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CLS Holdings plc
("CLS", the "Company" or the "Group")
Interim Management Statement for the period 1 January 2012 to 16 May 2012

The Company announces its Interim Management Statement for the period 1 January 2012 to 16 May 2012.

HIGHLIGHTS

- Planning consent successfully gained at Spring Mews, Vauxhall for 20,763 sq m mixed-use development
- Refinancing of £117 million of debt signed, being 86% of loans expiring in 2012
- Weighted average cost of debt down to 3.8% (31 December 2011: 4.1%)
- Planning application for 154,000 sq m mixed-use scheme at Vauxhall Square, London progressing
- One pre-let development completed in Germany and a second on schedule for completion in the summer
- Occupational demand resilient; vacancy level remains low at 3.9%
- New leases, lease renewals and extensions completed on 13,621 sq m
- Over £130 million of liquid resources available for investment

OVERVIEW - Since 1 January, the Group's core operations have continued to deliver: occupational markets have proven resilient; and progress has been made on development opportunities. The Group's vacancy rate has remained low at 3.9% (31 December 2011: 3.9%) and we continue to be cautiously encouraged by a steady level of demand and new enquiries from occupiers in most of the areas in which we operate. 65% of the Group's rental income is subject to indexation, and 40% is derived from government occupiers. Planning permission has been gained on the Group's proposed 20,763 sq m Spring Mews development in Vauxhall, London; proposals for our second Vauxhall development, Vauxhall Square, are progressing with the local council. In addition, in Germany a 1,642 sq m pre-let development extension completed on time and on budget in February, and a 5,400 sq m pre-let development is due to do the same in the summer.

Since 1 January, net assets per share have been adversely affected by the euro falling by around 3% against sterling, but positively affected by the market value of our corporate bond investments rising by 7.5% like-for-like.

LONDON - Whilst the prime investment market benefits from London's "safe haven" status, banks' caution over new lending in the non-prime markets has led to many proposed investment transactions, including some on which we have been under-bidders, being delayed or abandoned. Coupled with a reluctance from the banks to put too many financially distressed properties on the market too quickly, this bears out our expectation that the window for new acquisition opportunities will remain open for some considerable time.

We have continued to be successful in letting our properties, and our London vacancy rate has fallen to 3.7% (31 December 2011: 4.0%). New lettings have been achieved on 1,921 sq m, including 574 sq m of vacant space inherited in the acquisition of Falcon House, Hounslow in September last year. Lease renewals and extensions totalled 4,452 sq m, including 3,414 sq m in Great West House, Brentford, while tenants vacated from 1,535 sq m.

On 15 May, Spring Mews, a mixed-use, student accommodation-led development in Vauxhall gained planning consent for 399 student rooms and amenity space, a 120 bed hotel, a new community centre and café, ancillary office and retail space and a pedestrian mews; the Group is in active discussions with potential operators and we expect to start on site later this year.

A detailed planning submission for a major new mixed-use development, Vauxhall Square, was made in December. This 154,000 sq m scheme will be progressed with the Council throughout the rest of the year, and vacant possession of the site can be gained from the end of 2014.

FRANCE - The run up to the presidential election has led to a traditional pause in activity in investment markets and it remains to be seen how the new president is received by the domestic business community, who form the clear majority of property investors. Bank debt, however, continues to be more prevalent than in London and there are very few signs of distress amongst property owners.

Since 1 January 2012, the letting markets in Paris and Lyon have slowed noticeably; leases totalling 4,179 sq m expired or were taken back, and 3,289 sq m let or renewed. As a result the vacancy rate rose from its all-time low of 2.7% at 31 December 2011 to 3.7%.

GERMANY - Whilst there has been a decline in investment transaction volumes of some 15% in the first quarter, there have been significant positive net inflows into German open-ended funds in the same period. This infers that private investors are increasingly enthusiastic about the sector and the income opportunities that it provides. Commentators have suggested this has marked a positive turning point for an important part of the domestic investment market. Although take up was 15% lower overall in the first quarter than in that of the previous year, vacancy levels continue to fall as a whole.

We are on site for the construction of a 5,400 sq m development of a fourth building pre-let to E.ON in Landshut, near Munich on a 17 year lease. Upon completion of the building in summer 2012, this will result in an additional rent receivable of €659,000. Construction was completed on time and on budget in February on the 1,642 sq m extension at Gräfelfing, Munich, pre-let to Dr. Hölne AG.

Leases totalling 2,405 sq m expired, but others on 3,959 sq m were signed and, consequently, by 30 April 2012 the vacancy rate had fallen to 5.4% (31 December 2011: 6.0%).

SWEDEN - Positive progress has continued to be made on the 150,000 sq m mixed-use development proposals for the remaining property owned by our 29.9% associate, Catena. Catena's share price of SEK 57 at 16 May means the current market value of our interest exceeds book value by £4.0 million, which would add 9 pence per share to CLS's net asset value.

The void rate at Vänerparken, the Group's only directly held property in Sweden, remained unchanged from 31 December 2011 at 1.8%.

FINANCE – Core profit has continued to be resilient, with stable net rental income, high debt collection rates, tightly controlled costs, and an even lower cost of debt of 3.8% (31 December 2011: 4.1%).

At 30 April 2012, the Group had cash, liquid resources and undrawn facilities of over £130 million in aggregate. Since 1 January, £117.6 million of loans have been renewed or refinanced: at Spring Gardens, Vauxhall we replaced an expiring loan from Eurohypo with a

£78.5 million, four year club facility with Deutsche Postbank and RBS; at CI Tower, New Malden we replaced an expiring loan from KBC with a five year, £9.1 million facility with another of our existing lenders; and we renewed £30 million of overdraft facilities. At 16 May 2012 the Group had 64 loans from 20 lenders, and an unsecured corporate bond; none of the loan covenants was in breach and none of the debt was securitised.

After a period of relative stability in Q1, the financial markets in Europe have again become more volatile. The euro, in which half of our business is conducted, has fallen in value by around 3% against our reporting currency of sterling.

The corporate bond portfolio is generating an attractive running yield of 9.4%, and we continue to monitor actively the underlying strength and performance of all the issuers. There are currently 35 different bonds in the portfolio, giving broad diversification. Since 1 January 2012, the bond portfolio has risen in value by some 7.5% like-for-like and the total return for the bond investments has been 11.0%

All of the shares available under the tender offer were cancelled by the Company on 27 April, resulting in a distribution of £7.9 million to shareholders.

Executive Chairman of CLS, Sten Mortstedt, commented:

"The operating performance of our core property activities remains robust, with the vacancy rate well below that of directly comparable investors in our markets, the cost of debt at an all-time low, and much of our portfolio benefiting from rental indexation.

"Gaining planning consent at Spring Mews is an important achievement for our plans in Vauxhall, an area of London which we expect will see significant regeneration and growth in the next few years.

"I am delighted that we continue to enjoy strong relationships with our banks. Our balance sheet remains strong, and our liquid resources are at high levels.

"I remain confident that we are well placed to meet the challenges ahead."

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