



RED LION®
HOTELS

May 7, 2008

Red Lion Reports First Quarter 2008 Results

RevPAR for owned and leased hotels up 3.9% in Quarter; Maintaining Guidance

SPOKANE, WA, May 7, 2008 – Red Lion Hotels Corporation (NYSE: RLH) today announced its results for the first quarter ended March 31, 2008, showing continued growth in RevPAR and EBITDA from continuing operations. Summary results for the three month period follow:

(\$ in thousands, except per share)

	First Quarter		
	2008	2007	% change
Total revenue, as reported	\$ 39,559	\$ 39,304	0.6%
Continuing operations before 2008 Special Item: (1)			
EBITDA	\$ 3,210	\$ 3,076	4.4%
Net loss	\$ (2,153)	\$ (1,980)	nm
Loss per share - diluted	\$ (0.12)	\$ (0.10)	nm
Continuing operations as reported:			
EBITDA	\$ (444)	\$ 3,076	nm
Net loss	\$ (4,510)	\$ (1,980)	nm
Loss per share - diluted	\$ (0.25)	\$ (0.10)	nm
Total loss per share - diluted, as reported	\$ (0.25)	\$ (0.10)	nm

¹ Excludes \$3.7 million of separation cost related to the retirement of the company's former President and CEO, net of its impact on income taxes. A schedule of the Disclosure of 2008 Special Item is included with this release.

In addition, key hotel operating metrics, on a comparable basis, and hotel operating margins for the first quarter are highlighted below for owned and leased hotels:

In addition, key hotel operating metrics, on a comparable basis, and hotel operating margins for the first quarter are highlighted below for owned and leased hotels:

	First Quarter		
	2008	2007	% change
RevPAR (revenue per available room)	\$44.91	\$43.23	3.9%
ADR (average daily rate)	\$85.00	\$82.27	3.3%
Occupancy	52.8%	52.5%	+30 bp
Hotel Direct Operating Margin	14.9%	12.8%	+204 bp

President and Chief Executive Officer Anupam Narayan, commenting on the first quarter results, said, "We were pleased to deliver solid RevPAR growth at our owned and leased hotels that outpaced the competitors in our markets. To accomplish this in the face of a challenging economy and a quarter in which Easter was historically early demonstrates the strength of our Red Lion brand strategy. Further, the increase in our RevPAR helped grow our hotel operating margin. While we are appropriately cautious concerning the economy and our sector, we believe we are tracking well to our 2008 guidance."

Mr. Narayan continued, "With our experienced leadership team and our strong balance sheet, we are delivering both on operations and on our growth strategy of acquiring key hotel assets in strategic western hub cities in the U.S."

Subsequent Events

On May 7, 2008, Red Lion announced that it had entered into an agreement to acquire the fee simple interest in the Radisson Hotel Denver Southeast - a 478 room hotel - for \$25.3 million. The acquisition is expected to close in the second quarter of 2008, subject to usual closing conditions. The property will be branded as a Red Lion hotel upon closing and will continue to operate while the company makes approximately \$8 million in renovations, primarily to guest rooms and public spaces.

First Quarter Results

Red Lion's total revenue during the first quarter was \$39.6 million, up 0.6% from the prior-year period. Revenue from hotels was \$35.2 million, up 2.5% from the first quarter of 2007, driven by the increase in RevPAR at owned and leased hotels. Hotel direct operating margin increased by 204 basis points to 14.9%. First quarter of 2008 results included no revenue from the Red Lion Hotel Sacramento, compared to three months of revenue in the prior-year period. In addition, first quarter of 2008 contained three months of revenue from the Anaheim hotel purchased in October 2007, which was not in the prior-year period results. On a comparable property basis, hotel revenue increased 4.0%.

The 3.9% RevPAR increase for owned and leased hotels in the first quarter of 2008 was driven by a 3.3% increase in ADR and a 30 basis point increase in occupancy. System-wide, RevPAR fell 0.7% on a quarter-on-quarter basis, with a 240 basis point decrease in occupancy more than offsetting a 3.9% increase in ADR. The system-wide results were negatively impacted by rooms out of service for renovation at a number of franchised hotels.

Franchise and management revenue was \$0.3 million, down from the prior-year period due to fewer franchisees in the system and because of the receipt of a \$0.2 million franchise termination fee in the prior period. Entertainment revenue was \$3.2 million, a decrease of \$0.1 million from the same quarter in 2007.

EBITDA from continuing operations for the first quarter 2008 before the 2008 Special Item was \$3.2 million, an increase of 4.4% from the first quarter of 2007. The Special Item is comprised of a \$3.7 million separation charge in the quarter incurred in connection with the retirement of former President and CEO Arthur Coffey. Net loss from continuing operations excluding this separation charge was \$2.2 million - a decrease of \$0.2 million from the prior-year period. Loss per fully diluted share from continuing operations excluding the separation charge was \$0.12, versus a loss of \$0.10 per fully diluted share in the first quarter of 2007.

