FOUR SEASONS ◆ REGENT HOTELS AND RESORTS FOUR SEASONS ◆ REGENT HOTELS AND RESORTS FOUR SEASONS ◆ REGENT HOTELS AND RESORTS FOUR SEASONS ◆ REGENT HOTELS AND RESORTS FOUR SEASONS ◆ REGENT HOTELS AND RESORTS FOUR SEASONS ◆ REGENT

FOUR SEASONS · REGENT

Hotels and Resorts

1993

Annual Report

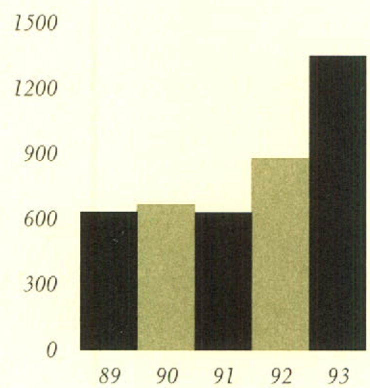
MANAGING
FINANCIAL ISSUES

IMPROVING
OPERATING PERFORMANCE

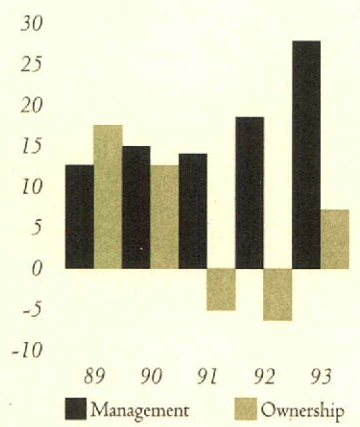
BUILDING
GLOBAL LEADERSHIP

($ in millions except for per share data)	1993	1992	1991
Total revenues of all managed hotels	$ 1,351.9	878.7	631.0
Net earnings (loss)	$ (119.2)	7.7	2.8
Earnings (loss) per share	$ (4.30)	0.32	0.13
Cash provided by operations	$ 12.5	5.0	6.3
Debt-to-equity ratio, net of cash	2.7	1.2	0.9

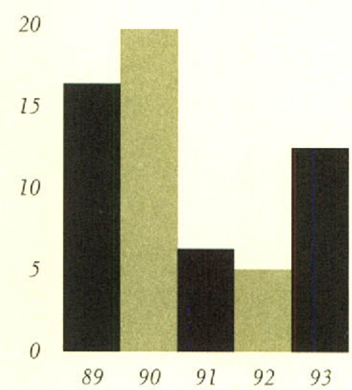
Revenues Under Management
($ millions)



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

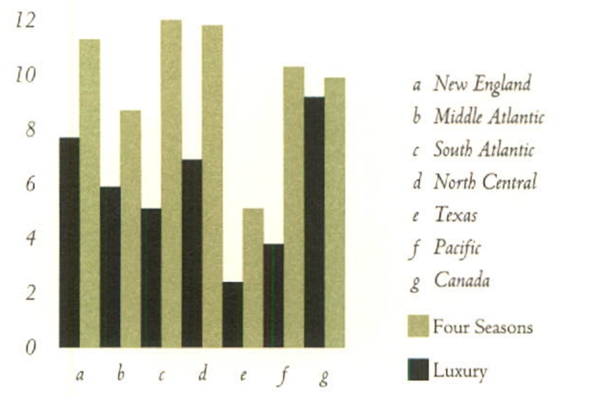


Cash Provided by Operations
($ millions)



Four Seasons Hotels Inc. operates the world's largest network of five-star luxury hotels and resorts: 38 medium-sized urban hotels and resorts within major business centres and key leisure destinations in 16 countries, and seven other properties under construction or development in six countries. It also holds a number of minority equity investments in properties under its management. Generally identified by the brand names *Four Seasons* or *Regent,* many of these properties occupy locations that would be virtually impossible to duplicate in most of the world's key business and financial cities. Both brands are also widely recognized for the exceptional quality of their guest facilities, service and atmosphere. For reasons such as these, Four Seasons♦Regent hotels were named more frequently than any other competitor among the world's best hotels and travel experiences by *Institutional Investor* and *Condé Nast Traveler.* The Company's operations are supported by the sales and marketing efforts of a fully integrated organization, including 13 world-wide sales offices and a global reservations system, that permits international coverage and considerable cross-selling of both brands. With a strategy to offer business and leisure travellers the finest hotel and resort accommodation in each destination it serves, Four Seasons♦Regent will develop growth opportunities in major international centres and resort destinations to complement its market leadership in North America and Asia, its high profile in Australasia and its growing European presence.

Yield at Four Seasons Hotels and Resorts has grown faster than the Luxury Segment as a whole.

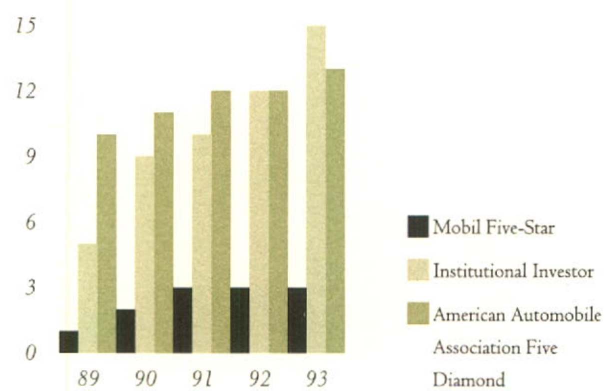


MARKET LEADERSHIP

Four Seasons♦Regent's objective is to achieve and maintain a leading market share in major markets. In 1993, according to Smith Travel Research, Four Seasons achieved greater than fair market share in 16 of 17 North American markets.

Throughout North America, Four Seasons achieves significantly higher yields than the luxury market as a whole, according to Smith Travel Research.

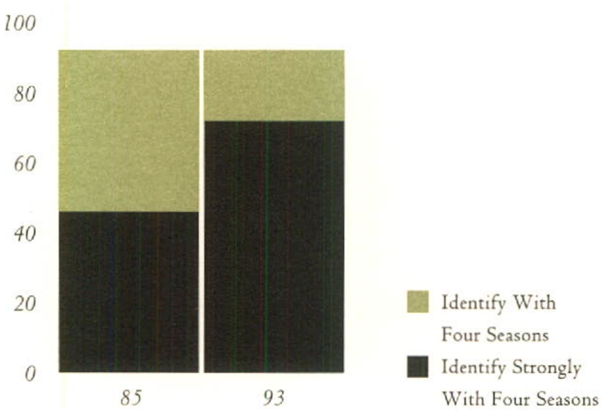
Industry Awards *(Number of Awards)*



OPERATIONAL STRENGTH

Four Seasons♦Regent's overriding objective is to operate the finest urban hotel or resort in each destination. In 1993, Four Seasons guest comment cards revealed that the Company met or exceeded guest expectations 97% of the time. And, again in 1993, Four Seasons♦Regent topped more prestigious industry awards lists than any other hotel company.

Employee Motivation



MOTIVATED PEOPLE

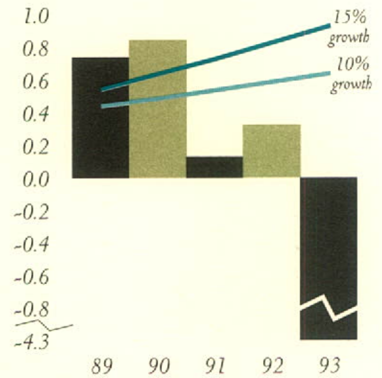
Four Seasons♦Regent's objective is to maintain the industry's most motivated employee group, a factor inextricably linked to building customer value. In 1993, 94% of 1,700 employees surveyed expressed loyalty and pride in working for Four Seasons. Employees have identified positively with Four Seasons — over 90% every year — since the first survey in 1985. This increase in "strong identification" is especially significant in light of the Company's growth during the last few years.

EARNINGS GROWTH

The Company has not achieved its targets for earnings growth over the past few years. The cyclical nature of the hotel ownership segment has been particularly affected by the severe economic recession experienced in 1991, 1992 and the first half of 1993. During these difficult recessionary years the Company has taken important steps to grow its more stable and reliable hotel management business. Hotel management earnings have nearly doubled in the past two years to $27.9 million. This strong growth in management earnings will continue into 1994, and will help re-establish the Company's longer term earnings potential.

Earnings per Share

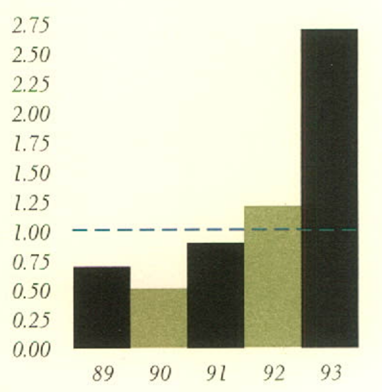
(Objective: 10-15% growth per annum in trend line EPS from 1985)



LEVERAGE

Four Seasons♦Regent's long-term targetted debt-to-equity ratio, net of cash, is 1:1. This ratio has not been achieved due to significant funding requirements for capital and the operating needs of its hotel ownership interests over the past 2½ recessionary years, additional debt relating to the acquisition of Regent in 1992, and the effect of a $127 million write-down of real estate values in 1993, which correspondingly reduced book equity. The Company implemented a programme, in November of 1993, for the sale of seven of its major real estate investments with a primary goal of reducing consolidated debt by one-third. Upon the successful completion of this asset sale programme, over the next 18 to 24 months, the company should see a return to its targetted debt levels.

Debt-to-equity Ratio



FOUR SEASONS · REGENT
Hotels and Resorts

ISADORE SHARP
Chairman and President

THE FOUR SEASONS♦REGENT'S 1993 OPERATING RESULTS ARE THE FIRST TANGIBLE SIGNAL OF RECOVERY AFTER THE PROLONGED RECESSION. OPERATING FUNDAMENTALS ARE IN PLACE AND THE BENEFITS OF THE REGENT TRANSACTION ARE BEING REALIZED. OUR PLAN NOW IS TO TAKE STEPS TO ENSURE THAT THE STRENGTH OF OUR CORE MANAGEMENT BUSINESS AND OUR LEADERSHIP IN THE LUXURY HOTEL SECTOR ARE ENHANCED IN THE YEARS TO COME.

From our perspective, the economic downturn began in 1990, continued through 1992 and began to ease late last year. A relatively slow recovery gained strength in the latter part of 1993, with the last half showing significant improvement. This is reflected in the Company's operating results; the fourth quarter of 1993 was our strongest in four years. All signs are for even further growth throughout 1994.

Moreover, the benefits anticipated from the Regent acquisition were evident in a return on investment of 14% for the first full year — well above our cost of capital. Once the newly opened hotels complete a full year of operations, this return should be 20% in 1994. The Four Seasons♦Regent network has clearly established itself as a global leader. It has an expanding market share and high profiles in the world's most important business centres, including some of the fastest growing international markets. The affinity between the brands has enabled us to rapidly expand business through cross-marketing after only a year of combined operations. We expect to see further gains as cost-reduction programmes produce improved results in our Asian hotels.

We want to ensure that the Regent acquisition and the economic recovery continue to produce benefits for the Company and its shareholders. Therefore, it was essential to put in place a programme to reduce debt and to continue to improve operating results at all hotels, while continuing our long-term strategy of concentrating on the hotel management business.

LEFT TO RIGHT: *Douglas Ludwig, Chief Financial Officer, Senior Vice-President, Finance; John Sharpe, Executive Vice-President; Roger Garland, Executive Vice-President; James Brown, Senior Vice-President, Operations*

LEFT TO RIGHT: *John Young, Senior Vice-President Human Resources; Christopher Wallis, Senior Vice-President Design and Construction; Kathleen Taylor, Senior Vice-President, General Counsel and Secretary; John Richards, Senior Vice-President, Marketing*

Part of this plan involves the sale of a number of hotel assets to eliminate on-going funding requirements and to reduce the Company's debt position. Consistent with this plan, the Company has taken a $127 million provision against these real estate holdings and its mortgage portfolio, which values these assets realistically, consistent with current market realities. The proceeds from asset sales will be used to reduce debt, potentially by one-third in the coming 18 to 24 months, allowing us to devote earnings and cash flow to future growth. We are actively involved in a number of negotiations which we expect will lead to the successful disposition of these properties.

We continue to be concerned with the magnitude of the operating shortfalls at certain of our hotel real estate investments, particularly those contributed to the FRA partnership. Historically, these were some of our strongest hotel properties in our most stable North American markets: New York, Toronto, Vancouver. Improved market conditions combined with aggressive cost saving and revenue enhancing programmes at these hotels, and other properties such as London, Chicago and Hong Kong, have produced positive results in the last two quarters, and trends are much improved for the first quarter of 1994.

Against this solid background of business development and the implementation of our overall plan, I have announced a programme for the long-term transition in control of the Company as Four Seasons♦Regent moves into its next period of growth. This plan is designed to protect and strengthen the values we have created over the last 30 years by identifying a partner who shares these values while providing the resources to capitalize on future growth opportunities. While I expect the transaction to be completed within a year, the transition in control is anticipated to take place over a three to five year period.

With the return to more normal markets, the fee base in our existing business will continue to grow. Four additional openings in 1994 and early 1995 and the continuing stabilization of the four recently established properties will provide additional strength to the management business. For the Company, this represents not only growth in earnings, but less volatility in our income stream, a function also of the widening geographic distribution of our hotels and resorts around the world.

We believe that one key to Four Seasons♦Regent's future growth is the unmatched, combined global brand recognition built over the last 30 years. The Company's goal is to be the first choice as manager of luxury hotels and resorts world-wide. With seven properties under construction or development, the Company will have 45 hotels in 18 countries, confirming its position as the world's largest operator of luxury hotels.

The Company's future also hinges on two things which simply cannot be duplicated. Together with our unique portfolio of product, it is the dedicated people of Four Seasons♦Regent — 20,000 experienced and motivated managers and employees — who deserve credit and thanks for bringing the Company to its position of leadership and respect. It is the efforts of all of our employees that will ensure that the Company achieves success over the next several decades.

Chairman and President

FOUR SEASONS♦REGENT HOTELS AND RESORTS

Building growth on management services

For hotel companies with real estate interests, the recession permanently affected property values, more than could have been anticipated three years ago. Under these conditions, the Company accelerated its strategy of emphasizing growth through new management opportunities, while de-emphasizing its significant real estate investments.

Properties now identified for disposition include those developed in the 1970s and 1980s, and those acquired with a view to resale with the retention of long-term management rights. New investments in real estate, whether through equity or manager's loans, are generally being limited to minority interests, and will be made only to secure long-term management rights.

Acquiring the Regent management contracts was the first major step in the fulfilment of the Company's long-term strategy, and has almost doubled earnings and operating cash flow from the hotel management business since 1991. As the newer hotel properties in the portfolio mature, and as new management opportunities are obtained through the Regent affiliation, earnings and cash flow from hotel management operations should continue to grow significantly. Combined with specific steps being taken to strengthen the balance sheet, Four Seasons♦Regent will be well positioned for sustained long-term growth.

Managing debt

Total capital investment since 1990 has been approximately $380 million, of which the Regent acquisition in 1992 represented about 40% or $153 million. The Company concentrated nearly $50 million on key renovation programmes in important markets such as London, New York and Toronto to enhance their competitive positions once the economic cycle began its recovery. The Four Seasons Hotel Austin and the Inn on the Park Toronto were also acquired during this period, for a combined total of approximately $56 million, with the intent of reselling them as market conditions allowed. This capital spending was financed primarily by approximately $130 million of equity issuances and $250 million in long-term debt.

Although the largest portion of the increased debt levels resulted from the acquisition of Regent, the overall return on that investment was 14% in 1993, and is projected to be 20% in 1994, well in excess of the Company's cost of capital.

The amount needed to support operating shortfalls in several owned hotels greatly exceeded expectations over the past two-and-a-half years due to travel disruptions which began with the Gulf War and worsened during the recession. Since the second quarter of 1993, however, recovery in North American business travel has significantly improved operating results, and it is expected that the cash funding requirements for these investments will be reduced by more than half in 1994.

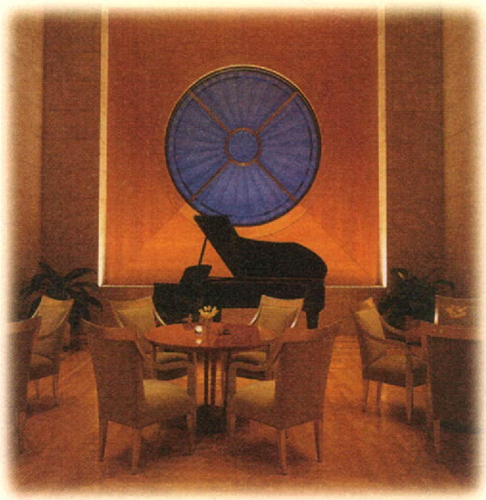
Nonetheless, the Company has established a two-year bank facility in the amount of approximately $135 million (US$100 million). As at March 31, 1994, approximately $68 million of this facility remained undrawn. With improved operations and reduced capital spending expected for 1994, this credit facility should more than adequately provide for foreseeable operating cash requirements.

Reducing debt through asset sales

With the cyclical rebound and improvements in the real estate capital markets, the Company is implementing a plan to sell many of its major real estate interests over the next 18 to 24 months. However, it is expected that certain of these sales will be completed in 1994.

The asset sale programme will advance three key objectives. It will reduce and, ultimately, eliminate funding requirements of the assets sold; it will limit exposure to fluctuations in performance through future economic and real estate cycles; and, when completed, it should allow the Company to retire up to one-third of its total corporate debt position. With a lower debt level and the resulting lower interest costs, the growth in the Company's hotel management business will generate significantly improved financial results in the future.

In preparation for the programme, asset values were brought into line with current market conditions through a non-cash accounting provision of $127 million against hotel investments, reflecting a permanent impairment in North American hotel real estate values. This provision does not include the potentially significant gain expected from the proposed sale of the Four Seasons Hotel in London.



