

PRESS RELEASE

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CLS Holdings plc ("CLS", the "Company" or the "Group") Trading Update for the period 1 July 2024 to 12 November 2024

Fredrik Widlund, Chief Executive of CLS, commented:

"We continue to deliver on our strategic goals to increase lettings, reduce leverage through targeted disposals, and execute our financing strategy. Over the nine months to September, we secured 81 deals, generating over £10 million in annual rent at 5.5% above ERV.

"The letting trend remains positive although we are experiencing longer decision timelines due to macro and political factors slowing progress. However, with two-thirds of our vacant spaces EPC-rated A or B, we believe we are well placed for the period ahead."

"Our disposal program is progressing well, with a preferred bidder selected for the Spring Mews student property and completion expected in December. Additionally, we have agreed further small UK disposals and have initiated sale processes for two properties in Germany.

"Our refinancing activity for 2024 is nearly finished, with one smaller loan outstanding due to complete in December. Looking ahead, we are focused on 2025 refinancings and anticipate further progress by year-end. Debt costs have already decreased slightly as of September and we expect further reductions as sales proceeds are used to pay down more expensive loans."

A summary of our key operational and financial metrics is set out below:

Vacancy, lettings and occupancy (as at 30 September 2024)

In the first three quarters of 2024, CLS' transaction levels have remained healthy with letting activity in-line with 2023, offsetting expiries. Rental growth is evident in our markets for the right quality offices and floor plate sizes.

Between 1 July and 30 September 2024, we signed 23 leasing deals securing £3.7 million of annual rent, over 50% higher than the same period last year, at 4.8% above ERV. The most significant transactions were the first letting at Artesian, Prescott Street, London where we agreed a 10-year lease for one of the six floors with Médecins Sans Frontières for over 12,000 sq. ft (1,100 sqm) and in Germany where we signed a 10-year lease renewal for over 96,000 sq. ft (8,900 sqm) with HPH Institute at Fangdieckstrasse in Hamburg.

Between 1 January 2024 and 30 September 2024, we signed 81 deals securing £10.1 million of annual rent at 5.5% above ERV (1 January 2023 to 30 September 2023: 93 deals securing £10.2 million of annual rent at 9.1% above ERV). The 2023 deals included a significant €3.0 million p.a. 30-year lease signed with the City of Essen. Excluding this deal, 2024 lettings are 31% ahead of 2023.

Index-linked lease increases for the 9-months to 30 September 2024 were 3.9% in Germany, 5.0% in France and 2.6% at Spring Gardens in the UK. The renewals for the 9-months to 30 September 2024 were 1.4% behind previously contracted rent.

High occupancy levels continue in our Student and Hotel accommodation in Yorkhill with the student

high occupancy levels continue in our Student and Hotel accommodation in Vauxhall, with the student accommodation fully let for the current academic year and the hotel achieving record revenues.

From 30 June to 30 September 2024, our underlying vacancy, excluding completed refurbishments and disposals, fell to 10.5% from 10.8%. However, total vacancy increased slightly to 13.3% (30 June 2024: 13.2%) as more high-quality refurbishments were completed and letting activity was slower than forecast. Two-thirds of our vacancy is EPC A or B (or equivalent), with almost all the remainder being EPC C, and we therefore expect vacancy to fall as we progress further lettings in the short- to medium-term.

- EPRA vacancy rates (Based on 30 June 2024 ERVs):

Group: 13.3% (30 June 2024: 13.2%)

UK: 19.0% (30 June 2024: 19.6%)

Germany: 7.3% (30 June 2024: 7.2%)

France: 9.1% (30 June 2024: 7.1%)

Disposals

The sale of Spring Mews student continues to advance with a preferred bidder chosen and completion is targeted for December.

In addition, we have agreed further small UK disposals totaling £16.6 million for this year. We have also started the sale process for two German properties with a combined book value of £50.5 million.

As at 30 September, LTV had fallen marginally to 49.6%. If all these disposals complete then pro-forma LTV at 30 September 2024, assuming no other changes, would fall to 44.6%.

Liquid resources, financing and rent collection

The Group's balance sheet remains resilient with cash of over £62 million as at 30 September 2024 and £50 million of committed undrawn Revolving Credit Facilities ('RCFs') as well as a £10 million overdraft.

All 2024 refinancing activity has been completed but for one remaining loan of less than £10.0 million due in December 2024 which is currently well advanced and will complete by year-end.

As at 30 June 2024, we had 12 loans totaling £372 million which were due to expire in 2025. We have provisionally agreed deals for £161 million of these loans through a combination of early refinancings and loan restructurings/repayments connected with ongoing sales. Completion of these deals would leave £211 million across nine loans remaining to be refinanced in 2025 with the vast majority by value due in the final quarter of the year. These provisionally agreed deals could all complete by the end of 2024 and would further reduce our cost of debt.

As at 30 September 2024, our average cost of debt had fallen slightly to 3.75% as a result of refinancings and floating rate reductions and 84% of total debt was fixed or subject to interest rate caps.

By close on 12 November 2024, we had received 96% of Q4 contractual rents due (2023: 96%) and for the first three quarters of 2024, we have now received 99% of contractual rents due (2023: 99%).

Refurbishments and developments

In the period, we started the refurbishment of The Brix in Essen and advanced the pre-conditions before starting work at Bismarckstrasse and Debussy. Further meetings were held with Lambeth Council and the GLA to optimise and advance the expected Spring 2025 planning application for Citadel Place, with positive progress made regarding massing, heights and building uses.

Sustainability

We are on track with our energy and carbon saving target as part of our Net Zero Carbon Pathway. We expect to have reduced our energy use and scope 1 & 2 GHG emissions by more than 3% (like-for like) by the end of 2024. With the completion of our UK rollout of electric vehicle charging and solar PV, there has been a reduced amount of net zero carbon projects delivered this year. However, there has also been considerable detailed planning and progress on projects to remove fossil fuels from the remaining buildings in our portfolio in coming years.

Our sustainability progress was again recognised with EPRA Sustainability Best Practices Recommendations Gold this year. We have also maintained our GRESB award of 4 green stars.

Governance

As part of the Nomination Committee's annual review of Board composition and succession planning, it has been agreed that Elizabeth Edwards will step down from the Board at the end of next year. In addition, Eva Lindqvist has been appointed to the Nomination Committee with immediate effect and will become the Senior Independent Director when Elizabeth steps down. During 2025, it has been agreed to appoint two further independent non-executive directors who will strengthen the skills and experience of the Board.

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