1 September 2016

Falkland Islands Holdings plc

AGM Trading Statement

Falkland Islands Holdings plc ("FIH" or the "Group"), the international services group which owns essential services businesses in the UK and Falkland Islands is holding its Annual General Meeting ("AGM") at the offices of FTI Consulting at 200 Aldersgate, London EC1A 4HD at 10 a.m. today.

At the meeting, the Chairman, Edmund Rowland, will make the following statement:

"I am pleased to announce that subject to approval by shareholders today, the Group will change its name from Falkland Island Holdings plc to FIH Group plc. This change of name is designed to more properly reflect the balance of the group's activities which are now predominantly in Europe and the UK. Despite this change of name, the Group's Falklands business, the Falklands Islands Company ("FIC"), remains a core part of the Group and the Board is confident that the significant potential of this business will be realised when the oil resources that have been discovered in the seas around the islands are ultimately developed. Whilst the timing of such development is heavily linked to a recovery in the oil price, the recent progress by Premier Oil in preparing the ground for the commercial production of oil from its Sea Lion field and in lowering field development costs is very encouraging.

"The Group's trading performance for the first five months of the financial year was satisfactory and the Group's liquidity position remains strong with cash balances of £13.0 million at 31 August 2016, compared to £9.5 million at same time last year. Profitability across the Group was, as expected, at a slightly lower level than last year following the anticipated slow-down in activity in the Falklands linked to the ending of the current round of oil exploration drilling and the departure of the rig and related onshore rig support. In the UK, despite the highly competitive nature of the art handling market, Momart had a stronger start to the year and in Portsmouth, profits from the Group's passenger ferry were broadly stable.

"A key strategic objective of the Board is to enhance shareholder value and attract greater investor interest by creating a larger, more focussed Group, through selective acquisitions. The Group's significant cash resources and largely unleveraged balance sheet create significant capacity for funding such growth without recourse to shareholders. However if exceptional opportunities present themselves and the investment case is compelling, larger acquisitions will be put to shareholders for approval. During the year a number of potential targets have been reviewed and the Group has engaged specialist advisers to assist in the search process as well contacting active M&A advisers with details of the Group's acquisition criteria. To date the opportunities explored did not meet the Board's criteria for quality, sustainable growth and value, deemed essential to preserve and enhance shareholder value. However the Group has a number of opportunities currently under review and will keep shareholders informed of any progress at the appropriate time.

"Activity in the Falkland Islands Company ("FIC") since 1 April 2016 held up reasonably well with overall sales revenue in the first 5 months of the year at a similar level to the prior year. However, income from property rentals fell as expected following the departure of the Eirik Raude exploration drilling rig in March 2016 and support revenue from FIC's Fishing Agency was also affected by the sharp decline in the illex squid catch in April / May 2016.

"Retail sales in the FIC's flagship West Store in the 22 weeks to 28 August 2016 were 3.7% below 2015 levels as general consumer demand weakened, but this was largely offset in revenue terms by a stronger performance from Home Builder and Home Living fulfilling bulk orders. At Falklands Building Services, sales of kit homes were at a similar level to the prior year as the construction team continued to work through its accumulated order bank. Revenue from Southbound freight was lower although this was offset by the one-off benefit of Northbound cargoes from the departure of oil exploration infrastructure. At Falklands 4x4, vehicle sales benefited from run out orders on the now discontinued Land Rover Defender, although this improvement is expected to unwind later in the year. At SAtCO, FIC's Joint Venture partner for large construction projects, activity has been largely wound down following the departure of the Eirik Raude rig.

"In the Falkland Islands, the full effects of the oil slow down are still working their way through the economy and despite an expected increase in tourist visitors from cruise ships in the coming Austral summer, the outlook for the remainder of the year is expected to be significantly quieter than in 2015-16.

"In the UK, Momart had a better start to the year compared to last year and revenue from Museum Exhibitions improved significantly following a run of successful contract wins with leading museums in the UK, which had been reflected in the much improved opening order book at 1 April 2016. However, competition for museum work remains fierce and margins have come under pressure as Momart's institutional clients remain focussed on price in the face of government imposed budget cuts. In the commercial art market, further progress was made with galleries and private collectors following increased investment in sales, marketing and business development, although the buoyancy of demand for art works seen in recent years has lessened as global collectors and investors adopt a more cautious approach, a development underlined by the lower levels of sales seen by the leading auction houses in recent months. Overall, trading conditions for Momart remain challenging but the company's established reputation for the quality and excellence of its service continues to underpin its long term success.

"Momart's new warehouse facilities in Leyton, East London were finally completed in August 2016 providing a 33% increase in long term storage capacity and important enhancements to client facing reception and viewing areas as well as dedicated state of the art secure storage for its discerning clientele. Some of the storage space has already been pre sold but in the near term, the stepped increase in rent and rates will create a drag on profitability until the unit is more fully let, at which point it will become a significant driver to profit growth.

"At Portsmouth Harbour Ferry Company, ("PHFC") passenger numbers in the 22 weeks to date were 5.1% lower than in the prior year as the redevelopment of the Portsmouth Harbour rail bus and taxi interchange created disruption and a significant disincentive for passengers. Portsmouth Council has indicated that this disruption will come to an end at Christmas, at which point the improved passenger interchange at the Hard should help to drive a recovery in passenger numbers. General ferry fares were increased by 3-4% on 1 June 2016 to help offset increased operating costs from the recently delivered vessel, "Harbour Spirit", which is bigger, heavier and more comfortable than its 1965 vintage predecessor. During the summer, new promotional fares and joint ticketing with local visitor attractions were introduced to help mitigate the decline in passenger volumes and the company continued to expand its road side advertising programme supplemented by digital activity on Facebook and Twitter. The expansion of the Portsmouth Naval Base to accommodate the UK's new carriers the first of which HMS Queen Elizabeth will arrive in early 2017 will be a further positive factor over the medium term.

"The Group had cash balances of £13.0 million and long term bank borrowings of £3.1 million at 31 August 2016.

"With the Group's continued focus on the development of its core businesses, and to husband resources to support acquisitions, the Board is not recommending the payment of a dividend, however strong cash generation and a solid trading performance are expected for the full year."

- **Ends -**

Enquiries:

Falkland Islands Holdings plc
Edmund Rowland , Chairman Tel: 0207 087 7970
John Foster, Managing Director Tel: 01279 461 630

WH Ireland Ltd. – NOMAD and Broker to FIH
Adrian Hadden / Nick Prowting Tel: 020 7220 1666

FTI Consulting
Edward Westropp / Eleanor Purdon Tel: 020 3727 1521