Four Seasons Hotel
New York

Opened in May 1993, the I.M. Pei-designed Four Seasons has quickly become a major success. It is already regarded as the foremost New York hotel, particularly with the entertainment and fashion industries.

Four Seasons Resort Bali

The Four Seasons Resort Bali is comprised entirely of elegant private villas, each with separate pavilions for sleeping, bathing and dining, and an ocean-view terrace with private plunge pool.

hotel management operations continue strong growth

Solid hotel performance underlines Four Seasons♦Regent leadership

the Four Seasons♦Regent global sales and reservations network is unmatched

Regent management contracts acquired by the Company contributed significantly to the 42% increase in fee revenues realized in 1993. At the same time, management operating profit margins rose from 43.8% in 1992 to 46.3% in 1993, increasing to 49.4% in the fourth quarter. This is a reflection of the Company's ability to leverage its relatively fixed cost base against steadily increasing levels of fee income from the opening of new hotels — four of which came about directly through the Regent acquisition and the continued stabilization of recently opened properties.

Although the luxury hotel industry has experienced three difficult years, there are definite signs that people are once again travelling, and choosing Four Seasons♦Regent when they do. While Smith Travel Research reported occupancy increases for the U.S. luxury segment of 2.8% (1993 over 1992), *Four Seasons'* U.S. hotels experienced a 4.6% increase in 1993 and expect further gains in 1994. No equivalent industry measures exist for Europe or Asia; however, our expectations are positive.

Reasonable price increases were also successfully implemented in most of Four Seasons♦Regent's major markets in the third quarter, with a view to regaining ground lost during the recessionary years when price levels eroded even as cost levels continued to rise.

As a result, in 1993 the Company raised its combined occupancy and room rates, or average yield, by over 11% in *Four Seasons* managed hotels, primarily located in North America. The *Regent* managed hotels, primarily situated in Asia, are expected to increase yield by a similar level in 1994.

An independent survey by Smith Travel Research showed that, in 1993, the Company achieved significantly higher yields than the luxury segment in 16 of the 17 markets in which it has hotels in North America. Furthermore, these yields grew faster in all regions than the luxury segment as a whole. Although similar independent data does not exist for areas outside North America, we believe that our relative yield position in the Asian and European markets is also very high.

Operations of all of Four Seasons♦Regent's North American hotels improved financial performance in 1993, providing an average growth in gross operating profit of more than 25%. Current indications are that this performance will continue to strengthen through 1994.

The largest network of sales and reservations offices supporting a luxury brand in the world is a powerful tool, allowing the cross-selling of *Regent* and *Four Seasons* and permitting immediate placement of business into new hotels.

The aggressiveness of the Company's efforts should not be underestimated. An ability to market directly to individual corporations, travel agents, meeting planners and incentive group arrangers in major cities around the world has contributed to a 24% increase in group sales bookings in 1993, for 1993 and future years business, for Four Seasons♦Regent. The Company is able to develop business out of all major travel markets, with toll-free, local-language reservations services that greatly add value to its offering to the travel industry.

These capabilities effectively support existing Four Seasons♦Regent hotels, while increasing the Company's attractiveness as a partner for investors who demand superior revenue performance when choosing a hotel management company.

a strong competitive advantage, sustainable for the long term

Individually and as a group, *Four Seasons* and *Regent* hotels have the advantage of irreplaceable locations and of profiles that already dominate their markets. For example, the Milan hotel, facing extremely well established and prestigious competition, almost immediately emerged as the leading hotel in the city. As current economic conditions present substantial barriers to entry by competitors on a scale sufficient to challenge Four Seasons♦Regent's global market leadership, the Company holds a competitive advantage that is sustainable for the long term.

Four Seasons Hotel Milan

A dramatically reborn 15th century monastery with a mere 98 guest rooms and suites, the intimate Four Seasons Hotel is steps from Milan's couture houses and financial district.

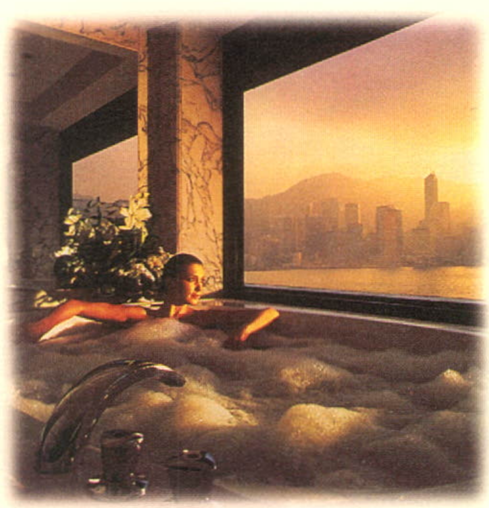
a major presence in the fastest-growing region of the world

According to Boeing's *1993 Current Market Outlook*, the future growth of air travel will be led by travel to, from and within Asia, which is forecasted to account for 42% of travel growth through the year 2010. Thanks to its high profile in key Asian cities, Four Seasons♦Regent will benefit from this situation, while using its substantial presence to generate additional opportunities, particularly in the People's Republic of China and Southeast Asia, location of the most vibrant economies in the world.

Continued leader in industry awards

Awards are important and unbiased affirmations of the value of Four Seasons♦Regent's service, as well as of the Company's relative market position. As noted in the Company's profile, *Four Seasons* and *Regent* were recognized as being among the world's top hotels more frequently than any other hotel group both by readers of *Condé Nast Traveler,* one of the world's most respected travel magazines, and by the well travelled and demanding financiers who contributed to the *Institutional Investor* survey.

In North America, *Four Seasons* hotels received more American Automobile Association Five Diamond and Mobil Five-Star awards in 1994 than any other company. *Four Seasons* was also named the winner in the U.S. hotel chain category by the new *Zagat Survey* of 7,000 frequent travellers, and the *Four Seasons* resorts in Wailea and Nevis were placed at the top of their respective categories by *Condé Nast Traveler* and *Andrew Harper's Hideaway Report.*



The Regent Hong Kong

The comprehensive refurbishment of The Regent Hong Kong, nearing completion, reinforces the hotel's reputation as one of the world's top destinations for business and leisure.

Reinforcing the Company's position through new openings

The Regent transaction immeasurably heightened Four Seasons♦Regent's international profile. The *Four Seasons* name appears on three key new properties opened during the last 18 months — New York, Milan and Bali — and a second hotel in London, The Regent, has been added to the portfolio.

Meanwhile, the Company's established and expanding global presence reinforces the attractiveness of the Four Seasons♦Regent affiliation to owners of existing, independent, luxury hotels seeking management companies. In February 1994, Four Seasons♦Regent expanded its North American hotel portfolio by assuming management of The Ocean Grand, an existing five-star property in Palm Beach, Florida.

The Four Seasons Ocean Grand
Palm Beach

The new Four Seasons Ocean Grand is the consummate beachfront resort,

with all the relaxed luxury of Palm Beach.

Expanding global awareness

New properties opening in 1994 include the recently opened Four Seasons Hotel Mexico City, which sets a new quality standard for that emerging capital, right at the beginning of post-NAFTA free trade activity.

Also opening in 1994 are the Four Seasons Hotel in Singapore and The Regent in Chiang Mai, the popular cultural centre of Thailand. The Regent Jakarta, a medium-sized luxury hotel in the capital of Indonesia, one of the Pacific Rim's fastest growing economies and most popular travel destinations, is scheduled to open in early 1995.

broadening the potential for growth

In North America, development work continues on *Four Seasons* resorts in Aviara, California and Kona, Hawaii. On-going European developments include *Four Seasons'* 185-room historic restoration on the Vltava River front in Prague, as well as the 204-room Four Seasons Hotel in the core of the former East Berlin.

Final negotiations are underway for a Four Seasons Hotel in a historic building next to Topkapi Palace and the Blue Mosque in Istanbul; a resort and conference facility outside Jakarta; and a resort near Puerto Vallarta, Mexico. Proposed developments currently in advanced stages of negotiation include a recreational, conference and residential development near Berlin, as well as the Four Seasons Hotel to be constructed as part of a dramatic mixed-use project in Riyadh, Saudi Arabia. The Riyadh project is representative of the Company's initiative in a completely new market with significant near-term potential for Four Seasons♦Regent.

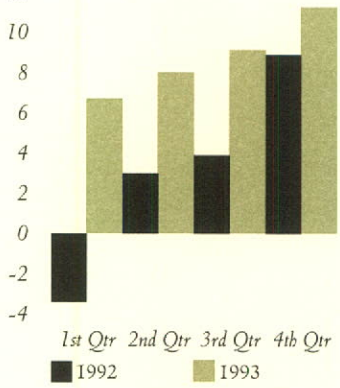
These reflect only the most specific and imminent development opportunities. Discussions are ongoing with a significant number of other active projects in areas such as China, Vietnam, Bermuda and Europe.

The combination of all these factors gives Four Seasons♦Regent a considerable and highly competitive attraction for potential investors and hotel owners alike.

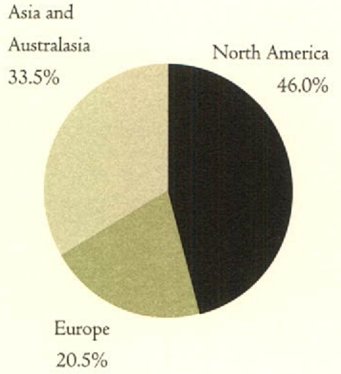
The Regent Chiang Mai

The distinctive "lanna"-style buildings of The Regent Chiang Mai, opening in 1994, are decorated with polished teak wood floors, rich Thai cottons and beautiful Siamese art.

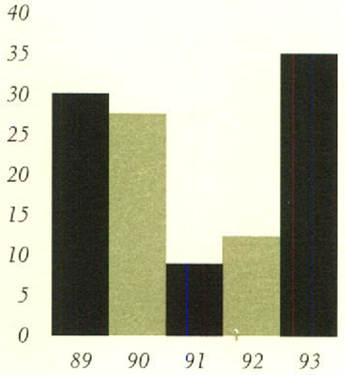
Quarterly Earnings Before Other Operating Items, Interest and Taxes (*$ millions*)



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



Earnings Before Other Operating Items, Interest and Taxes (*$ 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 impairment in the value of assets. 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 programme 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.

KPMG 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
April 5, 1994

Douglas L. Ludwig
Chief Financial Officer,
Senior Vice President
and Treasurer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Four Seasons Hotels Inc. as at December 31, 1993 and 1992 and the consolidated statements of operations, cash provided by operations, changes in financial position and retained earnings (deficit) 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, 1993 and 1992 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
April 5, 1994

KPMG Peat Marwick Thorne
Chartered Accountants

Years ended December 31, 1993 and 1992
(In thousands of dollars except for per share amounts)

	1993	1992
HOTEL MANAGEMENT OPERATIONS		
Total revenues of all managed hotels	$1,351,926	$ 878,718
Fee revenues	$ 60,279 60%	$ 42,451 30%
General and administrative expenses	(32,359)	(23,865)
	46 27,920 47?	18,586 42%
HOTEL OWNERSHIP OPERATIONS		
Revenues	39,328	93,099
Distributions from hotel investments	3,839	1,845
Expenses:		
Cost of sales and expenses	(33,675)	(97,736)
Fees to Hotel Management Operations	(2,330)	(3,501)
	7,162 17%	(6,293)
Earnings before other operating items	35,082	12,293
Other operating items:		
Investment income	4,770	3,202
Depreciation and amortization	(13,216)	(12,840)
Recovery of loss from disposed hotels	—	13,789
Provision for loss on mortgages receivable (note 4)	(17,000) 127	(12,906)
Provision for loss on investments in hotel partnerships (note 5(c))	(110,000)	—
Earnings (loss) from operations	87181 (100,364)	3,538 EBIT
Interest expense, net (note 10(f))	(17,855)	(8,604)
Loss before taxes	(118,219)	(5,066) EBT
Income tax (expense) recovery (note 12):		
Current	(1,482)	(875)
Deferred	468	13,662
	(1,014)	12,787
Net earnings (loss)	$ (119,233)	$ 7,721
Earnings (loss) per share	$ (4.30)	$ 0.32

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 1993 and 1992
(In thousands of dollars)

			1993	1992
	ASSETS			
	Current assets:			
	Cash and short-term investments		$ 11,926	$ 15,704
	Receivables (note 3)		26,584	29,579
	Inventory		750	625
	Prepaid expenses		1,795	1,712
			41,055	47,620
	Notes and mortgages receivable (note 4)		38,748	47,103
	Investments in hotel partnerships (note 5)		166,141	231,474
	Fixed assets (note 6)		72,606	72,176
	Investment in management contracts (note 7)		114,323	113,464
	Investment in trademarks and trade names (note 8)		65,889	74,705
	Other assets (note 9)		24,138	17,110
			$ 522,900	$ 603,652
	LIABILITIES AND SHAREHOLDERS' EQUITY			
Debt	**Current liabilities:**			
	Bank indebtedness		$ 825	$ 10,198
	Accounts payable and accrued liabilities		36,253	45,681
	Long-term debt due within one year		3,821	3,699
			40,899	59,578
	Long-term debt (note 10)	396.00	352,898	291,995
	Deferred income taxes		2,316	4,319
Equity	**Shareholders' equity (note 11):**			
	Capital stock		169,810	169,882
	Contributed surplus		4,784	4,784
	Retained earnings (deficit)		(43,007)	79,280
	Equity adjustment from foreign currency translation		(4,800)	(6,186)
			126,787	247,760
	Commitments and contingencies (notes 2 and 13)			
			$ 522,900	$ 603,652

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Isadore Sharp
Director

Benjamin Swirsky
Director

Years ended December 31, 1993 and 1992
(In thousands of dollars)

	1993	1992
CASH PROVIDED BY (USED IN) OPERATIONS:		
HOTEL MANAGEMENT OPERATIONS		
Earnings before other operating items	$ 27,920	$ 18,586
Items not requiring an outlay of funds	189	1,135
Working capital provided by Hotel Management Operations	28,109	19,721
HOTEL OWNERSHIP OPERATIONS		
Earnings (loss) before other operating items	7,162	(6,293)
Items not providing an inflow of funds	(2,297)	(2,055)
Working capital provided by (used in) Hotel Ownership Operations	4,865	(8,348)
	32,974	11,373
Investment income	1,794	704
Interest expense, net	(17,534)	(8,604)
Current income tax expense	(1,482)	(875)
Working capital from operations	15,752	2,598
Change in non-cash working capital	(3,273)	2,396
Cash provided by operations	$ 12,479	$ 4,994

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended December 31, 1993 and 1992
(In thousands of dollars)

	1993	1992
CASH PROVIDED BY (USED IN)		
Operations	$ 12,479	$ 4,994
Financing:		
Long-term debt, including current portion:		
Issued	195,711	181,720
Repaid	(148,553)	(28,166)
Issuance of shares (note 11)	271	102,969
Other	(1,408)	(2,097)
Cash provided by financing	46,021	254,426
Capital investments:		
Increase in notes and mortgages receivable	(9,663)	(24,075)
Decrease in notes and mortgages receivable	1,605	11,761
Hotel investments	(37,375)	(161,515)
Investment in Regent (note 2(a))	6,625	(159,941)
Investment in trademarks and trade names	(662)	(2,350)
Disposal of assets held for sale	—	49,823
Disposal of hotels	—	60,709
Purchase of fixed assets	(1,519)	(14,005)
Other assets	(9,091)	(1,717)
Cash used in capital investments	(50,080)	(241,310)
Dividends	(3,054)	(2,721)
Increase in cash	5,366	15,389
Increase (decrease) in cash due to unrealized foreign exchange gain (loss)	229	(1,713)
Cash and short-term investments less bank indebtedness, beginning of year	5,506	(8,170)
Cash and short-term investments less bank indebtedness, end of year	$ 11,101	$ 5,506

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings (Deficit)

Years ended December 31, 1993 and 1992
(In thousands of dollars)

	1993	1992
Retained earnings, beginning of year	$ 79,280	$ 74,280
Net earnings (loss) for the year	(119,233)	7,721
Dividends	(3,054)	(2,721)
Retained earnings (deficit), end of year	$ (43,007)	$ 79,280

See accompanying notes to consolidated financial statements.

Years ended December 31, 1993 and 1992
(In thousands of dollars except per share amounts)

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, thereby acquiring the "Regent" trademark and trade names, 15 management contracts and a 25% leasehold interest in The Regent Hotel, Hong Kong. Contemporaneously, the Corporation formed a group of partnerships (referred to collectively as "FRA Properties") with HIC to which each partner has contributed its ownership interest in certain hotels.

At December 31, 1993, and taking into account the transactions referred to above, the Corporation managed 37 hotels and had 8 hotels under development, of which the Corporation had an equity interest in 20 hotels under management and 4 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. In addition, certain management contracts are terminable by the hotel owner on a change of control of the Corporation.

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 Resort Minaki Lodge — and proportionately consolidates its hotel joint ventures — The Ritz-Carlton Hotel, Chicago (25%) and the Four Seasons Hotel, London (50%)

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

(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, provided there is reasonable assurance as to collectibility.

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 development)	5%
The Regent Hotel, Jakarta (under construction)	5%
Four Seasons Hotel, Berlin (under construction)	23%
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.

(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. In July 1993, the Corporation was advised that The Regent Beverly Wilshire Hotel would not be contributed by HIC to FRA Properties. As a result, in August 1993, the Corporation received a US$5 million payment as an adjustment to the purchase price of Regent. This purchase price adjustment was accounted for as a reduction of the portion of the price allocated to trademarks and trade names.

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; or (ii) 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 was accounted for using the purchase method of accounting for business combinations. Accordingly, the Corporation commenced the consolidation of the results of operations of Regent from 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
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 assumed liabilities 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"), a company owned by certain shareholders 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 (note 13(b)(ii)).

