



## CLS Holdings plc

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# **PRESS RELEASE**

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**CLS Holdings plc**  
**("CLS", the "Company" or the "Group")**  
**Interim Management Statement for the period 1 January 2009 to 14 May 2009**

The Company today announces its Interim Management Statement for the period 1 January 2009 to 14 May 2009.

### **HIGHLIGHTS**

- Robust first quarter performance
- Lease renewals and extensions completed on 7,750 sq.m (83,500 sq.ft), on average above passing rent
- New leases signed on approximately 7,000 sq.m (75,500 sq.ft)
- Rent indexation in France for Q1 and Q2 adds £1.0 million to annualised income
- Good cash collection from 1 January 2009 to date
- Reduction in debt levels
- £120 million in cash held at 31 March 2009

### **PROPERTY REVIEW**

**UK** – General market conditions in the London area in Q1 2009 have shown falling rents and increasing vacancy rates, with both letting and investment activity falling further from the downturn in 2008. Occupational demand has remained stable for the Group, although vacancy levels by rental income have risen slightly from 4.4% at 31 December 2008 to 5.4% at today's date, principally through one tenant vacating a proportion of space on a scheduled break option.

Cash collection remains a priority and 98% of the March rent roll was collected within 14 days of the due date, consistent with the normal collection targets of the Group.

Lease extensions, reviews and lettings have been agreed over approximately 2,750 sq.m (29,500 sq.ft) of space at an average 18% uplift during the period.

**FRANCE** - The French investment market continues to contract, with transactional values at a 10 year low. Take up of vacant space is also 25% down on the same quarter last year, and 9% down on the last quarter of 2008. Consequently, the vacancy rate in France has risen from 4.2% by rental income at December 2008 to 6.2% at the date of this report.

Letting activity has been reasonable this quarter, with rent reviews and lease extensions agreed on over 5,000 sq.m (54,000 sq.ft) of space, in addition to indexation, which together have added €1.1 million to the annualised rent roll. Furthermore, we have signed new leases over 4,250 sq m of space (45,750 sq.ft). Quarterly rents in France were also collected within the ongoing target, with over 93% received within 2 weeks of the quarter end date.

**GERMANY** - A similar set of circumstances exist in the German investment and letting markets, with falling demand and lower activity, coupled with increasing supply of new office space during 2009. Vacant space by rental income has remained stable for the CLS German portfolio. Letting activity has been slow, but we are pleased to report that 2,500 sq.m (27,000 sq.ft) has been let since December 2008. Rents in Germany are billed and collected on a monthly basis and to date we have received rents as normal.

The Group's developments at Bochum and Landshut are reaching the end of the construction process, on time and on budget, with the initial space at Bochum being handed over to the tenant during May 2009.

**SWEDEN** - The Swedish economy has also contracted in line with the Global downturn. Investment volumes have fallen with the lack of liquidity, and rents have stagnated in the major economic centres due to the declines in leasing volumes.

We continue to work closely with the City of Vänersborg to meet their requirements for additional office space at our Vänerparken complex. All rents in Sweden for the first quarter were collected within 10 days of quarter end.

## **FINANCIAL UPDATE**

Underlying profit for the first quarter has been strong with stable net rental income, tightly controlled costs and reduced interest burden from debt on floating rates.

Debt levels have fallen to approximately £586 million (31 December 2008 £602 million) principally from the strengthening of Sterling relative to the Euro and SEK since December 2008, and scheduled loan amortisations and repayments. Cash has decreased to approximately £120 million (31 December 2008 £195 million) at 31 March 2009. The largest item contributing to the reduction in year end cash was the tender-offer completed in January 2009 for £48.0 million, as detailed below.

## **PURCHASE OF OWN SHARES**

As reported in our Annual Report and Accounts for the year ended 31 December 2008, the second tender offer made by way of a Circular dated 1 December 2008 for the purchase of 2 in every 9 shares at 350 pence per share was completed in January 2009 and 13,721,215 shares were purchased and subsequently cancelled. NAV per share following the second tender offer was 732.1 pence.

The Company has 48,024,256 shares in issue excluding 5,000,000 shares held as Treasury shares.

## **BOARD CHANGES**

It was announced in our Annual Report and Accounts for the year ended 31 December 2008 that the Board would seek to appoint a further independent Non-Executive Director. The Board continues its search for such a suitable candidate.

## **OUTLOOK**

The Company is continuing to focus on its core property operations.

Executive Chairman of CLS, Sten Mortstedt, commented:

*"Our focus on active management of the portfolio, combined with the high proportion of government and high-quality corporate tenants has meant that performance for the first quarter has been robust, in markets that remain challenging. We are now beginning to see the benefit of falling interest rates on the finance charge and the consequent improvement in underlying profitability."*

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