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PRESS RELEASE

CLS Holdings plc
("CLS", the "Company" or the "Group")
Trading Update for the period 1 January 2015 to 12 May 2015

The Group announces a Trading Update for the period 1 January 2015 to 12 May 2015.

HIGHLIGHTS

- Acquisition of Tangentis, Betastrasse 5/9a, Munich for €24.4m at a net initial yield of 7.9%
- Occupational demand remains firm:
 - Overall Group vacancy rate 4.8% (31 December 2014: 3.0%)
 - 8,420 sqm vacated or expired, of which 4,966 sqm taken to development stock
 - 5,231 sqm of new leases, lease renewals and extensions completed
 - 4,421 sqm of former development stock added to available for letting
- Weighted average cost of debt remains low at 3.62% (31 December 2014: 3.64%)
 - Spring Gardens, SE11 refinanced with £97 million 6 year loan fixed at 2.8%
 - Acquisition of Schellerdamm, Harburg financed by €24 million 7 year loan fixed at 1.9%
- Spring Mews hotel opened end of January – averaging 80% occupancy within four months
- 405 Kennington Road, SE11 – 1,380 sqm of offices under refurbishment, pre-let for 12 years
- Continued progress on Vauxhall Square, London, SW8 (143,000 sqm scheme with full planning consent)
 - Expect to satisfy all conditions in Q3 2015 for a long lease to a student operator to build and manage 30 storey student development
 - Acquisition of 109 & 111 Wandsworth Road, SW8 adjoining main site for £3.3 million

OVERVIEW – Since 1 January 2015, the Group has made good progress in a number of areas: the completion of developments has provided further space in central London available for letting; core investment operations have delivered in line with, or above, expectations; new bank financing has brought down still further our financing costs; and the pipeline of potential investments has continued to provide opportunities with a further acquisition in Germany.

The occupational markets are firm: the Group's vacancy level has risen to 4.8% (31 December 2014: 3.0%) by rental income following the release of 4,421 sqm of new space from our development portfolio. Demand from existing and potential occupiers is steady, with good interest particularly in London. Since 1 January, 8,420 sqm of rented space has expired or become vacant, of which 4,966 sqm has been taken off the market and added to our development stock, 3,851 sqm has been let or renewed, and a further 1,380 sqm, which is under refurbishment, has already been pre-let. Of the Group's income, 56.0% benefits from indexation and 67.5% is paid by government occupiers (46.3% of the total) or major corporations (21.2%).

The Greater London investment market, outside the West End and City, remains competitive. We continue selectively to explore investment opportunities within and around the M25, and in Germany where financing conditions remain more attractive.

LONDON – London continues to benefit from its status as a global safe haven, supported by an economy which remains stronger than those of most of its European trading partners. Demand remains solid from overseas investors searching for yield, with increasing interest beyond the prime West End and City locations. Whilst the UK's forecast GDP growth for 2015 of 2.6% is expected to ease marginally to 2.4% in 2016,

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unemployment is expected to fall from 5.5% in 2015 to 5.2% in 2016, and CPI inflation is forecast to rise from 0.4% in 2015 to 1.7% the following year.

With all of our asset management performed in-house, we continue to be successful in leasing space. The vacancy rate has risen to 7.5% (31 December 2014: 3.3%) due mainly to 4,421 sqm of space becoming available for the first time on completion of the developments at 138 Fetter Lane and Spring Mews. Occupiers vacated 2,360 sqm, including 1,380 sqm at 405 Kennington Road, SE11, where a new tenant signed for a 12 year term six months before the completion of the building's refurbishment. New lettings, lease renewals and extensions were completed on a further 1,807 sqm since the beginning of the year, with Great West House, Brentford now achieving record rents and having only one half of a floor vacant in the 30 floor building.

Our 20,800 sqm Spring Mews development, comprising up-market student accommodation, an extended-stay hotel and 1,133 sqm of office space, completed on time last year. The student space is fully let for 2014/15 and early bookings for 2015/16 are progressing well. The adjoining 93 bedroom hotel under the Staybridge Suites brand of InterContinental Hotels Group, and operated by Cycas Hospitality on our behalf, opened for guests in January and has already achieved an occupancy rate of 80%, at the higher end of expectations. On TripAdvisor it is rated in the top 20 out of 1,063 hotels in London. We recently began marketing the office space, which is included in our vacancy numbers for the first time.