As consideration for these transfers, the Corporation received or has the right to receive 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 received preferred capital in FRA Properties. In addition, the Corporation owns an indirect 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, or cause to be contributed, The Regent Hotel, Sydney (50% interest). HIC is to use reasonable efforts to obtain such consents.

As consideration for these transfers, HIC received or has the right to receive FRA Mortgages from FRA Properties, the majority of which are secured by certain of the properties transferred by HIC to FRA Properties, and received 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 programmes) 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. The Corporation committed to complete major renovation programmes at its contributed hotels by December 31, 1996. As at December 31, 1993, approximately US$13 million remains to be contributed for these major renovation programmes by the Corporation to FRA Properties as FRA Mortgages and preferred capital. This commitment will be reduced upon the disposition prior to December 31, 1996 of the hotel properties held for sale by FRA Properties (note 5(c)). 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 to FRA Properties in respect of the contributed hotels 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 of 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$5.6 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.

3. RECEIVABLES:

		1993		1992
Trade accounts	$	1,766	$	1,479
Receivable from hotel partnerships, affiliates and managed hotels		18,272		18,836
Other		6,546		9,264
	$	26,584	$	29,579

4. NOTES AND MORTGAGES RECEIVABLE:

		1993		1992
Secured loans:				
Due from directors, officers and employees, non-interest-bearing notes and mortgages	$	3,332	$	3,121
To managed hotels, secured by the related hotel property, at rates varying between LIBOR + 1% and 12%, including US$34,435 (1992 — US$31,413)		45,607		39,988
To Tengis (note 13(b)(ii)), interest at prime + 1/2%, including US$2,007 (1992 — US$902)		8,311		6,159
Unsecured loans:				
To a hotel under development, interest at US prime + 1%, US$10,346 (1992 — US$10,010)		13,709		12,735
To managed hotels at rates varying between prime + 1/2% and prime + 1%, including US$3,560 (1992 — US$2,501)		5,989		7,948
		76,948		69,951
Provisions for doubtful notes and mortgages		(38,200)		(22,848)
	$	38,748	$	47,103

During the year ended December 31, 1993, the Corporation made loans and advances of approximately $5.2 million (1992 — $11.0 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 programmes 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.

As at December 31, 1993, the Corporation has outstanding advances of approximately US$10.3 million (1992 — US$10.0 million) to a hotel under development, where construction has been suspended pending the arrangement of permanent financing for the project. Interest is not being recognized by the Corporation on these advances.

In addition, as at December 31, 1993, the Corporation has outstanding advances, including a mortgage secured by a hotel for sale (note 5(c)), to other managed hotels totalling approximately $44.2 million, 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. The Corporation concluded that there was increasing risk that it could suffer a loss on these loans; accordingly, the Corporation established a further provision in 1993 for possible loss on these loans of $8.7 million (1992 — US$16 million, including a provision of US$6 million in connection with the acquisition of Regent (note 2(a))). The Corporation also discontinued recognizing interest income on these loans.

The Corporation also established a provision in 1993 of $8.3 million for possible loss on the loan to Tengis (note 13(b)(ii)).

5. INVESTMENTS IN HOTEL PARTNERSHIPS:

	1993	1992
FRA Properties (a):		
FRA Mortgages and Stabilization Loans Receivable	**$ 134,952**	$ 100,315
Preferred capital	**76,346**	76,193
	211,298	176,508
The Regent Hotel, Hong Kong (b)	**22,870**	21,102
Other hotel partnerships	**41,973**	33,864
	276,141	231,474
Provision for loss (c)	**(110,000)**	—
	$ 166,141	$ 231,474

(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 partnership.

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 payments on the FRA Mortgages and Stabilization Loans Receivable on a partner's contributed properties may not exceed 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$378 million and by the Corporation will be approximately US$107 million and Cdn. $104 million. Of the US$107 million and Cdn. $104 million, (i) US$42 million and Cdn. $46 million is recorded as FRA Mortgages in the Corporation's balance sheet at December 31, 1993; (ii) US$22 million and Cdn. $17 million is payable by FRA Properties to third party lenders; (iii) approximately US$36 million and Cdn. $38 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 The Pierre Hotel, New York and Toronto; and (iv) approximately US$7 million and Cdn. $3 million relates to the Corporation's obligation to fund renovation programmes 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 payments on the FRA Mortgages and Stabilization Loans Receivable relating to a partner's contributed properties may not exceed 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$378 million to approximately US$237 million and by the Corporation will be reduced from approximately US$107 million and Cdn. $104 million to approximately US$65 million and Cdn. $21 million (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 ((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$7 million and Cdn. $11 million of Stabilization Loans Receivable advanced by the Corporation and US$38 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 ((ii) below).

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$55.6 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 43.3% 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$7 million and Cdn. $11 million in the case of the Corporation and US$38 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) HIC contributes The Regent Hotel, Sydney, to FRA Properties; or (ii) 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.

(c) Provision for loss on investments in hotel partnerships:

In November 1993, the Corporation and FRA Properties implemented a programme to dispose of seven hotel properties, including four hotels that had been transferred by the Corporation to FRA Properties in 1992, a hotel owned by a joint venture in which the Corporation is a partner (which is proportionately consolidated), a wholly-owned consolidated hotel and a hotel on which the Corporation holds a mortgage (note 4). This programme is intended to reduce the Corporation's real estate exposure, reduce the Corporation's exposure to the funding requirements of FRA Properties (note 2(c)) and reduce significantly the Corporation's debt position.

The marketing programme for the disposition of these hotels is in its early stages. Brokers have been engaged to sell certain of the properties, and as at April 5, 1994, had solicited early expressions of interest on certain of the properties for sale. Due to the continuing uncertainties in the real estate and capital markets, the Corporation expects it will require eighteen to twenty-four months to complete the sale of these properties.

Based on the expressions of interest received on the four hotel properties for sale held by FRA Properties and analyses of the recoverable value of the other two contributed hotels which are not included in the disposal programme, the Corporation has concluded that it is unlikely that it will recover all of its investment in FRA Properties. The Corporation has recorded a provision of $110 million for possible loss on its real estate exposures, primarily the investment in FRA Properties.

Based on the expressions of interest and analyses prepared, the Corporation also believes that it will realize a net gain on the sale of the joint venture hotel. Accordingly, the Corporation has concluded that no provision is required against the carrying value of this investment.

6. FIXED ASSETS:

	1993			1992
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
Land	$ 4,160	$ —	$ 4,160	$ 3,843
Buildings	22,528	2,001	20,527	19,304
Furniture, fixtures and equipment	26,105	14,249	11,856	12,948
Leasehold interests and improvements	50,593	15,742	34,851	34,959
	$ 103,386	$ 31,992	71,394	71,054
Operating equipment			1,212	1,122
			$ 72,606	$ 72,176

7. INVESTMENT IN MANAGEMENT CONTRACTS:

	1993	1992
Management contracts, at cost	$ 123,163	$ 118,175
Less accumulated amortization	(8,840)	(4,711)
	$ 114,323	$ 113,464

Amortization expense for management contracts was $4,775 (1992 — $2,043).

8. INVESTMENT IN TRADEMARKS AND TRADE NAMES:

	1993	1992
Trademarks and trade names, at cost	$ 68,711	$ 75,470
Less accumulated amortization	(2,822)	(765)
	$ 65,889	$ 74,705

Amortization expense for trademarks and trade names was $1,974 (1992 — $750).

9. OTHER ASSETS:

	1993	1992
Bonds and debentures	$ 1,714	$ 1,642
Cash surrender value of life insurance policies	7,757	5,946
Deferred development costs	3,747	2,278
Deferred financing costs	4,738	1,646
Prepaid hotel rent	347	178
Other deferred costs	5,835	5,420
	$ 24,138	$ 17,110

10. LONG-TERM DEBT:

	1993	1992
Unsecured debentures (a)	$ 115,267	$ 110,396
Unsecured notes (b)	152,375	—
Bank loans (c)	68,768	163,784
Mortgages (d)	9,625	9,345
Other long-term liabilities	10,684	12,169
	356,719	295,694
Less amounts due within one year	(3,821)	(3,699)
	$ 352,898	$ 291,995

(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) Unsecured notes:

The unsecured notes, with a face value of US$115,000, were issued on June 30, 1993 at a discount for US$114,270, and are due on July 1, 2000. The notes bear interest at 9 1/8%, payable semi-annually, and are redeemable at the option of the Corporation, in whole or in part, at any time on or after July 1, 1998, at redemption prices provided for in the indenture.

(c) Bank loans:

Bank loans at December 31, 1992 included a US$102 million acquisition facility used to acquire Regent. This facility bore interest at LIBOR plus 3/4%. US$22 million of this loan was repaid during 1992 with a portion of the proceeds of a share issue completed in December 1992 (note 11(a)) and US$80 million was repaid during 1993 with a portion of the proceeds from the unsecured notes issued in June 1993 ((b) above). The Corporation's other long-term bank debt includes Cdn. $49,500 (1992 — nil) which bears interest at Canadian bankers' acceptance rate plus 5/8%, Cdn. $6,018 (1992 — $22,903) which bears interest at Canadian prime and US$10,000 (1992 — 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 March 1996. This bank debt is secured by a charge over virtually all of the Corporation's Canadian assets.

(d) Mortgages:

Mortgages are secured by fixed charges on specific hotel properties. $3 million was due on December 31, 1993, and bore interest at the lesser of 15% of principal and 25% of defined profits. The mortgage was repaid in 1994 when the lender finalized certain documentation required pursuant to the mortgage. US$5 million is due in 1997, and bears interest at the lower of LIBOR plus 2% and US prime plus 1%.

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

1994	$ 3,821
1995	825
1996	183,542
1997	8,788
1998	845
Subsequent to 1998	158,898
	$ 356,719

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

		1993	1992
Interest on long-term debt		$ (21,569)	$ (12,016)
Other interest expense		(1,421)	(1,682)
Interest income	$5 million	5,135	3,782
Interest capitalized on assets held for sale		—	1,312
Interest expense, net		$ (17,855)	$ (8,604)

(g) **Restrictive debt covenants:**

The bank loan agreement contains certain covenants which require the Corporation to maintain certain financial ratios, and together with the trust indentures relating to the unsecured debentures and the unsecured notes, contains additional covenants which, in certain circumstances, restrict the Corporation's ability to borrow funds ranking superior to these obligations and undertake certain types of major transactions. The Corporation was in compliance with these covenants during 1993. In addition, the unsecured notes and bank loans are callable by the creditors on a change of control of the Corporation.

11. 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, 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
Additional costs	—	—	—	(343)	—	—	(343)
Converted	—	—	2,142	15	(1,000)	(15)	—
Options exercised for cash	—	—	34,000	271	—	—	271
December 31, 1993	**5,562,566**	**$ 61**	**22,212,688**	**$ 168,523**	**81,723**	**$ 1,226**	**$ 169,810**

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 $1,806 (including $343 paid in 1993).

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 generally become exercisable in varying proportions on the first, second, third, fourth and fifth anniversaries of the date of grant. All such options become exercisable within specified periods in the event of retirement, termination other than for cause (including as a result of a change of control of the Corporation), incapacity or death of the director, executive or employee. As at December 31, 1993, there were options outstanding on 1,962,600 SVS at prices varying between $7.00 and $19.55 per share. During 1993, 32,000 (1992 — 532,000) options were granted to officers and employees at prices ranging from $15.08 to $15.45 per share (1992 — ranging from $18.49 to $19.55 per share).

In January 1994, the Corporation's Board of Directors approved the cancellation of options outstanding at December 31, 1993 on 1,324,100 SVS which were originally granted at prices ranging between $15.07 and $19.55 and granted new options on 1,324,100 SVS at a price of $12.63.

(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.

12. INCOME TAXES:

Income tax (expense) 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:

	1993	1992
Loss before income taxes	$ (118,219)	$ (5,066)
Items not subject to tax	3,908	(1,705)
Loss subject to tax	$ (114,311)	$ (6,771)
Expected Canadian federal and provincial statutory tax rate	41.5%	41.5%
Expected income tax recovery	$ 47,439	$ 2,810
Increase in income tax recovery due to lower foreign tax rates	4,545	4,029
Provision for losses not tax effected	(52,705)	—
Change in estimated income taxes previously provided	—	6,000
Other	(293)	(52)
Income tax (expense) recovery	$ (1,014)	$ 12,787

The tax benefit of current year's losses has been recognized only to the extent of reductions in accumulated deferred income tax credits available in the carry forward period. The tax benefit of the losses not tax effected will be recorded in the year(s) in which the benefit is realized.

13. COMMITMENTS AND CONTINGENCIES:

(a) **Lease commitments:**

The Corporation has entered into lease agreements for certain hotel properties for periods up to the year 2003 (including head lease obligations relating to three properties contributed to FRA Properties). 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:

1994	$ 13,182
1995	12,930
1996	12,166
1997	12,102
1998	12,083
Subsequent to 1998	34,427
	$ 96,890

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$36 million and Cdn. $38 million 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, in certain limited cases, 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 $8,032 as at December 31, 1993;
- (b) guarantees and undertakings given by the Corporation related to certain of the transferred assets aggregating $1,275 as at December 31, 1993; 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.

During 1993, the Corporation advanced $1,932 (1992 — $9,408) to Tengis to enable it to meet principal and interest payment obligations on notes payable guaranteed by the Corporation, and to meet the company's operating cash needs. The Corporation also advanced $3,100 in 1992 to the Inn on the Park Hotel, Toronto on which Tengis held mortgages (which were in default). During 1992, the mortgagor agreed to quit claim the property, following which Tengis contributed the Inn on the Park Hotel, Toronto to FRA Properties. In 1992, 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 ($15.7 million outstanding at December 31, 1993) owed by Tengis to a Canadian chartered bank. A guarantee has been provided by the Corporation on this amount.

As at December 31, 1993, $8,311 is owed by Tengis to the Corporation. This amount is secured by certain assets of Tengis. 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, Tengis may be unable to sell or refinance its assets for amounts sufficient to liquidate all of its obligations. Accordingly, the Corporation reviewed the net realizable value of Tengis' assets and determined that a provision for the full amount of the Corporation's advances was required. During 1993, the Corporation also discontinued recognizing interest income on these advances.

(iii) The Corporation has guaranteed US$6,250 of the principal amount of the mortgage debt, up to US$15,000 as to interest and operating expenses, and compliance with environmental and disability laws, in connection with the Four Seasons Biltmore Resort, Santa Barbara.

(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 $2,460.

(viii) The Corporation has guaranteed obligations of two managed hotels in an aggregate amount of US$1.5 million.

14. SEGMENTED INFORMATION:

(a) **Total consolidated revenues:**

Hotel Management revenues include the revenues of Regent from the date of its acquisition on August 14, 1992. Hotel Ownership revenues include the revenues of the Corporation's wholly-owned hotels in Toronto, Vancouver and The Pierre Hotel, New York until their disposition on August 14, 1992.

	1993			1992		
	Hotel Management revenues	Hotel Ownership revenues	Total consolidated revenues	Hotel Management revenues	Hotel Ownership revenues	Total consolidated revenues
United States	$ 33,816	$ 14,325	$ 48,141	$ 27,770	$ 38,897	$ 66,667
Canada	4,846	2,446	7,292	4,404	34,724	39,128
United Kingdom and Europe	3,656	22,557	26,213	1,937	19,478	21,415
Asia	14,758	3,839	18,597	7,135	1,845	8,980
South Pacific	3,203	—	3,203	1,205	—	1,205
	60,279	43,167	103,446	42,451	94,944	137,395
Less inter-segment revenues	(2,330)	—	(2,330)	(3,501)	—	(3,501)
	$ 57,949	$ 43,167	$ 101,116	$ 38,950	$ 94,944	$ 133,894

(b) **Earnings (loss) from operations:**

General and administrative expenses of the Hotel Management Operations have been allocated to specific geographic segments based on the percentage of revenues earned by the Hotel Management Operations in those geographic segments.

	1993			1992		
	Earnings before other operating items	Other operating items	Earnings (loss) from operations	Earnings before other operating items	Other operating items	Earnings (loss) from operations
United States	$ 14,526	$ (62,648)	$ (48,122)	$ 8,103	$ (10,180)	$ (2,077)
Canada	1,599	(61,660)	(60,061)	(5,647)	4,981	(666)
United Kingdom and Europe	7,201	(5,355)	1,846	3,811	(1,557)	2,254
Asia	9,438	(5,285)	4,153	5,274	(1,832)	3,442
South Pacific	2,318	(498)	1,820	752	(167)	585
	$ 35,082	$(135,446)	$(100,364)	$ 12,293	$ (8,755)	$ 3,538

(c) **Total assets:**

	1993	1992
United States	$ 248,954	$ 281,018
Canada	90,220	153,351
United Kingdom and Europe	47,898	38,834
Asia	121,187	115,278
South Pacific	14,641	15,171
	$ 522,900	$ 603,652

Years ended December 31 *(Dollar amounts are in millions except per share amounts)*	1993	1992	1991	1990	1989	
Summary of Operations						
Revenues under management	$ 1,351.9	878.7	631.0	666.1	634.3	
Consolidated revenues	$ 101.1	133.9	166.7	188.2	207.8	
Management operations*	$ 27.9	18.6	14.1	15.0	12.7	
Ownership operations*	$ 7.2	(6.3)	(5.1)	12.6	17.5	
Total operations*	$ 35.1	12.3	9.0	27.6	30.2	
Net interest expense	$ 17.9	8.6	—	1.2	4.6	
Depreciation and amortization	$ 13.2	12.8	10.8	8.1	8.7	
Net income (loss)	$ (119.2)	7.7	2.8	17.3	15.0	
Changes in Financial Position						
Cash provided by operations	$ 12.5	5.0	6.3	19.7	16.4	
Notes and mortgages receivable	$ (8.1)	(12.3)	(28.1)	1.7	(11.5)	
Hotel investments	$ (31.4)	(323.8)	(7.9)	(5.4)	(4.9)	
Disposals (purchases) of hotels	$ —	110.5	(26.6)	(9.3)	—	
Capital expenditures	$ (1.5)	(14.0)	(21.5)	(19.1)	(15.9)	
Capitalization and returns						
Debt, net of cash	$ 345.6	290.2	121.3	60.7	66.0	
Shareholders' equity	$ 126.8	247.8	139.6	112.4	93.8	
Debt-to-equity ratio, net of cash	2.7	1.2	0.9	0.5	0.7	
Return on equity	n.a.	3.1	2.0	15.4	16.0	23.3
Per share data**						
Earnings (loss) per share, basic and fully diluted	$ (4.30)	0.32	0.13	0.84	0.74	
Cash dividend per share	$ 0.11	0.11	0.11	0.11	0.11	
Other Data**						
Market price at year-end	$ 13.00	19.38	17.50	16.00	21.13	
Common stock outstanding (millions)	27.8	27.7	22.2	20.1	20.0	
Market capitalization	$ 361.1	537.6	388.5	321.4	422.1	
Available rooms	12,556	12,138	7,300	7,400	7,050	
Employees	20,050	19,500	11,300	10,700	10,300	

* 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 YEAR IN REVIEW

The highlights of the year 1993 were as follows:

- In November the Corporation announced a plan to sell seven of its major hotel real estate interests in order to reduce its debt position, reduce the ongoing funding requirements of certain of these real estate interests, and continue the transition towards being primarily a hotel management services corporation.