Outlook for 2008

While we are watchful on the health of the economy, we are maintaining our 2008 guidance as follows:

- 2008 RevPAR growth for company owned and leased hotels in the range of 3-6%.
- 2008 direct hotel operating margins to improve between 50 and 100 basis points from 2007.
- EBITDA from continuing operations to be in the range of \$34 to \$36 million, up 3 to 9% from the previous year.

Red Lion's 2008 EBITDA guidance does not include the impact of the \$3.7 million Special Item for separation costs or the impact of the expected Denver acquisition.

Red Lion System Update

The company is currently in the process of renovating guest rooms at its new Anaheim hotel which was acquired in October 2007. We expect to brand the hotel as a Red Lion in 2008 and to complete all renovations in the first part of 2009.

As previously announced:

- In January 2008, the franchised property Red Lion Baton Rouge (132 rooms) joined the system.
- In January 2008, our management agreement with the Grove Hotel in Boise, Idaho expired.
- In April 2008, our franchise agreements with two small properties at a ski resort in Sandpoint, Idaho (82 rooms and 50 rooms, respectively) expired and were not renewed.
- In April 2008, our franchise agreement with the 169-room Red Lion Hotel Denver Downtown at Invesco Field expired and was not renewed.

Also in April 2008, we terminated our franchise agreement with the 117-room Seattle South - Boeing Field property for non-performance. With these changes, the company had 18 franchised hotels in the Red Lion system at the end of April 2008.

All franchised hotels were required to meet Red Lion's elevated brand standards by the end of 2007. The majority of hotels met the standards by the end of 2007, while a few are in the process of completing renovations. We are monitoring their work and could terminate additional hotels for noncompliance if their progress is not satisfactory.

Liquidity and Balance Sheet

As of March 31, 2008, the company had \$11.6 million in cash and cash equivalents, and interest bearing debt obligations of \$113.5 million - all of which are at fixed interest rates. The company continues to maintain a \$50 million line of credit, which remains unused as of March 31 and is available to fund future acquisitions or other investments as market conditions warrant. We expect to use some of the credit line to complete the anticipated acquisition of the Denver hotel.

For the remainder of 2008, the company is projecting capital expenditures of \$13.7 million for ongoing maintenance, hotel improvement and Anaheim renovation costs. These figures exclude any estimates for work on the expected acquisition of the Denver hotel.

Conference Call Information

The Company will hold a conference call at 11:00 a.m. Pacific Time (2:00 p.m. Eastern Time) on May 8, 2008, to discuss the results for interested investors, analysts and portfolio managers. Management on the call will include President and CEO Anupam Narayan and Chief Financial Officer Anthony Dombrowik.

To participate in the conference call, please dial the following number ten minutes prior to the scheduled time: (800) 230-1093. International callers should dial (612) 332-0107.

This conference call will also be webcast live at <http://www.redlion.com> in the Investor Relations section of the website. To listen to the live call, please go to the Red Lion website at least fifteen minutes prior to the start of the call to register, download and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available at 1:30 p.m. PST on May 8, 2008, through June 8, 2008 at (800) 475-6701 or (320) 365-3844 (International) access code - 921023. The replay will also be available shortly after the call on the Red Lion website.

About Red Lion Hotels Corporation:

Red Lion Hotels Corporation is a hospitality and leisure company primarily engaged in the ownership, operation and franchising of upscale and midscale hotels under its Red Lion® brand. As of March 31, 2008 the RLH hotel network was comprised of 53 hotels located in nine states and one Canadian province, with 9,266 rooms and 441,640 square feet of meeting space. The company also owns and operates an entertainment and event ticket distribution business. For more information, please visit the company's website at www.redlion.com.

This press release contains forward-looking statements within the meaning of federal securities law, including statements concerning plans, objectives, goals, strategies, projections of future events or performance and underlying assumptions (many of which are based, in turn, upon further assumptions). The forward-looking statements in this press release are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed. Such risks and uncertainties include, among others, economic cycles; international conflicts; changes in future demand and supply for hotel rooms; competitive conditions in the lodging industry; relationships with franchisees and properties; impact of government regulations; ability to obtain financing; changes in energy, healthcare, insurance and other operating expenses; ability to sell non-core assets; ability to locate lessees for rental property; dependency upon the ability and experience of executive officers and ability to retain or replace such officers as well as other matters discussed in the company's annual report on Form 10-K for the year ended December 31, 2007 and in other documents filed by the company with the Securities and Exchange Commission.

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