Strategic Hotels & Resorts Reports First Quarter 2007 Financial Results

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First Quarter Financial Highlights

œ Total North American Total RevPAR increased 6.8 percent and RevPAR increased 7.6 percent. Growth was driven by a 5.7 percent increase in ADR.

œ North American same store Total RevPAR increased 8.8 percent and RevPAR increased 9.1 percent. Growth was driven by a 5.3 percent increase in ADR.

œ North American same store EBITDA margins contracted 30 basis points. Total North American gross operating profit margins expanded 110 basis points.

œ Total European Total RevPAR increased 21.2 percent and RevPAR increased 22.8 percent, driven by a 22.1 percent increase in ADR.

œ Quarterly Comparable EBITDA was $56.6 million.

œ Comparable FFO was $0.29 per fully converted share.

First Quarter Events

œ The company completed a $733.5 million debt recapitalization of its existing revolving credit facility and mortgage financings securing seven properties. The company entered into a new $415 million revolving credit facility and three property secured financings totaling $318.5 million.

œ The company increased its quarterly common stock dividend to $0.24 per share, an increase of 4.3 percent.

Subsequent Events

œ The company closed on an offering of $180 million of 3.50% exchangeable senior notes due 2012. Net proceeds from the sale of the notes were approximately $175.9 million, after deducting the initial purchasers' discounts and commissions and estimated offering expenses. In connection with the offering, the company used approximately $9.9 million of net proceeds to enter into a capped call transaction to increase the effective exchange premium of the notes from 20% to 40%, and repurchased approximately $25 million of common stock.

œ The company amended its recently closed $415 million revolving credit facility increasing the capacity to $500 million.

Laurence Geller, chief executive officer of Strategic Hotels & Resorts, commented, "We are once again very pleased to report strong results across our unique high-end portfolio and continue to believe we are well-positioned to capitalize on favorable lodging demand and supply fundamentals in our specific markets. During the quarter we continued our focus on operational and project execution and, thus far, are pleased with the results. We successfully completed financings totaling nearly $750 million, which significantly increased our credit capacity and reduced our average borrowing costs. Finally, I am pleased to report we increased the quarterly dividend reflecting management's confidence in the company's business model and our focus on maximizing shareholder return."

"Same store" hotel comparisons for the first quarter 2007 are derived from the company's North American portfolio at March 31, 2007, consisting of properties held for five or more quarters, in which operations are included in the consolidated results of the company, and that have not sustained substantial property damage or business interruption or undergone large-scale capital projects during the reporting periods being compared. As a result, same store comparisons contain 10 properties and exclude the Four Seasons Washington, D.C., acquired on March 1, 2006, the unconsolidated Hotel del Coronado, acquired on January 9, 2006, the Hyatt Regency New Orleans, which was taken out of service on August 29, 2005 due to damage resulting from Hurricane Katrina, the Westin St. Francis, acquired on June 1, 2006, the Ritz- Carlton Laguna Niguel, acquired on July 7, 2006, and the Fairmont Scottsdale Princess, acquired on September 1, 2006.

Total North American hotel comparisons are derived from the company's hotel portfolio at March 31, 2007, consisting of properties in which operations are included in the consolidated results of the company, and that have not sustained substantial property damage or business interruption or undergone large-scale capital projects during the reporting periods being compared. As a result, total North American portfolio comparisons contain 14 properties and exclude the Hotel del Coronado and the Hyatt Regency New Orleans. Period-over-period comparisons for the total North American portfolio are calculated using full period results which may include prior ownership periods.

Total European hotel comparisons are derived from the company's European owned and leased hotel properties at March 31, 2007 consisting of the Marriott London Grosvenor Square, the Paris Marriott Champs-Elysees, the Marriott Hamburg, and the InterContinental Prague.

Operating Results

The company reported a net loss available to common shareholders of $9.6 million, or $0.13 per diluted share for the first quarter of 2007, compared to a net loss of $1.4 million, or $0.03 per diluted share, for the first quarter of 2006.