  Based upon current market conditions for hotel sales, it is expected that a one-third reduction in consolidated debt can be achieved through this asset sale programme.

  To reflect the effect of the disposition programme in the context of the current continued depressed real estate markets, a provision of $127 million was made against a number of the Corporation's real estate investments. As a result of this provision, the net loss for the year was $119.2 million, as compared to net earnings of $7.7 million in 1992.

- The acquisition of Regent in August 1992 allowed the Corporation to achieve earnings from Hotel Management Operations of $27.9 million, an increase of 50% compared to 1992. Hotel Management Operations now represent 80% of the Corporation's operating earnings (earnings before other operating items, interest and taxes).

- Significant additions to the Hotel Management Operations portfolio were achieved with the openings of new Four Seasons properties in New York, Milan and Bali, and the new Regent hotel in London which opened in late December 1992. In early 1994, the Four Seasons Hotel Mexico City opened and the Corporation assumed management of the Four Seasons Resort Ocean Grand in Palm Beach, Florida. Also on March 31, 1994 the Corporation ceased managing the hotel in Montreal.

- The Regent acquisition facility was refinanced during the year through the issuance of US$115 million of debt obligations which mature in the year 2000. The bank operating facilities of the Corporation were also refinanced to provide a revolving facility which matures in March of 1996.

- Operating results were severely and adversely affected in 1991, 1992 and early 1993 by the continuation of the most serious economic recession in decades. In the last half of 1993, the North American economic recovery gained strength and produced an annual yield (occupancy rate multiplied by achieved room rate) improvement of 11% over 1992 and a gross operating profit improvement in the Corporation's North American managed hotels of more than 25% for the year. It is anticipated that the North American economic recovery will continue, resulting in further increases in yields and hotel operating profits through 1994. Although the yield of the Regent managed hotels was flat in 1993, a yield increase of approximately 5% was achieved in the fourth quarter of 1993 as compared to the same period in 1992. This trend is anticipated to continue into 1994.

OPERATIONS OVERVIEW

Four Seasons♦Regent has two distinct operating segments: Hotel Management Operations and Hotel Ownership Operations.

Hotel Management Operations

Four Seasons♦Regent manages 38 hotels under the Regent and Four Seasons brand names in 16 countries on behalf of various owners. An additional seven properties which Four Seasons♦Regent will manage are under construction or development in six countries. Generally, the Hotel Management Operations segment has the following characteristics:

- Stable earnings and cash flow, as approximately 75% of revenues from Hotel Management Operations were derived in 1993 from fees based upon total gross revenues of managed hotels;
- Management contracts are generally long-term. The average remaining term, including all renewal options, of all existing management contracts is 53 years;
- Hotel owners fund substantially all capital expenditures and working capital requirements of the hotel, including all employment and operating costs; and
- Reputation is essential to success in the luxury segment and is a significant barrier to entry.

Hotel management now represents the primary means by which Four Seasons♦Regent participates in expansion opportunities. Concentrating on hotel management rather than hotel ownership is intended to enable Four Seasons♦Regent to expand without assuming significant additional capital risks. In 1993, Hotel Management Operations contributed 80% of the Corporation's operating earnings before other operating items, interest and taxes.

With the acquisition of Regent on August 14, 1992, the Corporation added management fee revenues from 11 Regent hotels. During 1992 and 1993 new Four Seasons♦Regent managed hotels were opened in Bali (January 1993), Milan (March 1993), New York (May 1993) and The Regent Hotel London (which opened in late December 1992).

Hotel Ownership Operations

Four Seasons♦Regent holds an equity interest in 19 of the 38 hotels and resorts under management. Three of the 19 equity interests are currently being consolidated in the Hotel Ownership segment. Until their disposition on August 14, 1992 to FRA Properties, the Corporation also consolidated its previously wholly-owned hotels in Toronto, Vancouver and New York (see notes 2 and 5 to the consolidated financial statements). The majority of the Corporation's investment in non-consolidated hotel interests relates to nine hotels owned by FRA Properties which is owned 19.9% by the Corporation (see note 5 to the consolidated financial statements). Generally, the Hotel Ownership Operations segment has the following characteristics:

- It is capital and labour intensive and is subject to greater economic fluctuations than Hotel Management Operations;
- Significant equity positions are typically in premium locations such as London, Hong Kong and Chicago, markets which are traditionally stable over the long-term; and
- The disruption in the real estate capital markets since 1991 has caused financing constraints for hotel real estate. Although these conditions have hampered the Corporation's ability to sell its investments at historically favourable prices and to arrange completion financing for certain projects, they have also created significant barriers to entry of competitive hotels in the same markets.

Four Seasons♦Regent's strategy is to obtain long-term management contracts for hotels and resorts throughout the world. The Corporation may also acquire minority equity positions in new hotels and resorts which present attractive opportunities for long-term capital appreciation and where such equity interests are necessary to obtain the long-term management rights for the hotel. Four Seasons♦Regent has or is expected to have a minority equity interest in the following properties under construction or development: Aviara, Berlin, Jakarta and Prague. Four Seasons♦Regent has no equity investment or loan requirements pursuant to its management contracts, for new hotels in Mexico City and Palm Beach and for hotels under construction or development in Singapore, Chiang Mai, and North Kona. See "Description of Hotels and Resorts" in the Annual Information Form.

1993 OPERATING RESULTS AND 1994 OUTLOOK

Hotel Management Operations

Yield

The term "yield" is defined as hotel occupancy multiplied by achieved room rate. The product of these factors is the base upon which a significant portion of Four Seasons♦Regent's management fees are earned. In 1993, 75% of total management fee revenue (75% in 1992) was calculated as a percentage of total hotel revenues.

The 1993 average yield of all hotels under Four Seasons' management increased 11%, as compared to the 1992 average yield. This improvement reflects an increase of 8.4% in average achieved room rates over 1992 levels and an increase of 2.6% from occupancy levels achieved in 1992. In particular, large yield increases were achieved in Four Seasons managed hotels in Nevis, Tokyo, Newport Beach and Los Angeles. In 1993, average yield increases for hotels under Regent's management was unchanged in 1993 compared to 1992, primarily due to the continuing recession in Australia and New Zealand, and excess market capacity in Kuala Lumpur. These negative effects were offset by strong yield increases in the Regent managed hotels in Singapore and Los Angeles.

The average yield of all hotels under management in 1994 is expected to exceed the 1993 level, with both occupancies and achieved room rates expected to increase generally in line with 1993. These positive trends are based upon world-wide reservations volumes in 1993 having increased approximately 12% over 1992 levels, and corporate group sales bookings being up approximately 24% in 1993, reflecting primarily a strongly recovering US economy and continued growth in a number of Asian markets.

Fee Revenues

Fee revenues from Hotel Management Operations increased 42% in 1993 to $60.3 million from $42.5 million in 1992. Of the $17.8 million increase in fee revenues, $10.8 million relates to the Corporation's acquisition of Regent and represents base, incentive and other ancillary fees from the 11 operating Regent hotels. (In 1992, the Regent management fees were earned only from the date of acquisition on August 14, 1992.) The balance of the increase resulted from the growth in fees from the recently opened Four Seasons♦Regent properties in New York, Milan, Bali, Nevis and London and from the growth in incentive fees earned at several other properties.

Four Seasons♦Regent's consolidated fee revenues are expected to increase further in 1994 due to (i) the addition of four hotels and resorts (Palm Beach, Florida, Mexico City, Singapore and Chiang Mai, Thailand), (ii) a full year of fee revenues earned from the Four Seasons♦Regent properties in New York, Milan, Bali and London which opened over a five-month period between December 1992 and mid-1993, and (iii) the effects of the anticipated increases in occupancies and room rates in the other Four Seasons♦Regent hotels.

The acquisition of Regent has enhanced the geographic diversification of the Corporation's management business and revenue sources. During 1993, 39% of fee revenues were derived from properties outside North America, as compared to 28% in 1992. This percentage is expected to increase further in 1994.

Earnings Before Other Operating Items, Interest and Taxes

In 1993, earnings before other operating items, interest and taxes from Hotel Management Operations increased to $27.9 million, 50% higher than the prior year. General and administrative expenses were $32.4 million, an increase of $8.5 million over 1992. Of this increase, $4.2 million relates to Regent's management operations, which were consolidated for the full year in 1993 as compared to four and one half months in 1992. In addition, approximately $2 million of the increased costs relate to marketing and sales office costs for the integration of the two organizations and the costs of promoting the two brands for reservations and group sales.

Four Seasons♦Regent's profit margin before other operating items, interest and taxes increased to 46.3% from the 1992 level of 43.8%. The profit margin is expected to exceed this level in future years as (i) the seven hotels and resorts under construction or development are opened and begin to generate additional fees, (ii) the profitability of The Regent Hong Kong improves following the completion of the major renovation programme in late 1994, (iii) the newly-opened properties in New York, Milan, Bali and London complete their first full year of operations and begin to generate higher levels of fees, and (iv) the benefits of the ongoing rationalization of the Regent and Four Seasons corporate overheads are realized. With the final steps of the cost rationalization programme having been completed in early 1994, it is expected that the 1994 Hotel Management Operations general and administrative expenses will not increase materially from the 1993 level.

Hotel Ownership Operations

Virtually all of the revenues and earnings from Hotel Ownership Operations are generated from the Corporation's equity interests in the Four Seasons Hotel London, The Ritz-Carlton Hotel Chicago, and The Regent Hong Kong. Earnings before other operating items, interest and taxes from Hotel Ownership Operations were $7.2 million for the year ended December 31, 1993, as compared to operating earnings of $3.6 million in 1992, after excluding the results of The Pierre and the Four Seasons hotels in Toronto and Vancouver which were deconsolidated from August 14, 1992. This improvement relates to the inclusion of dividend income from The Regent Hong Kong for the full year of 1993 (as compared to four and one half months in 1992) and improved gross operating profits in the Four Seasons Hotel London and The Ritz-Carlton Hotel Chicago.

The dividend income from the Corporation's 25% leasehold interest in The Regent Hong Kong did not meet expectations in 1993. The continuing renovations of the rooms and food and beverage areas had a significant negative impact on the operating profit of the hotel due to a general disruption in operations and the fact that related capital expenditures were funded from cash from operations that would otherwise have been used for the payment of dividends. The total capital spending at the hotel exceeded US$15 million in 1993, of which Four Seasons♦Regent's share was approximately US$3.8 million. These factors also adversely affected Regent's management fees, as the capital expenditures are deducted from the base upon which the incentive fees are calculated. Additional renovation work of approximately US$11 million is expected to be completed by late 1994. Due to this level of capital spending in 1994, the Corporation's dividend from this investment is not expected to be materially different from that received in 1993 and the Corporation's management incentive fees will also continue to be adversely affected by this level of capital spending.

During 1993, the Four Seasons Hotel London continued to experience occupancy levels below expectations due primarily to sluggish demand caused by the continuing soft economic conditions in the United Kingdom and Europe and an increase in the supply of hotel rooms. However, during the first few months of 1994, the hotel has performed above expectations and this trend is expected to continue throughout the year. Yield is expected to improve further in 1994, but will still be well below the hotel's pre-Gulf War yield. Profitability of the hotel is expected to increase substantially as compared to 1993 levels, but will represent less than 60% of the hotel's pre-Gulf War profit level.

Investment and Interest Income

Investment income for the year was $4.8 million as compared to $3.2 million in 1992. This investment income represents primarily the 4.5% return earned on the sub-lease arrangements on two of the hotels contributed to FRA Properties (see note 13 to the consolidated financial statements). Interest income was $5.1 million in 1993 as compared to $3.8 million in 1992. The majority of the interest income is the 4.5% return on the mortgages relating to the hotels contributed to FRA Properties (see note 5 to the consolidated financial statements). As described under "Asset Realization Risk", the Corporation and FRA Properties are in the process of selling a majority of the hotels the Corporation contributed to FRA Properties and the Corporation recorded a provision of $110 million against its investment in FRA Properties. Due to the sale process currently underway and the uncertainty of the final outcome of transaction values, no investment income or interest income will be recorded in 1994 unless there is reasonable assurance the Corporation will realize this income from the asset sale proceeds.

Depreciation and Amortization

Depreciation and amortization expense was $13.2 million in 1993, as compared to $12.8 million in 1992. Approximately $8.2 million of the 1993 amortization expense ($2.8 million in 1992) related to management contracts, trademark and trade names acquired in connection with the Regent acquisition. Offsetting this increase was the reduction in depreciation and amortization expense resulting from the deconsolidation of The Pierre and the Four Seasons hotels in Toronto and Vancouver from August 14, 1992.

Interest Costs

Net interest costs increased to $17.9 million in 1993, as compared to $8.6 million in 1992. This increase is the result of higher debt levels caused by the acquisition of Regent in August 1992 and the fulfillment of funding commitments relating to the hotels contributed to FRA Properties. In addition, the seven-year US dollar Notes issued on June 30, 1993 at an interest rate of 9.125% replaced lower cost short-term debt. The weighted average cost of debt during 1993 was approximately 6.7% and is expected to be 8% in 1994. This projected increase is due to the full year effect of the US dollar Notes which were outstanding only for six months in 1993 and the expectation that US and Canadian short-term interest rates will increase from 1993 levels.

Taxes

The difference between the expected income tax recovery and actual income tax expense for the year is primarily due to (i) the provision of $127 million recorded against real estate values which was not tax effected, and (ii) a $4.6 million increase in the tax recovery resulting from lower foreign tax rates (see note 12 to the consolidated financial statements).

The tax provision in the next few years is not expected to be material due to the utilization of the benefits of the unrecorded tax losses created by the write-down in real estate values. Also, it is expected that for the foreseeable future tax provisions will be deferred because of unutilized tax losses and capital cost allowances that can be applied in the coming years.

OPERATING RISKS

The major risks associated with Four Seasons♦Regent's operations relate to interest rate exposure on floating rate debt, foreign currency fluctuations, the ability of Four Seasons♦Regent to maximize its investment in its underlying real estate assets over the longer term, and the risks associated with the Regent acquisition and the FRA Properties partnership transaction.

Interest Rate Risks

Sixty-three percent of Four Seasons♦Regent's long-term debt is at fixed interest rates. Of the balance, 58% is at floating rates based on US LIBOR and 42% is at floating rates based on Canadian prime rates or Bankers Acceptance rates. These percentages are expected to remain constant in 1994, subject to any asset sales or financing which may occur during the year. Management anticipates that US and Canadian interest rates will increase in 1994, but continues to monitor and utilize various interest rate hedging instruments to protect Four Seasons♦Regent's interest rate exposure.

Currency Risks

Although Four Seasons♦Regent reports its results in Canadian dollars, its relevant currency exposure is in US dollars, as more than half of its revenues, assets and debt are US dollar denominated or pegged to the US dollar. Fifty-four percent of Four Seasons♦Regent's consolidated revenues were US dollar denominated, or pegged to the US dollar, in 1993 (51% in 1992). Almost 60% of its consolidated revenues in 1994 are expected to be US dollar denominated or pegged to the US dollar.

Exchange fluctuations against the US dollar generally have little economic significance to Four Seasons♦Regent as it continues to use its US dollar cash inflow for reinvestment in US dollar assets and to service its US dollar debt and other obligations. However, the Corporation converted its $100 million unsecured debentures through cross currency interest rate exchange agreements into US$87 million in 1991, in order to service this debt from the US dollar cash flow. This swap agreement matures in March 1996 when the related debt matures (see note 10 to the consolidated financial statements).

Four Seasons♦Regent also earned 23% of its consolidated revenues in pounds sterling in 1993 (15% in 1992). Until December 31, 1993, Four Seasons♦Regent managed its pounds sterling currency exposure through the use of forward contracts. Management will continue to monitor the currency markets to determine if forward contracts are required in the future. It is expected that approximately 20% of the consolidated revenues earned in 1994 will be in pounds sterling.

In addition, in 1994 Four Seasons♦Regent will earn fee revenues in nine other currencies in countries throughout Asia, Europe and the South Pacific. None of these currencies individually exceeds 3% of Four Seasons♦Regent's consolidated revenues. Management attempts to minimize this foreign currency exposure by keeping fee receivables current, by monitoring the political and economic climate in each country, and may utilize financial hedging instruments when necessary. In certain hotels, the foreign currency risks are further mitigated by pricing room rates in US dollars.

