	18-hole Jack Nicklaus-designed TPC golf course[3] 14,900 sq.ft. of meeting space[3]	2018	2063
Four Seasons Hotel Mexico City, Mexico	1994	1990	238	17,000 sq.ft. of meeting and banquet facilities[3]	2013	2038
Four Seasons Hotel New York, New York	1993	1992	367	5,000 sq.ft. fitness center[3][4] 7,200 sq.ft. of meeting and banquet space[3][4]	2013	2073
Four Seasons Hotel Singapore	1994	1990	260	18,900 sq.ft. of function space[3] 28,000 sq.ft. sports facility[3] (including indoor tennis courts)	2023	2043
Under Development[11]						
Four Seasons Hotel Berlin, Germany[12]	1996	1992	202	182,934 sq.ft. of leasable office space 26,286 sq.ft. of leasable retail space 65,458 sq.ft. of residential space	2011	2071
Four Seasons Hotel Paris, France	1995	1989	204	Approximately 30 units of luxury condominiums (or 42,675 sq.ft.)[3] 14,500 sq.ft. of function space[3][4]	2023	2083
Four Seasons Hotel Prague, The Czech Republic	1996	1993	185	5,382 sq.ft. of meeting and banquet space[3][4] 4,844 sq.ft. fitness center[3][4] 23,681 sq.ft. of leasable office and retail space[3][4]	2012	2072

Regent International Hotels

Hotel and Location	Date of opening/major renovations	Date of appointment as manager[1]	Number of Rooms	Other Features	Initial Expiry	Final Expiry[2]
Under Construction[11]						
The Regent Hotel Jakarta, Indonesia[13]	1994	1986	397	20,600 sq.ft. of meeting and banquet space[3]; 8,400 sq.ft. health club including two outdoor lighted tennis courts[3]	2014	2014

See accompanying notes on page 66.

The Corporation has equity interests in 24 hotels and resorts, including five[1][2] that are under construction or development. These interests are described in the following table:

Hotel and Location	Equity Interest	Nature of ownership: Form of participation	Title
Four Seasons Hotel Austin, Texas	19.9%	Partnership – Limited Partner	Freehold
Four Seasons Resort Bali, Indonesia	14%	Partnership – Limited Partner	Freehold
Four Seasons Hotel Berlin, Germany	up to 20%[3]	Corporate joint venture	Freehold
Four Seasons Resort Aviara Carlsbad, California	5%[4]	Partnership – Limited Partner	Freehold
Four Seasons Hotel Boston, Massachusetts	15%	Partnership – 0.5% General Partner and 14.5% Limited Partner	Freehold
Four Seasons Hotel Chicago, Illinois	7.7%	Partnership – Limited Partner	Leasehold, initial expiry 2024, options to extend to 2104[5]
Ritz-Carlton Hotel Chicago, Illinois	25%	Partnership – General Partner	Freehold
The Regent Hotel Hong Kong	25%	Partnership – Limited Partner	Leasehold
Four Seasons Hotel London, England	50%	Corporate joint venture	Leasehold, initial expiry 1998, options to extend to 2054
Four Seasons Hotel Milan, Italy	19.9%	Partnership – Limited Partner	Freehold
Four Seasons Minaki Lodge Minaki, Ontario	100%	Wholly-owned	Freehold[6]
The Regent Resort Nadi Bay, Fiji	17.9%	Partnership – Limited Partner	Freehold
Four Seasons Resort Nevis, West Indies	15%	Corporate joint venture	Freehold
Four Seasons Hotel New York, New York	14.9%[7]	Partnership – Limited Partner	Freehold
The Pierre Hotel New York, New York	19.9%	Partnership – Limited Partner	Leasehold, expiring 2001, options to extend to 2011
Four Seasons Hotel Paris, France	15%	Partnership – General Partner	Freehold
Four Seasons Hotel Philadelphia, Pennsylvania	5%	Partnership – Limited Partner	Freehold

See accompanying notes on page 69.

Hotel and Location	Equity Interest	Nature of ownership: Structure and form of participation	Title
Four Seasons Hotel Prague, The Czech Republic	(8)	(8)	(8)
Four Seasons Biltmore Resort Santa Barbara, California	10%	Partnership – Limited Partner	Freehold
Four Seasons Olympic Hotel Seattle, Washington	3.4%	Partnership – General Partner(9)	Leasehold, expiring 2040
Four Seasons Hotel Toronto, Ontario	19.9%	Partnership – Limited Partner	Leasehold, initial expiry 2003, options to extend to 2077(5)
Inn on the Park Toronto, Ontario	19.9%	Partnership – Limited Partner	Freehold
Four Seasons Hotel Vancouver, British Columbia	19.9%	Partnership – Limited Partner	Leasehold, initial expiry 2000, options to extend to 2035(5)
Four Seasons Hotel Washington, D.C.	15%	Partnership – General Partner(9)	Freehold

Notes:

(1) Upon obtaining requisite consents of other third party owners, and subject to certain conditions, HIC may contribute, or cause to be contributed, two additional hotels to FRA Properties. If both hotels are contributed to FRA Properties, the Corporation would have a 10% interest in The Regent Hotel, Sydney and a 13.3% interest in The Regent Beverly Wilshire Hotel.

(2) The Corporation has also agreed to invest up to US$5 million in The Regent Hotel, Jakarta if completion financing can be arranged on satisfactory terms.

(3) The Corporation currently has a 23% interest in the corporate joint venture which holds the land relating to the development. The Corporation is actively seeking a partner for a significant portion of this investment. (Reference is made to note 12 on page 66.)

(4) The Corporation has the right to acquire an additional 4.9% of the equity in this hotel.

(5) Leasehold may be subject to mortgage financing by the lessor.

(6) The first mortgage is in the principal amount of $3 million and is due December 31, 1993.

(7) A portion of the equity in this property is held through a participating debt instrument.

(8) Details not yet finalized.

(9) The Corporation has an indemnity from the other general partner or general partners for the portion of liabilities of the partnership in excess of its equity interest.

HOTEL MANAGEMENT OPERATIONS

Management Responsibilities

The Corporation provides hotel management services to 29 urban hotels and seven resort hotels. Five of these hotels are located in Canada, sixteen in the United States, seven in Asia, three in Australia and New Zealand, three in Europe and one in each of the Caribbean and the South Pacific. Six hotels are under construction and three additional hotels are under development. Reference is made to "Description of Hotels and Resorts".

