FOUR SEASONS • REGENT
Hotels and Resorts

1995 ANNUAL REPORT

Corporate Profile

Four Seasons Hotels Inc. operates the world's largest network of five-star hotels and resorts: 37 medium-sized urban hotels and resorts within major business centres and key leisure destinations in 16 countries containing approximately 12,100 rooms. Another 12 properties are under construction or development in nine 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, most of these properties occupy locations that would be virtually impossible to duplicate, in many of the world's key business centres.

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*, *Condé Nast Traveler* and others.

The Company's operations are supported by the efforts of a fully integrated sales and marketing organization, including 13 worldwide sales offices and a global reservation 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 pursue growth opportunities in major international centres and resort destinations to complement its market leadership in North America and Asia, its profile in Australasia and its growing presence in Europe.

FINANCIAL HIGHLIGHTS

($ in millions, except for per share data)		1995	1994[1]	1993[1]
Revenues under management	$	**1,837.9**	1,698.2	1,351.9
Earnings before other operating items	$	**66.7**	60.0	35.1
Net earnings (loss)	$	**(74.6)**	6.8	(120.8)
Earnings (loss) per share	$	**(2.62)**	0.24	(4.35)
Cash provided by operations	$	**38.7**	44.8	12.5
Long-term debt net of cash	$	**230.9**	299.2	345.6
EBITDA[2] coverage of net interest costs		**2.6**	2.2	2.0

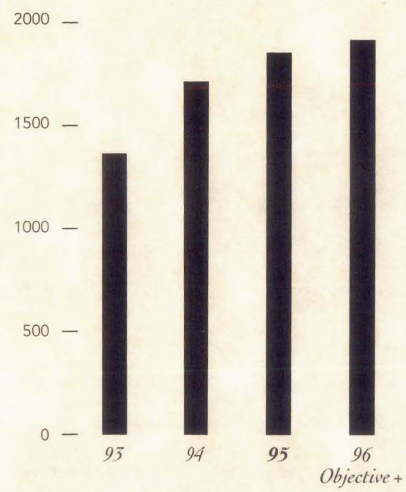
[1] 1994 and 1993 amounts are restated (See page 58 note 7 of the Annual Information Form).

[2] Earnings before other operating items, interest and taxes.

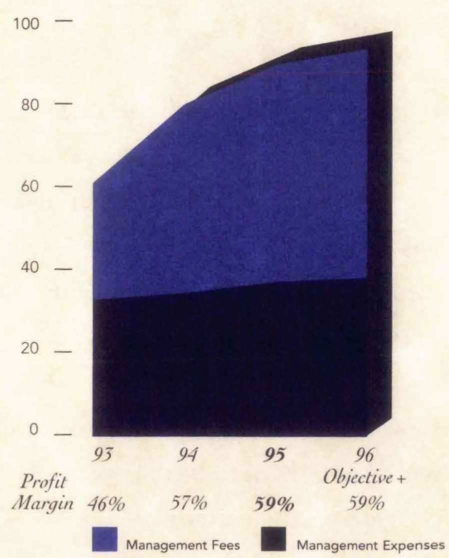
[3] Capital Spending includes expenditures on trademarks, management contracts and development of new hotels.

+ These are the Corporation's objectives only and, although believed to be reasonable, there is no assurance that they can be achieved. For further information, reference may be made to Management's Discussion and Analysis.

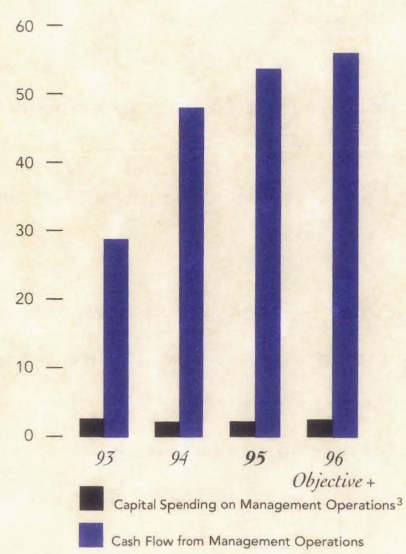
Revenues Under Management
($ millions)



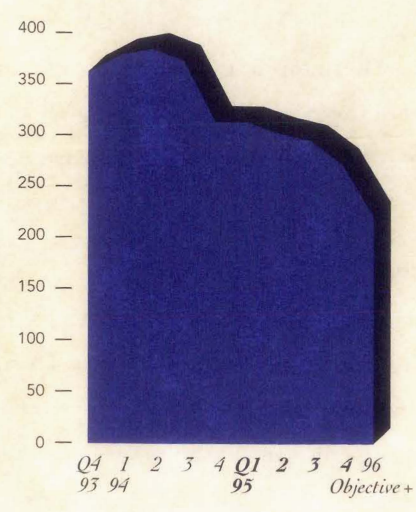
Management Fees & Associated Expenses
($ millions)



Cash Available From Management Operations
($ millions)



Debt
($ millions)



Message to our Shareholders

FOR FOUR SEASONS◆REGENT, 1995 WAS A YEAR OF GROWTH AND ACCOMPLISHMENT. THE COMPLETION OF THE ASSET DISPOSITION PROGRAMME LAUNCHED IN THE FALL OF 1993 ACHIEVED ITS GOALS OF SIGNIFICANTLY REDUCING THE COMPANY'S LONG-TERM DEBT AND EXPOSURE TO REAL ESTATE RISK, AS WELL AS ACCELERATING THE TRANSITION TO A PURE MANAGEMENT COMPANY. FOUR SEASONS◆REGENT IS NOW WELL POSITIONED TO CAPITALIZE ON THE GROWING STRENGTH OF ITS OPERATIONAL AND MARKETING EXPERTISE THROUGH THE ACTIVE PURSUIT OF MANAGEMENT OPPORTUNITIES WITH STRATEGIC PARTNERS AROUND THE GLOBE.

Brand Awareness and Operational Strength – Cornerstones of Success

The brand names Four Seasons and Regent have come to define the art of service in the luxury hotel industry worldwide. Consumer awareness of the value offered by the Four Seasons◆Regent product has increased steadily over the years, with both Four Seasons and Regent being "top of mind" brands in their respective markets. Both of these names are synonymous with problem free travel, attention to detail and consistently satisfied expectations.

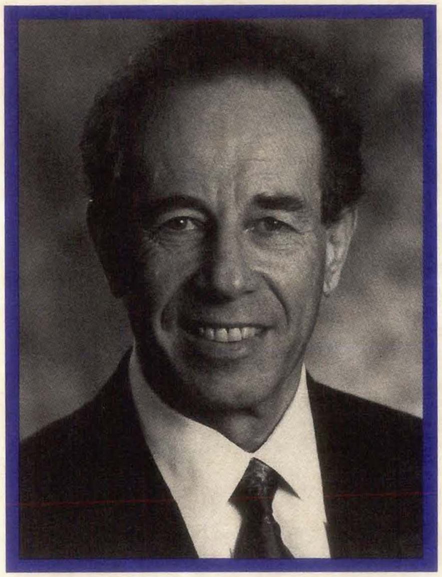
Brand name recognition is always a function of the quality of product or service supplied. At Four Seasons◆Regent our operational strength is the culmination of over thirty years of experience, coupled with what has become the luxury hotel industry's largest sales and marketing network. This combination provides hotels under the Company's management with access to operational skills and marketing power that are unrivalled in the world today.

In 1995, these efforts resulted in yield and profitability improvements at virtually all hotels under management. Yield, defined as occupancy multiplied by average room rate, increased by approximately 10% over 1994 levels, reflecting increases of 8.3% in average room rate and 1.4% in occupancy.

These top line improvements translated into improved hotel profitability as well. In 1995, the gross operating profit of managed hotels increased by an average of 20%. As gross operating profit is the base upon which certain of Four Seasons◆Regent's incentive fees are calculated, these improvements resulted in the Company's incentive fees increasing to 17% of total fee revenue, up from 15% in 1994 and 10% in 1993.

1995 Company Results

In 1995, Four Seasons◆Regent's fee revenues from our management business totalled $88.5 million, a year over year increase of over 10%. This strong revenue improvement was a direct result of increases in rate, occupancy and profitability at virtually all hotels under management. Further improvements in hotel revenue and profitability are expected in 1996, due primarily to growing demand in most of the Company's markets, which have not experienced any material increases in the supply of luxury hotel rooms in the



ISADORE SHARP
Chairman and Chief Executive Officer

past few years. This trend, when combined with expected fee revenues from new and recently opened properties in Jakarta, Chiang Mai, Berlin, Istanbul and Kona in Hawaii, should fuel further increases in Four Seasons◆Regent's fee revenues and profitability levels.

As revenues have improved, the characteristics of the Company's earnings have also changed. In 1995 hotel management operations contributed approximately 78% of Four Seasons◆Regent's total operating earnings, as compared to 76% in 1994. This percentage is expected to rise to 90% by the end of 1996 as the effects of the asset disposition programme are more fully reflected.

While the net loss per share was $2.62 due to the major real estate provision recorded in 1995, normalized earnings per share increased to $0.72, an improvement of almost 50% over normalized 1994 earnings. Overall profitability has been enhanced as well, with the profit margin in the hotel management segment increasing to 59%, as compared to the 1994 level of 57% and the 1993 level of 46%. Our objective is to maintain this profitability level in 1996.

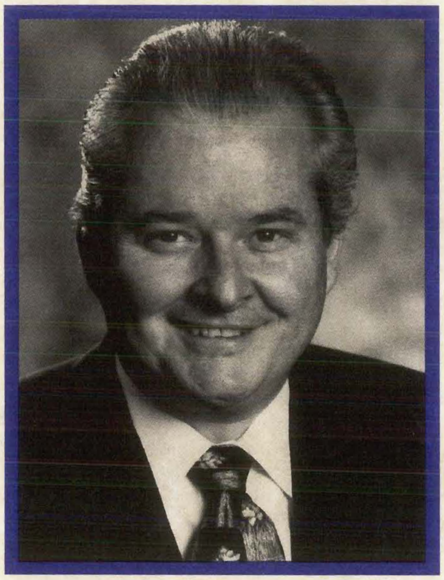
Strategic Goals – 1996 and Beyond

Having completed the asset disposition programme and having taken the $95 million provision against a significant portion of the Company's remaining real estate interests last year, Four Seasons◆Regent is focused on two major financial and strategic objectives: further reduction in long-term debt and continued expansion of the Company's management business in ways that leverage both its brand name value and operational and marketing expertise. We believe that the combination of these objectives will help to significantly increase the cash flow and earnings potential of the Company in the near term.

At the end of 1995, long-term debt net of cash had been reduced to $231 million, down by almost $142 million from the high reached in 1994. Moreover, operating cash flow available for debt reduction, dividend payments and minority investments in new hotel management opportunities, is expected to increase to more than $30 million in 1996. This steady reduction of corporate debt will immediately translate into lower interest expense, thereby enhancing Four Seasons◆Regents' earnings and profitability now and in the years to come.

At the same time, Four Seasons◆Regent is working aggressively to optimize the value of its brand names and management expertise. The scope and geographic diversity of the opportunities available to the Company is broader and more varied than ever before.

Countries in Asia, the Middle East and South America represent important emerging markets that Four Seasons◆Regent has yet to fully exploit. In these regions, most of the projects will be newly constructed



JOHN SHARPE

President and

Chief Operating Officer

hotels and resorts, such as the recently opened Regent properties in Jakarta and Chiang Mai and proposed hotels in Caracas and Riyadh. In Europe and certain centres in North America and the Caribbean, Four Seasons◆Regent's growth will also involve the acquisition of management of existing properties, whether individually such as the Four Seasons Resort in Palm Beach or in groups such as the Regent acquisition. The Company's target is to add between three and five projects to the portfolio each year, with the expectation of increasing rooms under management by over 40% over the next several years.

Moreover, Four Seasons◆Regent has begun to explore the management of additional hotel-related residential projects, such as the licensing and management of luxury condominiums and time share developments associated with managed hotels, extending the current business of managing serviced apartments located within our hotels. In 1995, Four Seasons◆Regent entered into an agreement to license the Four Seasons◆Regent name to a luxury condominium being built in central Jakarta. This arrangement allows the developer to sell condominiums at a significant premium and provides attractive royalty fees and incremental management fees to the Company. In addition, Four Seasons◆Regent announced its decision to license and manage a luxury timeshare development being constructed in connection with the Four Seasons Resort in Aviara. Other timeshare projects are under consideration in connection with the Company's existing and new resort portfolio. The success achieved by other major brand name companies in this expanding market suggests that the growth opportunities for Four Seasons◆Regent, both in terms of significant royalty and management fees and access to financing for related hotel developments, are significant.

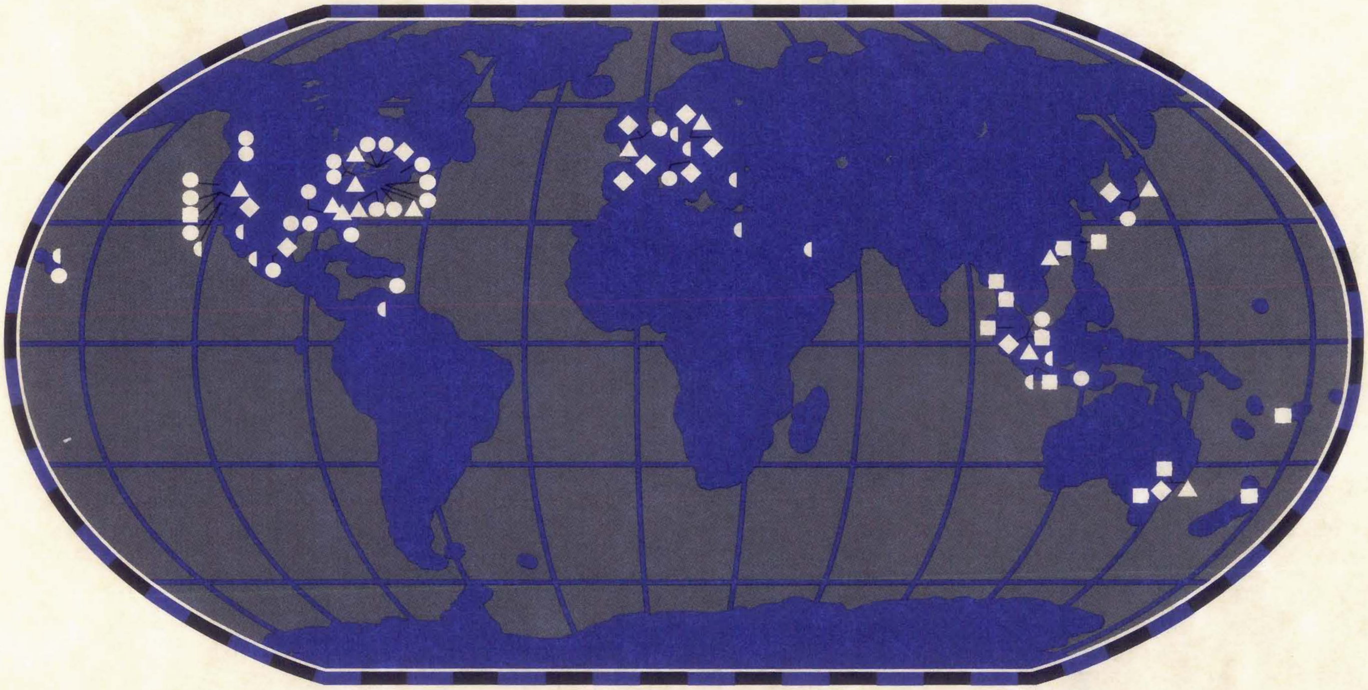
During 1996 and beyond, we will continue to expand the Company's international brand name and operational presence. Through this time of vast opportunity we continue to rely on the building blocks that make a service company great — our people. At Four Seasons◆Regent we are fortunate to have attracted and retained a group of employees whose collective and individual efforts have been appreciated and rewarded by guest accolades and industry awards year after year. It is their dedication and conviction that will ultimately ensure the success of the Company in the future. Congratulations and thanks to all of them for a job well done.

ISADORE SHARP
Chairman and Chief Executive Officer

JOHN SHARPE
President and Chief Operating Officer

Four Seasons Worldwide

FOUR SEASONS◆REGENT IS NOW ESTABLISHED IN MOST KEY BUSINESS CENTRES AND LEISURE DESTINATIONS IN THE WORLD AND SUPPORTED BY AN INTEGRATED NETWORK OF 13 SALES OFFICES AND 12 RESERVATION CENTRES.



● FOUR SEASONS HOTELS AND RESORTS
■ REGENT INTERNATIONAL HOTELS AND RESORTS
◖ HOTELS UNDER CONSTRUCTION OR DEVELOPMENT
▲ WORLDWIDE SALES OFFICES
◆ RESERVATION CENTRES

Financial Table of Contents

+The margin graphs and text are for illustrative purposes only and do not form part of the Management's Discussion and Analysis. Any objectives referred to therein are the Corporation's objectives only and, although believed to be reasonable, there is no assurance that they can be achieved.

Management's Discussion and Analysis

BUSINESS OBJECTIVES AND FINANCIAL STRATEGIES

Four Seasons Hotels Inc. ("Four Seasons◆Regent" or the "Corporation") is focused on increasing shareholder value by expanding its dominant position as a luxury hotel management company, with the two premium luxury hotel brand names, and by continuing to reduce debt.

Business Objectives

The Corporation's business objectives over the next five years are to increase net earnings and cash flow at a compound growth rate of 15% or more through the successful achievement of the following goals:

- Focus on completing the transition to a pure management company in the luxury segment of the lodging industry. Over the past five years, the Corporation has expanded its fee revenues by 134% and during the past two years, disposed of many of its historically significant hotel ownership assets, in furtherance of this goal.
- Reinforce brand name dominance through excellence of product, locations, service, international marketing capabilities and state of the art reservations capabilities.
- Add three to five new luxury hotels and resorts to the Corporation's portfolio each year, through new development, the acquisition of existing luxury properties, and brand name licensing opportunities in selective foreign markets. This expansion could increase the Corporation's current rooms under management by up to 40%.
- Diversify its management and royalty fee earning capacity, through the selective development of luxury residential projects (homes, condominiums and time share) in conjunction with a Four Seasons◆Regent resort or city centre hotel.
- Aggressively increase yield (which is defined as average room rate multiplied by occupancy) in managed hotels at a time of minimal supply growth expectations. This should allow the Corporation to increase yields on an annual basis well in excess of inflation in its key markets. Approximately 71% of the Corporation's fee revenues are related to the yield of each hotel.
- Improve hotel profitability through economies of scale opportunities, coordinated international marketing efforts and sophisticated labour management controls. These measures are designed to enhance the hotel owner's returns and improve the Corporation's participation in the hotel's operating profits through its management incentive fees and, in certain circumstances, its minority ownership positions.
- Complete the restructuring of the Corporation's leasehold interests in The Pierre in New York and the Four Seasons Hotel Vancouver to ensure that the allocation of the major capital expenditure requirements is done on a more equitable basis and to lower the fixed lease payments.
- Continue the Corporation's programmes of hiring, training, developing and maintaining the most talented group of hotel management personnel in the luxury segment.

