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PRESS RELEASE

CLS Holdings plc
("CLS", the "Company" or the "Group")
Interim Management Statement for the period 1 January 2013 to 14 May 2013

The Group announces its Interim Management Statement for the period 1 January 2013 to 14 May 2013.

HIGHLIGHTS

- Occupational demand firm; vacancy level remains low at 3.6% (31 December 2012: 3.8%)
- New leases, lease renewals and extensions completed on 8,652 sq m
- Three acquisitions in London totalling £9.275 million before costs, on a blended net initial yield of 10.23%, with more in the pipeline
- Sale of Joint Venture interest in Fielden House, adjacent to the Shard, giving an uplift over book value to the Group of £1.8 million
- Weighted average cost of debt remains low at 3.72% (31 December 2012: 3.67%)
- Construction progressing and on budget at 20,800 sq m Spring Mews, London SE11
- Progressing detail and plans on 143,000 sq m development at Vauxhall Square, London SW8
- Over £190 million of liquid resources
- Over £90 million of undrawn credit facilities
- Share price up by 30% since the year end

OVERVIEW – Since 1 January, the Group has continued to make solid progress in a number of areas. Core investment operations are delivering according to plan, financing costs remain very low, our acquisition programme continues to be successful, development plans are moving forward, and the share price has increased by some 30%.

The occupational markets are firm, with the Group's vacancy level of 3.5% by rental income remaining very low. Demand from existing and potential occupiers is steady, with some encouraging highlights in London and Germany. 65% of the Group's income benefits from indexation and 39% is paid by government occupiers. We have made three acquisitions in London since the start of the year totalling £9.275 million, with further acquisitions in the pipeline.

The development in the financial markets has been positive but uncertainty in the Eurozone and the risk of renewed volatility remain. The Group's corporate bond portfolio has performed well, producing a return on capital of 5.6%, or £6.2 million, in the first quarter. The bond portfolio benefited from high coupons and rising bond prices as investors increasingly searched for income.

In the first quarter of 2013, sterling weakened against the euro by 3.7% and against the Swedish krona by 6.1%, which had a positive impact on EPRA net asset value of around 18 pence per share.

LONDON – Although UK GDP has barely grown since the start of the year, London continues to benefit from its status as a global safe haven. Interest remains solid from overseas investors, some of whom are looking beyond the prime West End and City locations in search of yield. Even though financing opportunities have improved, banks continue to work through their issues, and have increased the pressure on distressed borrowers who are finding refinancing very challenging to achieve. This is providing attractive opportunities for the Group, and since 1 January we have completed three acquisitions:

- a 2,377 sq m office property in Sunbury-on-Thames, TW16 for £3.075 million, let to Schindler Lifts for £341,806 for over 4 years giving a net initial yield of 9.67%
- a 2,244 sq m office property, in Bromley, BR1 purchased from receivers for £2.225 million, multi-let to seven occupiers, generating a rent of £333,240, and giving a net initial yield of 14.23%, with a small 127 sq m vacant suite
- a 1,670 sq m office property in Kennington, SE11, for £3.975 million, let to two occupiers paying a total of £352,500, for a net initial yield of 8.43%.

All of these purchases were at capital values per sq m at or below replacement cost, and we are considering other similar potential acquisitions.

In April the Group sold its one-third interest in a joint venture, Fielden House Investment Limited, which owned Fielden House, 28/42 London Bridge Street, SE1, next to the Shard. The implied disposal value of the property without planning permission was £13.7 million, a 65% premium over the 31 December 2012 valuation of £8.3 million, and the Group's share of the net proceeds produced an uplift of £1.8 million over the year end carrying value.

We continue to be successful in leasing space and the vacancy rate has been maintained at just 2.3%. New lettings were achieved on 1,911 sq m, lease renewals and extensions were completed on 564 sq m, and occupiers vacated from 1,990 sq m.

Our Spring Mews development is progressing according to plan and in line with the guidance given at the time of the year end results. Construction is well under way, with Shepherd Construction as the main contractor, and completion is targeted for the second half of 2014. We are in detailed final discussions with a globally renowned operator to manage the hotel, and have appointed Fresh Student Living to assist with the operation and marketing of the student rooms on a direct-let basis.

Having gained planning consent on Vauxhall Square in December, we are exploring options and scenarios on design and phasing, which will guide our thoughts on timing and funding. The momentum in the Vauxhall Nine Elms area continues to be strong, with the US Embassy under construction, the success of residential pre-sales at Battersea Power Station in January, news of the Dutch Embassy relocating to the area, and reports of the Chinese Embassy exploring a similar move.