Asset Realization Risk

During the fourth quarter of 1993, management decided to solicit offers for the sale of certain of Four Seasons♦Regent's real estate investments with a view to reducing the Corporation's overall debt position and exposure to real estate risk. Assets represented on the Corporation's balance sheet and which are offered for sale include: FRA Properties' investment in the Inn on the Park in Toronto and the Four Seasons hotels in Austin, Santa Barbara, and Vancouver; consolidated Four Seasons hotels in Minaki and London; and the notes and mortgages receivable relating to the Four Seasons hotel in San Francisco. The sale of the Corporation's interest in these seven assets will be applied first to reduce property debt and second to reduce corporate debt. It is the Corporation's objective to reduce its overall corporate debt position by approximately one-third through asset dispositions over the next 18 to 24 months. These asset disposals will also allow the Corporation to reduce its exposure to future real estate cycles and to reduce the ongoing capital and operational funding requirements to these real estate investments.

During the fourth quarter of 1993, a $110 million provision was established against Four Seasons♦Regent's real estate exposures (primarily the investment in and advances to FRA Properties). In addition, a provision of $17 million was taken against the Corporation's mortgage portfolio (see discussion under "Provision for Loss on Notes and Mortgages Receivable"). These provisions were determined based on expressions of interest received by brokers engaged by the Corporation to sell certain of the hotels included in the asset sale programme, and other analyses prepared by the Corporation relating to other investments not included in the disposition programme. The provision reduces the carrying value of these assets to management's best estimate of their net realizable value (for the hotels included in the asset sale programme), and reduces the carrying value of the other assets to their estimated net recoverable amount (projected cash recoveries through operations of the hotels and their residual values). The provision against the hotel investments represents approximately 40% of book value and the aggregate of all provisions made against the notes and mortgages portfolio represents approximately 50% of book value.

Due to the continuing uncertainties in the real estate capital markets it is expected that this asset sale programme will require 18 to 24 months to complete, and it is possible that the Corporation may not realize the amounts estimated by management. The net book value of the assets identified for sale, after the provision, is approximately $110 million. The provision against real estate values does not take into consideration the gain which the Corporation believes will be realized (and recorded for accounting purposes) upon the sale of the Four Seasons Hotel London.

Risks Associated with the Regent Acquisition and FRA Properties

Management has identified the following risks associated with the Regent acquisition (see notes 2 and 5 to the consolidated financial statements for a description of the Regent acquisition transaction) and FRA Properties:

(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 Four Seasons' 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 before 1996, during which time Four Seasons♦Regent and the owner will work toward a resolution. Discussions are continuing with the owner of the Four Seasons Hotel Los Angeles and Four Seasons♦Regent is hopeful that the matter can be resolved without litigation.

(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 Four Seasons♦Regent would be material. With the exception of The Regent Hong Kong, all of the management fees from Regent hotels relate to hotels outside Hong Kong.
- As well, Four Seasons♦Regent's valuation of the fee and dividend income from The Regent 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 Four Seasons♦Regent.

(iv) Third party debt exposure

- Four Seasons♦Regent has guaranteed third party debt for two hotels: (i) 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 Toronto and (ii) US$6.25 million in respect of principal, and up to US$15 million in respect of interest and other guaranteed indebtedness, relating to the Four Seasons Biltmore Resort Santa Barbara. Although these guarantees evidence a contingency to Four Seasons♦Regent, they represent historical commitments that pre-dated the Regent acquisition. 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 Toronto replaces a guarantee that Four Seasons♦Regent originally gave to a Canadian chartered bank in 1986 in respect of certain liabilities of Tengis Limited ("Tengis") relating to this hotel (see note 13 to the consolidated financial statements).

(v) Realization of Investment in FRA Properties

- Four Seasons♦Regent'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 Four Seasons♦Regent'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) until December 31, 1996, to cover operating cash shortfalls and capital improvements of the hotels which it contributed.
- During the fourth quarter of 1993, a $110 million provision was established against Four Seasons♦Regent's real estate exposure, primarily the investment in FRA Properties (see discussion under "Asset Realization Risk"). The asset sale programme instituted in November 1993 includes four hotels owned by FRA Properties (Inn on the Park Toronto, Vancouver, Austin and Santa Barbara).

(vi) Funding Commitments to FRA Properties Until December 31, 1996

- Until December 31, 1996, Four Seasons♦Regent is obligated to fund 100% of the operating, capital, and debt service requirements for the hotels it contributed to FRA Properties, to the extent not funded by the operations of the hotels. Included in these commitments is the requirement that Four Seasons♦Regent complete refurbishing programmes of approximately US$13 million prior to December 31, 1996 (see discussion under "Advances to Managed and Owned Hotels-Advances to Hotels Contributed to FRA Properties").

  Four Seasons♦Regent and HIC are also responsible for the funding needs of FRA Properties which are not associated with the hotels contributed to it, but only on a non-recourse basis. Four Seasons♦Regent is only required to put up further capital to fund the cash needs of FRA Properties if it wishes to maintain the level of its interest in the hotels contributed to FRA Properties.

(vii) Equity Dilution

- After 1996, the obligations relating to the cash requirements of the HIC-contributed hotels are non-recourse to Four Seasons♦Regent; however, Four Seasons♦Regent's interest in the relevant hotel can be diminished if Four Seasons♦Regent chooses not to fund its proportionate share of the cash required.
- The equity value ascribed to each of the contributed properties is fixed in US dollars. As amounts owing in respect of certain of the FRA Mortgages are denominated in currencies other than US dollars (Yen and Lira 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 Four Seasons♦Regent'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.

(viii) Dissolution of FRA Properties

- In the event that FRA Properties is unwound after 1996, in accordance with the provisions described in note 2 to the consolidated financial statements, the ownership of the hotels contributed to FRA Properties by Four Seasons (and that have not been disposed of by such date) would revert to Four Seasons. In this event Four Seasons would retain its role as manager of the hotels then owned by FRA Properties.

  For further information relating to FRA Properties and the Regent acquisition reference should be made to the notes to the consolidated financial statements.

LIQUIDITY AND RISK MANAGEMENT

Financings and Use of Proceeds

Cash flow from operations, before changes in non-cash working capital, increased from $2.6 million in 1992 to $15.8 million in 1993. This increase arose primarily as a result of improved earnings from both Hotel Management and Hotel Ownership Operations. This increase was partially offset as a result of the additional interest expense incurred during the year as described under "1993 Operating Results and 1994 Outlook-Interest Costs". As a result of changes in non-cash working capital, cash provided by operations was $12.5 million in 1993 ($5.0 million in 1992).

On June 30, 1993, Four Seasons♦Regent completed the issuance of an aggregate principal amount of US$115 million of unsecured notes which bear interest at an annual rate of 9.125% (priced to yield 9.25%) and mature on July 1, 2000. The proceeds of the issue were used primarily to repay the bank indebtedness described below, which was incurred to fund the acquisition of Regent. Although this financing increased effective interest rates over rates available in the short-term debt markets, management considered it prudent to obtain a balance between the Corporation's fixed and floating rate debt.

On August 14, 1992, Four Seasons 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 bore interest at LIBOR plus 3/4%. This acquisition facility was refinanced on June 30, 1993 from the proceeds of the US$115 million unsecured notes.

Four Seasons♦Regent completed two equity financings during 1992. Pursuant to an underwriting agreement dated April 10, 1992, amended April 23, 1992, Four Seasons♦Regent 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, Four Seasons♦Regent 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 $56.7 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.

During March 1994, the Corporation's bank credit facility was renewed to provide a US$100 million (approximately $135 million) revolving line which matures in March 1996. The Corporation had US$49 million (approximately $68 million) in undrawn bank facilities as at March 31, 1994, of which US$25 million (approximately $34 million) may only be drawn if the Corporation meets certain financial tests. The Corporation expects that it will meet these tests before the end of 1994 and before these funds are required, assuming the completion of at least one asset sale as part of the asset disposition programme.

As discussed below under "Capital Expenditures" and "Advances to Managed and Owned Hotels", Four Seasons♦Regent has commitments to fund operational, capital and development needs that could amount to approximately $35 million in 1994. These commitments will be funded by cash flow from operations generated by the hotels and by Four Seasons♦Regent.

At December 31, 1993, Four Seasons♦Regent's debt-to-equity position, net of cash, was 2.7:1, which is higher than Four Seasons♦Regent's target of 1:1 and the debt-to-equity position, net of cash, at December 31, 1992, of 1.17:1. The increase in this ratio was caused by an increase in debt levels of $55.4 million in 1993 and the reduction of equity caused by the $127 million real estate provision.

The asset sale programme discussed above was instituted with the primary objective of reducing Four Seasons♦Regent's corporate debt. Upon the successful completion of this asset sale programme (including a gain which the Corporation believes will be realized and recorded for accounting purposes upon a sale of the Four Seasons Hotel London), together with lower capital spending requirements and anticipated increases in operating cash flow, it is expected that Four Seasons♦Regent's debt-to-equity position will begin to move toward targeted levels over the next two to three years.

CAPITAL EXPENDITURES

The owners of Four Seasons and Regent hotels spend on average 3% to 5% of gross revenues of the hotels per annum on capital expenditures (other than in newly constructed or recently renovated properties). Additional funds are made available for special capital projects as required. In 1993, approximately $57 million was invested in these capital projects. These capital expenditures are funded by working capital generated from operations of the hotels and through advances from the hotel owners. Four Seasons♦Regent's share of the funding of these capital expenditures in 1993 was $1.5 million in its consolidated hotels, $8.1 million in the hotels contributed to FRA Properties, plus immaterial amounts in those hotels in which it has a minority equity interest or pursuant to management contract obligations (see description under "Advances to Managed and Owned Hotels" below). Four Seasons♦Regent's share of 1992 capital expenditures was $14 million in its consolidated hotels, (including expenditures in hotels prior to August 14, 1992 that were then contributed to FRA Properties) plus approximately $3 million to the hotels it contributed to FRA Properties from and after August 14, 1992.

In 1994, Four Seasons♦Regent anticipates spending approximately $2 million in its consolidated hotels, approximately $8 million in the hotels contributed to FRA Properties, and immaterial amounts in those hotels in which it has a minority equity interest or pursuant to management contract obligations.

ADVANCES TO MANAGED AND OWNED HOTELS

Advances to Hotels Contributed to FRA Properties

Approximately $8.1 million for capital expenditures (see description under the heading "Capital Expenditures"), $8.9 million for principal repayments on property specific debt, and $17.1 million for operating requirements were advanced by Four Seasons♦Regent to Four Seasons hotels in Toronto, Vancouver, Santa Barbara and The Pierre in New York during 1993. The aggregate of these advances is included in the investment in FRA Mortgages and Stabilization Loans Receivable on Four Seasons♦Regent's balance sheet.

It is estimated that an additional $8 million for capital expenditures, together with $3 million for principal repayments on property specific debt, will be advanced in 1994 as FRA Mortgages and preferred capital and that approximately $4 million will be invested in the Four Seasons♦Regent contributed hotels for operational needs as Stabilization Loans Receivable (see description under "Capital Expenditures" above and note 5 to the consolidated financial statements). As noted under "Investment and Interest Income" above, it is not expected that investment and interest income will be recorded in respect of FRA Mortgages and Stabilization Loans Receivable in 1994.

Equity Investments (Other than FRA Properties)

In those hotels in which Four Seasons♦Regent has less than a 20% interest, it invested $3.3 million in 1993 ($5.9 million in 1992) to fund operating and capital requirements, primarily in recently opened hotels or hotels under construction or development. It is estimated that a further $9 million will be invested in these hotels in 1994. This increase in anticipated funding over 1993 levels is primarily for a US$5 million (approximately $7 million) equity investment in The Regent Hotel Jakarta which is scheduled to open in the first quarter of 1995.

Loans to Hotels in which Four Seasons♦Regent has an Equity Interest (Other than FRA Properties)

In addition to the above, Four Seasons♦Regent advanced $445,000 in 1993 ($2.3 million in 1992) to fund its share of certain construction costs of the Aviara project in Carlsbad, California. Although the construction of this project has been suspended pending the arrangement of permanent financing, it is estimated that $500,000 will be invested by Four Seasons♦Regent in 1994 to fund ongoing costs. These advances accrue interest at market rates and are expected to be repaid from the construction financing for the project. Interest income is not being recorded on a total of US$10.3 million of advances by Four Seasons♦Regent to this project. This project is being redesigned to have a smaller hotel (443 rooms to 337 rooms) with an interval ownership component of approximately 230 units. With the redesign and rezoning work required for the project it is unlikely that construction will recommence in 1994.

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

During 1993, $5 million ($6 million in 1992) was advanced by the Corporation as capital and operating deficit loans to two hotel properties. Four Seasons♦Regent expects to advance a further $5 million of capital and operating loans to managed hotels in 1994.

These loans accrue 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.

Other Loans

As at December 31, 1991, Four Seasons♦Regent was owed $5.3 million in respect of loans made to Tengis pursuant to Four Seasons♦Regent's guarantee of certain of Tengis' liabilities arising out of the reorganization in 1986 (including $3.9 million advanced to Tengis in respect of the Inn on the Park Toronto). During 1992, an additional $9.4 million (including $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 Four Seasons♦Regent. During 1993, an additional $1.9 million was advanced to Tengis in respect of the guaranteed liabilities.

At December 31, 1993, $8.3 million is owing by Tengis to Four Seasons♦Regent. It is anticipated that an additional $3 million will be advanced to Tengis in 1994 in respect of the guaranteed liabilities.

Due to the impact of current economic conditions on the real estate industry, it is anticipated that Tengis will not be able to sell or refinance its assets for amounts sufficient to repay all of its existing obligations. However, based upon an analysis of the values of Tengis' remaining assets, it is estimated that these assets will be sufficient to repay the remaining obligations that are guaranteed by Four Seasons♦Regent. It is anticipated that these assets will require four to five years to be fully realized. In the intervening period Four Seasons♦Regent will be required to continue to fund these guaranteed obligations. Accordingly, Four Seasons♦Regent determined that a provision for the full amount of the advances as at December 31, 1993, plus the amount of anticipated 1994 funding, was required based upon the estimated net realizable value of Tengis' assets (see note 13 to the consolidated financial statements).

Provision for Loss on Notes and Mortgages Receivable

Four Seasons♦Regent has a total provision of $38.2 million set up against its notes and mortgages receivable portfolio. A provision of US$10 million was established in the third quarter of 1992 to reflect market uncertainties at that time and a further US$6 million was recorded at the same time as a provision in connection with the acquisition of Regent in 1992. In 1993, a further provision of $17 million was established against the notes and mortgages receivable, including the provision in connection with a possible loss on the loan to Tengis as described above. 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 $38.2 million as at December 31, 1993, represents 73% of that portion of the notes and mortgages receivable portfolio where there is significant doubt concerning the ability of the borrower to fully repay the amounts due to Four Seasons♦Regent.

ECONOMIC OUTLOOK

World Travel

The World Travel and Tourism Council ("WTTC") reported in 1993 that travel and tourism is the world's largest industry today, accounting for more than 6% of Gross Domestic Product ("GDP"), one in every 15 workers, 7% of capital investment and 13% of consumer spending worldwide. WTTC's long-term forecasts to the year 2000 suggest that travel and tourism's contribution to Global GDP would grow by more than 100% during the period, that capital investment would increase by 80% and that employment generated would rise by 33%, representing 40 million jobs or one new job every ten seconds.

According to Boeing's 1993 *Current Market Outlook*, travel growth is forecast to average 6% per year through the year 2000 as the economy further improves and airlines continue to provide travel stimulus through longer term fare reductions. The growth of air travel will be led by travel to, from and within Asia. These Asian markets account for 25% of world air travel today, but are forecast to account for 42% of travel growth by the year 2010.

The Hotel Industry

According to Smith Travel Research, average US hotels' occupancy rates rose 2.9% to 63.7% in 1993 as compared to 1992, and room rates increased an average of 2.3% for the same period.

In 1994, 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.

In Asia, dynamic economies, rising disposable income and expanding trade and tourism should result in expansion of the hotel industry. The bull market in the Hong Kong hotel industry could continue for another five years and it will be intensified by room supply shortages as hotels are torn down and replaced by commercial towers. Business travel should also increase in Eastern Europe as the political situation stabilizes and as economies develop rapidly. The recovering U.K. economy should also facilitate an improvement in hotel performance in London.

SUMMARY

Although 1993 was another difficult year, there were important signs of improvement in Four Seasons♦Regent's business in the last six months of 1993. Management is confident that if the operating recovery now underway in most markets continues, there will be resulting improvements in occupancies, rates and hotel profitability in 1994.

The Regent acquisition is now contributing to the Hotel Management earnings in the manner originally planned. The return on the investment in Regent was approximately 14% in 1993, and will be approximately 20% in 1994, well in excess of the Corporation's cost of capital.

The funding requirements related to the hotels contributed to FRA Properties, which have required substantial cash over the past two years, have shown significant reductions in late 1993 due to the economic recovery and lower capital spending needs. These positive trends are continuing into 1994 and the FRA Properties' cash requirements are expected to be less than half the level of 1993. These future funding requirements will be reduced further upon the successful completion of the asset sale programme.

Although Four Seasons♦Regent's debt levels are too high, this problem is being addressed through the asset sale programme. The successful completion of this programme will help bring debt levels back in line with historical levels.

With the operating fundamentals of the Corporation strong and improving due to higher hotel yields and higher operating margins, the Corporation's Hotel Management business and core Hotel Ownership positions are expected to show significant improvements in 1994. The resulting improvements in the profitability of Four Seasons♦Regent should be sufficient to service the higher debt levels in the short term and, with lower debt levels in the future, allow a return to historical levels of corporate profitability.

Four Seasons Hotels Inc. was incorporated under The Business Corporations Act of Ontario on January 6, 1978[a]. Four Seasons Hotels Inc.'s registered and principal office is located 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.