PURE MANAGEMENT COMPANY

MARKET LEADERSHIP

UNIT GROWTH

LEVERAGING THE BRAND NAME

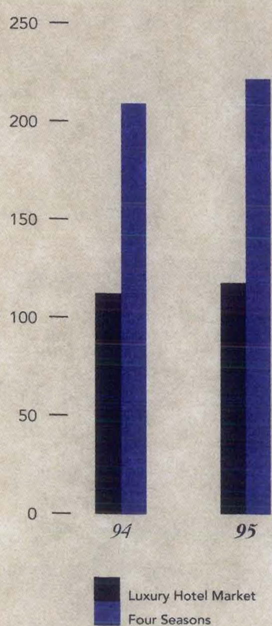
YIELD GROWTH

PROFIT MARGIN IMPROVEMENTS

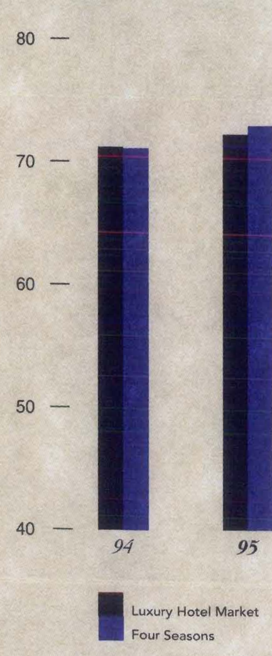
LEASEHOLD RESTRUCTURING

MOTIVATED PEOPLE

Average Room Rate+
North America
($US)



Occupancy+
(percent)



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Financial Strategies

The Corporation's business objectives are supported by the following financial strategies:

- Continue to reduce debt to ensure the Corporation has the appropriate financial strength and capacity to finance the Corporation's growth activities.
- Limit capital investment to opportunities in the luxury lodging segment which expand the fee earning capacity of the Corporation and meet the Corporation's cost of capital hurdle rates and return criteria.
- Utilize the Corporation's substantial operating cash flow from hotel management operations for debt reduction and for investment in the growth of its high margin management business.
- Continue to assess opportunities for optimizing the Corporation's cost of capital.
- Maintain risk management systems to assess and monitor the key operating, investment and external factors that could affect shareholders' value.

Overview of 1995

During 1995, Four Seasons◆Regent achieved a number of key objectives, the highlights of which are as follows:

- Normalized net earnings for 1995 (excluding the $95 million provision) increased 50% over 1994 (excluding the $6.8 million cost associated with the sale of shares), representing solid growth in Hotel Management Operations and lower interest costs resulting from declining debt levels.
- Earnings from Hotel Management Operations were $51.8 million in 1995, an increase of 13% over 1994 and 38% compounded annually since 1991, the year prior to the Regent acquisition. The Corporation continues to realize superior returns on its acquisition of Regent International Hotels Limited in August 1992, a 32% return on investment in 1995.
- The profit margin on Hotel Management Operations increased to 59% in 1995, as compared to 57% in 1994 and 40% in 1991, the year prior to the Regent acquisition.
- Four Seasons and Regent hotels under management showed an average increase of almost 10% in yield in 1995, reflecting the results of continued strong demand growth, with virtually no new supply of luxury hotel rooms in many of the Corporation's primary markets.
- The Corporation repaid more than $34 million of long-term debt during the year and increased its year end cash reserves to $37 million, using cash generated by the sale of three real estate assets (see discussion under "Proceeds from Asset Disposition Programme") and excess cash generated from operations.
- The Corporation has sold its interest in seven real estate assets over a 13 month period. These sales, combined with cash flow from operations, have allowed the Corporation to reduce net debt levels by $142 million or 38% over the high reached in 1994. The Corporation continues to manage four of the hotels sold (Austin, Boston, London and Santa Barbara) under long-term management contracts.
- In December 1995, in conjunction with the completion of the asset disposition programme, the Corporation recorded a non-cash provision of $95 million, primarily against its leasehold investments in its hotels in Vancouver, Toronto and The Pierre in New York.
- Cash flow generated from operations was $38.7 million in 1995. Capital spending, dividend payments and FRA Properties funding was $28.7 million in 1995, a reduction of 16% from the 1994 levels.

OPERATIONAL AND FINANCIAL REVIEW AND ANALYSIS

Four Seasons◆Regent has two distinct operating segments: Hotel Management Operations and Hotel Ownership Operations. As a result of the asset sales completed in 1995 and the expected continued growth of the Corporation's management earnings, it is estimated that the Hotel Management Operations will contribute approximately 90% of total operating earnings in 1996 (78% in 1995). The Corporation's growth strategy is to expand its high margin hotel management business through the development and acquisition of long-term management agreements under the Four Seasons or Regent brand names.

The Corporation also makes selective investments in the underlying hotels in connection with obtaining the long-term management of the property. These minority ownership investments are made to better align the Corporation's economic interest with the hotel owner and to ultimately enhance the Corporation's overall returns. Due to the increased risk profile of ownership investments, the Corporation minimizes its risk by making selective investments, generally limiting the investment to a minority position, capping the investment to a fixed dollar amount, and considers the economics of the hotel management arrangement when reviewing the overall return profile of the project.

STATEMENT OF OPERATIONS

Hotel Management Operations

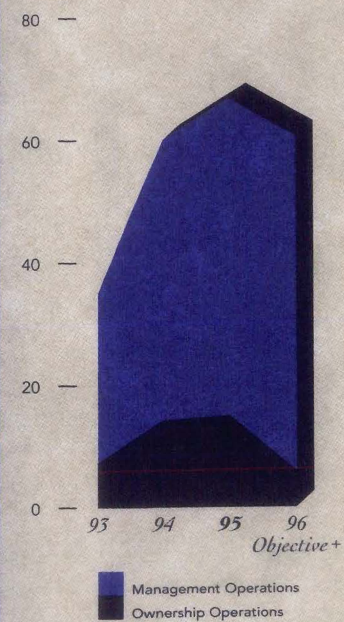
Four Seasons◆Regent currently manages 37 luxury hotels and resorts under the Four Seasons and Regent brand names in 16 countries on behalf of various owners. Approximately 41% of the Corporation's fee revenues were earned outside North America in 1995, with 35% being earned in Asia and the South Pacific and 6% in Europe.

Generally the Hotel Management segment has the following characteristics:

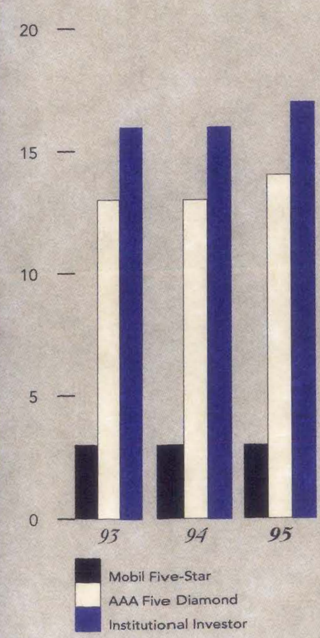
- stable earnings and cash flow, as approximately 71% of 1995 fee revenues were based upon a percentage of total gross revenues generated by the managed hotels and resorts;
- management contracts are generally long-term, with average remaining terms, including all renewal options exercisable by Four Seasons◆Regent, of approximately 48 years;
- hotel owners, generally not the hotel manager, fund substantially all capital expenditures and working capital requirements of the hotel, including all employment and operating costs; and
- strong brand names, marketing expertise and world wide reservations and selling capabilities, are essential to success in the luxury segment and create a significant barrier to entry. Four Seasons has developed its reputation and brand name for a period of over 35 years, while Regent was established in Asia more than 25 years ago.

Since 1991, the Corporation has increased the number of rooms under management by approximately 4,800, which represents approximately 40% of the total rooms currently under management. The acquisition of Regent International Hotels Limited in August 1992 resulted in additional management fee revenues from 15 hotels (either opened or under construction at the time of the acquisition). The Corporation opened new hotels in Jakarta, Indonesia and Chiang Mai, Thailand during 1995. In the same period the Corporation ceased managing the Four Seasons Hotel in San Francisco and The Regent London, both as a result of sales. In 1996, the Corporation expects to open three new properties in Berlin, Istanbul and Hawaii. The Corporation ceased managing the Inn on the Park in Toronto during the first quarter of 1996. The Corporation expects to cease managing The Regent Auckland and The Regent Melbourne during the second quarter of 1996.

Earnings Before Other Operating Items +
($ millions)



Industry Awards
Number of awards



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Management's Discussion and Analysis

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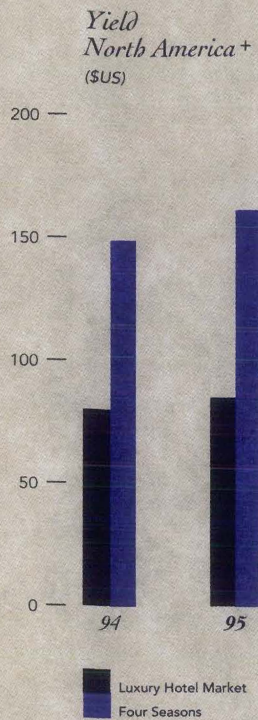

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Yield

The term "yield" is defined as hotel occupancy multiplied by average room rate. The product of these factors determines a significant portion of a hotel's total revenues, upon which a significant portion of Four Seasons◆Regent's management fees are earned.

The 1995 average yield of all hotels under Four Seasons◆Regent management increased almost 10% compared to the 1994 average yield (1994 average yield increased almost 20% over the 1993 average yield). This improvement reflects an increase of 8.3% in average achieved room rates over 1994 levels and an increase of one occupancy point from occupancy levels achieved in 1994. Strong economic growth in North America and Asia allowed most hotels to achieve yield increases in excess of inflation. In 1995, the Corporation improved its market share in most of its key markets with yield results ahead of its competition in all of the markets in which this type of information is available.

In 1996, the Corporation's objective is to continue to pursue yield growth in North America and Europe in the range of 6% to 8%. In the Asian markets the objective is to achieve yield increases of approximately 10% to 11%.

Fee Revenues

In 1995, 71% of total management fee revenue (72% in 1994) was based on total hotel revenues. Due to the importance of the total revenues of all managed hotels to the Corporation's Hotel Management Operations, they are presented in the following table:

(in millions of dollars)	**1995**	1994	1993	1992	1991
Total revenues of all managed hotels	**1,837.9**	1,698.2	1,351.9	878.7	631.0

The improvement in revenues under management (1995 versus 1994), by geographic area, was as follows: 9% in North America and Europe, 14% in Asia and 10.5% in the South Pacific.

Fee revenues from Hotel Management Operations increased 10.7% in 1995 to $88.5 million from $79.9 million in 1994. The majority of the $8.6 million increase is due to the improvement in yield (see discussion under "Yield") and an average increase of over 20%, compared to 1994 levels, in gross operating profit of managed hotels, upon which certain incentive fees are calculated (see discussion under "Hotel Management Contracts – Fees and Terms" in the Annual Information Form). Incentive fees now contribute 17% of total fee revenues, compared to 15% in 1994 and 10% in 1993.

Four Seasons◆Regent's objective is to increase fee revenues in 1996 by 4% over 1995 taking into account (i) the openings of properties in Berlin, Istanbul and Hawaii during 1996, (ii) a full year of fee revenues earned from recently added hotels and resorts in Jakarta and Chiang Mai and, (iii) the effects of the anticipated increases in occupancies and room rates in the other Four Seasons◆Regent hotels. These budgeted fee revenue increases will be partially reduced by the management fees lost relating to The Regent London, Four Seasons in San Francisco and the Inn on the Park in Toronto, and to a lesser extent anticipated losses of The Regent Auckland and The Regent Melbourne in the second quarter of 1996.

The Corporation's management fee revenue sources are geographically diversified. During 1995, 41% of fee revenues were derived from properties outside North America, as compared to 39% in 1994. This percentage is expected to increase in 1996 to approximately 42% due to the recent and anticipated openings of hotels and resorts (see also discussion under "Currency Risk").

General and Administrative Expenses

General and administrative expenses were $36.7 million in 1995, an increase of 8% over 1994. In 1996, the objective is to keep the increases in total general and administrative costs to less than 5% over 1995 levels. These expenses include those items normally associated with corporate overhead including computer services, accounting, legal, and the costs of maintaining the corporate offices together with the costs incurred by the Corporation to provide various services to hotel owners (in particular overseeing day-to-day management of each of the hotels, developing and implementing sales and marketing strategies, operating a central reservation system, financing and managing the development of new hotels, providing advice with respect to the design and construction of new or renovated hotels and assisting with the refurbishment of hotels, and providing a centralized purchasing system for hotel goods and services).

Hotel Management Earnings Before Other Operating Items

Earnings before other operating items from Hotel Management Operations increased to $51.8 million in 1995, 13% higher than the prior year.

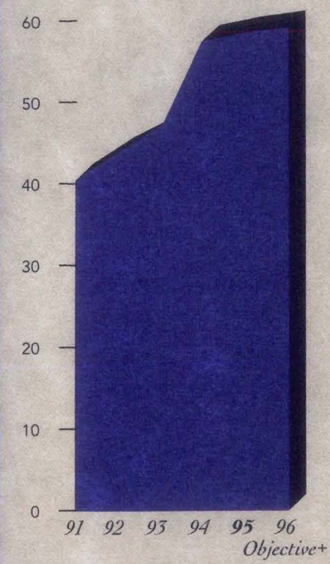
Four Seasons◆Regent's profit margin in Hotel Management Operations before other operating items increased to 59% from the 1994 level of 57% and the 1993 level of 46%. This improvement reflects the fact that fee revenues are increasing at a faster rate than general and administrative expenses. The 1996 objective is to maintain profit margin in the Hotel Management Operations approximately at the 1995 levels.

Hotel Ownership Operations

Generally, the Hotel Ownership Operations segment is capital and labour intensive and is subject to greater economic fluctuations than the Hotel Management Operations segment. Historically the lodging industry has experienced cyclicality due to changes in the local supply of hotel rooms and changes in economic conditions which have caused fluctuations in lodging demand. Hotel ownership returns can also be materially affected by changes in travel patterns, local wage rate factors, the level of capital spending that is required to appropriately maintain and renew the hotel, volatility of construction costs, the availability of hotel financing, and changes in interest rates.

Four Seasons◆Regent holds an ownership interest in 12 of the 37 hotels and resorts currently under management and will hold such an interest in the Four Seasons Hotel Berlin, which is one of the three hotels expected to open during 1996. The Corporation's material investments relate to its 25% interest in The Ritz-Carlton Hotel Chicago, which is proportionately consolidated, as well as its 25% interest in The Regent Hong Kong which is accounted for on a cost basis. Upon the opening of the Four Seasons Hotel Berlin in 1996, the Corporation will consolidate its 100% leasehold interest in this hotel. The Corporation sold its 50% interest in the Four Seasons Hotel London in December 1995. This investment was proportionately consolidated until the date of sale. The FRA Properties investment in the Four Seasons Biltmore Resort Santa Barbara and the Inn on the Park in Toronto were sold in December 1995 and January 1996 respectively. The Corporation accounts for its investment in FRA Properties on a cost basis.

Profit Margin+
(percent)



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1996 HOTEL OWNERSHIP EARNINGS WILL BE LOWER DUE TO SALE OF FOUR SEASONS HOTEL LONDON AND THE START UP LOSSES EXPECTED FROM BERLIN

Hotel Ownership Earnings Before Other Operating Items

Virtually all of the revenues and earnings from Hotel Ownership Operations in 1995 were generated from the Corporation's equity interests in the Four Seasons Hotel London, The Regent Hong Kong and The Ritz-Carlton Hotel Chicago. Earnings before other operating items from Hotel Ownership Operations were $14.9 million for the year ended December 31, 1995, as compared to $14.2 million in 1994. This improvement relates to improved gross operating profits in the Four Seasons Hotel London (13% over 1994) and The Ritz-Carlton Hotel Chicago (13% over 1994). These increases were reduced by lower distributions from The Regent Hong Kong where yield declined approximately 1% due to lower occupancies resulting from a soft market. As a result of these effects and an increase in working capital reserves, the total distributions received from The Regent Hong Kong decreased 11% to $6 million in 1995.

The total earnings for the Four Seasons Hotel London included in the Hotel Ownership Operations for 1995 were $8.7 million. The loss of this income in 1996 as a result of its sale in December 1995 is expected to be fully offset by reduced interest costs resulting from the $34.7 million of cash received on the sale of the hotel, the interest income that may be earned on the £12.6 million long-term receivable taken back on the sale of the hotel and reduced depreciation, amortization and UK income taxes resulting from the change in ownership. The key benefit obtained from the sale of the London hotel was the reduction of debt and the elimination of a significant hotel real estate ownership position and its related risks.

Four Seasons◆Regent has entered into an operating lease in connection with the management of the Four Seasons Hotel Berlin, which is expected to open in mid-1996. Under the terms of the lease the Corporation is responsible for funding the majority of the hotel's operating and capital requirements, including minimum rent. The Corporation has entered into an agreement with one of its equity partners in the project whereby the partner will be responsible for funding up to one half of any annual operating losses incurred during the first ten years of the hotel's operation, to a maximum of DM2 million per year and DM15 million in total. A portion of the Corporation's interest in the proceeds from the sale of the multi-use project (see discussion below) have been pledged to that partner to secure repayment to that partner of any amounts it has funded in connection with the hotel's operations.

The Corporation's share of the hotel's budgeted operating loss (after funding by its partner) is approximately $2 million in 1996 and $1.5 million in 1997. These budgeted losses represent normal costs for a hotel in its first two to three years of operation. These potential losses will be consolidated in the Hotel Ownership Operations segment. Four Seasons◆Regent has budgeted to earn management and related fees from the Four Seasons Hotel Berlin of approximately $2.4 million in 1996 for preopening services and partial year management fees and approximately $700,000 of management fees in 1997. The Corporation's objective is to break even on the cash requirements of the ownership and management in these years.

The Corporation also has a 23% investment in the company that owns and is constructing the multi-use project in Berlin which includes the Four Seasons Hotel Berlin, and commercial, residential and retail space. Each part of the project will be marketed for sale. The Corporation accounts for its investment in this project by the cost method because the ownership structure does not give it significant influence.

The long-term outlook for the hotel is expected to be favourable once construction is completed in the vicinity of the hotel and the Berlin hotel market stabilizes due to the reunification of Germany and the potential relocation of the government and corporate offices to Berlin. It is the Corporation's objective to use the profits from its share of the proceeds from the asset sales relating to the Berlin project to fund the start up losses expected from the hotel until it reaches stabilized levels of occupancies and room rates.

Provision for Loss on Leasehold Interests

Over a number of years the Corporation has incurred significant funding requirements for capital expenditures and property rent relating to the leasehold interests in Vancouver and The Pierre in New York. Given the lack of liquidity for leasehold interests generally and the onerous landlord consent provisions contained in these leases, it would be difficult for the Corporation to sell the leasehold positions of the hotels. As a result, the Corporation has been in discussions with the landlords of these two hotels since late 1994 to revise the lease structures to allocate major capital expenditure requirements more equitably between the parties and to lower the fixed lease payments. These discussions are expected to continue in both situations well into 1996. The historical book values of these leasehold interests can only be realized if the negotiations in connection with the leases are successfully completed, resulting in the extension of the lease agreements beyond their initial expiries on significantly more favourable terms.

In consideration of all of these issues and in conjunction with the completion of the asset disposition programme, the Corporation completed a review of the Corporation's three remaining leasehold interests in New York, Toronto and Vancouver based on their operating results and current lease arrangements. Due to the current uneconomic terms of the leases in New York and Vancouver, the Corporation determined that if the negotiations described above are not successful, then these leases will not be renewed. The Corporation also determined that a permanent impairment had occurred in the value of its leasehold interest in the Four Seasons Hotel in Toronto and certain of its other immaterial real estate investments.