Following receipt of planning consent in January at Clifford's Inn, Fetter Lane, EC4 for 3,433 sq m of new Grade A offices and eight residential apartments, Vinci Construction was appointed as the main contractor and has now started on site with completion due in the summer of 2014.

FRANCE – The French economy remains slow, with concerns over political direction, weak growth, low confidence and rising unemployment.

Leasing activity in the Greater Paris region was down by 24% in the first quarter of 2013 compared to last year. In contrast, however, property investment levels are some 40% higher in Q1 2013, driven in particular by domestic investors.

The lack of new supply should restrict vacancy levels and available space. As previously indicated, based on expected occupier departures our vacancy levels in France are likely to rise, and may peak at around 9% by the end of June. This depends on letting successes in the meantime, and whilst there is steady demand, occupiers are cautious about making new commitments at the moment.

Since the end of December, we have let or renewed 2,378 sq m of offices and taken back 2,554 sq m, resulting in a vacancy rate in France of 4.4%. Rents appear stable with some positive movement in Lyon.

GERMANY – The German economy continues to show superior strength to any other major Eurozone country but has slowed on renewed macroeconomic concerns across Europe. Nevertheless, the property investment market had its second strongest quarter since early 2008, as investors pursued income. Bank debt availability and pricing are improving. We intend to acquire more property in this region in the near future.

Although overall leasing activity is some 21% down on last year, we have seen an increase in activity and enquiries, especially in Berlin and Munich, so that our vacancy has fallen to 5.8%. During the period we have let 3,799 sq m and taken back 586 sq m.

SWEDEN – In February, the Swedish krona strengthened to its highest level against sterling since 1992, evidencing strength and confidence in the Swedish economy. Swedish GDP growth is expected to rise to 1.3% in 2013, with unemployment stable at 7.5%.

The Group's 29.9% associate, Catena, is proceeding with its detailed analysis of options for the Haga Norra site to the north of Stockholm, which now has planning consent for 800 apartments and 70,000 sq m of commercial space. The share price of Catena at 14 May of SEK81.75 means the current market value of the Group's share exceeds book value by £9.1 million, which, if realised, would add 21 pence per share to CLS's EPRA net asset value.

Occupancy of the Group's only directly held property in Sweden, Vänerparken, to the north of Gothenburg, has remained unchanged with a vacancy of 1.7% by rental value and negotiations are under way regarding certain lease renewals.

FINANCE – Core profit has continued to be resilient, with stable net rental income, high rent collection rates, tightly controlled costs, and a continuing low cost of debt of 3.72% (31 December 2012: 3.67%). At 30 April 2013, the Group had cash and liquid resources of over £190 million and undrawn facilities in excess of £90 million.

Bank debt has become more available in recent months, with new entrants into the market and lower margins across all our regions. The Group has 53 loans from 21 lenders, and two unsecured corporate bonds; none of the loan covenants is in breach and none of the debt has been securitised.

After a period of relative strength in the second half of 2012, sterling weakened in the first quarter of 2013 by 3.7% against the euro, in which half of our business is conducted, and by 6.1% against the Swedish krona. The effect has been an increase in net assets of around £8 million, and in EPRA net asset value of some 18 pence per share.

The corporate bond portfolio has performed strongly since the beginning of the year and is generating an attractive running yield of 8.0% against current values, and we continue to monitor actively the underlying strength and performance of all the issuers. There are currently 37 different bonds in the portfolio, giving broad diversification. In the first quarter of 2013, the bond portfolio generated a return on cost of 5.6%.

In the latest tender offer, all of the shares available were cancelled by the Company on 26 April resulting in a distribution of £8.6 million to shareholders and leaving 42,422,083 shares in circulation.

BOARD OF DIRECTORS – Mr Claes-Johan Geijer joined the Board as a Non-Executive Director on 14 May 2013. Mr Geijer has held senior positions in industrial companies and banks, in the USA and Europe, most recently Chief Executive Officer of Banque Carnegie Luxembourg for 10 years.

Executive Chairman of CLS, Sten Mortstedt, commented:

"The Group has had a busy and successful start to the year, with its core activities performing well, debt costs remaining low and solid progress on our development programme.

"With a strong balance sheet and substantial levels of liquid resources we are taking advantage of opportunities and continue to view the future with confidence."

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