Adjusted EBITDA for the first quarter of 2007 was $50.6 million, compared to $27.0 million for the first quarter of 2006. Excluding loss on early extinguishment of debt of $4.3 million, loss on foreign exchange of $1.3 million, planning costs related to the New Orleans Jazz District of $0.2 million and termination costs on discontinued operations of $0.1 million, Comparable EBITDA was $56.6 million for the quarter, versus Comparable EBITDA of $37.4 million for the first quarter of 2006 after excluding gain on foreign exchange of $0.3 million, planning costs related to the New Orleans Jazz District of $0.4 million and termination costs on discontinued operations of $10.4 million.

FFO in the first quarter of 2007 was $16.6 million, or $0.21 per fully converted share, compared to $13.7 million, or $0.23 per fully converted share in the first quarter of 2006. Excluding loss on early extinguishment of debt of $4.3 million, loss on foreign exchange of $1.3 million, and planning costs related to the New Orleans Jazz District net of tax benefits of $0.2 million, Comparable FFO for the first quarter of 2007 was $22.4 million, or $0.29 per fully converted share, versus $20.0 million, or $0.34 per fully converted share, for the first quarter of 2006 after excluding gain on foreign exchange of $0.3 million, planning costs related to the New Orleans Jazz District net of tax benefits of $0.2 million, termination costs on discontinued operations of $10.4 million and deferred tax benefits on termination costs of $4.0 million. "Fully converted" per share results represent FFO before certain minority interest adjustments, divided by the weighted average total number of shares, restricted stock units, stock options and operating company units convertible into shares.

North American same store Total RevPAR increased 8.8 percent during the first quarter of 2007 over the prior period in 2006, driven by 8.3 percent growth in non-room revenues and 9.1 percent growth in RevPAR. Same store ADR grew 5.3 percent.

Total North American Total RevPAR increased 6.8 percent during the first quarter of 2007 over the prior period in 2006, driven by 5.9 percent growth in non-room revenues and 7.6 percent growth in RevPAR. Total North American ADR grew 5.7 percent.

Total European Total RevPAR for the first quarter of 2007 increased 21.2 percent over the first quarter of 2006, due to 18.0 percent growth in non-room revenues and 22.8 percent growth in RevPAR. RevPAR growth was driven by a 22.1 percent increase in ADR.

North American same store EBITDA margins contracted 30 basis points in the first quarter of 2007 compared to the prior period in 2006. Total North American gross operating profit margins expanded 110 basis points compared to the prior period in 2006.

Quarterly Distribution

The Board of Directors previously declared on March 15, 2007 a quarterly dividend of $0.24 per share of common stock, payable to shareholders of record as of the close of business Tuesday, March 27, 2007. The dividend was paid on April 10, 2007. Additionally, for shareholders of record as of March 16, 2007, the Board declared a quarterly dividend of $0.53125 per share of 8.50% Series A Cumulative Redeemable Preferred Stock, $0.51563 per share of 8.25% Series B Cumulative Redeemable Preferred Stock, and $0.51563 per share of 8.25% Series C Cumulative Redeemable Preferred Stock. The preferred stock dividends were paid on March 30, 2007.

2007 Outlook

Management is revising its guidance for Comparable FFO and Comparable EBITDA to reflect the results of the first quarter and the completion of several debt financings in the first and second quarters of 2007. For the year ending December 31, 2007, the company anticipates that Comparable EBITDA will be in the range of $260.7 million to $267.2 million, Comparable FFO will be in the range of $119.6 million to $126.1 million, and Comparable FFO per fully converted share in the range of $1.55 to $1.63.

Guidance estimates do not include contributions from residential sales at the Hotel del Coronado North Beach Village, which are expected to begin later this year and will be included in Comparable EBITDA and Comparable FFO in subsequent reporting periods.

Management is also increasing its guidance for North American same store Total RevPAR and RevPAR growth, and total North American RevPAR growth. The company expects 2007 North American same store Total RevPAR growth to be in the range of 6.5 percent to 7.5 percent, and RevPAR growth to be in the range of 7.5 percent to 8.5 percent.

The company expects 2007 total North American Total RevPAR growth to be in the range of 6.5 percent to 7.5 percent, and RevPAR growth to be in the range of 8.0 percent to 9.0 percent. The total North American portfolio includes all consolidated North American properties as of January 1, 2007.