Accordingly, in December 1995 a charge of $95 million was taken, which resulted in a write-off of (i) the book value of the Corporation's interest in The Pierre Hotel and certain other immaterial real estate investments, (ii) substantially all of the Corporation's book value in its interest in the Four Seasons Hotel Vancouver, and (iii) 50% of the book value of the Corporation's interest in the Four Seasons Hotel Toronto.

If as noted above, the leases of The Pierre and the Four Seasons Vancouver are not renewed, then the Corporation's management arrangements relating to these hotels would cease on the expiry of the leases. If the Corporation ceased leasing and managing any of these properties, its objectives would be to find replacement management opportunities in these cities. Note 13(a) to the consolidated financial statements, which summarizes the Corporation's lease commitments, has been revised in 1995 to only show the minimum lease payments for these three hotels for the remainder of the initial lease term as the Corporation would have no further obligations relating to these leases thereafter. There is no third party debt associated with the Corporation's leasehold interests in New York, Toronto or Vancouver.

1995 HOTEL LEASEHOLD PROVISION

POTENTIAL RESTRUCTURING OF HOTEL LEASES IN NEW YORK AND VANCOUVER

Depreciation and Amortization

Depreciation and amortization expense was $16.9 million in each of 1995 and 1994, on a restated basis. The majority of the amortization expense relates to the assets involved in connection with the Regent acquisition, including the cost of management contracts and amounts allocated to the Regent trademarks and trade names.

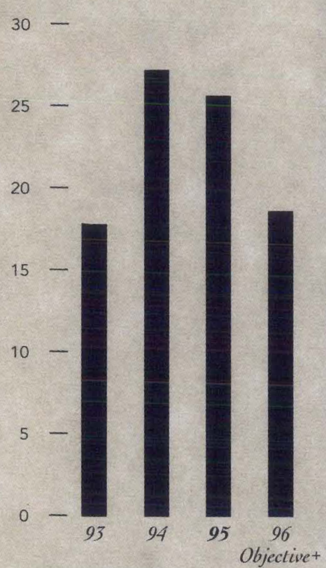
During 1995, the Corporation changed its method of amortizing the cost of the hotel management contracts acquired as part of the Regent acquisition from the increasing-charge method to the straight-line method. This change results in the Corporation's accounting policy being consistent with other publicly traded hotel management and franchising companies in the United States. The effect of this change in accounting policy was to increase the amortization charge by $65,000 in 1995 and $1.2 million in 1994.

Depreciation and amortization charges are expected to decline by approximately $2.5 million in 1996 due to the sale of the Four Seasons Hotel London (which had been proportionately consolidated prior to its sale) and the write-down of the leasehold interests (see note 6 to the consolidated financial statements).

DEPRECIATION AND AMORTIZATION TO DECLINE IN 1996

Net Interest Expense+

($ millions)



Interest Costs

Net interest costs decreased to $25.7 million in 1995 as compared to $27.2 million in 1994. Interest expense declined from $29.4 million in 1994 to $26.9 million in 1995 due to lower weighted average debt levels (approximately $68 million lower weighted average debt level resulting in lower interest costs of approximately $5.5 million). Reduced debt levels were somewhat offset by higher interest rates, with the Corporation's actual weighted average cost of debt being 8.9% in 1995 as compared to 8.0% in 1994. This higher average cost of debt resulted in additional interest expense of approximately $2.7 million in 1995.

Interest income fell from $2.2 million in 1994 to $1.2 million in 1995, primarily reflecting the loss of the interest income from the note receivable related to the Four Seasons Hotel Austin which was repaid on the sale of the hotel in November 1994.

As at December 31, 1995, 73% (76% at December 31, 1994) of Four Seasons◆Regent's long-term debt is at fixed interest rates (see note 10 to the consolidated financial statements). The remaining floating rate debt as at December 31, 1995 is based on US LIBOR plus a spread averaging approximately 1%.

The unsecured debentures and related cross currency interest rate swap agreements matured on March 25, 1996. The balance under the debentures and the swap agreements of $85 million will be repaid from cash balances ($36.8 million as at December 31, 1995) and from the US $100 million bank facility which was undrawn as at December 31, 1995 and which matures in March 1998. By December 31, 1996, it is expected that approximately 77% of the Corporation's debt will be at fixed rates (the majority of which will be at a fixed rate of 9.125%), with the remainder at a floating rate of LIBOR plus a spread averaging approximately 0.8%.

The Corporation's weighted average cost of debt is budgeted to be approximately 9% in 1996. However, interest expense is budgeted to decline significantly in 1996 due to the repayment of debt in 1994 and 1995 (approximately $101 million), the expectation that debt will be reduced further by the application of operating cash flow in 1996 and from the additional income which will be earned in 1996 on the long-term receivable taken back on the sale of the Four Seasons Hotel London.

SUBSTANTIAL TAX LOSSES TO RESULT IN LOW TAX RATES FOR 3 TO 5 YEARS

Taxes

The difference between the expected income tax recovery and actual income tax expense for 1995 is primarily due to lower foreign tax rates and the provision for loss of $95 million which was not tax effected (see note 12 to the consolidated financial statements).

The income tax expense is expected to decline from 16% of pre-tax income in 1995 (before the provision for loss) to approximately 10% in 1996 due to the elimination of U.K. tax on the ownership earnings from the Four Seasons Hotel London. The utilization of the benefits of the unrecorded tax losses created by the write-down in hotel investment values in 1993 and 1995 is expected to keep the effective tax rate at these lower levels for the next three to five years.

+see note on page 6

CASH FLOW

Proceeds from Asset Disposition Programme

In November 1993, the Corporation announced a programme to sell a number of its major hotel real estate interests by the end of 1995. The key objectives of the disposition programme were to significantly reduce debt levels, to reduce future funding obligations relating to real estate investments, and to continue moving the Corporation away from significant ownership of hotel real estate, while focusing on the expansion of its high margin hotel management services business.

Since the commencement of the asset disposition programme, the Corporation has completed the sale of seven hotel real estate investments. Total net debt has declined from a peak level of almost $373 million in June 1994 to $231 million (total debt, net of cash) as at December 31, 1995. This reduction of $142 million was achieved through the application of asset sale proceeds and cash generated by operations. The Corporation's debt level is expected to decline in 1996 and future years by $27.3 million as the long-term net receivables taken back on certain of the asset sales are repaid and further in 1996 and future years due to the application of operating cash flow.

In connection with the asset disposition programme, the Corporation recorded a provision for loss of $127 million in 1993 based on the estimates of the net realizable values of the assets identified for sale. The total net proceeds received by the Corporation resulting from the asset sale transactions approximated the proceeds estimated in the 1993 provision and therefore no further accounting adjustments were required.

In 1994, proceeds of $51.7 million were realized from the disposition of the Corporation's interest in three hotels (Austin, Boston and Minaki Lodge), which were applied to reduce long-term debt.

During 1995, the Corporation received $52.2 million of cash proceeds from the sales of its investments in Four Seasons Hotel London and Four Seasons Resort Santa Barbara and the long-term receivables on the Four Seasons Hotel in San Francisco. For details relating to the sales see note 2 (a) to the consolidated financial statements. In connection with the sale of the Four Seasons Hotel London, the Corporation also received a long-term receivable of $26.6 million (£12.6 million) which bears interest at 10% per annum. Concurrently with the sale of the Santa Barbara hotel, the Corporation was released from corporate guarantees of US $6 million relating to the principal amount of the hotel's debt and US $15 million relating to interest and operating costs of the hotel.

In January 1996, the sale of the Inn on the Park in Toronto was completed. Upon closing of the sale of the hotel, the debt guaranteed by the Corporation relating to the hotel was reduced by $2.5 million. The remaining guaranteed debt of $12.6 million is expected to be repaid from the $10 million mortgage received as part of the sale of the hotel and from the proceeds anticipated from the sale of certain of the hotel lands under contract for residential development.

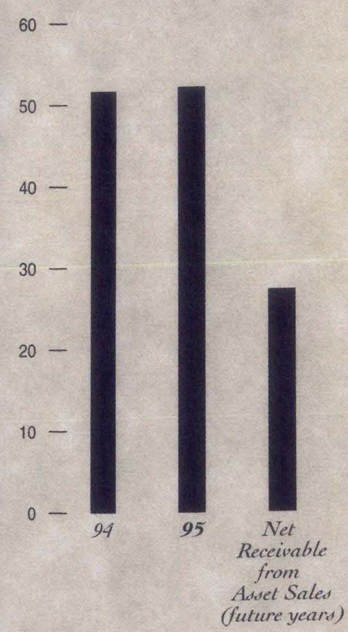
Operating Cash Flow

For the year ended December 31, 1995, cash flow from operations was $38.7 million as compared to $44.8 million for 1994. The cash generated by the Hotel Management and Ownership operations increased by $8 million or 13% in 1995. This increase was offset by $7.4 million of interest costs accrued in 1994 which were paid in the first quarter of 1995, and by a reduction in non-cash working capital of $5.8 million.

Operating cash flow is budgeted to be approximately $41 million in 1996 due to the anticipated increases in cash flow from hotel management operations and lower interest costs, offset by the loss of hotel ownership cash flow from the Four Seasons Hotel London.

SUCCESSFUL COMPLETION OF ASSET DISPOSITION PROGRAMME

Asset Disposal Proceeds Applied Against Debt+
($ millions)



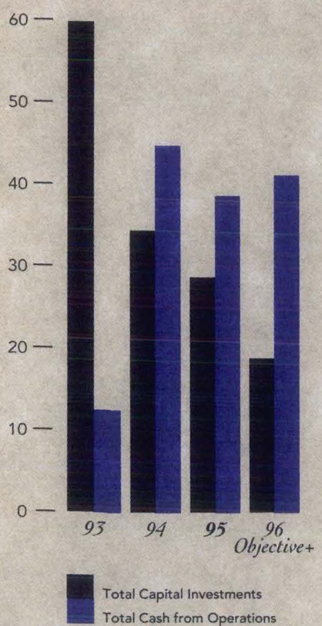
+see note on page 6

Management's Discussion and Analysis

(continued)

Cash From Operations & Capital Investments+

($ millions)



INVESTING ACTIVITIES

Fixed Asset Additions

Owners of Four Seasons and Regent hotels annually spend an average 4% of gross revenues of the hotels on capital expenditures (other than in newly constructed or recently renovated properties where the annual amounts generally range from 1% to 2% in the early years of operation). Additional funds are made available for special capital projects as required to maintain the luxury standards specified in the Corporation's hotel management agreements.

Capital expenditures are funded by working capital generated from hotel operations and through advances from the hotel owners. Four Seasons◆Regent's share, as a hotel owner, of the funding of these capital expenditures in 1995 was $2.4 million, ($1.6 million in 1994) in its consolidated hotels and corporate offices, $5.5 million in the hotels contributed to FRA Properties, ($3.7 million in 1994), plus immaterial amounts in those hotels in which it has a minority equity interest or pursuant to management contract obligations (see discussion under "Advances to Managed and Owned Hotels").

For 1996, Four Seasons◆Regent has budgeted capital expenditures of less than $1 million in its consolidated hotels and corporate offices, approximately $5 million in the hotels contributed to FRA Properties, primarily for normal capital refurbishing (subject to discussions underway as described in the next paragraph), and immaterial amounts in those hotels in which it has a minority equity interest or pursuant to management contract obligations. The Corporation expects to fund these amounts with cash from operations.

In connection with the FRA Properties capital expenditures noted above, the Corporation's partner has made claim that the Corporation is required to complete normal capital refurbishing and major renovation programmes in certain of the Corporation hotels contributed to FRA Properties of approximately US $8 million prior to December 31, 1996 (see discussion under "Investment in FRA Properties").

LOW LEVELS OF MAINTENANCE CAPITAL SPENDING AS A PURE MANAGEMENT COMPANY

Advances to Managed and Owned Hotels

Advances to Hotels Contributed to FRA Properties

During 1995, positive operating cash flow of approximately $5.8 million was generated by the two hotels in Toronto, and the hotels in Vancouver, Santa Barbara and New York (an improvement of over $5.3 million compared to 1994 cash flow from operations of $500,000). These funds, together with amounts advanced, by the Corporation of $8.6 million in 1995 ($12 million in 1994), were used to fund approximately $5.5 million ($3.7 million in 1994) for capital expenditures (included above under the heading "Fixed Asset Additions") and $8.9 million ($8.8 million in 1994) for principal repayments and interest on property specific debt. The aggregate of these advances, net of amounts written off, is included in the investment in FRA Mortgages and Stabilization Loans Receivable on Four Seasons◆Regent's balance sheet (see note 5 to the consolidated financial statements).

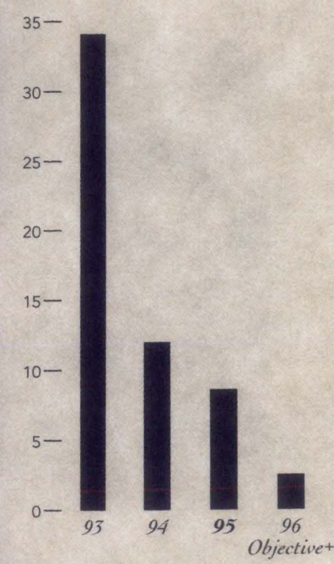
Included in the 1995 FRA Properties funding of $8.6 million was $3.9 million relating to the Inn on the Park in Toronto and $2 million relating to Four Seasons Resort Santa Barbara. As a result of the sale of these two properties, the funding obligations relating to FRA Properties should decline significantly. Without these two hotels, the funding for 1995 would have been $2.7 million.

For the three remaining FRA Properties hotels, operating cash flow from the Vancouver and Toronto properties in 1995 was sufficient to cover the capital spending and lease obligations of these hotels, and the total funding for The Pierre was $2.7 million.

+see note on page 6

In 1996, total FRA Properties funding is budgeted to be less than $3 million (including the $5 million in capital expenditures discussed under "Fixed Asset Additions") as a result of anticipated positive cash flow from the hotels in Vancouver and Toronto being used to partially fund the capital spending shortfalls at The Pierre, and debt service on the $12.6 million of remaining guaranteed debt relating to the Inn on the Park in Toronto. This budget is premised on the Corporation's budgeted revenue increases for the remaining three properties to be in the range of 3% to 9% in 1996 which should result in gross operating profit improvements of 14% to 24%. These improvements are budgeted to result in positive operating cash flow of approximately $4 million in 1996. This improvement does not assume any concessions relating to lease restructuring discussions.

FRA Hotel Funding+
($ millions)



Advances to Hotel Related Investments (Other than FRA Properties)

In hotels in which Four Seasons◆Regent has less than a 20% interest, it invested $5.8 million in 1995 ($1 million in 1994) to fund operating and capital requirements, primarily in recently opened hotels or hotels under construction or development. During 1995, the Corporation advanced approximately $3.2 million to the Four Season Resort Nevis, which includes the Corporation's 15% share of a US $15 million repayment of property debt. This repayment will allow the hotel to achieve a lower effective financing cost and should permit the repayment of the Corporation's operator advances (US $3 million was advanced at the time of the hotel opening) in 1997 and 1998 and advance the payment of incentive fees.

Additional advances to hotel investments are budgeted to be less than $15 million in 1996, including a commitment to the Four Seasons Resort Aviara. The financing commitments are now in place to complete the resort and it is expected that construction will commence in May 1996, with the opening of the resort scheduled for July 1997. Four Seasons◆Regent is budgeting to fund between US $4 and US $7 million during 1996 to cover its share of the equity required to complete the hotel and begin the timeshare project. The Corporation has provided a US $5 million guarantee relating to the construction financing on the resort. Taking into account the 1996 funding, the Corporation has budgeted to have a total investment in the Aviara project in the range of US $18 million to US $21 million, which will represent an interest of approximately 15% in the project.

NEW EQUITY INVESTMENT IN FOUR SEASONS RESORT AVIARA

Long-Term Receivables

During 1995, the Corporation's net investment in long-term receivables increased by $32.9 million. This increase was due primarily to the bond of $26.6 million (£12.6 million) received on the sale of the Corporation's interest in the Four Seasons Hotel London. The Corporation advanced $6.3 million of long-term receivables in 1995, of which $3.8 million was to The Regent Jakarta. This completes the Corporation's commitment to lend US $5 million to this hotel which opened during 1995. This loan is convertible into a 5% equity interest in the hotel. The $6.3 million advance also includes $1.4 million to Tengis Limited pursuant to guarantees arising out of a reorganization in 1986 (see note 13(c) to the consolidated financial statements). By the end of 1995, the total advances to Tengis of $10.9 million were written off and the remaining guarantees associated with Tengis' debt of $7.4 million were fully accrued due to the uncertainties of the values which Tengis will realize as it liquidates its assets.

In 1996, the Corporation is budgeting to advance approximately $1.5 million for long-term receivables. In addition, on the anticipated loss of the management of The Regent Auckland in 1996, the Corporation should be repaid approximately $4 million of advances and deferred managment fees.

INCREASE IN LONG-TERM RECEIVABLES ATTRIBUTED TO SALE OF FOUR SEASON HOTEL LONDON

+see note on page 6

Management's Discussion and Analysis

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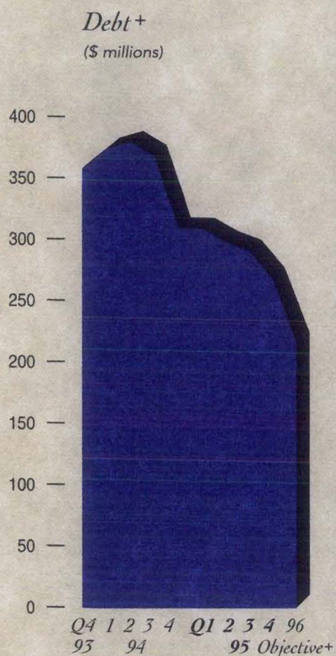

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FINANCIAL POSITION

Long-Term Debt

Total long-term debt was $267.6 million as at December 31, 1995. The unsecured debentures and related cross currency interest rate swap agreements of $85 million mature in March 1996 and will be repaid from cash available ($36.8 million as at December 31, 1995) and from the US $100 million bank facility which was undrawn as at December 31, 1995 and which matures in March 1998. Operating cash flow is expected to further reduce long-term debt during 1996. The 1997 maturing debt of $12.4 million relates primarily to the Corporation's 25% interest in the property debt of The Ritz-Carlton Hotel Chicago. It is expected that this debt will be refinanced prior to its maturity, or in the event that it cannot be refinanced, it is expected that the Corporation's operating cash flow and available bank lines will be sufficient to repay the Corporation's share of this obligation.

(in millions of dollars)	**Amount**	**Interest Rate**		**Maturity**
Unsecured debentures	$66.5	Fixed	11.05%	March 25, 1996
Cross-currency interest rate swap agreements	18.5	(i)	(i)	(i)
Unsecured notes (US $115.0)	156.7	Fixed	9.125%	July 1, 2000
Mortgage (US $7.5)	10.2	Floating	Lower of: LIBOR + 2% and US Prime + 1%	May 22, 1997
Other	15.7			
Total	**$267.6**			

(i) In 1991, through two cross-currency interest rate swap agreements, the Corporation converted $100 million (bearing interest at 11.05%) into US $87 million, of which $43.5 million bears interest at 9.37% and US $43.5 million bears interest at LIBOR plus 0.986%. The swaps mature on March 25, 1996.

Liquidity

After the repayment of the debentures and related cross currency interest rate swap agreements, the Corporation expects to have approximately US $50 million available in undrawn committed bank facilities. Operating cash flow, after debt service and committed spending on existing hotels, has been budgeted to increase to more than $30 million in 1996 and should be available for debt reduction, dividend payments and minority investments in new hotel management opportunities.

