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PRESS RELEASE

CLS Holdings plc
("CLS", the "Company" or the "Group")
Interim Management Statement for the period 1 January 2014 to 13 May 2014

The Group announces its Interim Management Statement for the period 1 January 2014 to 13 May 2014.

HIGHLIGHTS

- Disposal of Cambridge House, Hammersmith for £29.5 million, 32% above the 31 December 2013 external valuation and 65% above that of 30 June 2013
- Occupational demand remains firm:
  - Overall Group vacancy level down to 3.5% (31 December 2013: 4.4%)
  - Vacancy rate in France reduced to 7.3% (31 December 2013: 10.6%)
  - Vacancy rate in Germany reduced to 1.6% (31 December 2013: 3.5%)
- Annual contracted rent currently running at £84.2 million, 20% above the same time last year
- New leases, lease renewals and extensions completed on 9,616 sqm
- Weighted average cost of debt remains low at 3.80% (31 December 2013: 3.64%)
- Spring Mews, Vauxhall SE11
  - 20,800 sqm mixed-use development on schedule for completion Q3 2014
  - Nominations Agreement signed letting 210 student rooms to the University of Roehampton for 10 years
  - Out of 378 student rooms, 69% pre-let for 2014/15, including the University of Roehampton
- Clifford's Inn, Fetter Lane, EC4
  - Discussions to fully pre-let the 3,423 sqm of refurbished offices ongoing
  - Completion on schedule for Q3 2014
- Vauxhall Square, London, SW8
  - 143,000 sqm scheme with full planning consent in Vauxhall, London
  - Conditional exchange of contracts for a long lease to a student operator to build and manage 30 storey, 359 student bedroom development

OVERVIEW – Since 1 January 2014, the Group has made good progress in a number of areas, including one opportunistic disposal. Core investment operations have delivered in line with, or above, expectations, financing costs have remained very low, and developments have continued to progress well.

The occupational markets are firm, with the Group's vacancy level remaining very low at 3.5% (31 December 2013: 4.4%) by rental income. Demand from existing and potential occupiers is steady, with good interest particularly in London and Germany. Of the Group's income, 61% benefits from indexation and 73% is paid by government occupiers (50% of the total) or major corporations (23%).

On 14 April 2014, the Group sold Cambridge House, 100 Cambridge Grove, London W6, for £29.5 million, a price 32% above its external valuation at 31 December 2013, and 65% above its external valuation at 30 June 2013. The net initial yield of 2.34% reflected that the building, considered a development site, was 50% vacant.

The Greater London investment market, outside the West End and City, is more competitive than 12 months ago. We continue to explore selective investment opportunities within and around the M25, and in France and Germany, where financing conditions remain at more attractive levels.

UK – London continues to benefit from its status as a global safe haven, supported by continued improvement in the economy. The UK's GDP growth is forecast to be 2.6% for 2014, unemployment has fallen to 6.9% and inflation is low at 1.6%. Demand remains solid from overseas investors searching for yield, with increasing interest beyond the prime West End and City locations.

We continue to be successful in leasing space, due in part to all of our management being performed in-house, and the vacancy rate remains low at 2.9% (31 December 2013: 2.4%). New lettings, lease renewals and extensions were completed on 882 sqm, and occupiers vacated from 2,407 sqm since the beginning of the year.

Our Spring Mews development, comprising an extended-stay hotel and student accommodation, is well under way, and completion is expected in the third quarter of 2014. In 2013, we signed an agreement with InterContinental Hotels Group for the 93 bedroom suite hotel to be operated under its Staybridge Suites brand, and since 1 January 2014, we have signed a 10-year Nominations Agreement with the University of Roehampton to let 210 student rooms (55% of the total). The remaining student rooms, which are being operated and marketed on a direct-let basis on our behalf by Fresh Student Living, have already shown good take-up, and, including the University of Roehampton space, 69% of the student rooms have been pre-let for 2014/15.

At Clifford's Inn, Fetter Lane, EC4 the refurbishment of 3,433 sqm of new Grade A offices and the development of eight residential apartments are on schedule to complete in the third quarter of 2014, and we remain in negotiations to pre-let the entire office space.

The Vauxhall Nine Elms regeneration area, of which our 143,000 sqm mixed-use, residential-led Vauxhall Square scheme will be an integral part, continues to progress. In January 2014, we entered into a long lease agreement with a specialist student housing operator to build and manage the 359 student room building adjacent to the main site. The agreement is conditional on a number of matters which we expect to satisfy within the next twelve months, enabling a projected construction start of this first phase of Vauxhall Square in 2015. We continue to hold positive discussions with potential hoteliers and to explore financing options for the scheme.

FRANCE – With 1% forecast GDP growth in 2014, unemployment at 10.2% and inflation at 0.6%, the French economy is virtually stagnant. However, there are some signs of improvements in economic conditions.

We believe the lack of new supply will restrict vacancy levels and available space. In the overall market, lettings in the Paris region in the first quarter of 2014 were 19% above the same period last year. Our vacancy levels appear to have peaked at the end of December; in the subsequent four and a half months they have fallen to 7.3% (31 December 2013: 10.6%) and are expected to reduce further this year. Since the end of December, we have let or renewed 5,378 sqm of offices and taken back 1,261 sqm.

GERMANY – With 1.8% forecast GDP growth in 2014, unemployment low at 6.7% and a projected budget surplus for the second consecutive year, the German economy remains resilient. In the first quarter of 2014, the German investment market saw a 47% increase in transaction values over the same period last year, with yields declining for prime and good secondary assets. Bank debt availability and pricing remain the most attractive in all of our regions.

We have seen an increase in activity and enquiries, and our vacancy rate has fallen to 1.6% (31 December 2013: 3.5%). Since 1 January we have let 3,356 sqm and taken back 385 sqm.

SWEDEN – Swedish GDP is expected to rise by 2.7% in 2014, and unemployment of 8.6% is forecast to fall to 7.7% by the end of the year.

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 remain ongoing on certain lease renewals due in 2015.

FINANCE – The business generates more cash than a year ago. The £165 million of acquisitions in 2013, which raised the Group's annualised rental income by 25%, were acquired at a blended net initial yield of 11.6% and financed at an average cost of debt of 4.0%, and this was evident in the growth in core profit in the first quarter of 2014 compared to last year. Rent collection rates have remained high and the weighted average cost of debt has continued to be one of the lowest in the property sector at 3.80% (31 December 2013: 3.64%), being 320 basis points below the property portfolio's net initial yield.

The Group has 56 loans from 22 lenders, two unsecured corporate bonds, a secured note and a debenture; none of the loan covenants is in breach. The Group currently has liquid resources of over £245 million, comprising £48 million of cash, £72 million of corporate bonds, and available undrawn facilities in excess of £125 million.

In the latest tender offer, all of the shares available were cancelled by the Company on 2 May resulting in a distribution of £10.0 million to shareholders and leaving 43,287,824 shares in circulation.

Executive Chairman of CLS, Sten Mortstedt, commented:

"*Continuing signs of improvement in the UK economy, both in London and elsewhere, bode well for CLS, and I am particularly pleased with the initiatives we are exploring within the Neo portfolio which we acquired opportunistically last year.*

"The Group's core activities are performing well, cash generation is strong, debt costs remain low and good progress is being made on pre-letting our development programme.

"With a strong balance sheet and our rental income predominantly secured by high quality tenants, including governments and major corporations, we are well positioned to meet future challenges with confidence. Our financial resources, and our opportunistic approach, will enable us to continue selectively to seek possibilities to add value for our shareholders."

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