BUSINESS OF FOUR SEASONS♦REGENT[b]

Four Seasons♦Regent's principal business is the management of medium-sized luxury urban hotels and resort hotels. Four Seasons♦Regent also holds an ownership interest in certain hotels it manages. These equity interests are generally held through partnerships or by wholly-owned subsidiaries.

Four Seasons♦Regent currently manages 38 urban and resort hotels located in 16 countries containing approximately 12,600 guest rooms. Four Seasons♦Regent owns an equity interest in 19 of the hotels and resorts currently under management. Seven additional urban hotels and resort hotels are under construction or development in six countries around the world. (A chart depicting all of the urban and resort hotels of Four Seasons♦Regent is set out on pages 53 through 57).

Four Seasons♦Regent earns revenue from hotel management and hotel ownership operations.

Hotel management fee revenue is derived from basic, incentive and other fees earned in respect of the management of hotels, generally under long-term management contracts (having an average remaining term of approximately 53 years). Hotel management operations tend to generate relatively stable earnings and cash flow. In 1993, Four Seasons♦Regent earned hotel management fee revenues of approximately $60.3 million, approximately 75% of which were calculated as a percentage of total hotel revenues. Reference is made to "Hotel Management Operations" on page 58.

Hotel ownership earnings are generally derived from cash flow from operations and realization of capital appreciation upon a sale of Four Seasons♦Regent's ownership interest. Four Seasons♦Regent's significant ownership interests are: a 50% interest in the Four Seasons Hotel London; a 25% interest in The Ritz-Carlton Hotel Chicago; and a 25% interest in The Regent Hong Kong. The majority of Four Seasons♦Regent's hotel ownership investments are minority interests of less than 20%, including the investment of Four Seasons♦Regent in FRA Properties (see "Recent Developments" on page 50). Reference is made to "Hotel Ownership Operations" on page 60.

a The articles of Four Seasons Hotels Inc. were restated in 1986 to consolidate prior amendments and were amended in 1989 to subdivide each Subordinate Voting Share and each Multiple Voting Share on a 2:1 basis and to create an unlimited number of special shares to be designated as First and Second Preference Shares.

b Unless the context otherwise requires, in this annual information form, the term "Four Seasons♦Regent" means Four Seasons Hotels Inc. and all of its subsidiaries. The term "Four Seasons" means Four Seasons Hotels Limited ("FSHL") and all of its subsidiaries other than Regent, and the term "Regent" means Regent International Hotels Limited ("RIHL") and all of its subsidiaries.

RECENT DEVELOPMENTS

Proposed Change in Control

In April 1994, an investment dealer was retained to seek an investor interested in ultimately acquiring control of Four Seasons♦Regent. If this search is successful, it is expected that an offer would be made for all the outstanding Subordinate Voting Shares of Four Seasons Hotels Inc. The controlling shareholder of Four Seasons Hotels Inc., Isadore Sharp, has stated that a principal condition of any transaction would be that it provides minority shareholders with consideration identical to that to be paid to Mr. Sharp and his family.

Disposition Strategy and Accounting Provision

In November 1993, Four Seasons♦Regent and FRA Properties implemented a programme to dispose of four properties owned by FRA Properties (Inn on the Park Toronto and the Four Seasons hotels in Vancouver, Santa Barbara and Austin) and three other hotel investments (Four Seasons Resort Minaki Lodge Minaki, Four Seasons Hotel London and the notes and mortgages receivable relating to the Four Seasons Clift Hotel San Francisco). This programme is intended to reduce Four Seasons♦Regent's real estate exposure, funding responsibilities to FRA Properties and overall debt position.

The marketing programme for the disposition of these hotels is in its early stages. Brokers have been engaged to sell certain of the properties and have solicited early expressions of interest in certain of the properties for sale. Due to the continuing uncertainties in the real estate and capital markets, Four Seasons♦Regent expects it will require 18 to 24 months to complete the sale of these properties.

Based upon the expressions of interest received on the four properties for sale owned by FRA Properties and analyses of the recoverable value of the other two hotels contributed by Four Seasons to FRA Properties (which are not included in the disposal programme), Four Seasons♦Regent has concluded that it is unlikely that it will recover all of its investment in FRA Properties. Accordingly, Four Seasons♦Regent has recorded a provision of $110 million, primarily related to the possible loss on the investment in FRA Properties. In addition, Four Seasons♦Regent has established a provision of $17 million against the recovery of its notes and mortgages receivable portfolio. Reference is made to "Asset Realization Risk" in Management's Discussion and Analysis.

Based upon analyses prepared by the broker involved with the sale of the Four Seasons Hotel London and by Four Seasons♦Regent, Four Seasons♦Regent believes that it will realize a net gain on the ultimate sale of its 50% interest in the Four Seasons Hotel London.

Regent Acquisition and FRA Properties

Regent, a leading operator of luxury hotels primarily in Asia, was acquired by Four Seasons in 1992. As part of the transaction, the *Regent* brand name, 15 additional management contracts (13 hotels and two resorts) and a 25% leasehold interest in The Regent Hong Kong were all acquired. The transaction increased the number of rooms under Four Seasons♦Regent's management by almost 60% and the number of hotels and resorts under management by almost 45%.

At the time of the acquisition of Regent, Four Seasons formed a group of partnerships ("FRA Properties") with Hotel Investment Corporation ("HIC"), a Japanese corporation. Four Seasons and HIC each contributed wholly-owned or controlling ownership interests in certain hotel properties to FRA Properties. The partnership agreements governing FRA Properties provide for various remedies to the partners if the contributed properties do not perform at the originally anticipated levels (including the right to terminate FRA Properties under certain circumstances) or achieve the values originally anticipated. The first such termination right is exercisable in 1997, although the partner which contributed the properties not performing at required levels may prevent such termination by restructuring the debt in respect of its properties or withdrawing certain of those properties from FRA Properties. Commencing in 1997 and ending in 2002, HIC has a unilateral right, upon payment to Four Seasons♦Regent of certain prescribed amounts, to cause FRA Properties to be terminated if Four Seasons♦Regent's contributed properties do not contribute net operating profit to FRA Properties, although Four Seasons♦Regent can avoid termination on a similar basis as the 1997 termination rights.

BUSINESS STRATEGY

The business strategy of Four Seasons♦Regent is to serve the luxury segment of the hotel market for business and resort travel worldwide by operating the finest urban and resort hotels in each destination in which it locates. Management of Four Seasons♦Regent believes that demand in this segment will grow as international trade and tourism expands and global business travellers become increasingly demanding. In order to capitalize on this growth, while concurrently improving the stability and consistency of its earnings and limiting capital investment, Four Seasons♦Regent has focused on hotel management opportunities (rather than hotel ownership), on increasing the proportion of resorts in its product mix, and on geographically diversifying its sources of income.

The acquisition of Regent in 1992, a leading operator of luxury hotels primarily in Asia, represented a significant step by Four Seasons♦Regent in the furtherance of its business strategy. As a result of the transaction, Four Seasons♦Regent has strengthened its market leadership position in the luxury hotel and resort segment both in North America and in Asia, where management anticipates most of the world's travel growth will occur during the current decade. Management believes that the Regent acquisition will not only substantially increase Four Seasons♦Regent's stable base of management fee revenues, but will also improve profit margins as synergies and cost efficiencies of combining the two organizations are achieved.

Almost 80% of Four Seasons♦Regent's earnings before other operating items, interest and taxes were derived from hotel management activities in 1993. Upon completion of the programme to dispose of the ownership interest of Four Seasons♦Regent in seven of its remaining significant hotel investments, (see "Recent Developments" on page 50) the percentage of future earnings of Four Seasons♦Regent derived from Hotel Management Operations is expected to increase.

Having established a network of luxury hotels in most of the world's key financial centres, future growth expansion will occur only in locations that satisfy Four Seasons♦Regent's objectives of better servicing the travel needs of its existing customer base and attracting new international business travellers to Four Seasons and Regent hotels worldwide. Management expects that future expansion will focus on Europe (including Eastern Europe), China and Southeast Asia. Over the longer term, Four Seasons♦Regent plans to increase the number of resorts it manages in order to further reduce the seasonality of its cash flows. Four Seasons♦Regent will continue to consider acquiring minority equity interests in hotels, or making loans to hotels, where such equity interests or loans, as the case may be, are required to secure the management contract. These equity interests and loans will typically be in the range of US$3 million to US$5 million.

MARKETING STRATEGY AND MARKET POSITION

The overall marketing strategy of Four Seasons♦Regent is to serve the luxury segment of the market for business (including group and conference business) and leisure or tourist travel worldwide. The integrated Four Seasons and Regent sales and marketing organizations (represented by 13 worldwide sales offices, as well as 275 local salespeople at 38 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.

Four Seasons♦Regent's 30 existing urban hotels and four urban hotels under construction or development are all located in major business and commercial centres, either in urban cores or in significant suburban developments. The eight existing resorts and three resorts under construction or development are intended, in part, to provide a vacation alternative to business travellers who constitute a substantial part of Four Seasons' and Regent's customer base at their urban hotels.

As a further means of more effectively securing global business, Four Seasons♦Regent upgraded its international reservations network in 1992. This system provides reservation services in the local language in major European and Asian cities, at a total of 22 locations worldwide. Separate toll-free reservations telephone numbers are designed to preserve and enhance the individual *Four Seasons* and *Regent* brand identities, while integration enables the reservations network for each hotel group to sell the other hotel group in cities or countries where its hotel group does not operate, or to sell rooms at a second hotel in the same city if one hotel is full.

Airline reservation systems are another key part of Four Seasons♦Regent's global distribution network. The Four Seasons♦Regent integrated reservations network links Four Seasons♦Regent's worldwide reservation and sales offices with airline booking systems through a single database. This enhances service to travel agents and corporate callers around the world by giving them faster, more detailed access to Four Seasons♦Regent's hotel inventory.

Competition from other hotels is vigorous in all of Four Seasons♦Regent's markets and arises primarily from individual luxury hotels, small luxury hotel chains and certain specific properties of larger hotel chains. However, Four Seasons and Regent each achieve room rates which are among the highest in each of their market areas.

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
Nine Four Seasons hotels and six Regent hotels were ranked among the world's top 90 hotels in a survey of international financiers published in the September 1993 issue of *Institutional Investor*. The Regent Hong Kong was ranked first among the top 30 hotels in the "Asia-Pacific" regional ranking along with other Regent hotels located in Bangkok, Melbourne, Auckland and Sydney. The Regent Beverly Wilshire Hotel and eight Four Seasons hotels located in Chicago (both The Ritz-Carlton and Four Seasons), Washington, Boston, San Francisco, Los Angeles, Toronto and New York (The Pierre) were ranked in the top 30 hotels in the "Americas" regional rankings, while the Four Seasons Hotel London was included in the "Europe" listing, as has been the case in 12 of the past 13 years.

AAA Five Diamond Awards
In 1993 and for the thirteenth 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 13 of the 49 awards. The Four Seasons Hotel Vancouver has received the American Automobile Association Five Diamond Award every year since the awards began in 1977.

Mobil Five-Star Awards
Three Four Seasons hotels were among the 24 hotels and resorts to receive 1994 Mobil Five-Star Awards, surpassing any other hotel company. The Four Seasons Clift Hotel 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
Eleven Four Seasons and Regent properties ranked among the World's top 100 travel experiences in the *Condé Nast Traveler's* 1993 Readers' Choice Awards.

Andrew Harper's Hideaway Report
Nine Four Seasons and Regent hotels and resorts were ranked among the "Top 50 Hotels and Resorts" in the report's 12th annual "World's Best Hotels Survey". The Regent Hong Kong was the gold medal winner in the "Top 15 Foreign City Hotels" category, while the Four Seasons Resort Nevis, became the highest rated Caribbean property.

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.

DESCRIPTION OF HOTELS AND RESORTS

Four Seasons♦Regent presently manages 38[1] hotels and resorts and has equity interests in 19 of these hotels and resorts. The properties and interests are described in the following table:

Four Seasons Hotels and Resorts

Hotel and Location	Date of opening/major renovations	Equity Interest	FACILITIES Number of Rooms	 Other Features	Title	Contract Expiry[2]
Four Seasons Hotel Austin, Texas	1986	19.9%[3][4]	292	18,423 sq.ft. of function space[5][6]	Freehold	2072[7]
Four Seasons Resort Bali, Indonesia	1993	—[7a]	147	2,300 sq.ft. of banquet space[5] 25 acres of gardens[5] Access to three mile beach Tennis club and spa[5]	—	2073[7]
Four Seasons Hotel Boston, Massachusetts	1985/1992	15%[9]	288	95 condominium apartments[5] 9,865 sq.ft. of function space[5][6]	Freehold	2085
The Ritz-Carlton Hotel Chicago, Illinois	1975/1991	25%[10]	429	Carlton Club[5][6] 20 residential apartments[5][6] 18,321 sq.ft. of function space[5][6]	Freehold	2075
Four Seasons Hotel Chicago, Illinois	1989	7.7%[11]	343	16 residential apartments[5][6] 19,380 sq.ft. of function space[5][6]	Leasehold, initial expiry 2024, options to extend to 2104[12]	2104
Four Seasons Resort and Club Dallas, Texas	1979/1986/ 1991/1994	—	357[13]	25,000 sq.ft. of function space[5] 176,000 sq.ft. sports club[5] Racquet and fitness facilities[5] Two 18-hole golf courses[5] 12,000 sq.ft. spa[5]	—	2042
Four Seasons Hotel Houston, Texas	1982/1992	—	399	116 residential apartments[5] 15,726 sq.ft. of function space[5]	—	2047[14]
Four Seasons Hotel London, England	1970/1991	50%[3][15]	227	7,847 sq.ft. of function space[5][6]	Leasehold, initial expiry 1998, options to extend to 2054	2054
Four Seasons Hotel Los Angeles, California[16]	1987	—	285	9,885 sq.ft. of function space[5]	—	2062
Four Seasons Hotel Milan, Italy	15th century/ 1993	19.9%[4]	98	6,250 sq.ft. of function space[5][6]	Freehold	2073[8]
Four Seasons Resort Minaki Lodge Minaki, Ontario	1925/1986	100%[3][17]	142	2,800 ft. airstrip[6] 9-hole golf course[6]	Freehold	2072
Four Seasons Hotel Mexico City, Mexico	1994	—	239	17,000 sq.ft. of function space[5]	—	2039

See accompanying notes on pages 56 and 57.

Four Seasons Hotels and Resorts *(cont'd)* Hotel and Location	Date of opening/major renovations	Equity Interest	FACILITIES Number of Rooms	Other Features	Title	Contract Expiry[2]
Four Seasons Resort Nevis, West Indies	1991	15%[15]	196	2,100 feet of ocean frontage 18-hole Robert Trent Jones II-designed golf course[5][6] 5,000 sq.ft. of function space[5][6]	Freehold	2066
Four Seasons Hotel Newport Beach, California	1986/1994	—	285	14,460 sq.ft. of function space[5][18]	—	2046
Four Seasons Hotel New York , New York	1993	14.9%[4][19]	367	5,000 sq.ft. fitness center[5][6] 8,058 sq.ft. of function space[5][6]	Freehold	2073[8]
The Pierre Hotel New York, New York	1929/1981/1991	19.9%[4]	205[20]	99 cooperative apartments[5] 16,840 sq.ft. of function space[5][6]	Leasehold, expiring 2013, options to extend to 2073	2073[7]
Four Seasons Resort Ocean Grand Palm Beach, Florida	1989	—	210	22,000 sq.ft. of function space[5] 6,000 sq.ft. spa and fitness facility[5] 3 tennis courts[5]	—	2034
Four Seasons Hotel Philadelphia, Pennsylvania	1983/1993	5%[11]	371	600,000 sq.ft. of leasable office space[6] 11,585 sq.ft. of function space[5][6] Garage[5][6]	Freehold	2053
Four Seasons Clift Hotel San Francisco, California	1915/1976/1983/1990	—[21]	329	4,549 sq.ft. of function space[5]	—	2066
Four Seasons Biltmore Resort Santa Barbara, California	1929/1988	10%[3][10][22]	234	Coral Casino Beach & Cabana Club[5][6] 13,927 sq.ft. of function space[5][6]	Freehold	2072
Four Seasons Olympic Hotel Seattle, Washington	1924/1982/1992	3.4%[23]	450	5,644 sq.ft. of leasable office space[5][6] 30,403 sq.ft. of leasable retail space[5][6] 19,896 sq.ft. of function space[5][6] Garage[6]	Leasehold, expiring 2040	2040
Four Seasons Hotel Tokyo, Japan	1992	—	286	13,440 sq.ft. fitness facility[5] 29,784 sq.ft. of function space[5]	—	2032[24]
Four Seasons Hotel Toronto, Ontario	1974/1978/1984/1992	19.9%[4]	380	7,400 sq.ft. of leasable retail space[6] 21,790 sq.ft. of function space[5][6]	Leasehold, initial expiry 2027, options to extend to 2047[12]	2047[7]
Inn on the Park Toronto, Ontario	1963/1971/1985	19.9%[3][4]	568	7 shops and boutiques Health club 33,183 sq.ft. of function space[5][6] 10,936 sq.ft. of leasable office space[5][6]	Freehold	2072[7]
Four Seasons Hotel Vancouver, British Columbia	1976/1990	19.9%[3][4]	385	21,733 sq.ft. of function space[5][6]	Leasehold, initial expiry 2000, options to extend to 2035[12]	2035[7]
Four Seasons Resort Wailea, Maui, Hawaii	1990	—	380	19,020 sq.ft. of function space[5]	—	2055
Four Seasons Hotel Washington, D.C.[25]	1979	15%[23]	196	77,588 sq.ft. of leasable office space[6] 9,690 sq.ft. of leasable retail space[6] 10,689 sq.ft. of function space[5][6] 6,000 sq.ft. health club[6]	Freehold	2024

See accompanying notes on pages 56 and 57.