Following the elimination of a substantial portion of the Corporation's hotel investment portfolio as a result of asset sales (see discussion under "Proceeds from Asset Disposition Programme"), the Corporation's future capital spending expectations are significantly less than historically experienced. Future capital spending requirements will be for normal maintenance capital and for new investments which create new revenue generating management contracts.

Investment in FRA Properties

In 1992, the Corporation formed a group of partnerships (referred to collectively as "FRA Properties") with Hotel Investment Corporation ("HIC"). After the $95 million asset valuation provision recorded in 1995 (see discussion under "Provision for Loss on Leasehold Interests"), the Corporation's total investment in FRA Properties as at December 31, 1995 was $16.5 million. This investment primarily represents the estimated net realizable value of the Four Seasons Hotel Toronto. The investment in the Four Seasons Hotel Vancouver has been substantially written down and the investment in The Pierre Hotel in New York has been fully written off. In determining the estimated net recoverable amounts for the investments in The Pierre in New York and the Four Seasons hotels in Vancouver and Toronto, the Corporation considered the current operating results and budgeted improvements in operating cash flow expected in 1996 and future years based upon expectations for continued demand growth in these markets.The Corporation estimates that it can realize the remaining book value of its investment in FRA Properties from the operating cash flow and capital transactions relating to the hotels remaining in FRA Properties.

Based upon the 1996 fiscal year, there will be a test to determine whether the FRA Properties partnership will be unwound. The test is whether the remaining properties contributed by the Corporation to FRA Properties (Vancouver, Toronto and The Pierre) as a group have positive net operating profit (as defined in the FRA Properties partnership agreement) for 1996. The test also applies to the remaining HIC contributed properties (Milan, New York and Fiji). The partner whose contributed properties are not achieving the requisite level of performance can, in certain circumstances, avoid the termination of the partnership by restructuring the debt in respect of its contributed properties or withdrawing certain properties from the partnership.

The Corporation believes that it is not possible at this time to definitively determine whether an unwind will occur at the end of 1996 due to (i) the uncertainty surrounding the hotels' 1996 operating results; (ii) the sale or restructuring of assets held by FRA Properties which could occur during 1996; and (iii) the defaulting partner's various rights of remedy to cure the failure of the test.

Based upon the business plans that are in place for the Corporation's contributed hotels in FRA Properties, it is expected that the test will be met in 1996, although not by a significant margin. It is expected that the HIC hotels will also meet the test on the basis of their forecasted 1996 results. The Corporation will report on its expectations relating to the status of the FRA Partnership in its quarterly reports during 1996.

If FRA Properties is unwound pursuant to this provision, then the Corporation's contributed properties would be transferred back to the Corporation. However, this should not have any impact on the Corporation's funding commitments, and the Corporation's expectation is that the reconsolidation of these properties should not have a material impact on the Corporation's consolidated financial position and net earnings (see table on following pages).

HIC recently notified the Corporation that it considers that the Corporation has not completed certain construction obligations as provided for in the FRA Properties partnership agreement relating to certain of the Corporation's contributed hotels. Although discussions concerning this issue were underway for some time, HIC recently sent a formal notice claiming, among other things (i) the right to cause the Corporation's remaining contributed hotels to be conveyed to the Corporation; and (ii) damages from losses HIC claims it suffered on the sale of the Four Seasons Hotel Austin and the Inn on the Park in Toronto. Four Seasons◆Regent has notified HIC that the Corporation disagrees with HIC's characterization of the facts and interpretation of the terms of the relevant agreement, including the partnership agreement, and discussions are under way to try to settle the dispute without legal or arbitration proceedings.

The following table provides combined summarized financial information relating to The Pierre, and the Four Seasons hotels in Vancouver and Toronto (based on 100% of each of the hotel's operations after effecting the asset provision) as at December 31, 1995:

Statement of operations

(in thousands of dollars)	1995
Revenues	$ 133,181
Direct hotel expenses	(121,139)
Operating earnings	12,042
Rent to third parties	(11,388)
Net operating profit (i)	654

Balance sheet

(in thousands of dollars)	1995
Current assets	$ 16,019
Long-term assets	17,184
	$ 33,203
Current liabilities	$ 15,172
Due to the Corporation	78,748
Deficit	(60,717)
	$ 33,203

(i) Net operating profit excludes rent and interest expense payable to the Corporation, depreciation, and the write-off in 1995 of leasehold interests.

For a discussion on the Corporation's funding obligations to FRA Properties see "Advances to Hotels Contributed to FRA Properties".

Hotel Related Investments (Other than FRA Properties)

The book value of the Corporation's 25% investment in The Regent Hong Kong was $19.6 million as at December 31, 1995. During 1995, the Corporation's dividend income earned from this investment was $6 million (see discussion under "Hotel Ownership Earnings Before Other Operating Items"). Typically, The Regent Hong Kong investment pays virtually all of its current year income after working capital reserves as a dividend.

The book value of the Corporation's other minority ownership positions was $40 million as at December 31, 1995. This amount represents the Corporation's share of the Four Seasons hotels and resorts in Nevis (15%), Washington (15%), Chicago (7.7%), Seattle (3.35%), Aviara (approximately 15%) and Berlin (see discussion under "Hotel Ownership Earnings Before Other Operating Items"). Based upon net present value calculations of the current and budgeted operating cash flow (adjusted for expected capital spending requirements) and comparable luxury hotel sales during the past twelve months, the Corporation estimates that the net recoverable value for its minority hotel investments approximates the book values of these investments (see note 5 to the consolidated financial statements).

None of these investments is material to the Corporation and each investment individually represents less than 5% of the total assets of the Corporation. The Corporation has no recourse debt obligations relating to these other partnership interests, other than those disclosed in note 13 (c) to the consolidated financial statements. For the year ended December 31, 1995, the Corporation earned $9.1 million of fee revenues from these minority hotel investments. The following table provides the combined summarized financial information relating to the Corporation's proportionate share of these hotel related investments based on the investee's book value for the 1995 fiscal year:

Statement of operations (i)

(in thousands of dollars)		1995
Revenues	$	19,862
Direct hotel expenses		(15,084)
Operating earnings		4,778
Interest on third party debts		(1,918)
Rent to third parties		(1,769)
Net operating profit		1,091
Depreciation		(1,435)
Net loss (ii)	$	(344)

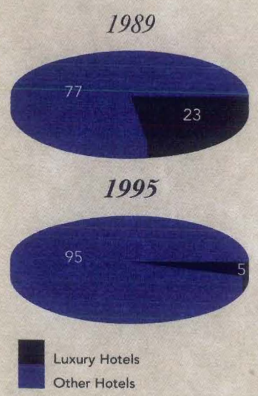
Balance sheet (i)

(in thousands of dollars)		1995
Current assets	$	4,389
Long-term assets		20,296
	$	24,685
Current liabilities	$	6,478
Long-term liabilities		15,806
Equity		2,401
	$	24,685

(i) The book value of the Corporation's hotel ownership interest in the Four Seasons hotels in Berlin and Aviara are not included in the table as neither hotel has completed construction. The Four Seasons Hotel Berlin is expected to open in mid 1996 and the Four Seasons Resort Aviara is expected to open in July of 1997.

(ii) No provision has been made for income taxes as the liability for such taxes is that of the partners rather than the partnerships.

New U.S. Hotel Construction +
(percent)



IN 1996 IT IS EXPECTED THAT OVER 70% OF FOREIGN EXCHANGE EXPOSURE WILL BE IN US DOLLARS.

For discussion on the Corporation's funding obligations to these properties see "Advances to Hotel Related Investments (Other than FRA Properties)."

OPERATING RISKS

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

The major risks associated with Four Seasons◆Regent's operations are as follows:

Lodging Industry Conditions

As reported by the premier independent travel research source, Smith Travel, the luxury segment of the US lodging industry posted strong gains in revenues and profits in 1995 as demand growth continued to outpace inflation (3% in 1995 and 4.2% in 1994). Supply growth in the luxury segment was nominal at .8% in 1995. Smith Travel estimates that both hotel demand and supply for the entire lodging industry will grow at approximately 2.5% in 1996. Typically the luxury segment has more favourable supply and demand characteristics than the rest of the lodging industry generally.

During the late 1980s there was significant overbuilding in the luxury lodging segment which resulted in the worst period experienced (1991 and 1992) by the luxury segment in terms of low occupancies and a deterioration of room rates. In the past three years the luxury segment has experienced good demand growth as a result of improving North American and Asian economies. Over this period, there has been minimal new construction in the luxury hotel segment in the key international city centre markets. These conditions have caused substantial occupancy and room rate growth since 1992 and these trends are expected to continue during 1996.

In addition, Asia Pacific intra-regional demand continues to fuel the region's growth and contributes to improved performance in many markets. As a result of regulations in certain of the local markets, it is difficult to access competitive information, however in the markets where the Corporation is able to establish a benchmark, the Four Seasons◆Regent hotels show a strong competitive performance.

Currency Risk

Four Seasons◆Regent reports its results in Canadian dollars; however, its relevant currency risk is in US dollars, as more than half of its revenues, assets and debt are US dollar denominated or pegged to the US dollar. In 1995 and 1994 56% of Four Seasons◆Regent's consolidated revenues were US dollar denominated or pegged to the US dollar. It is expected that the Corporation's exposure to US dollars will increase to 69% of consolidated revenues in 1996 primarily as a result of the loss of ownership revenues due to the sale of the Four Seasons Hotel London in December of 1995.

In 1996, the Corporation expects to use all of its US dollar cash flow for reinvestment in US dollar assets and to service its US dollar debt and other obligations. The average rate of exchange for the US dollar to the Canadian dollar was $1.37 in 1995 and 1994 and the Corporation's budgets are based on the assumption that this rate of exchange will remain near 1995 levels.

For every one cent increase (decrease) in the value of the US dollar compared to the Canadian dollar, the Corporation expects that net earnings will increase (decrease) by approximately $150,000 in 1996.

+ see note on page 6

Four Seasons◆Regent earned 21% of its consolidated revenues in pounds sterling in 1995 and 1994. As a result of the sale of the Four Seasons Hotel London and the loss of The Regent London management agreement in 1995, the Corporation's exposure to pounds sterling is expected to decline to approximately 1% of consolidated revenues in 1996.

In addition, in 1996 Four Seasons◆Regent expects to earn 23% of its consolidated revenues in twelve other foreign currencies (other than those pegged to the US dollar) in countries throughout the world. None of these currencies is expected to individually exceed 4% of Four Seasons◆Regent's consolidated revenues. Certain currencies are subject to exchange controls which, in practice, have never resulted in a restriction of the payment of management fees to the Corporation. In addition, certain of these currencies are not freely traded and have relatively low liquidity. To date, Four Seasons◆Regent has not incurred any material losses resulting from an inability to convert these foreign currencies at favorable exchange rates.

Management attempts to minimize its foreign currency risk by monitoring its cash position, keeping fee receivables current, monitoring the political and economic climate in each country, and by utilizing financial hedging instruments when necessary. In certain hotels, the foreign currency risks are further mitigated by pricing room rates in US dollars. For example, the Mexican Peso declined by approximately 30% during 1995. However, the Corporation's base and incentive fee revenues from the Four Seasons Hotel Mexico City increased by 50% compared to 1994 primarily due to 1995 being the first full year of operations for the hotel but also because of a combination of quoting room rates at the hotel in US dollars and the prompt payment of fees by the hotel to the Corporation.

Third Party Guarantees

Four Seasons◆Regent has guaranteed third party debt for four hotels: (i) $12.6 million in connection with the Inn on the Park in Toronto, (ii) US $5 million in respect of principal and interest relating to the construction financing for the Four Seasons Resort Aviara, (iii) DM7 million relating to the construction financing for the Berlin multi-use project which includes the Four Seasons Hotel Berlin, and (iv) US $3 million relating to the property debt of The Ritz-Carlton Hotel Chicago. In addition, Four Seasons◆Regent has guaranteed third party debt of US $5.4 million for Tengis Limited. Any amounts that the Corporation believes it may have to pay on these guarantees have been provided for in the Corporation's consolidated financial statements.

Political Risk

The Corporation currently manages and/or has an equity interest in hotels and resorts in 16 countries, certain of which may from time to time expose the related assets and revenues to political risk.

At present, the only significant identifiable risk that exists relates to the situation in Hong Kong. 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. With the exception of The Regent Hong Kong, all of the management fees from Regent hotels relate to hotels outside Hong Kong.

Dissolution of FRA Properties

In the event that FRA Properties is unwound after 1996, in accordance with the provisions described in note 5 to the consolidated financial statements, the ownership of the hotels contributed to FRA Properties by the Corporation (and that have not been disposed of by such date) would revert to the Corporation. In this event the Corporation would retain its role as manager of the hotels then owned by FRA Properties. For further information relating to FRA Properties, reference should be made to the notes to the consolidated financial statements and to the discussion under "Investment in FRA Properties."

Management's Discussion and Analysis

(continued)

Management Contract Risk

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 insolvency or bankruptcy. In addition, management contracts in respect of certain operating hotels and of hotels under construction or development (i) are subject to certain performance tests which if not met, could allow a contract to be terminated prior to its maturity; (ii) are terminable by the hotel owner upon the occurrence of defined "change of control" events affecting Four Seasons◆Regent; or (iii) are terminable in limited and historic circumstances on sale of the relevant hotel upon the payment of an amount intended to approximate the fair market value of the management contract.

SUMMARY

Four Seasons◆Regent has successfully met its debt reduction targets with the completion of the asset disposition programme. This programme has also accelerated the Corporation's transition to a pure management company with a lower risk profile to industry cyclicality, real estate capital expenditure and debt service funding commitments.

With 90% of Four Seasons◆Regent's 1996 cash flow expected from its Hotel Management Operations, the Corporation is well positioned to have substantial operating cash flow due to the low maintenance and growth capital that is required for the hotel management business.

In the years ahead Four Seasons◆Regent expects to achieve solid growth in net earnings and operating cash flow due to the combination of continued growth in the management business and significantly lower long-term debt and interest costs.

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 its 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, have examined the financial statements in accordance with generally accepted auditing standards.

Isadore Sharp
Chairman and Chief Executive Officer
March 6, 1996

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, 1995 and 1994 and the consolidated statements of operations, cash provided by operations, changes in financial position and 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, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada
March 6, 1996

KPMG Peat Marwick Thorne
Chartered Accountants

Consolidated Statements of Operations

Years ended December 31, 1995 and 1994
(In thousands of dollars except per share amounts)

	1995	1994 (As restated – *note 1(g)*)
Consolidated revenues	**$ 135,587**	$ 128,501
HOTEL MANAGEMENT OPERATIONS		
Fee revenues	**$ 88,460**	$ 79,884
General and administrative expenses	**(36,709)**	(34,000)
	51,751	45,884
HOTEL OWNERSHIP OPERATIONS		
Revenues	**42,430**	43,093
Distributions from hotel investments	**6,036**	6,795
Expenses:		
Cost of sales and expenses	**(32,187)**	(34,464)
Fees to Hotel Management Operations	**(1,339)**	(1,271)
	14,940	14,153
Earnings before other operating items	**66,691**	60,037
Other operating items:		
Investment income	**173**	510
Depreciation and amortization	**(16,883)**	(16,919)
Provision for loss *(note 2(b))*	**(95,000)**	—
Earnings (loss) from operations	**(45,019)**	43,628
Interest expense, net *(note 10(f))*	**(25,669)**	(27,239)
Earnings (loss) before undernoted item and taxes	**(70,688)**	16,389
Costs associated with sale of shares *(note 11)*	**—**	(6,828)
Earnings (loss) before taxes	**(70,688)**	9,561
Income tax expense *(note 12):*		
Current	**(3,393)**	(2,297)
Deferred	**(490)**	(459)
	(3,883)	(2,756)
Net earnings (loss)	**$ (74,571)**	$ 6,805
Earnings (loss) per share	**$ (2.62)**	$ 0.24

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 1995 and 1994
(In thousands of dollars)

	1995	1994
ASSETS		(As restated – *note 1(g)*)
Current assets:		
Cash and cash equivalents	$ 36,767	$ 9,436
Receivables *(note 3)*	21,571	39,182
Inventory	505	814
Prepaid expenses	915	1,440
	59,758	50,872
Long-term receivables *(note 4)*	46,366	28,189
Investments in hotel partnerships *(notes 2 and 5)*	76,191	148,165
Fixed assets *(note 6)*	32,120	68,052
Investment in management contracts *(note 7)*	92,615	110,462
Investment in trademarks and trade names *(note 8)*	60,908	64,238
Other assets *(note 9)*	20,488	21,534
	$ 388,446	$ 491,512
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 60,908	$ 42,205
Long-term debt due within one year	85,888	876
	146,796	43,081
Long-term debt *(note 10)*	181,738	307,721
Deferred income taxes	2,678	3,530
Shareholders' equity *(note 11)*:		
Capital stock	176,418	175,729
Contributed surplus	4,784	4,784
Deficit	(119,102)	(41,401)
Equity adjustment from foreign currency translation	(4,866)	(1,932)
	57,234	137,180
Commitments and contingencies *(notes 5(a), 10(c) and (d) and 13)*		
	$ 388,446	$ 491,512

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Isadore Sharp
Director

Benjamin Swirsky
Director

Consolidated Statements of Cash Provided by Operations

Years ended December 31, 1995 and 1994 *(In thousands of dollars)*	1995	1994
CASH PROVIDED BY (USED IN) OPERATIONS		
HOTEL MANAGEMENT OPERATIONS		
Earnings before other operating items	$ 51,751	$ 45,884
Items not requiring an outlay of funds	681	1,000
Working capital provided by Hotel Management Operations	52,432	46,884
HOTEL OWNERSHIP OPERATIONS		
Earnings before other operating items	14,940	14,153
Items not requiring (providing) an outlay (inflow) of funds	710	(915)
Working capital provided by Hotel Ownership Operations	15,650	13,238
	68,082	60,122
Investment income	173	510
Interest paid, net	(25,576)	(18,829)
Current income tax expense	(3,393)	(2,297)
Change in non-cash working capital	(572)	5,270
Cash provided by operations	$ 38,714	$ 44,776

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended December 31, 1995 and 1994
(In thousands of dollars)

	1995	1994
CASH PROVIDED BY (USED IN):		
Operations	$ 38,714	$ 44,776
Financing:		
Long-term debt, including current portion:		
Issued	418	5,537
Repaid	(34,847)	(71,676)
Issuance of shares *(note 11)*	689	5,919
Costs associated with sale of shares *(note 11)*	—	(6,828)
Other	(164)	234
Cash used in financing	(33,904)	(66,814)
Capital investments:		
Increase in long-term receivables	(33,992)	(11,304)
Decrease in long-term receivables	1,123	905
Disposal of long-term receivables *(note 2(a))*	13,154	—
Hotel investments	(13,773)	(13,557)
Disposal of hotel investments *(note 2(a))*	65,689	51,680
Reduction of Regent purchase price	—	2,500
Purchase of fixed assets	(2,426)	(1,576)
Investment in trademarks, trade names and management contracts	(866)	(701)
Other assets	(2,292)	(5,052)
Cash provided by capital investments	26,617	22,895
Dividends	(3,130)	(3,091)
Increase (decrease) in cash	28,297	(2,234)
Increase (decrease) in cash due to unrealized foreign exchange gain (loss)	(966)	569
Cash and cash equivalents less bank indebtedness, beginning of year	9,436	11,101
Cash and cash equivalents, end of year	$ 36,767	$ 9,436

See accompanying notes to consolidated financial statements.