The Corporation assumes responsibility for all aspects of the day-to-day management of each of the hotels†, including: establishing and implementing standards of operation; hiring, training and supervising staff; creating and maintaining financial controls; complying with laws and regulations relating to

† *A different arrangement exists with respect to: (1) the Four Seasons Hotel, Tokyo where the local owner, a lodging company, oversees the day-to-day operation of the hotel on the instruction of and in compliance with standards, policies and procedures established by Four Seasons; and (2) The Regent Hotel, Taipei where the local owner, a development company, oversees the day-to-day operation of the hotel in consultation with Regent.*

the operation of hotels; and providing for the safekeeping, repair and maintenance of the physical assets. Four Seasons and Regent each perform these services within the guidelines contained in annual operating and capital plans that are submitted to the owners of the hotels during the last quarter of the preceding year for their review and approval. The hotel owner is responsible for the funding of the hotel's working capital requirements and capital expenditures. All structural changes, major refurbishing programs and major repairs require the separate approval of hotel owners prior to implementation by Four Seasons and Regent. In return for these services, Four Seasons and Regent earn basic management fees and other related fees and, in certain circumstances, incentive fees.

Hotel Management Contracts – Fees and Terms

Four Seasons Hotels and Resorts

The following is a description of fees and charges typically provided for in Four Seasons' pre-opening and management contracts.

Basic management fee and other related fees

Percentage of annual gross operating revenue of the hotel, calculated and paid monthly.

Incentive fee

Percentage of defined profit or of annual net cash flow of the hotel after specified deductions, payable monthly or quarterly, subject to adjustment at year-end, or payable annually.

Pre-opening development, technical services and purchasing fees

Negotiated amounts, payable in monthly instalments prior to the opening of the hotel.

Centralized purchasing fee

Percentage of cost of purchases of food and beverage inventories, operating supplies and furniture, fixtures and equipment.

Refurbishing fee

Percentage of total cost of approved refurbishing programs.

Corporate sales and marketing charge and corporate advertising charge

Percentage of annual budgeted gross operating revenue of the hotel, payable monthly and calculated on the basis of Four Seasons' cost of providing the services.

Centralized reservation service charge

Monthly fee per hotel room, calculated on the basis of Four Seasons' cost of providing the services.

Regent International Hotels

The following is a description of fees and charges typically provided for in Regent management contracts.

Base fee

Percentage of annual gross operating revenue of the hotel or percentage of defined profit, payable monthly, or in one case a lump-sum amount payable annually.

Incentive fee

Percentage of defined profit, payable monthly, quarterly or semi-annually, subject to adjustment at year-end, or payable annually.

Corporate sales and marketing fee

Percentage of annual budgeted gross operating revenue or gross rooms revenue of the hotel, payable monthly or a flat fee.

Central reservations fee

Reimbursement of costs and expenses based upon the number of hotel rooms in the hotel, the number of reservations made, an allocation of Regent's reasonable estimate of the costs of providing the service, or a flat fee.

During 1992, approximately 75% of the Corporation's total fee revenues were derived from fees calculated as a percentage of the gross operating revenue of all managed hotels in operation. During 1992, the Corporation also earned pre-opening development, technical services and purchasing fees for five of the eleven hotels under construction and development.

Hotel management contracts for Four Seasons and Regent hotels have remaining terms, including all renewal options, averaging 56 years. Typically, management contracts may be terminated by the non-defaulting party upon default in payment, unremedied failure to comply with the terms of the management contract or financial bankruptcy. In addition, management contracts in respect of 27 of the 36 operating hotels and four of the hotels under construction or development are subject to certain performance tests which if not met could allow a contract to be terminated prior to its maturity. To date, no owner of a Four Seasons Hotel has exercised the right to terminate. Typically, the Corporation has various rights to cure any such default to avoid termination.

Four Seasons typically negotiates non-disturbance arrangements with third-party hotel owners and the hotel mortgagees so that, in the event of a sale or foreclosure, Four Seasons will be able to continue to manage the hotel under the same terms and conditions. Non-disturbance arrangements are not typical in Asia where the majority of Regent managed hotels are located. Nonetheless, the Corporation will be endeavouring to obtain such assurances in the future.

All hotels are insured against property damage, business interruption and liability at the expense of the owner, and the Corporation is entitled to the protection of such insurance. Four Seasons is also fully insured against loss of fee income in the event of business interruption at Four Seasons hotels. In addition, the Corporation obtains an indemnity from the owners in respect of damages caused by acts, omissions and liabilities of the employees of the hotel or of Four Seasons or Regent, other than damages resulting from certain actions of Four Seasons or Regent.

Hotel Marketing

The Corporation is responsible for the development of overall sales and marketing strategies which include establishing broad international awareness for both the *Four Seasons* and *Regent* brands, as well as developing local market potential for specific hotels. Corporate services include: the operation of centralized reservation services which utilize toll-free telephone numbers and are accessible by the major airline and international reservations networks; the development and implementation of promotional programs; and the operation of integrated regional sales offices in Atlanta, Chicago, Dallas, Frankfurt, Hong Kong, London, Los Angeles, New York, Singapore, Sydney, Tokyo, Toronto and Washington to develop group and corporate business for hotels. Four Seasons' and Regent's sales operations have been integrated world-wide. The integration of resources has resulted in a larger and more diversified sales and marketing organization with 46 sales individuals in the thirteen regional sales offices. Both brands are now represented in all sales offices and will benefit from increased market coverage.

Four Seasons also provides an international corporate advertising program which develops and places advertising for the Four Seasons group of hotels and oversees the individual hotel programs. Regent coordinates the advertising programs for the individual Regent hotels.

The Corporation receives corporate sales and marketing charges, centralized reservation service charges and corporate advertising charges from most hotels, thereby enabling it to recover substantially all of the costs of providing these services.

The Corporate marketing staff also oversees planning and implementation of hotel marketing programs, and organizes training and development programs for approximately two hundred local sales and marketing staff. The local marketing strategy concentrates on developing rooms and food and beverage business for hotels locally and regionally and promoting the hotel as a centre of community activity with a view to developing local revenues, particularly from catering.

Other Hotel Services

The Corporation also provides a centralized purchasing system for goods and services at all the Four Seasons hotels and certain Regent hotels in return for a centralized purchasing fee. Management contracts provide that consumables, operating supplies and equipment and furniture, fixtures and equipment may be acquired through the centralized purchasing system if the cost to the owner (including the centralized purchasing fee) is no greater than the cost which would otherwise be paid to third-party suppliers.

The Corporation's design and construction department assumes a co-ordinating and consulting role for owners of existing hotels or hotels under development in the physical design and layout of hotel interiors including public areas, bedrooms, and kitchen and service areas. This department earns pre-opening development, technical services and purchasing fees in the case of new hotels and refurbishing fees in the case of major renovation projects in existing properties. The "Executive Suite" is an example of a concept, developed by the design and construction department to respond to a particular market need, which has now been incorporated into 19 hotels and will be incorporated into most of the hotels and resorts under development. These guest rooms combine a regular bedroom and an adjacent sitting room, providing many of the advantages of a traditional suite at a more economical cost.

