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**CLS HOLDINGS PLC**  
**("CLS", THE "COMPANY" OR THE "GROUP")**  
**INTERIM MANAGEMENT STATEMENT FOR THE PERIOD 1 JULY 2009 TO 18 NOVEMBER 2009**

The Company today announces its Interim Management Statement for the period 1 July 2009 to 18 November 2009.

**HIGHLIGHTS**

- Lease renewals and extensions completed on 10,738 sq m (115,573 sq ft)
- New leases signed on 10,492 sq m (112,925 sq ft)
- Vacancy rate down to 4.5% by rental value (30 June 2009: 5.4%)
- Voids at Vänerparken down to 1.1% by rental value (30 June 2009: 8.3%)
- Sale of 2 Deanery Street, W1 at 17.4% above 31 December 2008 valuation
- Over £160 million of internal resources available for investment

**PROPERTY REVIEW**

**UK** – Since 1 July 2009, sentiment in the investment market in central London has improved, although bank financing remains relatively expensive compared to elsewhere in Europe. The occupational market in central London has also seen a positive shift, but competition between landlords remains challenging.

Lease renewals were completed on 1,900 sq m (20,450 sq ft), new lettings were achieved on 838 sq m (9,030 sq ft) and one tenant vacated from 288 sq m (3,100 sq ft), resulting in a net reduction of the vacancy rate by rental value from 5.0% at 30 June 2009 to 4.5%.

In August, 2 Deanery Street, W1 was sold for £2.2 million, 17.4% above its valuation at 31 December 2008.

**FRANCE** - The French investment market saw yields stabilise after a period of increases, and rents fall marginally for new and redeveloped space in central Paris. Credit conditions have begun to relax, significantly more so than in the UK, and we are looking closely at a number of investment opportunities in the Paris market.

Since 1 July 2009, new leases, rent reviews and lease extensions have been agreed on 8,078 sq m (86,950 sq ft) of space in the French portfolio, contributing to a fall in the vacancy rate from 6.1% to 5.9% by rental value.

**GERMANY** - There has been a 70% increase in investment market activity in Germany between the second and third quarters of 2009. Prime yields have stabilised, but vacancy rates are rising towards 10%, and unemployment is at 7.7%.

Intensive asset management of our German portfolio has maintained the vacancy rate at 4.1% (30 June 2009: 4.3%), and tenant discussions are ongoing in respect of a number of buildings. We expect the occupational markets to remain challenging for some time.

The development of the Rathaus Centre in Bochum is on time and on budget with final fit-out works now under way. The tenant is already in occupation and paying rent on a 30 year index-linked lease.

**SWEDEN** - 2,525 sq m (27,180 sq ft) of space became vacant and was relet in our real estate investment in Sweden, the Vänerparken portfolio, and an additional letting to the City of Vänersborg of 4,135 sq m (44,510 sq ft) reduced the void rate by rental value from 8.3% at 30 June to 1.1%. Refurbishment of this space will take six months prior to the tenant's occupation.

## **FINANCIAL UPDATE**

At 30 September 2009 borrowings were £576.6 million (30 June 2009: £562.1 million) and the weighted average cost of debt was 4.1%. Cash and undrawn facilities stood at £103.0 million (30 June 2009: £111.2 million), and the Group held corporate bonds with a value of £58.4 million (30 June 2009: £31.0 million).

At 30 September 2009 the Group had 55 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.

Executive Chairman of CLS, Sten Mortstedt, commented:

*"We have begun to see a degree of improvement in sentiment in the markets in which we operate, but conditions remain challenging. Notwithstanding this, our focus on active portfolio management has delivered a fall in vacancy rates across the portfolio, and we anticipate a strong performance from our core business for the full year. Further, with significant resources at its disposal the Company is well placed to take advantage of investment opportunities as they arise."*

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