Consolidated Statements of Deficit

Years ended December 31, 1995 and 1994
(In thousands of dollars)

	1995	1994
Deficit, beginning of year (as restated – *note 1(g)*)	$ (41,401)	$ (45,115)
Net earnings (loss)	(74,571)	6,805
Dividends	(3,130)	(3,091)
Deficit, end of year	$ (119,102)	$ (41,401)

See accompanying notes to consolidated financial statements.

Years ended December 31, 1995 and 1994
(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"), 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, 1995, the Corporation managed 38 hotels and had various hotels under construction or development, of which the Corporation had an equity interest in 13 hotels under management. The Corporation earns management and other related fees under long-term management contracts based generally on a percentage of total revenues and operating profits 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 defined "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 proportionately consolidates its hotel joint venture, The Ritz-Carlton Hotel Chicago (25%). Until its disposition on December 15, 1995, the Corporation also proportionately consolidated its hotel joint venture, Four Seasons Hotel London (50%).

The Corporation also consolidated its wholly-owned hotel, Four Seasons Resort Minaki Lodge, until its disposition on December 30, 1994.

(b) Accounting for investments in hotel partnerships:

The Corporation accounts for its investment in loans and mortgages receivable and the capital of FRA Properties on the cost basis because the percentage ownership and structure does not give the Corporation significant influence over FRA Properties (FRA Properties owns controlling interests in seven hotels managed by the Corporation). The Corporation's ownership interests in these seven hotels, through its investment in FRA Properties, are as follows:

Corporation-contributed hotels:	
The Pierre Hotel New York	19.9%
Four Seasons Hotel Toronto	19.9%
Inn on the Park Toronto*	19.9%
Four Seasons Hotel Vancouver	19.9%
HIC-contributed hotels:	
Four Seasons Hotel Milan	19.9%
The Regent Resort Nadi Bay, Fiji	18%
Four Seasons Hotel New York	14.9%

**The Inn on the Park Toronto was sold in January, 1996 (note 2(a)).*

The Corporation's policy is to recognize revenue on its investment in the capital of FRA Properties when distributions are received from the partnership. Interest revenue is recognized on loans 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 and structure does not give the Corporation significant influence over these investments:

Operating hotels:	
The Regent Hotel Hong Kong	25%
Four Seasons Hotel Washington D.C.	15%
Four Seasons Resort Nevis	15%
Four Seasons Hotel Chicago	7.7%
Four Seasons Olympic Hotel Seattle	3.35%

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 of the Corporation and of foreign operations designated as integrated 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. The resulting gains or losses are included in the determination of net earnings, except for 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.

The resulting exchange gains and losses are deferred and included in 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.

The cost of hotel management contracts acquired as part of the acquisition of Regent represents the present value of the estimated future net cash flows expected to be received over the estimated lives of the contracts.

The cost of trademarks and trade names represents the estimated fair value of the "Regent" trademark and trade name at the date of the Regent acquisition, and the cost of registering the "Four Seasons" and "Regent" trademarks and trade names throughout the world.

(e) Depreciation and amortization of capital assets:

Depreciation of buildings is recorded on a straight-line basis over 40 years.

Depreciation of 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 40-year period.

The costs allocated to the hotel management contracts acquired as part of the Regent acquisition are being amortized on a straight-line basis over the remaining terms of the contracts, which range from 8 to 40 years, with an average of 27 years.

The recoverability of the unamortized cost of trademarks, trade names and hotel management contracts is periodically evaluated to determine whether such costs will be recovered from future operations. The Corporation bases these evaluations upon the projected future fee stream on an undiscounted basis. If the undiscounted fee streams are insufficient to recover the remaining net book value, then the undiscounted fee stream is used as the revised carrying value, and a write-down for the difference is recorded as a charge to amortization expense. Events that cause impairment to individual hotel management contracts, such as termination or sale, result in write-offs as the events occur.

(f) Deferred charges:

The Corporation defers expenditures directly relating to the negotiation, structuring and execution of new hotel contracts. When the hotel is opened, these deferred charges are reclassified to "Investment in management contracts". If the project is abandoned, any deferred charges are written off. The deferred charges associated with new management contracts developed by the Corporation are amortized on a straight-line basis over a 10-year period commencing when the hotel is opened.

(g) Change in accounting policy:

During 1995, the Corporation changed its method of amortizing the cost of hotel management contracts acquired as part of the Regent acquisition from the increasing-charge method to the straight-line method. This change has been applied retroactively in these financial statements, and prior period amounts have been restated.

The impact of this change was to increase the charge for amortization and increase net loss for the year ended December 31, 1995 by $65, to increase the charge for amortization and decrease net earnings for the year ended December 31, 1994 by $1,217, and to increase the deficit as at December 31, 1993 by $2,108.

(h) Cash and cash equivalents:

The Corporation's investments in cash and cash equivalents are highly liquid with maturities of less than 30 days. These investments are typically bank deposits and guaranteed investment certificates with the Corporation's primary banker.

(i) Comparative figures:

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

2. PROVISIONS FOR LOSS ON HOTEL PARTNERSHIPS:

(a) Hotel disposition programme:

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 (Vancouver, Austin, Santa Barbara, and the Inn on the Park Toronto), the Four Seasons Hotel London, Minaki Lodge and the Four Seasons Clift Hotel San Francisco. In connection with the disposition programme, the Corporation recorded a provision for loss of $110 million relating primarily to the hotels contributed to FRA Properties, and a provision for loss of $17 million on certain long-term receivables, including the mortgages held on the Four Seasons Clift Hotel San Francisco. During 1994, the Corporation added its investment in the Four Seasons Hotel Boston to this disposition programme.

During 1994, the Corporation completed the sale of the hotels in Austin, Boston and Minaki, and received cash proceeds (net of commissions and other costs of disposition) of $51,680, which was applied to reduce bank debt.

During 1995, the Corporation completed the sale of the London hotel to Kingdom 5-KR plc, an affiliate of Kingdom Investments Inc., which is a 26% shareholder of the Corporation. In connection with this sale, the Corporation received cash proceeds (net of commissions and other costs of disposition) of $34,687 and a long-term receivable of $26,611 (note 4).

In addition, during 1995, the Corporation completed the sale of the Santa Barbara hotel and received cash proceeds (net of commissions and other costs of disposition) of $4,391, and closed the sale of its investment in the mortgages on the Four Seasons Clift Hotel San Francisco and received cash proceeds (net of commissions and other costs of disposition) of $13,154. On the sale of the Santa Barbara hotel, the Corporation was released from its guarantee of US $6,250 of the principal amount of the mortgage debt, up to US $15,000 as to interest and operating expenses, and certain other guarantees relating to the hotel.

A portion of the cash received in 1995 was applied to reduce long-term debt, and the remainder will be used to redeem a portion of the unsecured debentures which mature in March 1996 (note 10 (a)).

In January 1996, pursuant to an agreement reached in late 1995, the Corporation completed the sale of the Inn on the Park Toronto. All proceeds of this sale were used to reduce the debt related to this hotel, which is guaranteed by the Corporation.

With these dispositions, the hotel disposition programme was ended. The total net proceeds received by the Corporation resulting from these dispositions approximated the proceeds estimated in 1993 in connection with the provisions recorded that year; accordingly, completion of the disposition programme required no further accounting adjustments in 1995.

(b) 1995 provision for loss on hotel partnerships:

Following the completion of the hotel disposition programme in December 1995, the Corporation reviewed the current status and operating results of the three remaining hotels contributed by the Corporation to FRA Properties (Vancouver, Toronto and The Pierre New York, each of which is a leasehold interest). In light of adverse developments with the landlords at each hotel, the Corporation concluded that it was unlikely that it would recover all of its investment in these hotels. The Corporation also reviewed the current status of two hotel projects under development.

Based on this review, the Corporation concluded that it was necessary to record a provision for loss on these hotel investments and related assets of $95 million in order to write these investments and related assets down to their estimated net recoverable value, and to provide for likely losses on debt guarantees and lease commitments relating to these hotels.

3. RECEIVABLES:

	1995	1994
Trade accounts	$ **1,007**	$ 2,404
Receivable from hotel partnerships, affiliates and managed hotels	**14,176**	18,107
Receivable from sale of mortgages *(note 2(a))*	**—**	13,229
Other	**6,388**	5,442
	$ **21,571**	$ 39,182

4. LONG-TERM RECEIVABLES:

	1995	1994
Secured bonds due 2005, interest at 10%, £12,600 (a)	$ **26,611**	$ —
Secured loans:		
Due from directors, officers and employees, non-interest bearing notes and mortgages	**3,817**	3,806
Secured by hotel properties, at rates varying between LIBOR plus 1% and 8%, US $3,494 (1994 – including US $13,125) (b)	**4,771**	20,947
To Tengis *(note 13(c)(ii))*, interest at prime plus 1/2% (1994 – including US $2,968)	**—**	9,606
Unsecured loans:		
To a hotel under development, interest at US prime plus 1% (1994 – US $10,409) (c)	**—**	14,624
To managed hotels at rates varying between nil and prime plus 1%, US $8,196 (1994 – US $7,248) (b) and (d)	**11,167**	10,184
	46,366	59,167
Provisions for doubtful long-term receivables (e)	**—**	(30,978)
	$ **46,366**	$ 28,189

(a) The bonds were received by the Corporation as part of the consideration for the sale of the London hotel (note 2(a)). Principal and interest on the bonds is payable out of the purchaser's 50% portion of the available cash flow from the hotel (as defined in the bond indenture). The bonds are secured by the purchaser's investment in the London hotel. Interest income from the bonds will be accrued to the extent the Corporation believes there is reasonable assurance the interest will be received.

(b) During the year ended December 31, 1995, the Corporation made loans and advances of approximately US $3.3 million (1994 – US $6.2 million) to various managed hotels (excluding FRA Mortgages and Stabilization Loans Receivable, 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 are interest bearing 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.

(c) As at December 31, 1994, the Corporation had outstanding advances of US $10.4 million to the Four Seasons Resort Aviara, a hotel under development, where construction had been suspended pending the arrangement of permanent financing for the project. Interest was not being recognized by the Corporation on these advances.

During 1995, the ownership of the partnership that owns the Aviara resort was restructured, and the Corporation's advances were converted to partnership equity. Accordingly, the Corporation's advances to the Aviara resort have been reclassified to "Investments in hotel partnerships" (note 5).

(d) During 1995 and 1994, the Corporation advanced a total of US $5 million to the owner of The Regent Hotel Jakarta which opened in late 1995. This loan is unsecured, is non-interest bearing, and is convertible into a 5% equity interest in the hotel, subject to regulatory approval. If the loan is not converted into equity of the hotel, the loan is repayable in full on December 14, 2003.

(e) As at December 31, 1995, the Corporation has applied the provisions recorded in prior years by writing off all outstanding advances on which interest is not being received by the Corporation and where there is significant doubt about the ability of the borrower to fully repay the amounts due to the Corporation.

5. INVESTMENTS IN HOTEL PARTNERSHIPS:

	1995	1994
FRA Properties (a):		
FRA Mortgages and Stabilization Loans Receivable	$ 16,500	$ 116,105
Preferred capital	—	78,550
	16,500	194,655
The Regent Hotel Hong Kong (b)	19,644	22,957
Other hotel partnerships	40,047	37,223
	76,191	254,835
Provision for loss *(note 2)*	—	(106,670)
	$ 76,191	$ 148,165

(a) Investment in FRA Properties:

The Corporation and HIC contributed their ownership interest and their leasehold interest in certain hotels to FRA Properties. As consideration for these transfers, the Corporation and HIC received or have the right to receive loans and mortgages receivable from FRA Properties ("FRA Mortgages"), the majority of which are secured by certain of the properties transferred by the Corporation and HIC, respectively, to FRA Properties, and received preferred capital in FRA Properties. In addition, the Corporation owns an indirect 19.9% (HIC – 80.1%) limited partnership interest in FRA Properties and 19.9% (HIC – 80.1%) of the outstanding shares in the General Partner of FRA Properties.

(i) FRA Mortgages and Stabilization Loans Receivable:

FRA Mortgages and Stabilization Loans Receivable (the majority of which are secured by certain of the hotel properties contributed by the Corporation to FRA Properties) are paid out in priority to any distribution to the partners on their capital in the partnership. During 1995 and 1994, interest was not recognized by the Corporation on FRA Mortgages and Stabilization Loans Receivable.

(ii) Preferred capital:

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 Receivable.

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

Until December 31, 1996, each partner will be responsible for the operating cash deficiencies, normal capital refurbishing and major renovation programmes of the hotel properties it has contributed to FRA Properties. Operating cash deficiencies will be advanced as "Stabilization Loans Receivable". In addition, the Corporation committed to complete normal capital refurbishing and major renovation programmes at its contributed hotels by December 31, 1996. As at December 31, 1995, approximately US $8 million remains to be contributed for these programmes by the Corporation to FRA Properties as FRA Mortgages and preferred capital. This commitment may be reduced upon the disposition prior to December 31, 1996 of the hotel properties held for sale by FRA Properties. Failure to complete any such capital programmes could result in the particular property being removed from FRA Properties.

HIC recently notified the Corporation that it considers that the Corporation has not completed a portion of the capital improvement obligations relating to certain of the Corporation's-contributed hotels. Although discussions concerning this issue have been underway for months, HIC has now sent a formal notice claiming, among other things, (i) the right to cause the remaining Corporation's-contributed hotels to be conveyed to the Corporation; and (ii) damages for losses HIC claims it suffered on the sale of the Four Seasons Hotel Austin and the Inn on the Park Toronto. The Corporation has notified HIC that it disagrees with HIC's characterization of the facts and its interpretation of the terms of the relevant agreements, including the partnership agreement, and discussions are under way to settle the dispute without legal or arbitration proceedings.

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.

(iv) Key terms of the partnership agreements:

FRA Properties is governed by partnership agreements dated August 14, 1992, which 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 in 1997 of a prescribed amount not to exceed US $5.6 million, subject to reduction upon the prior disposition of any HIC-contributed hotels.

With respect to the fiscal years ending December 31, 1996 through 2002, HIC has the unilateral right, upon payment to the Corporation of a prescribed amount – US $10 million relating to fiscal 1996 and 1997 and declining to US $5 million relating to fiscal 2001 and 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 2-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.

(b) Investment in The Regent Hotel Hong Kong:

The Corporation has a 25% leasehold interest in The Regent Hotel Hong Kong. The initial term of the leasehold terminates in December 2000 with an option to renew for a further 10 years exercisable by the lessee. The Corporation amortizes the investment in The Regent Hotel Hong Kong on a straight-line basis over the remaining term of the initial leasehold. Amortization expense during the year was $2,639 (1994 – $2,880).

In December 1994, the Corporation received a US $1.8 million payment as an adjustment to the purchase price of Regent. This purchase price adjustment was accounted for as a reduction of the price allocated to the 25% interest in The Regent Hotel Hong Kong.

6. FIXED ASSETS:

		1995		1994
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
Land	$ 4,243	$ —	$ 4,243	$ 4,339
Buildings	22,935	(3,339)	19,596	20,689
Furniture, fixtures and equipment	17,442	(11,524)	5,918	11,045
Leasehold interests and improvements (a)	3,998	(2,383)	1,615	30,604
	$ 48,618	$ (17,246)	31,372	66,677
Operating equipment			748	1,375
			$ 32,120	$ 68,052

(a) Included in the $95 million provision for loss is $24 million for the write-off of leasehold improvements relating to the Four Seasons Hotel Toronto and The Pierre Hotel New York (note 2(b)).

Depreciation and amortization expense for fixed assets was $4,880 (1994 – $5,134).

7. INVESTMENT IN MANAGEMENT CONTRACTS:

	1995	1994
Management contracts, at cost	$ 115,550	$ 127,315
Less accumulated amortization	(22,935)	(16,853)
	$ 92,615	$ 110,462

Amortization expense for management contracts was $6,989 (1994 – $6,855).

8. INVESTMENT IN TRADEMARKS AND TRADE NAMES:

	1995	1994
Trademarks and trade names, at cost	$ 67,509	$ 68,992
Less accumulated amortization	(6,601)	(4,754)
	$ 60,908	$ 64,238

Amortization expense for trademarks and trade names was $1,999 (1994 – $1,735).

9. OTHER ASSETS:

	1995	1994
Bonds and debentures	$ 2,727	$ 2,871
Cash surrender value of life insurance policies (a)	10,574	9,272
Deferred development costs	1,991	3,936
Deferred financing costs	3,461	4,368
Other deferred costs	1,735	1,087
	$ 20,488	$ 21,534

(a) These policies insure the lives of senior executives and are designated to finance pension benefit obligations for these individuals (note 13(b)). These policies are held directly and indirectly by the Corporation.

10. LONG-TERM DEBT:

	1995	1994
Unsecured debentures (a)	**$ 66,503**	$ 100,000
Cross-currency swaps (a)	**18,529**	22,227
Unsecured notes (b)	**156,688**	161,575
Mortgage (c)	**10,219**	10,538
Other long-term liabilities	**15,687**	14,257
	267,626	308,597
Less amounts due within one year	**(85,888)**	(876)
	$ 181,738	$ 307,721

(a) Unsecured debentures:

The unsecured debentures, due on March 25, 1996, were issued for $100,000 at 11.05% on March 25, 1991. Interest is payable semi-annually. During 1995, the Corporation redeemed $33,497 of the unsecured debentures.

The unsecured debentures were converted through two cross-currency interest rate swap agreements (the "swaps") into US $86,994, of which US $43,497 bears interest at 9.37% and US $43,497 bears interest at LIBOR plus 0.986%. As at December 31, 1995, the Corporation owed a net balance of $18,529 (1994 – $22,227) under the swaps, consisting of US $86,994 translated at $1.3625 into $118,529 (1994 – translated at $1.4050 into $122,227), owing to the counterparty to the swaps, less $100,000 due from the counterparty under the swaps.

The swaps have been designated as hedges of the Corporation's investments in U.S. self-sustaining foreign operations and certain US dollar long-term receivables (note 4). The counterparty to these swaps is the Corporation's primary banker, and the swaps present no credit risk to the Corporation as they have a negative fair value (i.e. the amount at which they could be settled) as at December 31, 1995 of $17,740 (1994 – $19,919).

(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) Mortgage:

The mortgage is secured by a fixed charge on The Ritz-Carlton Hotel Chicago. US $7,500 is due in 1997, and bears interest at the lower of LIBOR plus 2% and U.S. prime plus 1%. The Corporation has jointly and severally guaranteed US $3,000 of this proportionately consolidated debt.

(d) Committed bank facility:

The Corporation has a US $100 million committed bank credit facility which matures in March 1998. As at December 31, 1995, no amounts had been borrowed by the Corporation under this credit facility. This bank debt is secured by a charge over virtually all of the Corporation's Canadian assets.

(e) Scheduled long-term debt repayments:

1996	$ 85,888
1997	12,444
1998	898
1999	2,239
2000	157,574
Subsequent to 2000	8,583
	$ 267,626

(f) Interest expense, net:

	1995	1994
Interest on long-term debt	**$ (26,129)**	$ (28,759)
Other interest expense	**(774)**	(671)
Interest income	**1,234**	2,191
Interest expense, net	**$ (25,669)**	$ (27,239)

(g) Restrictive debt covenants:

The bank loan agreement contains certain covenants which require the Corporation to maintain certain financial ratios. In addition, the bank loan agreement and the trust indentures relating to the unsecured debentures and the unsecured notes contain 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 1995. 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:

4,171,924	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 makes an equivalent offer to purchase all outstanding MVS and SVS.
Unlimited	SVS, 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 10 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.