Hotel Employees

At December 31, 1992, there were approximately 19,500 employees located at the 36 hotels managed by Four Seasons and Regent, the 13 sales offices, the central reservations offices and the corporate offices. Hotel employees are usually employed by the hotel owner. The Corporation directly employs approximately 430 people throughout the regional sales offices, the central reservations offices, Minaki Lodge and the corporate offices.

The selection, training and development of hotel employees is a major focus both for corporate offices and for local hotel management. In the highly personalized service business, all aspects of employee attitude and job performance are critical to achieving and maintaining a consistently high-quality experience for guests. Programs developed by the corporate human resources staff and implemented in the field range from the particulars of task execution to the generalities of human resources management. This training activity is intended to ensure consistency in service and quality and an understanding and appreciation of the Corporation's philosophies and operating principles.

Thirty-six percent of the 36 hotels under management are subject to labour union contracts. These include: The Pierre Hotel in New York, the Ritz-Carlton Hotel in Chicago, the Four Seasons Clift Hotel in San Francisco, The Regent Beverly Wilshire Hotel in Beverly Hills, The Regent Hotel, Sydney, The Regent Hotel, Melbourne, The Regent Hotel, Auckland, The Regent Hotel, Fiji, The Regent Hotel, Singapore and all Canadian hotels with the exception of Minaki Lodge. Union contracts covering about 3,200 employees at Regent hotels in Auckland, Fiji, Melbourne, Singapore and Sydney, the Ritz-Carlton Hotel in Chicago, the Four Seasons Clift Hotel in San Francisco, the Four Seasons Hotel, Toronto, the Inn on the Park Hotel, Toronto and Le Quatre Saisons in Montreal are subject to renegotiation in 1993. The Corporation anticipates that these contracts will be renewed without any disruption.

Funding of Managed Hotels

Under the terms of the management contract, the owner is generally responsible for funding the operational and capital requirements for the hotel. In certain circumstances, the Corporation provides capital loans and operating deficit loans to the owners. Capital loans are used to assist owners with major refurbishing programs either to bring a hotel into conformity with or to maintain a hotel at a luxury standard. Operating deficit loans are used to offset short-term operating shortfalls in certain stages of a hotel's operation. Capital loans and operating deficit loans are interest bearing, are generally secured by a charge on the property (or in one case by an assignment of the owner's interest in the property) and are generally repayable out of operating cash flow from the hotel or on the sale or refinancing of the hotel or the termination of the relevant management contract. (Reference is made to the "Loans Made to Hotels Pursuant to Management Contract Obligations" in Management's Discussion and Analysis.)

HOTEL OWNERSHIP OPERATIONS

The Corporation has a minority equity interest in 17 of the 36 existing hotels (including six leaseholds), and owns a 50% leasehold interest in the Four Seasons Hotel, London and a 100% freehold interest in Minaki Lodge. The Corporation has acquired or expects to acquire a minority interest in five of the nine hotels under construction or development. (Reference is made to "Description of Hotels and Resorts" on pages 68 and 69 and to "Recent Developments" on page 74.)

HOTELS UNDER CONSTRUCTION OR DEVELOPMENT

As at March 29, 1993, properties under construction included resorts in North Kona, Hawaii and Carlsbad, California and urban hotels in Jakarta, Singapore, New York and Mexico City. Construction of the Carlsbad resort and Jakarta hotel have been temporarily delayed pending arrangement of completion financing. The Corporation has a 5% equity interest in the Carlsbad project and has agreed to invest up to US$5 million in the Jakarta project if completion financing can be arranged on satisfactory terms.

Properties under development include urban hotels in Berlin, Paris, and Prague. The Berlin project is proceeding on schedule. Title to the land was acquired during 1992 and arrangements for project financing are underway. Construction is expected to commence in 1994.

Development of the Paris project is continuing. Earlier legal and political problems with the zoning laws in Paris may soon be overcome. Building permit applications are being refiled and approval may be obtained by late 1993. The Corporation is seeking development partners and construction financing for this project.

The Prague project is in the early stages of development. The Corporation has signed letters of intent with the City of Prague and with a local family relating to certain land leases required to secure the site. Negotiation of the details of these arrangements are continuing. At the same time, the Corporation is seeking development partners and project financing for what is expected to be Prague's finest hotel and office complex. The Corporation intends to manage the hotel and retain a minority equity interest in the real estate.

RISKS ASSOCIATED WITH FOREIGN OPERATIONS

Over the next few years, Four Seasons and Regent plan to open nine additional properties, increasing the Corporation's presence to 19 countries worldwide. This expansion involves some operational risk as a result of the different environments (economic, social and political) that will be encountered. The Corporation anticipates that growth and expansion in new markets will enhance the awareness of, and value inherent in, the *Four Seasons* and *Regent* brand names. International expansion will allow the Corporation to access new markets and create greater protection from regional economic fluctuations.

THE ENVIRONMENT AND REGULATORY MATTERS

It is not anticipated that environmental protection requirements will have an effect on capital expenditures, earnings and the competitive position of the Corporation in future years. The Corporation tries to anticipate and respond to relevant environmental concerns. For example, Four Seasons has had a successful energy conservation policy in operation for the past eleven years, which has resulted in significant savings.

A waste management system is presently being implemented at all hotels and resorts based upon research and experiences at several hotels under management. Since 1990, progress has been made in the areas of recycling paper, cardboard, glass, cans, plastic, oil, grease and edible food waste. For example, during 1992, the Four Seasons Olympic Hotel in Seattle saved 14 million litres of water and recycled 54 tonnes of mixed paper, 45 tonnes of cardboard, and 45 tonnes of tin, aluminum, glass and plastic. The consumption of water, electricity and gas at the Four Seasons Olympic Hotel was down 6-10% while the number of guests being served by the hotel increased by close to 8%. As well, the number of tonnes of waste removed at the hotel decreased by 6.5% during the year or 18.9% as compared to 1990.

It is estimated that the cost of waste disposal at the hotels under management will be reduced by one-third when the system is in place at all hotels and that additional revenues will be earned through the sale of recyclables.

Savings have also been realized in energy consumption costs. The implementation of a co-generation energy production program at one hotel during 1991 is expected to result in cost savings at that hotel of US$500,000 per annum. At the Four Seasons Hotel, London, a local company has provided a generator at no cost to the hotel. The company maintains the generator and sells power to the hotel at 33% of the former cost. Heat exchangers capture the waste heat of the generator and use it to heat water for the hotel. The total annual savings are $50,000. The co-generation and generator programs are being planned for other hotels where feasible.

The Corporation's standard specifications for new hotels have been modified to eliminate the use of chlorofluorocarbons for refrigeration and halon for fire extinguishers. Existing hotels will phase out chlorofluorocarbons and halon within the next three years.

The Corporation's design and construction department endeavours to protect or replace trees, where necessary, at construction sites. The main objective of these initiatives is to protect the resources of the communities in which the Corporation operates hotels.