Regent International Hotels

Hotel and Location	Date of opening/major renovations	Equity Interest	FACILITIES Number of Rooms	Other Features	Title	Contract Expiry[2]
The Regent Hotel Auckland, New Zealand	1985/ 1993-1995	—	332	6,595 sq.ft. of function space[5] Health club[5]	—	2006
The Regent Hotel Bangkok, Thailand	1983/1994	—	400	6,821 sq.ft. of function space[5] Health club[5]	—	2005
The Regent Beverly Wilshire Hotel, Beverly Hills, California	1927/1990	—	295	25,529 sq.ft. of function space[5]	—	2025
The Regent Hotel Hong Kong	1980/1989/ 1993	25%[15]	602	22,000 sq.ft. of function space including Hong Kong's largest ballroom of 9,500 sq.ft.[5][6] Health club[5][6]	Leasehold	2000
The Regent Hotel Kuala Lumpur, Malaysia	1989	—	469	6,758 sq.ft. of function space[5] Health club[5]	—	2029
The Regent Hotel London, England	1899/1992[26]	—	309	7,204 sq.ft. health club and pool[5] 15,231 sq.ft. of function space[5]	—	2032
The Regent Hotel Melbourne, Australia	1981/1986	—	363	4,578 sq.ft. of function space[5] Health club	—	1995[27]
The Regent Resort Nadi Bay, Fiji	1975/ 1992-1993	18%[4]	294	3,200 sq.ft. banquet room[5] Private beach front	Freehold	2072[8]
The Regent Hotel Singapore[28]	1982/1991	—	441	13,323 sq.ft. of function space[5] Health club[5]		2028
The Regent Hotel Sydney, Australia	1982/1990	—	594	15,973 sq.ft. of function space[5] Health club[5]	—	2023
The Regent Hotel Taipei, Taiwan	1990	—	553	14,516 sq.ft. of function space[5] Health club[5]	—	1998

See accompanying notes on pages 56 and 57.

Four Seasons♦Regent presently has seven hotels and resorts under construction or development and has equity interests in four of these hotels and resorts. The properties and interests are described in the following table:

Hotel and Location	Date of opening/major renovations	Equity Interest	FACILITIES Number of Rooms	Other Features	Title	Contract Expiry[2]
Four Seasons Hotels and Resorts						
Under Construction[29]						
Four Seasons Hotel Berlin, Germany[30]	1996	23%[31]	204	182,934 sq.ft. of leasable office space[6] 26,286 sq.ft. of leasable retail space[6] 65,458 sq.ft. of residential space[6]	Freehold	2071
Four Seasons Hotel Singapore	1994	—	257	13,900 sq.ft. of function space[5] 28,000 sq.ft. sports facility[5] (including indoor tennis courts)	—	2014
Under Development[29]						
Four Seasons Resort Aviara Carlsbad, California	1995	5%[11][32]	337	Sports facility[5][6] 30,000 sq.ft. of function space[5][6] 18-hole Arnold Palmer-designed golf course and Club House[5][6] Interval ownership	Freehold	2085
Four Seasons Resort North Kona, Hawaii, Hawaii	1996	—	250	18-hole Jack Nicklaus-designed TPC golf course[5] 10,900 sq.ft. of meeting space[5]	—	2066
Four Seasons Hotel Prague, The Czech Republic	1997	[33]	185	5,000 sq.ft. of function space[5][6] 2,500 sq.ft. fitness centre[5][6]	Leasehold	2072[33]
Regent International Hotels						
Under Construction[29]						
The Regent Resort Chiang Mai, Thailand	1994	—	67	4,534 sq.ft. health club and pool Two outdoor lighted tennis courts	—	2024
The Regent Hotel Jakarta, Indonesia	1995	5%[15][34]	384	25,000 sq.ft. of meeting and banquet space[5][6] 8,400 sq.ft. health club including two outdoor lighted tennis courts[6]	Freehold	2015

See accompanying notes below and on page 57.

Notes:

(1) Since December 31, 1993, Four Seasons♦Regent has commenced management of the Four Seasons Resort Ocean Grand Palm Beach and the Four Seasons Hotel Mexico City, and ceased management of Le Quatre Saisons Montreal.

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

(3) In November 1993, management decided to solicit offers for the sale of this real estate investment.

(4) Structure and form of participation: Partnership — Limited Partner and General Partner.

(5) Four Seasons♦Regent receives or will receive a fee income for the management of these facilities.

(6) Four Seasons♦Regent has an equity interest in these facilities.

(7) The management contract may be terminated by the owners in the event of a change in control of Four Seasons Hotels Inc. if, as a result of such change in control, Four Seasons no longer enjoys, as operator of the hotel, the benefits of the Four Seasons organization to the same degree as it did prior to such change in control.

(7a) Interest in the Four Seasons Resort Bali held by FRA Properties was sold April 13, 1994.

(8) The management contract may be terminated by the owners if, at any time before August 14, 1997, Mr. Isadore Sharp ceases to be the chief executive officer of Four Seasons Hotels Inc. or Mr. Sharp and his family cease to control more than 50% of the votes attached to the voting shares of Four Seasons Hotels Inc., other than by reason of Mr. Sharp's death, incapacity or infirmity.

(9) Structure and form of participation: Partnership — General Partner and Limited Partner. A change in control of Four Seasons Hotels Inc. may confer certain rights upon the other partners, including the right to dissolve the Partnership and the right to acquire Four Seasons♦Regent's interest in the Partnership.

(10) Structure and form of participation: Partnership — General Partner.

(11) Structure and form of participation: Partnership — Limited Partner.

(12) Leasehold is subject to mortgage financing by the lessor.

(13) The hotel completed an addition which increased the number of rooms by 50 in May 1994.

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

(15) Structure and form of participation: Corporate joint venture.

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

(17) Structure and form of participation: Wholly-owned.

(18) Approximately 18,000 square feet of additional function space is currently under construction.

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

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

(21) Four Seasons♦Regent is seeking a buyer for its mortgage interest in the property.

(22) A change in control of Four Seasons Hotels Inc. will confer certain rights upon the limited partner, including the right to purchase Four Seasons♦Regent's interest in the Partnership and the right to liquidate the Partnership.

(23) Structure and form of participation: Partnership — General Partner. Four Seasons♦Regent 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.

(24) The management contract may be terminated by the owner if control of Four Seasons♦Regent is transferred to a Japanese resident competitor of the owner.

(25) A change in control of Four Seasons Hotels Inc. will confer upon the other general partners the right to purchase Four Seasons♦Regent's interest in the Partnership.

(26) Reconstruction of the former Grand Central Hotel.

(27) Four Seasons♦Regent and the owners have agreed in principle to negotiate in good faith a renewal of this contract, provided certain specified financial tests are met.

(28) The owner of the hotel has alleged that the management of the Four Seasons Hotel 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 two years, during which time Four Seasons, Regent and the owner will be working to resolve the issue between them.

(29) Information concerning hotels under construction or 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.

(30) Four Seasons♦Regent has entered into an operating lease in connection with the management of this hotel. Under the terms of the lease, Four Seasons♦Regent is responsible for funding the majority of the hotel's operating and capital requirements, including minimum rental payments. Four Seasons♦Regent is seeking a partner to acquire a significant portion of this hotel lease investment, excluding the hotel management contract, and a proportionate share of Four Seasons♦Regent's residual equity interest in this project (see note 31).

(31) Structure and form of participation: Corporate joint venture. One half of this interest will be pledged to another partner in the project to secure repayment to that partner of amounts it has agreed to fund in connection with the hotel's operation during the first ten years of the lease (see note 30).

(32) Four Seasons♦Regent has the right to acquire an additional 4.9% of the equity in this hotel.

(33) Details of equity interest and management contract terms not yet finalized.

(34) All of the equity in this property is presently held through a participating convertible debt instrument.

HOTEL MANAGEMENT OPERATIONS

Management Responsibilities

Four Seasons♦Regent provides hotel management services to 30 urban hotels and eight resort hotels. Four of these hotels are located in Canada, eighteen in the United States, seven in Asia, three in Australia and New Zealand, three in Europe and one in each of the Caribbean, Mexico and the South Pacific. Four hotels are under construction and three additional hotels are under development. Reference is made to "Description of Hotels and Resorts" on pages 53 through 57.

Four Seasons♦Regent assumes responsibility for all aspects of the day-to-day management of each of the hotels[c], including: establishing and implementing standards of operation; hiring, training and supervising staff; creating and maintaining financial controls; complying with laws and regulations relating to 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 programmes and major repairs require the separate approval of hotel owners prior to implementation by Four Seasons♦Regent. In return for these services, Four Seasons♦Regent earns basic management fees and other related fees and, in certain circumstances, incentive fees.

Hotel Marketing

Four Seasons♦Regent 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 programmes; and the operation of 13 integrated worldwide sales offices in Atlanta, Chicago, Dallas, Frankfurt, Hong Kong, London, Los Angeles, New York, Singapore, Sydney, Tokyo, Toronto and Washington D.C. to develop group and corporate business for hotels. Since the 1992 acquisition of Regent, Four Seasons' and Regent's sales operations have been integrated worldwide to provide larger and more diversified sales and marketing coverage for both brands.

Four Seasons also provides an international corporate advertising programme which develops and places advertising for the Four Seasons hotels and oversees the individual hotel's programmes. Regent coordinates the advertising programmes for the individual Regent hotels. In 1994, Four Seasons♦Regent implemented a standard policy of identifying *Four Seasons♦Regent Hotels and Resorts* with all corporate and hotel advertising programmes.

The corporate marketing staff of Four Seasons♦Regent also oversees the planning and implementation of hotel marketing programmes, and organizes the training and development programmes for 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.

Four Seasons♦Regent generally recovers the costs associated with providing these services.

Other Management Services

Although the owners are generally responsible for financing and managing the development of hotels, Four Seasons♦Regent also assumes a significant pre-opening role. It provides advice with respect to the design and construction specifications of hotels during the development stage to ensure that they meet Four Seasons♦Regent's standards. Four Seasons♦Regent earns a variety of fees for these pre-opening services.

Four Seasons♦Regent will also assist owners in connection with the refurbishment of hotels in return for which it earns a refurbishing fee.

Four Seasons♦Regent 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

c 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.

supplies 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 obtained from third-party suppliers.

Hotel Management Contracts — Fees and Terms

The following is a description of fees and charges typically provided for in pre-opening and management contracts:

Basic management fee and other related fees

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

Incentive fees

Percentage of defined profit or of annual net cash flow of the hotel after specified deductions, payable monthly, quarterly or semi-annually, subject to adjustment at year-end, or payable annually, or, in one case, a lump sum payable annually.

Pre-opening development and purchasing fees

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

Centralized purchasing fees

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

Refurbishing fees

Percentage of total cost of approved refurbishing programmes or negotiated amounts.

Corporate sales and marketing charge and corporate advertising charge

Percentage of annual budgeted gross operating revenue or gross rooms revenue of the hotel, payable monthly and calculated on the basis of the cost of providing the services, or a flat charge.

Centralized reservation service charge

Monthly charge per hotel room, calculated on the basis of the number of hotel rooms or the number of reservations made, or a flat charge.

Fee revenues represent approximately 60% of the total consolidated revenues generated by Four Seasons♦ Regent in 1993 (approximately 32% in 1992). Of the fee revenues generated by Four Seasons♦Regent in 1993, 52% are attributable to hotels in which Four Seasons♦Regent owns an equity interest (other than hotels accounted for on a consolidated basis) and 43% are attributable to unrelated hotels (56% and 38%, respectively, in 1992). Groups of hotels owned or controlled by two owners (one of which is FRA Properties and its affiliates) each represented in excess of 10% of total consolidated revenues, and together the two groups accounted for approximately 40% of total consolidated revenues.

Hotel management contracts for Four Seasons and Regent hotels have remaining terms, including all renewal options, averaging 53 years. 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 28 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. Typically, Four Seasons♦Regent has various rights to cure any such default to avoid termination. Management contracts in respect of certain hotels are also terminable by the hotel owner upon the occurrence of defined "change in control" events affecting Four Seasons♦Regent. Reference is made to "Description of Hotels and Resorts" on pages 53 through 57.

Four Seasons♦Regent generally 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♦Regent 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.

All hotels are insured against property damage, business interruption and liability at the expense of the owner, and Four Seasons♦Regent is entitled to the protection of such insurance. Four Seasons♦Regent is also fully insured against loss of fee income in the event of business interruption at its hotels. In addition, Four Seasons♦Regent 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 Employees

At April 5, 1994, there were approximately 20,000 employees located at the 38 hotels managed by Four Seasons♦Regent. All hotel employee costs are the responsibility of the hotel owner. Four Seasons♦Regent directly employs approximately 250 people at the worldwide sales offices, the central reservations offices and the corporate offices.

The selection, training and development of hotel employees is a major focus both for the corporate offices and for local hotel management. In this 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. Programmes 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 Four Seasons♦Regent's philosophies and operating principles.

Thirteen of the 38 hotels under management are subject to labour union contracts. These include: The Pierre Hotel New York, The Ritz-Carlton Hotel Chicago, the Four Seasons Clift Hotel San Francisco, the Four Seasons Resort Bali, The Regent Beverly Wilshire Hotel Beverly Hills, The Regent hotels in Sydney, Melbourne, Singapore and Auckland, The Regent Resort Fiji, and all Canadian hotels with the exception of the Four Seasons Resort Minaki Lodge Minaki. Union contracts covering approximately 2,200 employees at The Regent hotels in Auckland, Fiji, Beverly Hills, Melbourne, Sydney and Singapore, the Four Seasons Clift Hotel San Francisco, the Four Seasons Resort Bali and the Four Seasons Hotel Vancouver are subject to renegotiation in 1994. Four Seasons♦Regent 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, Four Seasons♦Regent provides loans to the owners. Four Seasons♦Regent's strategy, however, is to provide these loans only where they are limited to a fixed principal amount and where they are required in order to secure new management contracts. Loans are used to assist owners with major refurbishing programmes either to bring a hotel into conformity with or to maintain a hotel at a luxury standard or are used to offset short-term operating shortfalls in certain stages of a hotel's operation. These 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 (Other than FRA Properties)" in Management's Discussion and Analysis.

HOTEL OWNERSHIP OPERATIONS

Four Seasons♦Regent's strategy is to acquire only minority interests in hotels when it is necessary to do so in order to secure new management contracts. When Four Seasons♦Regent acquires a minority interest, the capital commitment to the hotel is generally capped and, once that level is reached, Four Seasons♦Regent generally may allow its interests to be diluted if additional capital is required. Four Seasons♦Regent does not acquire interests in hotels for which it does not have management responsibility and generally seeks to structure its relationships with other investors so that its ownership interest can be sold while its management interest is retained. This approach is designed to enable Four Seasons♦Regent to dispose of ownership interests as sale opportunities arise without affecting its management interests.

Four Seasons♦Regent's ownership interests in hotels are generally held through partnerships or by wholly-owned subsidiaries. Equity interests in hotels are structured having regard to the legal, tax or accounting requirements of the particular jurisdiction and the ownership objectives of Four Seasons♦Regent.

Hotel ownership earnings are generally derived from cash flow from operations and realization of capital appreciation upon a sale of Four Seasons♦Regent's ownership interest. In total, Four Seasons♦Regent has ownership interests in 19 of the 38 hotels that it manages. Four Seasons♦Regent's significant ownership interests are: the Four Seasons Hotel London (50%); The Ritz-Carlton Hotel Chicago (25%); and The Regent Hong Kong (25%). Four Seasons♦Regent's remaining hotel ownership investments are minority interests of less than 20%, including the investment of Four Seasons♦Regent in FRA Properties. (See "Recent Developments" on page 50). Reference is made to "Advances to Managed and Owned Hotels" and to "Risks Associated with the Regent Acquisition and FRA Properties" in Management's Discussion and Analysis. It is anticipated that Four Seasons♦Regent will have a minority interest in four of the seven hotels and resorts under construction or development. Reference is made to "Description of Hotels and Resorts" on pages 53 through 57.

HOTELS UNDER CONSTRUCTION OR DEVELOPMENT

As at April 5, 1994, properties under construction included a resort in Chiang Mai, Thailand and three urban hotels in Jakarta, Indonesia, Singapore and Berlin, Germany. Development of the Carlsbad and North Kona resorts in the United States have been temporarily delayed.

On May 2, 1994 Four Seasons♦Regent entered into a lease in connection with the management of the Four Seasons Hotel Berlin (see note 30 on page 57). The hotel is situated in a multi-use complex including commercial, retail and residential facilities. The Corporation holds a 23% equity interest in this project.

An urban hotel in Prague, The Czech Republic is under development. Four Seasons♦Regent has signed land leases required to secure the site, with the City of Prague and with a local family. At the same time, Four Seasons♦Regent is seeking development partners and project financing for what is expected to be Prague's finest hotel. Four Seasons♦Regent intends to manage the hotel and retain a minority interest in the real estate.

The development of the proposed Four Seasons hotel in Paris, France has been abandoned due to the inability to resolve the legal and political problems associated with the zoning of the proposed site. Four Seasons♦Regent continues to seek new opportunities in Paris.

RISKS ASSOCIATED WITH FOREIGN OPERATIONS

Over the next few years, Four Seasons♦Regent plans to open seven additional properties, increasing its presence to 18 countries worldwide. Such a global presence involves some operational risk as a result of the different environments (economic, social and political) that are encountered. International expansion, however, will allow Four Seasons♦Regent to access new markets and create greater protection from regional economic fluctuations. Four Seasons♦Regent anticipates that growth and expansion in new markets will also enhance the awareness of, and value inherent in, the *Four Seasons* and *Regent* brand names.

Currency Risks

Although Four Seasons♦Regent reports its results in Canadian dollars, its relevant currency exposure is in US dollars, as more than half of its revenues, assets and debt are US dollar denominated or pegged to the US dollar. Fifty-four percent of Four Seasons♦Regent's consolidated revenues were US dollar denominated, or pegged to the US dollar, in 1993 (51% in 1992).

