



## CLS Holdings plc

86 Bondway  
London  
SW8 1SF

Tel: +44 (0)20 7582 7766  
Fax: +44 (0)20 7840 7710  
e-mail: [enquiries@clsholdings.com](mailto:enquiries@clsholdings.com)

[www.clsholdings.com](http://www.clsholdings.com)

Release date: 17 May 2010  
Embargoed until: 7:00am

**PRESS RELEASE**

**CLS HOLDINGS PLC  
("CLS", THE "COMPANY" OR THE "GROUP")  
INTERIM MANAGEMENT STATEMENT  
FOR THE PERIOD 1 JANUARY 2010 TO 17 MAY 2010**

The Company today announces its Interim Management Statement for the period 1 January 2010 to 17 May 2010.

### HIGHLIGHTS

- New leases, lease renewals and extensions completed on 12,214 sq m (131,500 sq ft)
- Completed site assembly for substantial development adjacent to Spring Gardens, Vauxhall
- 40% of rent roll let to Government tenants
- Vacancy rate at 4.8% by rental value (31 December 2009: 4.5%)
- Weighted average cost of debt of 4.1%
- £9.4 million of gain realised on sale of corporate bonds
- Over £130 million of internal resources available for investment

### PROPERTY REVIEW

**UK** – Since 1 January 2010, sentiment in the investment market in central London has continued to improve, although bank financing remains relatively expensive. The occupational market in central London has also seen a gradual increase in demand from occupiers and, with a lack of grade A accommodation, this demand has focused on good quality, second-hand space in good locations.

In the Group's portfolio, lease renewals were completed on 580 sq m (6,250 sq ft), and 2,791 sq m (30,000 sq ft) of space became vacant, of which new lettings were achieved on 2,269 sq m (24,500 sq ft), resulting in a net increase of the vacancy rate by rental value from 4.5% at 31 December 2009 to 5.2%. Part of the upcoming vacant space is planned to be used by our serviced office business.

In April we acquired 100 Vauxhall Walk, SE11, adjacent to our existing holdings, for £1.6 million. This completed the site assembly for a substantial development of over 28,000 sq m (301,400 sq ft) adjacent to our successful Spring Gardens holding in Vauxhall.



-2-

**FRANCE** – In 2010 to date, the French investment market has been characterised by investor demand significantly exceeding the supply of good quality product, generating a fall of 25 basis points in yields, and we expect these to fall further in Q2. Investment market activity has more than doubled to €900 million against the equivalent quarter in 2009, whereas the letting market has remained at the same level as a year earlier.

Whilst we believe there will be no significant rental growth in France during 2010, the void rate remains low at 4.4% by rental value, marginally up from 4.2% at the end of 2009. In the period under review leases on 7,629 sq m (82,100 sq ft) of space expired and 7,643 sq m (82,300 sq ft) was leased or renewed.

**GERMANY** – There has been a material increase in investment market activity in Germany in the first quarter of 2010 compared to the same quarter in 2009. Since the end of 2009, prime yields have fallen by 10 basis points due to a lack of core investment product, but the letting market remains weak and is not expected to improve before the end of the year.

Intensive asset management of our German portfolio has maintained the vacancy rate at 5.6% (31 December 2009: 5.8%), with leases expiring on 1,706 sq m (18,400 sq ft) of space, and 1,722 sq m (18,500 sq ft) being leased or renewed. Tenant discussions are ongoing in respect of a number of buildings and we expect the occupational markets to remain challenging for some time.

**SWEDEN** – The void rate of the Vänerparken portfolio, the Group's only property investment in Sweden, remained at 1.9% throughout the period under review.

## **FINANCIAL UPDATE**

At 31 March 2010 borrowings were £553.6 million (31 December 2009: £592.8 million) and the weighted average cost of debt was 4.1%. Cash and undrawn facilities stood at £79.8 million (31 December 2009: £70.3 million), and the Group held corporate bonds with a value of £58.8 million (31 December 2009: £70.0 million).

At 31 March 2010 the Group had 54 bank loans from 18 banks; none of the bank loan covenants was in breach.

Underlying profit continues to be resilient, with stable net rental income, high debt collection rates, and tightly controlled costs. In Q1 2010, the Group realised a gain of £9.4 million on the sale of corporate bonds.

The Company's Half-yearly financial report will be published in late August.



- 3 -

## **DIRECTORATE CHANGES**

On 11 May 2010, Richard Tice joined the Board as Deputy Chief Executive, Jennica Mortstedt as a Non-Executive Director and Bengt Mortstedt retired as a Non-Executive Director.

Executive Chairman of CLS, Sten Mortstedt, commented:

*"Our focus on active portfolio management has been successful and has kept our vacancy rate low across the portfolio. Our average cost of debt is low, and, with significant resources at its disposal, the Company remains well placed to take advantage of investment opportunities as they arise."*

**-ends-**

For further information, please contact:

CLS Holdings plc	+44 (0)20 7582 7766
Sten Mortstedt, Executive Chairman	
Henry Klotz, Chief Executive Officer	
Richard Tice, Deputy Chief Executive Officer	

Kinmont Limited	+44 (0)20 7087 9100
Jonathan Gray	

Smithfield Consultants	+44 (0)20 7360 4900
Alex Simmons / Will Swan	