The Corporation has made a thorough assessment of its U.S.-based properties to determine their levels of compliance with the newly enacted *Americans with Disabilities Act.* The Corporation is working actively with the owners of the hotels on a program of upgrading facilities where required. Management believes that there is no exposure which would materially affect the Corporation.

TRADEMARKS AND TRADE NAMES

Much time and effort is spent each year on surveillance, registration and protection of the Corporation's trade names, trademarks and servicemarks which it believes have become synonymous in the lodging industry with a standard of uncompromising attention to detail and an unwavering dedication to excellence. Two main factors contribute to the importance of this program:

- The growth of the reputation of the *Four Seasons* and *Regent* brands, evidenced by frequent media exposure and consumer and industry endorsement.
- The frequency and common usage of the words "Four Seasons" and "Regent" in the English language for various fields of endeavour.

The trademark protection and development effort increases each year in proportion to the changing nature of the Corporation's operations and the conflicts that may arise with third parties. In the near term, the Corporation will be implementing a program to expand Regent's trademark protection system to make it compatible with Four Seasons' system and to enhance Regent's ability to grow outside Asia.

Eight of the nine new hotels and resorts under construction or development will carry the *Four Seasons* name; the ninth will bear the *Regent* name. The identification of the Four Seasons Inn on the Park, London with the *Four Seasons* brand name will be strengthened through a name change to the Four Seasons Hotel, London, effective January 1993.

RECENT DEVELOPMENTS

Regent Acquisition
On August 14, 1992, the Corporation acquired all of the outstanding shares of Regent from Hotel Investment Corporation ("HIC"), a Japanese corporation. Regent is a Hong Kong based corporation which is in the business of managing luxury hotels, predominantly in Asia. Contemporaneously, the Corporation formed a group of partnerships (collectively referred to as "FRA Properties"), with HIC to which each partner has contributed or will contribute its ownership interest in certain hotels.

The purchase price for all the outstanding shares of Regent was US$122 million, subject to certain adjustments in favour of the Corporation. Specifically, the Corporation and HIC have agreed that Regent's net liabilities on closing, as well as certain transition-related costs that were incurred after closing (collectively, the "net liabilities assumed"), will be funded equally by the Corporation and HIC. As at August 14, 1992, the net liabilities assumed amounted to US$16.2 million, of which the Corporation's share is US$8.1 million. HIC's share of the net liabilities assumed was placed in escrow and is available to the Corporation to draw upon as and when liabilities become due and payable.

Further adjustments will be made to the purchase price if, among other matters: (i) management of The Regent Hotel, Sydney is terminated in certain circumstances after January 1, 1994 and prior to August 14, 2002; (ii) HIC does not contribute ownership of The Regent Beverly Wilshire Hotel to FRA Properties by August 13, 1993 or a US$50 million renovation program in respect of that hotel is not commenced within that period; and (iii) upon completion of post-closing due diligence, it can be shown that the value of Regent's investment in The Regent Hotel, Hong Kong leasehold interest is less than US$20 million (limited to a maximum adjustment of US$3 million). The payment of these purchase price adjustments is secured by letters of credit.

The financing of the cash purchase price and related acquisition expenses was effected through a combination of existing working capital lines and a special US$102 million acquisition facility, which matures on August 14, 1994 and which bears interest at LIBOR plus 3/4%, provided by the Corporation's primary Canadian banker. US$22 million of this loan was repaid with a portion of the proceeds of a share issue completed in December 1992. This bank loan is secured by all the Corporation's interests in Regent, including the *Regent* trademark and trade names, an assignment of accounts receivable from management contracts acquired, and all of the Corporation's interest in the partnership capital, FRA Mortgages, and Stabilization Loans Receivable of FRA Properties. (Reference is made to Notes to Consolidated Financial Statements, note 5(a).)

The Corporation intends to maintain the head office of Regent in Hong Kong. Wolf Hengst, formerly an Area Vice-President for Four Seasons in North America and Europe, has been appointed President of Regent. The Corporation intends to continue to operate Regent as an independent subsidiary and to expand its presence in Asia, as well as, other markets. Regent has numerous other hotel projects under consideration that it will continue to pursue.

New Management Contracts

New management contracts that conform more closely to a Four Seasons standard hotel management contract were entered into by the Corporation in respect of three hotels under development by FRA Properties: Bali, which opened January 11, 1993; Milan, which opened March 11, 1993; and New York, which is scheduled to open May 28, 1993. All three properties will be operated under the *Four Seasons* trade name.

The management contract in respect of The Regent Hotel, Fiji between Regent and FRA Properties was also amended in order to conform more closely to a standard Four Seasons hotel management contract. The terms of the existing management contracts in respect of The Regent Hotel, Sydney and The Regent Beverly Wilshire Hotel will similarly be amended if these hotels are contributed to FRA Properties. HIC has agreed to use reasonable efforts to cause the owners of these hotels to make such amendments whether or not the hotels are contributed to FRA Properties.

Acquisition of Investment in FRA Properties

FRA Properties is owned 80.1% by HIC and 19.9% by the Corporation. The head office of FRA Properties is in Toronto, Canada and the Corporation will assume certain responsibilities for its administration in return for an administration services fee.

Properties Contributed by the Corporation

The Corporation contributed its ownership interest in the Four Seasons hotels in Austin (100%) and Santa Barbara (50%) and its leasehold interests in Vancouver, Toronto and The Pierre Hotel, New York (all 100%) to FRA Properties.

The Corporation also negotiated the contribution to FRA Properties of the Inn on the Park Hotel, Toronto with Tengis Limited ("Tengis"), an associate of the Corporation. In consideration, FRA Properties assumed certain debt owed by Tengis to a Canadian chartered bank and settled a portion of the advances made by the Corporation to Tengis and the Inn on the Park Hotel, Toronto. (Reference is made to Notes to Consolidated Financial Statements, note 14(b)(ii).)

As consideration for these transfers, the Corporation received notes and mortgages receivable from FRA Properties ("FRA Mortgages"), the majority of which are secured by certain of the properties transferred by the Corporation to FRA Properties, and preferred capital in FRA Properties. In addition, the Corporation owns a 19.9% limited partnership interest in FRA Properties and 19.9% of the outstanding shares in the General Partner of FRA Properties. (Reference is made to Notes to Consolidated Financial Statements, note 5(a).)

Properties Contributed by HIC

HIC contributed to FRA Properties its ownership interest in its hotels in Fiji (90%) Milan (100%), New York (75%) and Bali (70%). As well, upon obtaining requisite consents of other third party owners, and subject to certain conditions, HIC may contribute, or cause to be contributed, two additional hotels: The Regent Hotel, Sydney (50%) and The Regent Beverly Wilshire Hotel (67%). HIC is to use reasonable efforts to obtain such consents.