Notes to Consolidated Financial Statements

(continued)

Issued and fully paid:

	MVS		SVS		EPS		
	Shares	Stated Value	Shares	Stated Value	Shares	Stated Value	Total
December 31, 1993	5,562,566	$ 61	22,212,688	$ 168,523	81,723	$ 1,226	$ 169,810
Converted	(1,390,642)	(15)	1,434,420	322	(20,430)	(307)	—
Options exercised for cash	—	—	603,935	5,919	—	—	5,919
December 31, 1994	4,171,924	46	24,251,043	174,764	61,293	919	175,729
Converted	—	—	1,044	7	(488)	(7)	—
Options exercised for cash	—	—	65,596	689	—	—	689
December 31, 1995	**4,171,924**	**$ 46**	**24,317,683**	**$ 175,460**	**60,805**	**$ 912**	**$ 176,418**

At the Special Meeting of Shareholders on December 19, 1989, the shareholders approved a Long-term Incentive Plan whereby the chief executive officer of the Corporation was granted the right to receive a special payment on an arm's length sale of control of the Corporation (the "sale"). The amount of the payment is determined with reference to the sale 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 the weighted average price of board lots traded on The Toronto Stock Exchange in the five trading days preceding 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, 1995, there were options outstanding on 2,499,594 SVS at prices varying between $7.00 and $17.28 per share. During 1995, 409,725 (1994 – 800,000) options were granted to officers and employees at prices ranging from $14.08 to $17.28 per share (1994 – ranging from $11.30 to $14.93 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.

On November 10, 1994, Kingdom Investments Inc. acquired approximately 25% of the outstanding shares of the Corporation by purchasing 1,390,642 MVS, 5,531,784 SVS, 20,430 EPS and options to purchase 602,300 SVS. On the sale to Kingdom Investments Inc., the MVS, EPS and options were converted to SVS. The Corporation incurred expenses of approximately $6,828, primarily for investment banking costs associated with the search for a strategic investor. These costs were expensed in the 1994 consolidated statement of operations. These costs were funded primarily from the proceeds received by the Corporation of $5,919 on the exercise of employee options acquired by Kingdom Investments Inc.

In February 1996, all EPS were converted to SVS at a rate of 2.14286 SVS per EPS.

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

	1995	1994
Earnings (loss) before income taxes	**$ (70,688)**	$ 9,561
Items (not subject to tax) not deductible	**(1,812)**	3,242
Earnings (loss) subject to tax	**$ (72,500)**	$ 12,803
Expected Canadian federal and provincial statutory tax rate	**41.5%**	41.5%
Expected income tax recovery (expense)	**$ 30,087**	$ (5,313)
Reduction in income tax due to lower foreign tax rates	**4,225**	5,387
Provision not tax effected	**(39,425)**	—
Earnings (loss) not tax effected	**1,288**	(2,718)
Other	**(58)**	(112)
Income tax expense	**$ (3,883)**	$ (2,756)

The tax benefits relating to the provision of $95,000 recorded in 1995 and the provision of $127,000 recorded in 1993 were not recognized in these financial statements. Approximately $97,000 of these provisions relate to transactions that have been realized and are available to be applied against future taxable income. The tax treatment of the remainder will not be determined until the underlying assets are disposed. The tax benefits of these provisions will be recorded in the year(s) in which the benefits are 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 2016 (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:

1996	$ 14,750
1997	17,561
1998	18,223
1999	19,217
2000	17,367
Subsequent to 2000	179,493
	$ 266,611

The total lease commitments include the lease commitments relating to the Four Seasons Hotel Berlin which is expected to open in 1996.

In connection with the transfer of the operations and operating assets of the Corporation's hotels in Toronto, Vancouver and The Pierre Hotel New York to FRA Properties, 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. The minimum rental payments relating to the remainder of the initial lease term for these hotels are included in the above lease commitments.

The Corporation has provided a US $5 million letter of credit to support its obligations under the leasehold at The Pierre Hotel New York.

(b) Pension commitments:

The Corporation maintains a multi-employer non-contributory defined benefit pension plan (the "Plan") on behalf of the Corporation and the owners of certain managed hotels. The Plan provides pension benefits for certain senior executives of the Corporation and hotel general managers, based on years and level of service and annual earnings.

Extrapolation of the actuarial valuation of the Plan dated January 1, 1995, based on projections of employees' compensation levels to the date of retirement, indicate an actuarial value of accumulated Plan benefits as at December 31, 1995 of $16,800 for 49 participants, of which the Corporation's share was approximately $10,046 for 27 participants. These benefits are financed by life insurance policies on the lives of each of the participants in the Plan. The Corporation's share of the cash surrender value of the policies as at December 31, 1995 was $10,574 (note 9).

In addition, the Corporation maintains an unfunded, non-contributory deferred compensation plan for the purpose of providing retirement benefits for certain other senior executives and hotel general managers.

(c) Contingencies:

(i) The Corporation is contingently liable for some or all of the obligations of certain of the managed hotels and/or partnerships and joint ventures in which it has a direct interest (note 5). The Corporation has outstanding guarantees and letters of credit totalling US $1.4 million to secure certain of these obligations. 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 Limited ("Tengis"), a company owned by certain shareholders of the Corporation:

(a) notes payable in the aggregate amount of US $5,426 as at December 31, 1995;

(b) guarantees and undertakings given by the Corporation related to certain of the transferred assets aggregating $739 as at December 31, 1995; 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.

As at December 31, 1995, the Corporation has written off all of its advances to Tengis and has fully provided for the liabilities of Tengis guaranteed by the Corporation. During 1995 and 1994, the Corporation did not recognize interest income on these advances.

(iii) In connection with the transfer to FRA Properties of the Inn on the Park Toronto in 1992 (note 5(a)), FRA Properties assumed debt of $16.9 million (of which $15.1 million remained outstanding at December 31, 1995) owed by Tengis to a Canadian chartered bank. On the sale of the Inn on the Park Toronto in January 1996, $2.5 million of the debt was repaid. A guarantee has been provided by the Corporation on the remaining outstanding balance of $12.6 million.

(iv) The Corporation has guaranteed up to US $5,000, plus accrued interest, of the construction loan relating to the Four Seasons Resort Aviara.

(v) The Corporation has guaranteed up to DM7,000, plus accrued interest, of the construction loan relating to the Four Seasons Hotel Berlin. The Corporation holds a 23% interest in the developer and has agreed to lease the hotel from the owner upon completion.

(vi) In 1992, the Corporation received two notices that the owners of two managed hotels consider that the Corporation's acquisition of Regent, which manages a hotel in the same city, has breached the radius restriction in their respective management contract. Discussions with the owners with a view to resolving the issue are still continuing. No further action has been taken by either owner.

(vii) 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.

(viii) The Corporation has guaranteed certain obligations of various directors, officers, and employees in the amount of $1,763.

14. SEGMENTED INFORMATION:

(a) Total consolidated revenues:

	1995			1994		
	Hotel Management revenues	Hotel Ownership revenues	Total consolidated revenues	Hotel Management revenues	Hotel Ownership revenues	Total consolidated revenues
United States	$ 47,061	$ 15,882	$ 62,943	$ 43,882	$ 14,924	$ 58,806
Canada	5,253	—	5,253	5,042	2,998	8,040
United Kingdom and Europe	5,666	26,548	32,214	5,069	25,171	30,240
Asia	24,244	6,036	30,280	20,578	6,795	27,373
South Pacific	6,236	—	6,236	5,313	—	5,313
	88,460	48,466	136,926	79,884	49,888	129,772
Less intersegment revenues	(1,339)	—	(1,339)	(1,271)	—	(1,271)
	$ 87,121	$ 48,466	$ 135,587	$ 78,613	$ 49,888	$ 128,501

(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.

	1995			1994		
	Earnings before other operating items	Other operating items	Earnings (loss) from operations	Earnings (loss) before other operating items	Other operating items	Earnings (loss) from operations
United States	$ 27,909	$ (52,407)	$ (24,498)	$ 26,640	$ (5,279)	$ 21,361
Canada	1,269	(37,934)	(36,665)	(29)	(1,123)	(1,152)
United Kingdom and Europe	11,371	(13,800)	(2,429)	9,750	(2,510)	7,240
Asia	21,712	(6,837)	14,875	19,948	(6,813)	13,135
South Pacific	4,430	(732)	3,698	3,728	(684)	3,044
	$ 66,691	$(111,710)	$ (45,019)	$ 60,037	$ (16,409)	$ 43,628

(c) Total assets:

	1995	1994
United States	$ 140,155	$ 219,212
Canada	78,553	94,942
United Kingdom and Europe	35,706	37,182
Asia	115,399	122,304
South Pacific	18,633	17,872
	$ 388,446	$ 491,512

Years ended December 31 *(Dollar amounts are in millions except per share amounts)*		1995	1994[1]	1993[1]	1992[1]	1991	1990
Summary of Operations							
Revenues under management	$	**1,837.9**	1,698.2	1,351.9	878.7	631.0	666.1
Consolidated revenues	$	**135.6**	128.5	101.1	133.9	166.7	188.2
Hotel Management fee revenues	$	**88.5**	79.9	60.3	42.5	34.9	37.8
Hotel Management operations[2]	$	**51.8**	45.9	27.9	18.6	14.1	15.0
Hotel Ownership revenues	$	**48.5**	49.9	41.9	94.9	137.4	157.2
Hotel Ownership operations[2]	$	**14.9**	14.2	7.2	(6.3)	(5.1)	12.6
Total Operations[2]	$	**66.7**	60.0	35.1	12.3	9.0	27.6
Net interest expense	$	**25.7**	27.2	17.9	8.6	—	1.2
Depreciation and amortization	$	**16.9**	16.9	14.8	13.3	10.8	8.1
Net earnings (loss)	$	**(74.6)**	6.8	(120.8)	7.2	2.8	17.3
Changes in Financial Position							
Cash provided by operations	$	**38.7**	44.8	12.5	5.0	6.3	19.7
Long-term receivables	$	**(32.9)**	(10.4)	(8.1)	(12.3)	(28.1)	1.7
Disposal of long-term receivables	$	**13.2**	—	—	—	—	—
Investments	$	**(14.6)**	(11.8)	(31.4)	(323.8)	(7.9)	(5.4)
Disposals (purchases) of hotels	$	**65.7**	51.7	—	110.5	(26.6)	(9.3)
Capital expenditures	$	**(2.4)**	(1.6)	(1.5)	(14.0)	(21.5)	(19.1)
Dividends	$	**(3.1)**	(3.1)	(3.1)	(2.7)	(2.4)	(2.2)
Balance Sheet							
Debt, net of cash	$	**230.9**	299.2	345.6	290.2	121.3	60.7
Shareholders' equity	$	**57.2**	137.2	124.7	247.2	139.5	112.4
Per Share Data[3]							
Earnings (loss) per share, basic and fully diluted	$	**(2.62)**	0.24	(4.35)	0.30	0.13	0.84
Cash dividend per share	$	**0.11**	0.11	0.11	0.11	0.11	0.11
Other Data[3]							
Market price at year-end	$	**19.00**	16.25	13.00	19.38	17.50	16.00
Common stock outstanding (millions)		**28.5**	28.4	27.8	27.7	22.2	20.1
Market capitalization	$	**541.3**	461.9	361.1	537.6	388.5	321.4
EBITDA[4] coverage of net interest costs		**2.6**	2.2	2.0	1.4	N/A	23.0
Available rooms		**12,100[5]**	12,972	12,556	12,138	7,300	7,400
Employees		**21,500[5]**	21,500	20,050	19,500	11,300	10,700

1 Amounts have been restated. See "Selected Consolidated Financial Information" in the Annual Information Form.

2 Earnings (loss) before other operating items.

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

4 Earnings before other operating items, interest and taxes.

5 Amounts do not include the Inn on the Park in Toronto. The Corporation ceased managing this hotel in January 1996 on the sale of the hotel.

Four Seasons Hotels Inc. was incorporated under the Business Corporations Act of Ontario on January 6, 1978[1]. 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[2]

Four Seasons◆Regent's principal business is the management of luxury urban hotels and resort hotels in major urban centres and resort destinations throughout the world. Four Seasons◆Regent also holds an ownership interest in certain hotels it manages. These ownership interests are generally held through partnerships or by wholly-owned subsidiaries.

Four Seasons◆Regent currently manages 37 urban and resort hotels located in 16 countries containing approximately 12,100 guest rooms. Four Seasons◆Regent owns an equity interest in 12 of the hotels and resorts currently under management. Twelve additional urban and resort hotels are under construction or development in nine countries around the world. (A chart depicting the urban and resort hotels managed by Four Seasons◆Regent is set out on pages 49 through 53).

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 48 years). Hotel management operations tend to generate relatively stable earnings and cash flow. In 1995, Four Seasons◆Regent earned hotel management fee revenues of approximately $88 million, approximately 71% of which were calculated as a percentage of total hotel revenues. Reference is made to "Hotel Management Operations" on page 54.

Hotel ownership earnings are generally derived from cash flow from operations and realization of capital appreciation upon the sale of Four Seasons◆Regent's ownership interest. Four Seasons◆Regent's remaining significant ownership interests are 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[3]. Reference is made to "Hotel Ownership Operations" on page 56.

RECENT DEVELOPMENTS

Asset Disposition Programme

In November 1993, Four Seasons◆Regent announced its intention to sell its real estate interests in seven hotels under its management which included interests in Four Seasons hotels in Austin, Santa Barbara, San Francisco, London and Vancouver, Inn on the Park in Toronto and Minaki Lodge in Kenora, Ontario. Later in 1994, the Corporation's minority interest in the Four Seasons Hotel Boston was added to the programme.

In 1994, the sale of the Corporation's interests in Four Seasons hotels in Austin, Boston and San Francisco and in Minaki Lodge were completed. The sale of the Corporation's interest in the Four Seasons Resort Santa Barbara and the Four Seasons Hotel London were completed in the fall of 1995. In January 1996, the sale of the Inn on the Park in Toronto was concluded. Four Seasons◆Regent continues to manage these hotels (other than Minaki Lodge, the Inn on the Park in Toronto and the Four Seasons Clift Hotel in San Francisco) under long-term management agreements.

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1 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 Preference Shares and Second Preference Shares.

2 Unless the context otherwise requires, in this Annual Information Form, the term "Four Seasons◆Regent" or the "Corporation" 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.

3 See "Recent Developments – FRA Properties Partnership-Update" on page 46.

Provision Against Book Values

The Four Seasons Hotel in Vancouver is the only real estate asset in the disposition programme not sold. Given the general lack of liquidity for leasehold interests, and the onerous landlord consent provisions, it is unlikely that Four Seasons◆Regent will be able to sell the leasehold position of this hotel, the initial term of which expires in January 2000. Discussions are continuing with the landlord in respect of the sale or restructuring of the leasehold interest in the hotel.

Four Seasons◆Regent has also been in discussions with the landlord of The Pierre Hotel in New York to revise the lease structure to, among other things, allocate major capital expenditure requirements more equitably between the parties and to lower the fixed lease payments. These discussions broke down in 1995 but have resumed in 1996.

It was the Corporation's view that the current book values of these two hotels would not be realised if these lease negotiations were not successfully completed, resulting in the extension of these leases beyond their current terms on significantly more favourable conditions. In view of this and the state of the negotiations, Four Seasons◆Regent made a provision against substantially all of the book value of these two assets in December of 1995. The total provision of $95 million also included amounts relating to the Four Seasons Hotel in Toronto as well as certain other non-material real estate investments. For further financial information relating to provisions, see "Provision for Loss on Leasehold Interests" in Management's Discussion and Analysis on page 13.

FRA Properties Partnership – Update

In connection with the acquisition of Regent in 1992, the Corporation formed a group of partnerships ("FRA Properties") with Hotel Investment Corporation ("HIC") to which they each contributed wholly owned or controlling ownership interest in certain hotels. As a result of the disposition of four of these hotels between 1994 and early 1996 (Four Seasons hotels in Austin, Bali and Santa Barbara and Inn on the Park in Toronto), six hotels remain in FRA Properties (Four Seasons hotels in Milan, New York, Toronto and Vancouver, The Pierre in New York and The Regent Resort in Fiji). Virtually all of these hotels are being marketed for sale or restructured by FRA Properties.

Pursuant to the terms of the Amended and Restated Partnership Agreement (the "Partnership Agreement") governing the affairs of FRA Properties, either the Corporation or HIC is entitled to cause FRA Properties to be unwound in 1997 if the other's contributed properties do not, in the aggregate, have positive "net operating profit," as that term is defined in the Partnership Agreement in 1996. It is too early to predict definitively whether FRA Properties could be unwound pursuant to this provision, but if it is then the Corporation's remaining contributed properties, being the leasehold interests in the Four Seasons Hotel Toronto, the Four Seasons Hotel Vancouver and The Pierre Hotel in New York, would be transferred back to the Corporation.

HIC recently notified the Corporation that HIC considers that the Corporation has not completed a portion of the capital improvement obligations relating to certain of the Corporation's contributed hotels. Although discussions concerning this issue have been underway for some time, HIC recently sent a formal notice claiming, among other things, (i) the right to cause the remaining Corporation's contributed hotels to be conveyed to the Corporation; and (ii) damages for losses HIC claims it suffered on the sale of the Four Seasons Hotel Austin and the Inn on the Park in Toronto. Four Seasons◆Regent has notified HIC that the Corporation disagrees with HIC's characterization of the facts and its interpretation of the terms of the relevant agreements, including the Partnership Agreement, and discussions are under way to try to settle the dispute without legal or arbitration proceedings.

Four Seasons Resort and Resort Club, Aviara

During 1995, the partnership which owns the Four Seasons Resort Aviara completed a transaction which will provide the debt and equity financing required to complete the Resort. Construction of the Resort has been stalled since 1991 when a commitment from a Japanese bank to finance the project was withdrawn. The golf clubhouse and 18-hole Arnold Palmer designed golf course were completed in 1992 and have been operated since then by Four Seasons◆Regent to wide public acclaim. The 337-room Resort, scheduled to open in July 1997 will be a welcome addition to Four Seasons◆Regent's international resort portfolio, adding a very attractive southern California year-round location to the group.

Adjacent to the Resort, the partnership has also agreed to construct and develop a 240-unit luxury timeshare development in which Four Seasons◆Regent will license and manage. Four Seasons◆Regent is also investigating the possibility of licensing and managing other residential timeshare developments in connection with its management of luxury resort properties around the world.

BUSINESS STRATEGY

The business strategy of Four Seasons◆Regent is to enhance its position as one of the most successful operators of luxury hotels and resorts in the world through a defined and focused expansion programme which leverages the strength of its core brands in major urban and resort destinations throughout the world. Management of Four Seasons◆Regent believes that demand in the luxury segment of the hotel industry will continue to grow as international trade and tourism expands and global business travellers become increasingly demanding. In addition, Four Seasons◆Regent is also exploring other management opportunities to expand and enhance the scope of its brand names. These include hotel-serviced residential real estate developments, as well as luxury timeshare opportunities linked to Four Seasons◆Regent hotels.

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 management opportunities (rather than 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, represented a significant step by Four Seasons◆Regent in the development of its current 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 a great deal of the world's travel growth will occur during the current decade. The acquisition of the related management agreements substantially increased Four Seasons◆Regent's stable base of management fee revenues and improved its profit margins, as the synergies and cost efficiencies associated with combining the two organizations have been achieved.

Approximately 78% of Four Seasons◆Regent's earnings before other operating items, interest and taxes were derived from hotel management activities in 1995 (76% in 1994). As a result of the completion of the asset disposition programme earlier this year (see "Recent Developments" on pages 45 and 46), the percentage of future earnings of Four Seasons◆Regent derived from hotel management operations is expected to increase further.