At 138 Fetter Lane, EC4 the refurbished 2,896 sqm of new Grade A offices and eight newly developed residential apartments were launched in January. Demand for the offices has been strong, and half of the space is now under offer on ten-year leases.

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. The new American and Dutch embassies are well under construction, and many residential schemes are now on site. Since January we have acquired two town houses adjacent to the main site at 109 & 111 Wandsworth Road, SW8 for £3.3 million. We are close to satisfying the conditionality of the sale to a specialist student housing operator to build and manage the 454 student room building adjacent to the main site. We expect construction to start on this first phase of Vauxhall Square in 2016. We continue to explore financing options for the main scheme, on which we gain vacant possession in early 2017, and we expect to be in a position to clarify our intentions towards the site early in 2016.

REST OF UK – Of the 32 properties in the Rest of UK portfolio, 99% by rental value is let to central government departments, and 0.9% is vacant (31 December 2014: 0.9%). 687 sqm of space in Brooklands Office Campus, Plymouth expired in March and an agreement to lease has been entered into with a new tenant for a 15 year term.

FRANCE – With GDP growth expected to be 1.0% in 2015, unemployment 10.4% and CPI inflation 0.2%, the French economy remains challenged. However, our offices, particularly in Paris, reflect a demand for less expensive, non-prime space.

In the overall market, lettings in the Paris region in the first quarter of 2015 were 27% below the same period last year. Since the beginning of January we have taken back 5,080 sqm of offices, of which 3,698 sqm have been added to development stock and are no longer immediately available for letting, and 1,105 sqm have been let or renewed.

GERMANY – With GDP growth in 2015 forecast to be a modest 1.8%, unemployment low at 6.4%, and CPI inflation only 0.4%, German domestic demand should remain resilient. In 2015, the investment market in Germany registered its second best first quarter since 2009, assisted by a competitive debt market.

In early May we exchanged unconditional contracts to acquire Tangentis, Betastrasse 5/9a, Munich for €24.4 million at a net initial yield of 7.9%. This office building, 8 kilometres north-east of Munich, spans 14,630 sqm

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of lettable space and 252 parking spaces, and generates over €2.0 million of annual rent from 11 media and technology tenants, including Sky Deutschland, Kabel Deutschland, and the Bavarian Academy of Television. Completion is expected to take place before the end of June.

Excluding the fully let Tangentis acquisition, our vacancy rate in Germany remains very low at 2.5% (31 December 2014: 2.6%). Since 1 January we have taken back only 980 sqm of let space, and let or renewed 939 sqm.

SWEDEN – Occupancy of the Group's only directly held property in Sweden, Vänerparken, to the north of Gothenburg, has remained unchanged with a vacancy of 0.8% by rental value. The Group's 13.5% interest in Catena AB rose in the quarter by £7.0 million, reflecting a 23% increase in its share price.

FINANCE – Rent collection rates have remained high, costs are in line with budget, and the weighted average cost of debt has continued to be one of the lowest in the property sector at 3.62% (31 December 2014: 3.64%), being over 250 basis points below the property portfolio's net initial yield.

Since the start of the year the Group has refinanced a £74.7 million loan on Spring Gardens, SE11 with a £97.0 million 6 year loan at a fixed rate of 2.8%, and has financed the acquisition of Schellerdamm, Harburg with a €24.0 million 7 year loan at a fixed rate of 1.9%.

The Group has 60 loans from 23 lenders, two unsecured corporate bonds, a secured note and a debenture. The Group currently has liquid resources of over £225 million, comprising £54 million of cash, £77 million of corporate bonds, and available undrawn facilities in excess of £95 million.

In the latest tender offer, all of the shares available were cancelled by the Company on 24 April resulting in a distribution of £10.4 million to shareholders and leaving 42,402,323 shares in circulation.

Executive Chairman of CLS, Sten Mortstedt, commented:

"The acquisition of the Tangentis building in Munich demonstrates once again our ability to find opportunistic investments at attractive yields and let to strong covenants. Managing our properties in-house continues to pay dividends and I am encouraged by our letting performance, particularly in France, and by the interest shown in the recently-completed developments at 138 Fetter Lane and the hotel at Spring Mews.

"With a low cost of debt, high occupancy levels, and further rental streams to come from our new developments, we look forward with confidence to building on a strong start to the year."

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