As consideration for these transfers, HIC received FRA Mortgages from FRA Properties (the majority of which are secured by certain of the properties transferred by HIC to FRA Properties) and preferred capital in FRA Properties. In addition, HIC owns an 80.1% limited partnership interest in FRA Properties and 80.1% of outstanding shares in the General Partner of FRA Properties.

The Corporation and HIC have entered into a unanimous shareholders' agreement in respect of the General Partner of FRA Properties with the effect that HIC has the ability to exercise control of FRA Properties, subject to certain minority safeguards in favour of the Corporation.

The Corporation's and HIC's Funding Commitments to FRA Properties

Stabilization Period

Until December 31, 1996, each partner will be responsible for the development, opening and stabilization costs (including operating cash deficiencies, normal capital refurbishing and major renovation programs) of the hotel properties contributed to FRA Properties. For HIC this includes the costs to complete the construction, equipping and furnishing, together with the pre-opening and working capital funding, of its hotels in Bali, Fiji, Milan and New York. If The Regent Beverly Wilshire Hotel is contributed to FRA Properties, HIC must fund the renovation programs at The Regent Beverly Wilshire Hotel. The Corporation committed to complete major renovation programs at its contributed hotels by December 31, 1996. As at December 31, 1992, approximately US$22 million remains to be contributed by the Corporation to FRA Properties as FRA Mortgages and preferred capital, to satisfy this commitment. In the case of operating cash deficiencies, funds will be advanced as "Stabilization Loans Receivable". (Reference is made to Notes to Consolidated Financial Statements, note 5(a).)

Post Stabilization

With effect from January 1, 1997, provided FRA Properties is not terminated (as discussed below), the funding commitments of the Corporation and HIC terminate, and FRA Properties will assume substantially all cash costs of the hotel properties, including debt service and lease payments, on a non-recourse basis to the partners.

Key Terms of the Partnership Agreements

FRA Properties is governed by partnership agreements dated August 14, 1992 which contain the terms governing the distribution of cash flow and proceeds from the disposition of properties. As controlling partner, subject to certain limits, HIC will have the right to control the timing of property dispositions. The Corporation has a right of first offer in respect of any such property dispositions. HIC cannot cause the disposition of any of the Corporation's contributed properties prior to January 1, 1997 (or thereafter if such property is contributing positive cash flow to FRA Properties) for consideration less than a specified minimum price without the consent of the Corporation.

The partnership agreements also contain various remedies available to the partners if the contributed properties do not perform at the levels, or achieve the values, originally anticipated. These remedies include the right by either partner to cause the termination of FRA Properties in certain limited circumstances. The first such right is exercisable in 1997 and is based upon performance of the contributed properties of the other partner in the financial year ending December 31, 1996. The partner whose contributed properties are not achieving the requisite level of performance based on net operating profit can, in certain instances, avoid the termination of FRA Properties by restructuring the debt in respect of its contributed properties or withdrawing certain properties from FRA Properties.

If FRA Properties is not terminated in 1997, the Corporation is required to make a capital contribution to FRA Properties of a prescribed amount not to exceed US$6.4 million, subject to reduction upon the prior disposition of any HIC-contributed hotels.

Commencing in 1997 and ending in 2002, HIC has the unilateral right, upon payment to the Corporation of a prescribed amount – US$10 million in 1997 and declining to US$5 million in 2002 – to cause FRA Properties to be terminated if the Corporation's contributed properties do not, as a group, contribute net operating profit to FRA Properties (determined on the basis of a two-year average). The Corporation has the right to avoid termination of FRA Properties during the period from 1997 to 2002 on the same basis that is applicable for the 1997 termination right discussed above.

In the event of the termination of FRA Properties, ownership of the properties that it contributed (and that have not been disposed of by such date) will revert to the Corporation, and the Corporation will retain its role as manager of the hotels owned by FRA Properties.

The transfer or sale by HIC and the Corporation of their interests in FRA Properties is restricted during the period ending December 31, 1996.

Investment in FRA Properties

FRA Mortgages and Stabilization Loans Receivable

FRA Mortgages and Stabilization Loans Receivable (the majority of which are secured by certain of the hotel properties contributed by the Corporation to FRA Properties) are paid out in priority to any distribution to the partners on their preferred or subordinated capital in the partnerships.

From August 14, 1992 to December 31, 1996, FRA Mortgages and Stabilization Loans Receivable on the properties contributed by the partners to FRA Properties are non-recourse to the non-contributing partner and the principal amounts, interest rates and certain other terms must remain within defined limitations. Specifically, interest and scheduled principal amortization on the FRA Mortgages and Stabilization Loans Receivable on a partner's contributed properties may not exceed, on a portfolio basis, a weighted average rate of 4.5% per annum. The maximum principal amount of FRA Mortgages (including commitments to complete the construction, development, opening and renovation of the contributed hotels) in respect of the properties contributed by HIC will be approximately US$580 million (including an allocation for debt related to The Regent Beverly Wilshire Hotel) and by the Corporation will be approximately US$195 million (in each case based on current applicable currency exchange rates). Of the US$195 million, (i) US$70 million (CDN$88.7 million at December 31, 1992) is recorded as FRA Mortgages in the Corporation's balance sheet; (ii) US$40.1 million is payable by FRA Properties to third party lenders; (iii) approximately US$75 million represents the Corporation's right to a preferential payment from the proceeds of disposal of FRA Properties' leasehold interest in the hotels contributed by the Corporation in Toronto and The Pierre, New York; and (iv) approximately US$9.9 million relates to the Corporation's obligation to fund renovation programs in its contributed hotels.

Of the US$40.1 million of debt which is payable by FRA Properties to the third party lenders, 52% is recourse to the Corporation. The balance of the debt related to the hotels owned by FRA Properties is non-recourse to the Corporation. There are non-disturbance arrangements in place on the HIC-contributed properties which are intended to protect the management contracts in the event of a foreclosure by the applicable lenders.

With effect on January 1, 1997, provided FRA Properties is not terminated (reference is made to Notes to Consolidated Financial Statements, note 2(d)), the terms of the FRA Mortgages and Stabilization Loans Receivable on the properties contributed to FRA Properties will be restructured. Each partner will be responsible for restructuring the terms of the FRA Mortgages and Stabilization Loans Receivable on the properties contributed by it to FRA Properties such that principal amounts, interest rates and certain other terms are within defined limitations. Specifically, interest and scheduled principal amortization on the FRA Mortgages and Stabilization Loans Receivable relating to a partner's contributed properties may not exceed, on a portfolio basis, a weighted average rate of 7% per annum. The maximum principal amount of FRA Mortgages in respect of the properties contributed by HIC will be reduced from approximately US$580 million to approximately US$337 million (including an allocation for debt related to the Regent Beverly Wilshire Hotel) and by the Corporation will be reduced from approximately US$195 million to approximately US$83 million (based on applicable currency exchange rates and assuming no intervening property dispositions) subject to adjustment for Stabilization Loans Receivable as described below. The reduction in the maximum amounts of FRA Mortgages will be reclassified to each partners' preferred capital in FRA Properties.