Having established a network of luxury hotels in most of the world's key financial centres, future expansion will occur primarily 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 growth in the hotel management business will focus on China, the Middle East, Southeast Asia, South America and Europe.

Over the longer term, Four Seasons◆Regent plans to increase the number of resorts it manages in order to serve the travel needs of its existing customer base, which will further reduce the seasonality of its cash flows.

In selected situations, 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, provide an appropriate rate of return to the Corporation and are required to secure the management contract.

MARKETING STRATEGY AND MARKET POSITION

The overall marketing strategy of Four Seasons◆Regent is to serve the luxury segment of the hotel market for business (including group and conference business) and leisure and 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 37 hotels) provide referrals for all Four Seasons and Regent properties throughout the world. Larger sales forces in Tokyo, London and New York, the addition of sales offices in Sydney, Frankfurt, Singapore and Hong Kong, and expanded coverage in the world's major travel markets are direct benefits of the integrated organization.

Four Seasons◆Regent's 29 existing urban hotels and the six 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, as well as six resorts under construction or development, are intended in part to provide a vacation alternative to business travellers who constitute a substantial portion of Four Seasons' and Regent's customer base at urban hotels.

As a further means of more effectively securing global business, Four Seasons◆Regent continually reviews and, when required, upgrades its international reservations network. This system provides reservation services in the local language in major European and Asian cities, in a total of 26 markets worldwide. Separate toll-free reservations telephone numbers are designed to preserve and enhance the individual Four Seasons and Regent brand identities. At the same time, 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.

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(continued)

Airline reservation systems are another key part of Four Seasons◆Regent's global distribution network. An integrated reservations network links Four Seasons◆Regent's worldwide reservations and sales offices with airline booking systems worldwide. This enhances service to travel agents and corporate callers around the world by giving them timely access to Four Seasons◆Regent's electronically updated hotel inventory and room rates.

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

Eleven Four Seasons hotels and six Regent hotels were ranked among the world's top 100 hotels in a survey of international financiers published in the October 1995 issue of Institutional Investor. The Regent Hong Kong was ranked fifth among the top 20 hotels in the "Asia-Pacific" regional ranking along with four other Regent hotels. Ten Four Seasons hotels and one Regent hotel were included in the top 26 hotels in the "Americas" regional ranking, while the Four Seasons Hotel London was ranked third in the "Europe" listing.

AAA Five Diamond Awards

In 1996 and for the fifteenth consecutive year, Four Seasons topped the list of hotels receiving the American Automobile Association Five Diamond Award for lodging excellence, an award based upon superiority of guest facilities, services and atmosphere. Four Seasons properties received 14 of the 48 lodgings awards. The Four Seasons Hotel Vancouver has received the American Automobile Association Five Diamond Award every year since the awards began in 1977.

In addition, in 1996, four Four Seasons restaurants received the prestigious Five Diamond Award for Restaurants, including Truffles Restaurant at the Four Seasons Hotel Toronto (the only restaurant in eastern Canada to be so honoured).

Mobil Five-Star Awards

Two Four Seasons hotels were among the 23 hotels and resorts to receive 1996 Mobil Five-Star Awards. The Four Seasons Hotel New York and the Four Seasons Hotel Seattle were the recipients of these prestigious awards.

Condé Nast Traveler's Readers' Choice Awards

Twelve Four Seasons and two Regent properties ranked among the world's top 100 list in the Condé Nast Traveler's 1995 Readers' Choice Awards. Four Seasons Resort Nevis has been chosen as the best property in the world (rated number one in the top 100 list) only four years after opening as Four Seasons◆Regent's first Caribbean resort. The property also captured the number one position on the list of the top 50 tropical resorts. Other high-ranking properties in different categories included The Ritz-Carlton Hotel Chicago (a Four Seasons' managed hotel) which ranked third among the top 25 in the United States, and The Regent Hong Kong which was rated number one among the best 25 foreign hotels.

Andrew Harper's Hideaway Report

The Regent Hong Kong topped the list of foreign city hotels in Andrew Harper's Hideaway Report's 14th Annual Executive Poll. The Four Seasons Hotel in Chicago was ranked second in the "Top 20 U.S. Hotels" list. Additionally, Four Seasons properties in New York and Beverly Hills were singled out in the "Rising Stars" category.

Tatler Travel Guide

Four Seasons◆Regent Hotels and Resorts was named the world's best hotel group by this prestigious travel guide. Five individual properties were also recognized in specific categories: Four Seasons Resort Bali was named among the world's ten best spa hotels; Four Seasons Hotel Milan was included in the list of outstanding hotels in the world's great cities; The Pierre in New York was recognized for its recent restoration; the Four Seasons Hotel New York was named one of the five best new hotels; and The Regent Resort Chiang Mai was honoured on the list of hotels with the best overall guest offerings.

DESCRIPTION OF HOTELS AND RESORTS

Four Seasons◆Regent presently manages 37[1][2] hotels and resorts and has equity interests in 12 of these hotels and resorts. The properties and interests are described in the following table:

Four Seasons Hotels and Resorts

Hotel and Location	Number of Rooms	Date of Opening/ Major Renovations	Equity Interest	Title	Other Managed Facilities
Four Seasons Hotel Austin, Texas	292	1986	—	—	
Four Seasons Resort Bali, Indonesia	147	1993	—	—	Tennis club and spa[3]
Four Seasons Hotel Boston, Massachusetts	288	1985/1992	—	—	95 condominium apartments[3]
The Ritz-Carlton Hotel Chicago, Illinois	430	1975/1991	25%[4]	Freehold	Carlton Club[3][5] 20 residential apartments[3][5]
Four Seasons Hotel Chicago, Illinois	343	1989	7.7%[6]	Leasehold, initial expiry 2024, options to extend to 2104[7]	15 residential apartments[3][5]
Four Seasons Resort and Club Dallas, Texas	357	1979/1986/ 1991/1994	—	—	176,000 sq.ft. sports club[3] Racquet and fitness facilities[3] Two 18-hole golf courses[3] 12,000 sq.ft. spa[3]
Four Seasons Hotel Houston, Texas	399	1982/1992	—	—	115 residential apartments[3]
Four Seasons Hotel London, England	227	1970/1991	[8]	—	
Four Seasons Hotel Los Angeles, California[9]	285	1987	—	—	
Four Seasons Hotel Mexico City, Mexico	239	1994	—	—	
Four Seasons Hotel Milan, Italy	98	1993	19.9%[10][11]	Freehold	
Four Seasons Resort Nevis, West Indies	196	1991	15%[12]	Freehold	18-hole Robert Trent Jones II designed golf course[3][5] Residential development[3][5]
Four Seasons Hotel Newport Beach, California	285	1986/1994	—	—	
Four Seasons Hotel New York, New York	367	1993	14.9%[11]	Freehold	5,000 sq.ft. fitness centre[3][5]

See accompanying notes on page 53.

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(continued)

Four Seasons Hotels and Resorts *(continued)*

Hotel and Location	Number of Rooms	Date of Opening/ Major Renovations	Equity Interest	Title	Other Managed Facilities
The Pierre New York, New York	202[13]	1929/1981/1991	19.9%[10][14]	Leasehold, expiring January 2002, options to extend to January 2032[7][14]	99 cooperative apartments[3]
Four Seasons Resort Palm Beach, Florida	210	1989	—	—	6,000 sq.ft. spa and fitness facility[3] 3 tennis courts[3]
Four Seasons Hotel Philadelphia, Pennsylvania	371	1983/1993	—	—	11,585 sq.ft. of function space[3] Garage[3]
Four Seasons Biltmore Resort Santa Barbara, California	234	1929/1988	[15]	—	Coral Casino Beach & Cabana Club[3]
Four Seasons Olympic Hotel Seattle, Washington	450	1924/1982/1992	3.4%[16]	Leasehold, expiring 2040	5,644 sq.ft. of leasable office space[3][5] 30,403 sq.ft. of leasable retail space[3][5] Garage[5]
Four Seasons Hotel Singapore	257	1994	—	—	28,000 sq.ft. sports facility[3] (including 2 indoor and 2 outdoor tennis courts)
Four Seasons Hotel Tokyo, Japan	283	1992	—	—	13,440 sq.ft. fitness facility[3]
Four Seasons Hotel Toronto, Ontario	380	1974/1978/1984/1992	19.9%[17]	Leasehold, initial expiry 2027, options to extend to 2077[7]	7,400 sq.ft. of leasable retail space[5]
Four Seasons Hotel Vancouver, British Columbia	385	1976/1990	19.9%[18]	Leasehold, initial expiry 2000, options to extend to 2035[18]	
Four Seasons Resort Wailea, Maui, Hawaii	380	1990	—	—	
Four Seasons Hotel Washington, DC	196	1979	15%[19]	Freehold	77,588 sq.ft. of leasable office space[5] 9,690 sq.ft. of leasable retail space[5] 6,000 sq.ft. health club[5]

See accompanying notes on page 53.

Regent International Hotels

Hotel and Location	Number of Rooms	Date of Opening/ Major Renovations	Equity Interest	Title	Other Managed Facilities
The Regent Hotel Auckland, New Zealand[2]	332	1985/1993-1995	—	—	Health club[3]
The Regent Hotel Bangkok, Thailand	400	1983/1994	—	—	Health club[3]
The Regent Beverly Wilshire Hotel Beverly Hills, California	295	1927/1990	—	—	
The Regent Resort Chiang Mai, Thailand	67	1995	—	—	4,534 sq.ft. health club and pool[3] Two outdoor tennis courts[3]
The Regent Hong Kong	602	1980/1989/1993	25%[12]	Leasehold, initial expiry 2000 option to extend to 2010[20]	Health club[3] [5]
The Regent Hotel Jakarta, Indonesia	384	1995	[21]	Freehold	8,400 sq.ft. health club including two outdoor lighted tennis courts[3] [5]
The Regent Hotel Kuala Lumpur, Malaysia	469	1989	—	—	Health club[3]
The Regent Hotel Melbourne, Australia[2]	363	1981/1986	—	—	Health club[3]
The Regent Resort Nadi Bay, Fiji	294	1975/1992-1993	18%[10] [11]	Freehold	
The Regent Hotel Singapore[22]	441	1982/1991	—	—	Health club[3]
The Regent Hotel Sydney, Australia	594	1982/1990	—	—	Health club[3]
The Regent Hotel Taipei, Taiwan[23]	553	1990	—	—	Health club[3]

See accompanying notes on page 53.

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(continued)

Four Seasons◆Regent presently has 12[24] hotels and resorts under construction or development and is expected to have equity interests in or make advances to 7 of these hotels and resorts. The properties and interests are described in the following table:

Hotel and Location	Number of Rooms	Date of Opening/ Major Renovations	Equity Interest	Title	Other Managed Facilities
Under Construction [25]					
Four Seasons Hotel Berlin, Germany[26]	204	1996	23%[27]	Freehold	
Four Seasons Hotel Caracas, Venezuela	220	1997	[28]	—	116 residential apartments[5]
Four Seasons Resort Hualalai, Kona, Hawaii	250	1996	—	—	
Four Seasons Hotel Istanbul, Turkey	65	1996	—	—	
Four Seasons Resort and Club Bukit Sentul Highlands, Indonesia	170	[29]	—	—	
Four Seasons Resort Ubud, Bali, Indonesia	46	1997	—	—	
Under Development [25]					
Four Seasons Resort Aviara Carlsbad, California[30]	337	1997	15%[16]	Freehold	6 tennis courts[3][5] 18-hole Arnold Palmer designed golf course[3][5] 5,000 sq.ft. spa and fitness centre[3][5] 240 timeshare units[3][5]
Four Seasons Hotel Cairo, Egypt	105	1997	[31]	—	
Four Seasons Resort Scottsdale, Arizona	170	1998	[31]	Freehold	
Four Seasons Hotel Prague, The Czech Republic	174	1998	[31]	Leasehold	
Four Seasons Resort Punta Mita, Mexico	100	[32]	[32]	—	
Four Seasons Hotel Riyadh, Saudi Arabia	231	1998	—	—	

See accompanying notes on page 53.

Notes:

(1) During 1995, Four Seasons◆Regent ceased to manage The Regent Hotel London and the Four Seasons Clift Hotel San Francisco which were sold during that year. Since December 31, 1995, Four Seasons◆Regent ceased to manage the Inn On the Park in Toronto which was sold on January 22, 1996.

(2) Management of the Regent hotels in Auckland and Melbourne is expected to cease during the second quarter of 1996.

(3) Four Seasons◆Regent receives or will receive fee income for the management of these facilities.

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

(5) Four Seasons◆Regent has an equity interest in these facilities.

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

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

(8) The Corporation's 50% interest in the Four Seasons Hotel London was sold in December 1995.

(9) In September 1992, Four Seasons◆Regent received notice that the owner of the hotel considers 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. No further action has been taken by the owner. Discussions with the owner with a view to resolving this issue are continuing.

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

(11) FRA Properties is or will be marketing this hotel for sale.

(12) Structure and form of participation: Corporate Joint Venture.

(13) Includes 30 cooperative suites leased from individual owners and operated as hotel rooms.

(14) If FRA Properties is unwound then the Corporation will hold a 100% interest in the leasehold interest in this hotel. Unless the lease is restructured it will not be extended past its initial expiry in January 2002. (See "Recent Developments – FRA Properties Partnership — Update" on page 46).

(15) The Corporation's interest in Four Seasons Resort Santa Barbara was sold in November 1995.

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

(17) If FRA Properties is unwound, then the Corporation will hold a 100% interest in the leasehold of this hotel. (See "Recent Developments — FRA Properties Partnership — Update" on page 46).

(18) If FRA Properties is unwound, then the Corporation will hold a 100% interest in the leasehold of this hotel. Unless the lease is restructured, it will not be extended past its initial expiry in January 2000. (See "Recent Developments – FRA Properties Partnership — Update" on page 46).

(19) 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.

(20) The 75% shareholder in the lessee is a company controlled by the landlord. While the Corporation does not control the lease extension right, it intends to take whatever action may be necessary to protect its minority and management contract interest.

(21) The Corporation's advance of US $5 million is convertible into a 5% equity interest in the hotel, subject to regulatory approval.

(22) In 1992, the owner of the hotel 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. Four Seasons, Regent and the owner are in discussions to resolve the issue between them.

(23) The agreement and fee income relating to this hotel expires at the end of 2000.

(24) In 1994, the Corporation entered into a Memorandum of Understanding ("MOU") with Hotel Leelaventure of India for the management of hotels in Bombay and Goa, as well as other opportunities in India. The Corporation is currently in discussion with Hotel Leelaventure to resolve certain outstanding issues raised by Hotel Leelventure in connection with MOU in order to proceed to definite documentation for these projects.

(25) 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.

(26) 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 (See also note 27 and "Hotel Ownership Earnings Before Other Operating Items" in Management's Discussion and Analysis on page 12).

(27) 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 operations during the first ten years of the lease (See also note 26 and "Hotel Ownership Earnings Before Other Operating Items" in Management's Discussion and Analysis on page 12).

(28) In lieu of equity, the Corporation has agreed, if requested by the owner, to advance up to US $5 million in financing for the completion of the Hotel. This loan would be interest bearing and be secured as a second charge on the hotel.

(29) This project has been indefinitely delayed pending arrangement of completion of financing.

(30) Construction of this project is scheduled to resume in the second quarter of 1996.

(31) Details of equity interest and management contract terms have not yet been finalized. Completion and timing of the project are subject to obtaining all necessary zoning approval and finalization of financing.

(32) This project has been indefinitely delayed pending arrangement of financing. Four Seasons◆Regent's investment in the project will be up to 20% of the equity required.

HOTEL MANAGEMENT OPERATIONS

Management Responsibilities

Four Seasons◆Regent provides hotel management services to 29 urban hotels and eight resort hotels. Two of these hotels are located in Canada, 17 in the United States, 13 in Australasia[4], two in Europe and one in each of the Caribbean, Mexico and the South Pacific. A number of hotels and resorts are currently under construction and development throughout the world. Reference is made to "Description of Hotels and Resorts" on pages 49 through 53.

Four Seasons◆Regent assumes responsibility for all aspects of the day-to-day management of each of the hotels[5], 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 the 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 for developing the 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 acquisition of Regent in 1992, 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 hotels' 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 all of 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. The Corporation 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 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

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4 Management of The Regent Auckland and The Regent Melbourne is expected to cease during the second quarter of 1996, due to their sale.

5 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.

provide that consumables, operating supplies and furniture, fixtures and equipment generally 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 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 65% of the total consolidated revenues generated by Four Seasons◆Regent in 1995 (approximately 62% in 1994). Of the fee revenues generated by Four Seasons◆Regent in 1995, 42% were attributable to hotels in which Four Seasons◆Regent owned an equity interest (other than hotels accounted for on a consolidated basis) and 53% were attributable to unrelated hotels (49% and 46%, respectively, in 1994). Two groups of hotels owned or controlled by one owner (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 38% of total consolidated revenues.

Of management revenues from all sources, only North America as a geographic segment contributed in excess of 40% of all management revenues, being 60% in 1995 (62% in 1994).

Hotel management contracts for Four Seasons and Regent hotels have average remaining terms, including all renewal options, exercisable by Four Seasons◆Regent of approximately 48 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 insolvency or bankruptcy. In addition, most of the management contracts in respect of operating hotels and 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 often 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. A small number of the management contracts are also terminable on the sale of the relevant hotel upon payment of an amount intended to approximate fair market value of the contract.

Four Seasons◆Regent generally negotiates non-disturbance arrangements with third-party hotel owners and 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, however, 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 hotel, and Four Seasons◆Regent is entitled to the protection by such insurance. Four Seasons◆Regent is also 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 and certain senior management personnel.

Hotel Employees

At March 20, 1996, there were approximately 21,500 employees located at the 37 hotels managed by Four Seasons◆Regent.

All costs relating to hotel employees are borne by the respective hotels. In its various worldwide sales offices, reservations offices and the corporate offices, Four Seasons◆Regent directly employs approximately 250 people.

Hotel management and corporate staff share responsibility for the selection and training of hotel employees and for ensuring, through progressive career development, an adequate supply of mobile, qualified and experienced staff to match the growth of Four Seasons◆Regent's operations internationally. In order to consistently meet the high expectations of Four Seasons◆Regent's clientele, management must maintain employee communication, motivation and morale at exceptionally high levels. A great deal of effort has been devoted to developing customized training programmes and approaches, whether dealing with the finer points of food and beverage service or with the best approaches to performance appraisal and other complex management skills. As a result of sustained emphasis on training and development, Four Seasons◆Regent has achieved a consistency of staff attitude and service standards which is regularly commented on and commended by customers and independent industry experts.

Seventeen of the 37 hotels under management are covered by collective bargaining agreements. In many cases, these agreements are negotiated in conjunction with groups of other hotel employees in major business centres. In 1996, the collective bargaining agreement covering approximately 450 employees at the Four Seasons Hotel Toronto is subject to renegotiation and the risk of labour disruption.

Funding of Managed Hotels

Under the terms of the management contract, the owner is generally responsible for funding the operational and capital requirements of the hotel. In certain circumstances, Four Seasons◆Regent provides loans to the owners primarily to offset short-term operating shortfalls in certain stages of a hotel's operation. 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 have been made to assist owners with major refurbishing programmes either to bring a hotel into conformity with, or to maintain a hotel at, a luxury standard. 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 "Investing Activities" in Management's Discussion and Analysis on page 16 and 17).

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 may generally allow its interest 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. Of ownership revenues from all sources only the United Kingdom as a geographic segment, contributed in excess of 40% of all ownership revenues, being 55% in 1995, (50% in 1994).