Exchange fluctuations against the US dollar generally have little economic significance to Four Seasons♦Regent as it continues to use its US dollar cash inflow for reinvestment in US dollar assets and to service its US dollar debt and other obligations.

Four Seasons♦Regent also earned 23% of its consolidated revenues in pounds sterling in 1993 (15% in 1992). Until December 31, 1993, Four Seasons♦Regent managed this currency exposure through the use of forward contracts.

In addition, in 1994 Four Seasons♦Regent will earn fee revenues in nine other currencies in countries throughout Asia, Europe and the South Pacific. None of these currencies exceeds 3% of Four Seasons♦Regent's consolidated revenues. Management attempts to minimize this foreign currency exposure by keeping fee receivables current, by monitoring the political and economic climate in each country, and may utilize financial hedging instruments when necessary. In certain hotels, the foreign currency risks are further mitigated by pricing room rates in US dollars. Reference is made to "Currency Risks" in Management's Discussion and Analysis.

THE ENVIRONMENT AND REGULATORY MATTERS

It is not anticipated that environmental protection requirements will have a material effect on capital expenditures, earnings and the competitive position of Four Seasons♦Regent in future years. Four Seasons♦Regent 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 twelve years, which has resulted in significant environmental and financial savings.

A waste management system is presently being implemented at all Four Seasons 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.

It is estimated that the cost of waste disposal at the Four Seasons 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 at Four Seasons hotels. A co-generation energy production programme has been implemented at two hotels. The co-generation programme is being planned for other hotels where feasible. Fluorescent light fixtures have been fitted with electronic ballasts which consume less energy and last longer. Ceiling fixtures are being fitted with PL fluorescent fixtures which reduce the wattage from 75 to 13 watts. With the co-operation of all Four Seasons hotels, cost savings of $1.7 million were achieved in 1993.

Four Seasons♦Regent's standard specifications for new hotels have been modified to eliminate the use of chlorofluorocarbons for refrigeration and halon for fire extinguishers. Existing Four Seasons hotels will phase out chlorofluorocarbons and halon within the next two years.

Four Seasons♦Regent'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 Four Seasons♦Regent operates hotels.

Four Seasons♦Regent has made a thorough assessment of its American properties to determine their levels of compliance with the *Americans with Disabilities Act*. Four Seasons♦Regent is working actively with the owners of the hotels on a programme of upgrading facilities where required. Management believes that there is no exposure which would materially affect Four Seasons♦Regent.

TRADEMARKS AND TRADE NAMES

In the highly competitive service industry in which Four Seasons♦Regent operates, trade names and trademarks are very important in the sale and marketing of such services. Four Seasons♦Regent has a significant number of trade names, trademarks and servicemarks. Much time and effort is spent each year on surveillance, registration and protection of Four Seasons♦Regent'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 programme:

- 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 to adapt to the changing nature of Four Seasons♦Regent's operations and the conflicts that may arise with third parties. Currently, Four Seasons♦Regent is implementing a programme 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.

Five of the properties under construction or development will carry the *Four Seasons* name and two properties will bear the *Regent* name.

FUTURE OF THE INDUSTRY

The World Travel and Tourism Council ("WTTC") reported in 1993 that travel and tourism is the world's largest industry today, accounting for more than 6% of Gross Domestic Product ("GDP"), one in every 15 workers, 7% of capital investment and 13% of consumer spending worldwide. WTTC's long-term forecasts to 2005 suggest that travel and tourism's contribution to Global GDP will grow by more than 100% during the period, that capital investment will increase by 80% and that employment generated will rise by 33%, representing 40 million jobs or one new job every ten seconds.

According to Boeing's 1993 *Current Market Outlook*, travel growth is forecast to average 6% per year through the year 2000 as the global economy further expands and airlines continue to provide travel stimulus through longer term fare reductions. The growth of air travel will be led by travel to, from and within Asia. These Asian markets account for 25% of world air travel today, but are forecast to account for 42% of travel growth by the year 2010.

Four Seasons♦Regent 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, as well as those in the hotels and resorts presently under development or construction. Four Seasons♦Regent continues to review opportunities to manage newly constructed and existing hotels and resorts.

SELECTED CONSOLIDATED FINANCIAL INFORMATION[d]

Five-Year Summary

(Dollar amounts are in millions, except per share amounts)	1993	1992[1]	1991	1990[2]	1989
Consolidated Revenues	**$ 101.1**	133.9	166.7	188.2	207.8
Hotel Management Revenues	**$ 60.3**	42.5	34.9	37.8	31.5
Hotel Management Earnings Before Other Operating Items, Interest and Taxes	**$ 27.9**	18.6	14.1	15.0	12.7
Net Earnings (Loss):					
Total	**$ (119.2)**	7.7	2.8	17.3	15.0
Fully-Diluted and Basic Per Share*	**$ (4.30)**	.32	.13	.84	.74
Total Assets	**$ 522.9**	603.7	337.6	241.9	230.6
Long-Term Debt	**$ 352.9**	292.0	112.5	39.2	37.7
Shareholders' Equity	**$ 126.8**	247.8	139.5	112.4	93.8
Cash Dividends Per Share	**$ .11**	.11	.11	.11	.11

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

Two-Year Summary by Quarter

(Dollar amounts are in thousands, except per share amounts)	4th Quarter 1993	4th Quarter 1992[1]	3rd Quarter 1993	3rd Quarter 1992[1]	2nd Quarter 1993	2nd Quarter 1992[1]	1st Quarter 1993	1st Quarter 1992[1]
a. Consolidated Revenues	**$ 29,204**	26,741	**25,348**	31,205	**24,803**	43,471	**21,761**	32,477
b. Earnings (Loss) Before Other Operating Items, Interest and Taxes:								
Hotel Management[3]	**$ 8,818**	6,557	**6,753**	5,223	**6,148**	3,938	**6,201**	2,868
Hotel Ownership[3]	**$ 2,411**	2,299	**2,351**	(1,360)	**1,892**	(948)	**508**	(6,284)
c. Net Earnings (Loss):								
Total	**$ (124,405)**	1,594	**398**	2,130	**2,524**	3,148	**2,250**	849
Fully-Diluted and Basic Per Share	**$ (4.49)**	.06	**.02**	.09	**.09**	.13	**.08**	.04

Notes:

(1) During January 1992, Four Seasons Hotels Inc.'s Board of Directors authorized management to implement a formal plan to transfer Four Seasons♦Regent's 100% interest in the Four Seasons hotels in Toronto and Vancouver and The Pierre Hotel (among others) to a new partnership in which Four Seasons♦Regent has a 19.9% interest but has no significant influence. Accordingly, these quarterly results reflect the full consolidation of the results of operations of these hotels in the Hotel Ownership Operations segment to the date of disposal (August 14, 1992), but also include the reversal of net losses of these three consolidated hotels. Reference should be made to the 1992 Annual Review for further information concerning this transaction.

(2) 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.

(3) Both of the Hotel Management Operations and Hotel Ownership Operations 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. Four Seasons♦Regent anticipates that the January 1993 opening of the Four Seasons Resort Bali, the March 1994 acquisition of the management contract of the Four Seasons Resort Ocean Grand Palm Beach and the expected openings in 1995 and 1996 of the Four Seasons resorts in Carlsbad, California and North Kona, Hawaii will help to reduce the seasonality of its future earnings. A fundamental element of Four Seasons♦Regent's long-term strategy is to reduce the seasonal variations of its cash flow.

d Reference is made to Management's Discussion and Analysis for a discussion of the factors affecting the comparability of the disclosure provided in the Five-Year Summary table.

DIVIDEND POLICY

The Board of Directors of Four Seasons Hotels Inc. has established a policy of paying an annual dividend of $0.11 per share, payable semi-annually. Although there is presently no intention to change the dividend policy, the Board of Directors of Four Seasons Hotels Inc. will continue to review the appropriateness of this policy from time to time. There are no restrictions which prevent Four Seasons Hotels Inc. from paying an annual dividend of $0.11 per share. However, the payment of dividends in excess of this amount would require that Four Seasons Hotels Inc. meets certain tests contained in certain of its debt indentures at the time of the declaration of the dividend.

DIRECTORS AND OFFICERS

The names of the directors and officers of Four Seasons Hotels Inc., 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 Chief Executive Officer, The Eisen Corporation
H. Roger Garland(1)(2) Toronto, Ontario	Executive Vice President and Director	Executive Vice President, Four Seasons Hotels Limited
Murray B. Koffler(1)(2) Toronto, Ontario	Director	Partner, The Koffler Group
Lionel H. Schipper(2) Toronto, Ontario	Director	President, Schipper Enterprises Inc.
Isadore Sharp(1) Toronto, Ontario	Chairman, President, Chief Executive Officer and Director	Chairman and President, Four Seasons Hotels Limited
Max Sharp Toronto, Ontario	Director	Retired executive
John L. Sharpe(1) Toronto, Ontario	Executive Vice President and Director	Executive Vice President, Four Seasons Hotels Limited
Benjamin Swirsky(2) Toronto, Ontario	Director	President and Chief Executive Officer, Slater Industries 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	Chief Financial Officer, Senior Vice President and Treasurer	Chief Financial Officer, Senior Vice President, Finance and Treasurer, Four Seasons Hotels Limited
Craig O. Reith Toronto, Ontario	Vice President Finance and Assistant Treasurer	Vice President Finance and Assistant Treasurer, Four Seasons Hotels Limited
Kathleen Taylor Toronto, Ontario	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary, Four Seasons Hotels Limited

Notes:

Four Seasons Hotels Inc. is required to have an Audit Committee. Four Seasons Hotels Inc. also has an Executive Committee.

(1) Executive Committee (2) Audit Committee

Terms of Office

Edmond M. Creed, Murray B. Koffler, Isadore Sharp and Max Sharp have served as directors of Four Seasons Hotels Inc.'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 Four Seasons Hotels Inc.'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 Four Seasons Hotels Inc. 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; Craig O. Reith who was Director, Corporate Finance and Assistant Treasurer prior to December 1993 and Director, Corporate Finance prior to January 1992; and Kathleen Taylor who was Vice President and General Counsel prior to December 1993, 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 April 5, 1994, the only persons and/or companies that own of record, or are known by Four Seasons Hotels Inc. to own beneficially, directly or indirectly, or exercise control or direction over securities of Four Seasons Hotels Inc. carrying more than 10% of the voting rights attaching to any class of voting securities of Four Seasons Hotels Inc. 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%
Caisse de Dépôt et Placement du Québec Montréal, Québec	Subordinate voting shares	beneficially and of record	3,189,600	14.3%
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 April 5, 1994, the directors and senior officers of Four Seasons Hotels Inc. and members of their respective families, as a group, owned beneficially, directly or indirectly, or exercised control or direction over the following number of Subordinate Voting Shares and Multiple Voting Shares:

Designation of Class	No. of Shares	Percentage of Class
Subordinate voting shares	1,930,814	8.7%
Multiple voting shares	5,562,566	100%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to Management's Discussion and Analysis, on page 38 of Four Seasons Hotels Inc.'s 1993 Annual Report which is incorporated herein by reference.

ADDITIONAL INFORMATION

Four Seasons♦Regent shall provide to any person, upon request to the office of the Secretary of Four Seasons Hotels Inc. at 1165 Leslie Street, Don Mills, Ontario Canada M3C 2K8 (telephone (416)449-1750):

(a) when the securities of Four Seasons Hotels Inc. are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,

(i) one copy of the Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form,

(ii) one copy of the comparative financial statements of Four Seasons♦Regent for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of Four Seasons♦Regent subsequent to the financial statements for its most recently completed financial year,

(iii) one copy of the Management Information Circular of Four Seasons Hotels Inc. prepared for the June 29, 1994 Annual Meeting of Shareholders, and

(iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above,

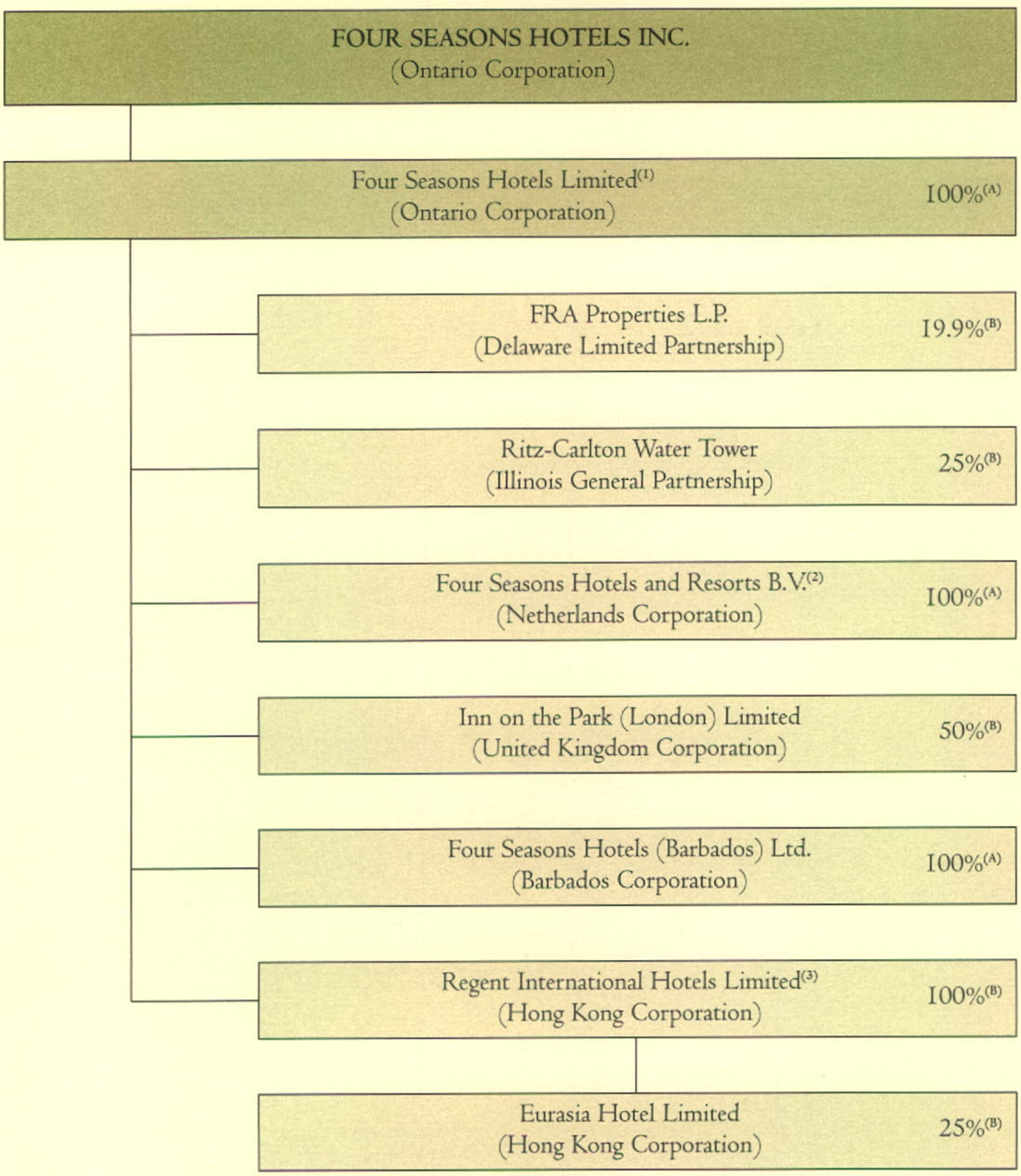
provided that in either case Four Seasons♦Regent may require the payment of a reasonable charge if the request is made by a person who is not a security holder of Four Seasons Hotels Inc.

Additional information relating to Four Seasons♦Regent, 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 May 16, 1994, prepared for the June 29, 1994 Annual Meeting of Shareholders. Additional financial information, including consolidated comparative audited financial statements for the years ended December 31, 1993 and 1992 is provided in Four Seasons♦Regent's 1993 Annual Report.

A copy of such documents may be obtained upon request from the Secretary of Four Seasons Hotels Inc.

CORPORATE CHART

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



Notes:

(A) Direct (B) Indirect

1. The management of Four Seasons hotels in North America and of the Four Seasons Hotel London is generally carried out by Four Seasons Hotels Limited.
2. The management of Four Seasons hotels outside North America (other than the Four Seasons Hotel London) is generally carried out by Four Seasons Hotels and Resorts B.V.
3. The management of Regent hotels is generally carried out by Regent International Hotels Limited.

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 and CEO
Slater Industries 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
Chief Financial Officer and Treasurer

Craig O. Reith
Assistant Treasurer

Kathleen Taylor
Secretary

Management Committee

James F. Brown
Senior Vice President Operations

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

Douglas L. Ludwig
Chief Financial Officer, Senior Vice President Finance

John B. Richards
Senior Vice President Marketing

Isadore Sharp
Chairman and President

John L. Sharpe
Executive Vice President Operations

Kathleen Taylor
Senior Vice President and General Counsel

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

Alfons E. Konrad
Vice President Food and Beverage

George S. Lagusis
Vice President Design and Construction

Roy A. Paul
Vice President Development

Craig O. Reith
Vice President Finance

Barbara M. Talbott
Vice President Marketing

Corporate Offices

Four Seasons♦Regent Hotels & Resorts
1165 Leslie Street
Toronto, Ontario
Canada M3C 2K8
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Regent International Hotels Limited
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20 Salisbury Road
Kowloon, Hong Kong
Telephone: (852)366-3361
FAX: (852)721-4400
President: Wolf H. Hengst
Vice President Sales and Marketing: H.E. (Duffy) Keys

Annual Meeting

The Annual Meeting of Shareholders will commence at 4:30 p.m. on Wednesday, June 29, 1994 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

KPMG 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

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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 toll-free:
In Canada and the United States (800)545-4000

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Hotels and Resorts