In addition, the maximum amount of FRA Mortgages payable by FRA Properties, with effect from January 1, 1997, may be increased by up to US$16 million of Stabilization Loans Receivable advanced by the Corporation and US$40 million of Stabilization Loans Receivable advanced by HIC. The remainder, if any, of Stabilization Loans Receivable as at December 31, 1996 will be converted to preferred capital of FRA Properties.

From and after August 14, 2002, the permitted debt levels of FRA Mortgages will not be decreased but may be increased based upon a calculation of "supportable debt" as agreed upon by HIC and the Corporation.

Preferred Capital

From August 14, 1992 to December 31, 1996, the amount of preferred capital of FRA Properties held by the Corporation is US$55.6 million (assuming no hotel dispositions or acquisitions). With effect from January 1, 1997, the amount of preferred capital of FRA Properties held by the Corporation will, in connection with the restructuring of the FRA Mortgages and Stabilization Loans Receivable, be increased to US$167.6 million (assuming no hotel dispositions or acquisitions). These amounts represent approximately 41.6% and 34.3% of the aggregate amounts of preferred capital of FRA Properties outstanding in the respective period. HIC holds the remaining preferred capital of FRA Properties. With effect from January 1, 1997, the preferred capital may be increased by (i) the excess of Stabilization Loans Receivable as at December 31, 1996 over US$16 million in the case of the Corporation and US$40 million in the case of HIC, and (ii) further advances that may be made by the partners to fund the capital and operating cash requirements of FRA Properties subsequent to December 31, 1996. The amount of preferred capital will also be adjusted in certain circumstances, including if: (i) The Regent Beverly Wilshire Hotel is not contributed to FRA Properties; (ii) HIC contributes The Regent Hotel, Sydney to FRA Properties; or (iii) a hotel (or any interest therein) is disposed of for less than the minimum agreed value of such hotel.

Holders of the preferred capital are entitled to receive a 7% per annum cumulative return, in priority to a distribution made in respect of any subordinate capital which is held 19.9% by the Corporation and 80.1% by HIC. The preferred capital of each partner has been allocated, pro rata, to each of the contributed hotels owned by FRA Properties. The preferred capital allocated to a hotel is redeemable from the proceeds of any capital transaction (sale or refinancing) relating to that hotel, after repayment of any FRA Mortgages and Stabilization Loans.

Any partner's preferred capital that is otherwise redeemable from the proceeds of a capital transaction occurring prior to January 1, 1997 and relating to a hotel contributed by the other partner will be held in escrow until it is determined whether FRA Properties will be terminated effective December

31, 1996. If FRA Properties is not terminated, then the escrowed funds will be paid to the partner. If FRA Properties is terminated, the escrowed funds will be used to fund the costs of termination, and then will be distributed to the partner that contributed the hotel.

The Four Seasons Hotel, Los Angeles
The Corporation has received notice that the owner of the Four Seasons Hotel, Los Angeles is asserting that the Corporation's acquisition of Regent, which manages a hotel in the same city, has breached the radius restriction in their management contract. The Corporation is currently in discussions with the owner to resolve this issue and is hopeful that litigation can be avoided.

The Regent Hotel, Singapore
The owner of The Regent Hotel, Singapore has alleged that the management of the proposed Four Seasons Hotel in Singapore by Four Seasons would constitute a breach of the radius restriction in the Regent management contract. Four Seasons and Regent have advised the owner that they do not agree with the owner's position. In any event, the owner has agreed not to take any action in respect of its allegation for at least three years, during which time Four Seasons, Regent and the owner will be working to resolve the issue between them.

The Regent Hotel, Taipei
In late October 1992, Regent received a notice purporting to terminate its management contract in respect of The Regent Hotel, Taipei from the owner of that hotel. Following a series of negotiations and preliminary court proceedings, the owner agreed to withdraw the notice and to settle the matter without further litigation. The terms of the settlement are confidential and had no material adverse effect on Corporation.

FUTURE HOTEL OPPORTUNITIES

The World Travel and Tourism Council reported in 1992 that travel and tourism is growing faster than the world economy in terms of output, value added and capital investment. In 1993, travel and tourism sales are expected to maintain a rate of annual growth of 10% and capital investment, a per annum growth rate of 11.8%. One in every 15 of the jobs in the world is travel and tourism related.

The Corporation will continue to serve the luxury segment of the market for business and leisure travel and intends to maintain and improve upon the standards established in existing properties and those in the hotels presently under construction or development. The Corporation continues to review opportunities to manage newly constructed and existing hotels.

Japan
The Corporation entered into an arrangement with Fujita Tourist Enterprises Co. Ltd. under which the Corporation and Fujita agreed to explore jointly for and capitalize on opportunities for the development, operation and management of world-class luxury hotels and resorts in Japan under the *Four Seasons* name. The Four Seasons Hotel, Tokyo, which opened in January 1992, is the first hotel to be operated under this agreement. The Fujita Group is one of Japan's major travel and hospitality operators.

Southeast Asia
The Corporation participates in a joint venture relationship with Hotel Properties Limited ("HPL"), a member of the Kuo group of companies, for the purpose of acquiring rights to manage world-class luxury hotels and resorts under the *Four Seasons* trade name in Asia (other than Japan) and in Australia and New Zealand. Each of the Corporation and HPL have a 50% interest in the joint venture. HPL is a publicly traded company based in Singapore which is engaged in the business of hotel ownership, condominium development and, to a lesser degree, food distribution. The Four Seasons Hotel, Singapore, which is currently under construction and scheduled to open in 1994, will be the first hotel managed by this joint venture.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(Dollar amounts are in millions, except per share amounts)	1992	1991	1990	1989	1988
Consolidated Revenues	$ 133.9	166.7	188.2	207.8	228.4
Net Earnings before Extraordinary Items					
Total $	7.7	2.8	17.3	15.0	13.1
*Per Share $	.32	.13	.86	.76	.67
Net Earnings after Extraordinary Items					
Total $	7.7	2.8	17.3	15.0	34.8
*Per Share $	.32	.13	.86	.76	1.77
*Fully-Diluted Earnings Per Share $	.32	.13	.84	.74	1.62
Total Assets	$ 610.7	337.6	241.9	230.6	196.7
Long-Term Debt	$ 292.0	112.5	39.2	37.7	42.9
Shareholders' Equity	$ 247.8	139.5	112.4	93.8	85.1
Cash Dividends Per Share	$ .11	.11	.11	.11	.10

*The shares of Four Seasons Hotels Inc. are listed on The Toronto Stock Exchange and the Montreal Exchange.