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 12 of the hotels that it manages. Four Seasons◆Regent's significant ownership interests are: 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. Reference is made to "Recent Developments – FRA Properties Partnership – Update" on page 46 and to "Advances to Managed and Owned Hotels" and to" Operating Risk" in Management's Discussion and Analysis on pages 16 and 22 respectively.

It is anticipated that Four Seasons◆Regent will have a minority interest in seven of the 12 hotels and resorts under construction or development. Reference is made to "Description of Hotels and Resorts" on pages 49 through 53.

RISKS ASSOCIATED WITH FOREIGN OPERATIONS

Over the next three to five years, Four Seasons◆Regent plans to open a number of additional properties, further increasing its international presence. Such a global presence involves certain operational risk as a result of the different economic, social and political systems involved. 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 risk is in US dollars, as more than half of its revenues, assets and debt are US dollar denominated or pegged to the US dollar. In 1995 and 1994 56% of Four Seasons◆Regent's consolidated revenues were 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 flow for reinvestment in US dollar assets and to service its US dollar debt requirements and other obligations.

Four Seasons◆Regent also earned 21% of its consolidated revenues in pounds sterling in 1995 and 1994.

In addition, in 1996 Four Seasons◆Regent expects to earn fee revenues in twelve other foreign currencies (other than those pegged to the US dollar). The fee revenues earned in each such currency do not exceed, in each instance, 4% 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 by utilizing financial hedging instruments when necessary. In certain hotels, the foreign currency risks are further mitigated by pricing room rates in US dollars.

THE ENVIRONMENT AND REGULATORY MATTERS

Four Seasons◆Regent attempts to anticipate and respond to relevant environmental concerns. For example, Four Seasons has had a successful energy conservation policy in operation for the past 14 years, which has resulted in significant environmental and financial savings. It is not anticipated that environmental protection requirements will have a material effect on capital expenditures, earnings or the competitive position of Four Seasons◆Regent in future years.

In addition, Four Seasons◆Regent has made a thorough assessment of its U.S. hotels 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 to upgrade 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 service marks. Much time and effort are spent each year on surveillance, registration and protection of Four Seasons◆Regent's trade names, trademarks and service marks 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 varies 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 expand outside Asia.

SELECTED CONSOLIDATED FINANCIAL INFORMATION[6]

Six-Year Summary

(Dollar amounts are in millions, except per share amounts)	**1995**	1994[7]	1993[7]	1992[7]	1991	1990
Consolidated Revenues	$ **135.6**	128.5	101.1	133.9	166.7	188.2
Hotel Management Revenues	$ **88.5**	79.9	60.3	42.5	34.9	37.8
Hotel Ownership Revenues	$ **48.5**	49.9	41.9	94.9	137.4	157.2
Hotel Management Earnings Before Other Operating Items	$ **51.8**	45.9	27.9	18.6	14.1	15.0
Net Earnings (Loss):						
Total	$ **(74.6)**	6.8	(120.8)	7.2	2.8	17.3
Fully-Diluted and Basic Per Share*	$ **(2.62)**	0.24	(4.35)	0.30	0.13	0.84
Total Assets	$ **388.4**	491.5	520.8	603.1	337.6	241.9
Long-Term Debt, excluding current portion	$ **181.7**	307.7	352.9	292.0	112.5	39.2
Shareholders' Equity	$ **57.2**	137.2	124.7	247.2	139.5	112.4
Cash Dividends Per Share	$ **0.11**	0.11	0.11	0.11	0.11	0.11

* 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		3rd Quarter		2nd Quarter		1st Quarter	
	1995	1994	**1995**	1994	**1995**	1994	**1995**	1994
Consolidated Revenues	$ **38,867**	38,171	**31,900**	32,347	**33,840**	32,314	**30,980**	25,669
Earnings (Loss) Before Other Operating Items[8]								
Hotel Management	$ **15,756**	14,948	**11,401**	10,522	**12,584**	11,187	**12,010**	9,227
Hotel Ownership	$ **4,820**	4,130	**3,390**	3,973	**4,429**	3,442	**2,301**	2,608
Net Earnings (Loss)[7]:								
Total	$ **(86,226)**	353	**3,511**	2,862	**5,548**	2,593	**2,596**	997
Fully-Diluted and Basic Per Share	$ **(3.03)**	0.01	**0.12**	0.10	**0.20**	0.09	**0.09**	0.04

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.

6 Reference is made to Management's Discussion and Analysis on page 7 for a discussion of the factors affecting the comparability of the 1995 and 1994 disclosure provided in the Six-Year Summary table.

7 Due to the retroactive change in accounting policy described in note 1(g) to the consolidated financial statements, net earnings decreased by $1.2 million for 1994, net loss increased by $1.6 million for 1993, and net earnings decreased by $500,000 for 1992.

8 Both 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 expected openings of additional resorts 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 in its cash flow.

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 *Schomberg, Ontario*	Director	Retired executive
Frederick Eisen *Toronto, Ontario*	Director	President and Chief Executive Officer, The Eisen Corporation
H. Roger Garland *Toronto, Ontario*	Vice Chairman and Director	Vice Chairman Four Seasons Hotels Limited
Mustafa Al-Hejailan *Riyadh, Saudi Arabia*	Director	Managing Director International Kingdom Establishment
Charles S. Henry(1)(2)(3) *New York, New York*	Director	President Hotel Capital Advisers, Inc.
Murray B. Koffler(1)(2)(3) *Toronto, Ontario*	Director	Partner, The Koffler Group
J. Robert S. Prichard(3) *Toronto, Ontario*	Director	President, University of Toronto
John B. Richards *Toronto, Ontario*	Executive Vice President	Executive Vice President Four Seasons Hotels Limited
Lionel H. Schipper(1)(2)(3) *Toronto, Ontario*	Director	President, Schipper Enterprises Inc.
Isadore Sharp(2) *Toronto, Ontario*	Chairman, Chief Executive Officer and Director	Chairman and Chief Executive Officer, Four Seasons Hotels Limited
Max Sharp *Toronto, Ontario*	Director	Retired executive
John L. Sharpe *Toronto, Ontario*	President, Chief Operating Officer and Director	President and Chief Operating Officer Four Seasons Hotels Limited
Benjamin Swirsky(1)(2)(3) *Toronto, Ontario*	Director	President and Chief Executive Officer, Slater Industries Inc.
Shuichiro Tamaki, *Tokyo, Japan*	Director	Advisor, Jowa Corporation
Christopher Wallis *Toronto, Ontario*	Executive Vice President and Director	Executive 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, Corporate Planning & Development	Senior Vice President, Corporate Planning & Development, 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 a Compensation and Organization Committee and a Corporate Governance Committee.

(1) Audit Committee

(2) Compensation and Organization Committee

(3) Corporate Governance Committee

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(continued)

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. Mustafa Al-Hejailan and Charles S. Henry were appointed to the Board of Directors on November 11, 1994. J. Robert S. Prichard was appointed to the Board of Directors on March 6, 1996.

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; H. Roger Garland who was Executive Vice President prior to April 1995; Mustafa Al-Hejailan who was Advisor of the United Saudi Commercial Bank prior to 1995; Charles Henry who was Director, Real Estate Finance, with CS First Boston prior to July 1994; John Sharpe who was Executive Vice President prior to April 1995; Benjamin Swirsky who was Vice-Chairman of Bramalea Limited prior to April 1993; Shuichiro Tamaki who was Advisor of the Industrial Bank of Japan prior to August 1994 and Managing Director of the Industrial Bank of Japan prior to June 1992; Christopher Wallis who was Senior Vice President, Design and Construction prior to April 1995; Craig O. Reith who was Director, Corporate Finance and Assistant Treasurer prior to December 1993 and Director, Corporate Finance prior to January 1992; John B. Richards who was Senior Vice President, Marketing prior to April 1995; and Kathleen Taylor who was Senior Vice President, General Counsel and Secretary prior to November 1995, Vice President and General Counsel prior to December 1993 and Corporate Counsel prior to January 1992.

As at March 20, 1996, the directors and senior officers of Four Seasons Hotels Inc., 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	1,158,194	4.7%
Multiple Voting Shares	4,171,924	100%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to Management's Discussion and Analysis beginning on page 7 of Four Seasons Hotels Inc.'s 1995 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, Toronto, 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 this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this 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 auditors 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 most recent 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, principal holders of securities of Four Seasons Hotels Inc. and options to purchase securities is contained in Four Seasons Hotels Inc.'s Management Information Circular prepared for the most recent Annual Meeting of Shareholders. Additional financial information, including consolidated comparative audited financial statements for the years ended December 31, 1995 and 1994 is provided in Four Seasons◆Regent's 1995 Annual Report. A copy of such documents may be obtained upon request from the Secretary of Four Seasons Hotels Inc.

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(continued)

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) The management of Four Seasons hotels in North America and the Four Seasons Hotel London is generally carried out by Four Seasons Hotels Limited.

(B) Direct.

(C) Indirect.

(D) 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.

(E) The management of Regent hotels is generally carried out by Regent International Hotels Limited.

Corporate Governance

General

On December 20, 1994, The Toronto Stock Exchange Committee on Corporate Governance in Canada issued a series of guidelines for effective corporate governance (the "Guidelines"). As a result, the by-laws of The Toronto Stock Exchange and of The Montreal Exchange have been amended to require disclosure on an annual basis of the approach to corporate governance by companies listed on such exchanges. The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members.

The Board of Directors

The Board of Directors of the Corporation (the "Board") acknowledges its statutory mandate to supervise the management of the business and affairs of the Corporation. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Corporation, explicitly assumes responsibility for the following:

(i) reviewing and approving the strategic planning and business objectives that are submitted by management and working with management in the implementation of the strategic plan;

(ii) the identification of the principal business risks for the Corporation and the implementation and monitoring of appropriate risk management systems with the Audit Committee assisting the Board in the monitoring of the risks and reporting on these matters regularly to the Board;

(iii) ensuring internal control and management information systems for the Corporation are in place and are evaluated as part of the internal auditing process and the external auditing process, and that they are also reviewed periodically by the Audit Committee, with the Audit Committee assessing the effectiveness of the internal control and management information systems through meetings held with the external auditors, as appropriate, and senior management and a review of reports prepared by senior management;

(iv) assessing the performance of the Corporation's executive officers, including the establishment of appropriate systems for succession planning and the determination of compensation levels of such executive officers based on the recommendations of the Compensation and Organization Committee; and

(v) ensuring that the Corporation has in place a communications policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The Board is scheduled to meet five times a year and meets more frequently if required. During the 1995 fiscal year, the Board held ten meetings.

The Guidelines suggest that every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. The Guidelines suggest that the chairman of the board of directors should not be a member of management or alternatively that the board adopt equivalent procedures such as assigning the responsibility of ensuring that the board discharges its responsibility to a lead director or committee of the board. In this respect, the Corporation has adopted alternative structures to allow for the independence of the Board from Management, including non-management members of the Board meeting periodically as a group, the Board initiating discussions with senior management without the Chief Executive Officer present so that they may voice their concerns, and by the continuous monitoring of the relationship between the Board and management by the Corporate Governance Committee.

Another of the Guidelines recommend that the Board of Directors and the Chief Executive Officer should develop position descriptions for the Board and for the Chief Executive Officer that define the limits of management's responsibilities. In this regard, the Corporation has taken a different approach. The Board has adopted a job description and statement of functions for the Chief Executive Officer which delegates to him the day to day responsibility for directing the Corporation and for meeting the corporate objectives approved by the Board. The Chief Executive Officer reports formally to the Board, as well as informally through discussions with one or more members of the Board to advise the Board on courses of action that have been taken. The Board exercises its responsibility for oversight through the approval of all significant decisions and initiatives. The Board is satisfied that the Chief Executive Officer has reported and sought the consent of the Board where necessary and appropriate.

Board Composition

The Guidelines require careful consideration of the size, composition and relative independence of corporate boards. According to the Guidelines, an "unrelated" director is a director who is independent of management and is free from any interest and any business or other relationship that could, or could reasonably be perceived to, interfere materially with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. The Guidelines emphasize the ability to exercise objective judgement, independent of management, as a hallmark of an unrelated director.

During the 1995 financial year, the Board was composed of 13 directors. It has recently been expanded to 14 directors. The Board believes that its size promotes effectiveness and efficiency and falls within the range suggested by the Guidelines. The Board, in conjunction with the Corporate Governance Committee, has determined, after reviewing the roles and relationships particular to each of the directors, that eight of the 13 directors of the Corporation that served in the 1995 financial year were related. The directors who are considered to be unrelated are Mustafa I. Al-Hejailan, Charles S. Henry, Murray B. Koffler, J. Robert S. Prichard, Benjamin Swirsky and Shuichiro Tamaki. While the Guidelines recommend that a corporation should be constituted with a majority of individuals who qualify as unrelated directors, the Board believes that it has and continues to function independently of management.

Mr. Isadore Sharp is a "significant shareholder" (as defined in the Guidelines) of the Corporation since he controls shares carrying the ability to exercise a majority of the votes for the election of the Board. The Guidelines suggest that where there is a significant shareholder the Board should include a number of directors who do not have interests in or relationships with either the Corporation or the significant shareholder and who fairly reflect the investment in the Corporation by shareholders other than the significant shareholder. Five of the directors who served in the 1995 financial year are unrelated to the significant shareholder and are unrelated to the Corporation. The most recent addition to the Board has increased the number of directors unrelated to Mr. Sharp to six. The Board believes that, as present, this balance serves the Corporation's needs.

The Board has three committees. These Committees are generally composed of outside directors, a majority of whom are unrelated directors. In this regard the Corporation complies with the Guidelines. The only member of management represented on a committee is the Chief Executive Officer who sits on the Compensation and Organization Committee. The Chief Executive Officer is not present when matters relating to his own compensation are being discussed.

Committees of the Board of Directors

Audit Committee Members: Charles S. Henry, Murray B. Koffler, Lionel H. Schipper, Benjamin Swirsky (Chairman)

The Audit Committee has primary oversight responsibility for the Corporation's financial reporting, risk management and internal controls. The Committee has unrestricted access to the Corporation's personnel and documents and to the Corporation's external auditors. The Audit Committee reviews the annual financial statements and recommends their approval to the Board. The Audit Committee reviews the scope and planning of the external audit, the form of audit report and any correspondence from or comment by the external auditors regarding financial reporting and internal controls. Accordingly, the Corporation complies with the applicable Guidelines.

Compensation and Organization Committee Members: Charles S. Henry, Murray B. Koffler, Lionel H. Schipper (Chairman), Benjamin Swirsky, Isadore Sharp

The Compensation and Organization Committee ensures that a process is in place to maintain the compensation program for the senior executive officers of the Corporation at a fair and competitive level. The Committee ensures that programs related to manpower planning, management development, succession planning, career path planning and performance evaluation are effectively integrated with the Corporation's strategy. The Committee reviews the compensation and remuneration of the Board. Accordingly, the Corporation complies with the applicable Guidelines.

Corporate Governance Committee Members: Charles S. Henry, Murray B. Koffler (Chairman), J. Robert Prichard, Lionel H. Schipper, Benjamin Swirsky

The Corporate Governance Committee's mandate is to enhance the Corporation's corporate governance through continuing assessment and policy recommendations on the Corporation's approach to corporate governance. The Committee develops for the approval of the Board the report on the Corporation's corporate governance practices. The Committee determines suitable candidates for nominees as directors, periodically reviews the mandates of committees of the Board and assesses the effectiveness of the directors, oversees an orientation and education program for new recruits to the Board in order to familiarize them with the business of the Corporation, reviews the relationship between management and the Board, and assesses the Board's effectiveness as a whole. The Committee has also been granted the authority and direction to take such other initiatives as are needed to help the Board address corporate governance issues and to approve the engagement of independent advisors for individual directors at the expense of the Corporation, if the need should arise. Accordingly, the Corporation complies with the applicable Guidelines.

Communicating to Shareholders

The Board of Directors of the Corporation is committed to an effective communications policy for the benefit of all stakeholders including shareholders, suppliers, guests, governmental authorities, employees and members of the investment community. In addition to its timely and continuous disclosure obligations under applicable law the Corporation maintains an Investor Relations Department and ensures that senior management are available to shareholders to respond to questions and concerns. Shareholder concerns are dealt with on an individual basis, usually by providing requested information. Material concerns and questions raised by shareholders to senior management are reported by senior management to the Board.

The Board has also developed a policy for dealing with analysts and the financial press so as to ensure a dialogue between the investment community and the Corporation to facilitate the dissemination of information. The policy involves quarterly meetings with analysts conducted by senior management, with the Corporation's General Counsel involved, to the extent practicable, to ensure that the Corporation is complying with all applicable disclosure requirements.

Corporate Information

Directors

Edmond M. Creed
Retired Executive

Frederick Eisen
President and CEO
The Eisen Corporation

H. Roger Garland

Mustafa I. Al-Hejailan
Managing Director
International
Kingdom Establishment

Charles S. Henry*+**
President
Hotel Capital Advisers, Inc.

Murray B. Koffler*+**
Partner
The Koffler Group

J. Robert S. Prichard**
President
University of Toronto

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
Jowa Corporation

Christopher Wallis

* Member of Compensation and Organization Committee
\+ Member of Audit Committee
** Member of Corporate Governance Committee

Officers

Isadore Sharp
Chairman and
Chief Executive Officer

John L. Sharpe
President and
Chief Operating Officer

H. Roger Garland
Vice Chairman

Christopher Wallis
Executive Vice President

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

Craig O. Reith
Vice President, Finance
and Assistant Treasurer

John B. Richards
Executive Vice President

Kathleen Taylor
Senior Vice President,
Corporate Planning
and Development
General Counsel
and Secretary

Management Committee

James F. Brown
Senior Vice President
Operations

H. Roger Garland
Vice Chairman

Wolf H. Hengst
President
Regent International
Hotels Limited

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

John B. Richards
Executive Vice President

Isadore Sharp
Chairman and
Chief Executive Officer

John L. Sharpe
President and
Chief Operating Officer

Kathleen Taylor
Senior Vice President,
Corporate Planning
and Development

Christopher Wallis
Executive Vice President

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

Peter O'Colmain
Bangkok

Corporate Vice Presidents

James Cardy
Vice President Purchasing

David B. Crowl
Vice President Sales

Michael Duwaji
Vice President Controller

Stuart Fearnley
Vice President
Design and Construction

Meg Fisher
Vice President
Human Resources

Ivan Goh
Vice President
Rooms

Susan J. Helstab
Vice President
Corporate Communications

H. E. (Duffy) Keys
Vice President
Sales and Marketing
Regent International
Hotels Limited

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 and Assistant
Treasurer

Barbara M. Talbott
Vice President
Corporate Marketing

Corporate Offices

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Toronto, Ontario
Canada M3C 2K8

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FAX: (416) 441-4374

Regent International
Hotels Limited
New World Centre,
15th Floor
West Wing
20 Salisbury Road
Kowloon, Hong Kong

Telephone: (852) 2366-3361
FAX: (852) 2721-4400

Annual Meeting

The Annual Meeting of Shareholders will be held at 9:30 a.m. on Thursday, May 23, 1996 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

Dividend Information

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

Transfer Agent and Registrar

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

Auditors

KPMG Peat Marwick Thorne

Trademarks and Trade Names

The marks FOUR SEASONS, the Tree Design, THE REGENT, and the "R" logo, alone or in combination with other elements are among the most famous and exclusive trade and service marks of the Four Seasons◆Regent group of companies and are registered throughout the world.

Shareholder Information

Please call Barbara Henderson, Director, Investor Relations at (416) 441-4329

Reservations Information

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:
(800) 545-4000 in Canada and the United States

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