There are five significant factors affecting the comparability of the Corporation's five year financial results:

1. Effective the beginning of the second quarter of 1990, the consolidated statements of operations do not include the results of operations of, or the interest costs relating to, the Four Seasons Biltmore Resort, Santa Barbara. These operating results and interest costs were deconsolidated due to the adoption of a formal plan to dispose of the hotel.
2. The completion during the first quarter of 1991 of public offerings of debt and equity securities which resulted in aggregate proceeds to the Corporation of approximately $130 million. The issuance of $100 million of unsecured debentures resulted in an increase in long-term debt in 1991. The funds raised were used to repay short-term indebtedness, to finance the acquisition of the Four Seasons Hotel, Austin, and to finance capital and operational needs, including loans made to various managed hotels pursuant to Four Seasons' management obligations.
3. The unique market conditions which existed in 1991 and 1992. The global threat of terrorism, the economic recession and overcapacity in certain markets had a significant negative impact on the Corporation's 1991 and 1992 operating results.
4. The acquisition of Regent International Hotels Limited on August 14, 1992. To finance the Regent acquisition and the Corporation's other capital commitments, the Corporation raised approximately $103 million in equity and increased its net debt position by $167 million, resulting in higher net interest costs in 1992. The disposal of three hotels contributed to FRA Properties effective August 14, 1992 resulted in lower consolidated revenues in 1992 and higher net earnings in 1992, since $8.1 million of losses net of taxes were recovered for the period January 1 to August 13, 1992.
5. During the third quarter of 1992, a $12.9 million provision against the Corporation's notes and mortgages portfolio was established. Offsetting this unusual provision was a $6 million reduction of deferred income taxes resulting from a change in the estimated income taxes previously expensed.

(Reference is made to Management's Discussion and Analysis for further discussion of the factors affecting comparability of data between 1992 and 1991.)

(Dollar amounts are in millions, except per share amounts)

	4th Quarter 1992	4th Quarter 1991	3rd Quarter 1992	3rd Quarter 1991	2nd Quarter 1992	2nd Quarter 1991	1st Quarter 1992	1st Quarter 1991
a. Consolidated Revenues(1)	$ 83,364	45,812	21,721	42,493	15,888	46,461	12,921	31,909
b. Net Earnings (Loss)								
Total $	9,661	2,395	(354)	2,386	1,604	2,123	(3,190)	(4,067)
Per Share $	.40	.11	(.01)	.11	.07	.10	(.14)	(.19)
Fully-Diluted Earnings (Loss) Per Share $	.40	.11	(.01)	.11	.07	.10	(.14)	(.19)

Note: (1) In the consolidated statements of operations for the first, second and third quarters of 1992, the net results of operations of the Four Seasons hotels in Toronto, Vancouver and the Pierre Hotel, New York were separately presented as "Loss from hotels to be disposed". Therefore, the revenues of these hotels were excluded from total consolidated revenues as reported. For the year ended December 31, 1992, the Corporation adopted the accounting principles prescribed by the Canadian Institute of Chartered Accountants in a recently released pronouncement relating to a disposal of a portion of a business segment. Therefore, in the 1992 consolidated statement of operations, the Corporation, in accordance with this pronouncemnt, fully consolidated the results of operations of these three hotels to August 14, 1992 and reversed the 1992 net losses associated with these hotels. (Reference is made to Notes to Consolidated Financial Statements, note 2(e).) The effect, on consolidated revenues and net earnings, of this difference in accounting treatment has been included in the fourth quarter.

The Board of Directors of the Corporation has established a policy of paying an annual dividend of $0.11 per share, payable semi-annually. There is presently no intention to change the dividend policy. There are no restrictions which prevent the Corporation from paying dividends.

DIRECTORS AND OFFICERS

The names of the directors and officers of the Corporation, the offices held by them and their principal occupations are as follows:

Name and municipality of residence	Office	Principal occupation
Edmond M. Creed(1) Schomberg, Ontario	Director	Retired executive
Frederick Eisen Toronto, Ontario	Director	President and CEO, The Eisen Corporation, (a real estate and development corporation)
H. Roger Garland(1)(2) Toronto, Ontario	Executive Vice-President and Director	Executive Vice-President, Development, Finance and Administration Four Seasons Hotels Limited
Murray B. Koffler(1)(2) Toronto, Ontario	Director	Partner, The Koffler Group (investment group)
Lionel H. Schipper(2) Toronto, Ontario	Director	President, Schipper Enterprises Inc. (investment company)
Isadore Sharp(1) Toronto, Ontario	Chairman, President and Director	Chairman, President and Chief Executive Officer, Four Seasons Hotels Limited
Max Sharp Toronto, Ontario	Director	Retired executive

Name and municipality of residence	Office	Principal occupation
John L. Sharpe[1] Mississauga, Ontario	Executive Vice-President	Executive Vice-President, Operations and Director, Four Seasons Hotels Limited
Benjamin Swirsky[2] Toronto, Ontario	Director	President, Beswir Properties Inc.
Shuichiro Tamaki, Tokyo, Japan	Director	Advisor, Industrial Bank of Japan Limited
Christopher Wallis Toronto, Ontario	Senior Vice President and Director	Senior Vice President, Design and Construction, Four Seasons Hotels Limited
Douglas L. Ludwig Toronto, Ontario	Senior Vice-President and Treasurer	Senior Vice-President, Finance and Treasurer, Four Seasons Hotels Limited
David C. Mongeau Richmond Hill, Ontario	Senior Vice-President and Secretary	Senior Vice-President and Secretary, Four Seasons Hotels Limited
Craig O. Reith Toronto, Ontario	Assistant Treasurer	Director, Corporate Finance and Assistant Treasurer, Four Seasons Hotels Limited
Kathleen Taylor Toronto, Ontario	Vice-President and General Counsel	Vice-President and General Counsel, Four Seasons Hotels Limited

Notes: (1) Member of Executive Committee. (2) Member of Audit Committee.

Terms of Office

Edmond M. Creed, Murray B. Koffler, Isadore Sharp and Max Sharp have served as directors of the Corporation's predecessor Corporation since January 9, 1978. Frederick Eisen, H. Roger Garland, John L. Sharpe, Benjamin Swirsky and Christopher Wallis were elected to the Board of Directors of the Corporation's predecessor Corporation on October 1, 1985. Lionel H. Schipper was appointed to the Board of Directors on February 18, 1988. Shuichiro Tamaki was appointed to the Board of Directors on April 18, 1991. All of the Directors will hold office until the next annual meeting of shareholders, or until their successors are elected or appointed.

All of the officers and directors of the Corporation have held their principal occupations for more than five years with the exception of: Frederick Eisen who was Senior Operating Officer of Bramalea Limited from April 1991 through August 1992, Executive Vice-President of Bramalea Limited from September, 1990 through April 1991, Corporate Advisor to Bramalea Limited prior to September 1990, and an executive with Max Sharp & Son Construction Limited prior thereto; Benjamin Swirsky who was Vice-Chairman of Bramalea Limited prior to April 1993 and Chief Executive Officer of Bramalea Limited prior to August 1990; Shuichiro Tamaki who was Managing Director of the Industrial Bank of Japan prior to June 1992; David C. Mongeau who was Vice-President, General Counsel and Secretary of Four Seasons Hotels Limited prior to July 1990; Craig O. Reith who was Director, Corporate Finance prior to January, 1992; and Kathleen Taylor who was Corporate Counsel of Four Seasons Hotels Limited prior to January 1992 and an associate with the Toronto law firm of Goodman & Goodman prior to June 1989.

PRINCIPAL HOLDERS OF SECURITIES

As at March 29, 1993, the only persons and/or companies that own of record, or are known by the Corporation to own beneficially, directly or indirectly, securities of the Corporation carrying more than 10% of the voting rights attaching to any class of voting securities of the Corporation are as follows:

Name and Address	Designation of Class	Type of Ownership	No. of Securities	% of Class
Triples Holdings Limited[1] Toronto, Ontario	Multiple voting shares	beneficially and of record	5,562,566	100%
	Subordinate voting shares	beneficially and of record	210,000	0.95%
Fidelity Management & Research Co. and Fidelity Management Trust Co. Boston, Massachusetts	Subordinate voting shares	beneficially and of record	2,877,400	13%

Note: [1] All the outstanding shares of Triples Holdings Limited are beneficially owned by Isadore Sharp and members of his immediate family. Mr. Sharp and his wife are trustees of two trusts that beneficially own 50,386 and 50,834 Subordinate Voting Shares, respectively.

As at March 29, 1993, the directors and senior officers of the Corporation and members of their respective families, as a group, owned beneficially, directly or indirectly, the following number of Subordinate Voting Shares and Multiple Voting Shares:

Designation of Class	No. of Shares	Percentage of Class
Subordinate voting shares	1,968,814	8.9%
Multiple voting shares	5,562,566	100%

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, interests of insiders in material transactions and options to purchase securities is contained in Four Seasons Hotels Inc.'s Management Information Circular dated April 19, 1993, prepared for the May 26, 1993 Annual Meeting of Shareholders. Additional financial information, including consolidated comparative audited financial statements for the years ended December 31, 1992 and 1991 is provided in the Corporation's 1992 Annual Report.

A copy of such documents may be obtained upon request from the Secretary of Four Seasons Hotels Inc. at 1165 Leslie Street, Don Mills, Ontario, Canada M3C 2K8 (telephone (416) 449-1750).

Directors

Edmond M. Creed*
Retired Executive

Frederick Eisen
President and CEO
The Eisen Corporation

H. Roger Garland*+
Murray B. Koffler*+
Partner
The Koffler Group

Lionel H. Schipper+
President
Schipper Enterprises Inc.

Isadore Sharp*
Max Sharp
Retired Executive

John L. Sharpe*
Benjamin Swirsky+
President
Beswir Properties Inc.

Shuichiro Tamaki
Advisor
Industrial Bank of Japan Limited

Christopher Wallis
** Member of Executive Committee*
+ Member of Audit Committee

Officers

Isadore Sharp
Chairman and President

H. Roger Garland
Executive Vice-President

John L. Sharpe
Executive Vice-President

Christopher Wallis
Senior Vice President

Douglas L. Ludwig
Treasurer

David C. Mongeau
Secretary

Craig O. Reith
Assistant Treasurer

Kathleen Taylor
General Counsel

Management Committee

James F. Brown
Senior Vice-President Operations

H. Roger Garland
Executive Vice-President Development, Finance and Administration

Douglas L. Ludwig
Senior Vice-President Finance

David C. Mongeau
Senior Vice-President

John B. Richards
Senior Vice-President Marketing

Isadore Sharp
Chairman and President

John L. Sharpe
Executive Vice-President Operations

Christopher Wallis
Senior Vice President Design and Construction

John W. Young
Senior Vice-President Human Resources

Area Vice-Presidents

Antoine Corinthios
Eastern North America and Europe

Charles J. Ferraro
Western North America, Mexico and the Caribbean

Regional Vice-Presidents

Stan Bromley
Washington D.C.

James G. Fitzgibbon
Dallas

John M. Johnston
Singapore

Peter G. Martin
Seattle

Nicholas Mutton
Chicago

Ramon Pajares
London

Corporate Vice-Presidents

J. Peter Buyze
Vice-President Engineering

James Cardy
Vice-President Purchasing

David B. Crowl
Vice-President Sales

Michael Duwaji
Vice-President Controller

Ivan Goh
Vice-President Operations Support

Susan J. Helstab
Vice-President Corporate Communications

H.E. (Duffy) Keys
Vice-President Field Marketing

Alfons E. Konrad
Vice-President Food and Beverage

George S. Lagusis
Vice-President Design and Construction

Roy A. Paul
Vice-President Development

Barbara M. Talbott
Vice-President Marketing Planning and Reservations

Kathleen Taylor
Vice-President and General Counsel

Corporate Offices

Four Seasons Hotels & Resorts
1165 Leslie Street
Toronto, Ontario
Canada M3C 2K8
Telephone: (416)449-1750
FAX: (416)441-4374

Regent International Hotels Limited
New World Center, 15th Floor
West Wing TST
20 Halisbury Road
Kowloon, Hong Kong
Telephone: (852)366-3361
FAX: (852)721-4400
President: Wolf H. Hengst

Annual Meeting

The Annual Meeting of Shareholders will be held at 4:30 p.m. on Wednesday, May 26, 1993
in the Regency Ballroom, Four Seasons Hotel, 21 Avenue Road, Toronto, Ontario, Canada

Stock Listings

The Toronto Stock Exchange
The Montreal Exchange

Stock Ticker Symbol: FSH

Transfer Agent and Registrar

Montreal Trust Company
Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver

Auditors

Peat Marwick Thorne

Dividend Information

11 cents per annum (post-split basis) paid semi-annually in January and July

Shareholder Information

Please call Sandra Scott, *Director, Investor Relations at (416)441-4329*

The name FOUR SEASONS HOTELS AND RESORTS, any combination thereof and the tree design are registered trademarks of Four Seasons Hotels Limited and Four Seasons Hotels (Barbados) Ltd.
The name REGENT INTERNATIONAL HOTELS, any combination thereof and the circled "R" design are registered trademarks of Regent International Hotels Limited.

For reservations at Four Seasons hotels and resorts, please call toll-free:
(800)268-6282 in Canada
(800)332-3442 in the United States

For reservations at Regent International Hotels, please call:
In Canada and the United States (800)545-4000

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