

5 March 2009

Falkland Islands Holdings plc
("FIH" or "The Group")

Pre Close, Trading Update - Year ended 31 March 2009

Falkland Islands Holdings Plc the international services Group, which owns essential services businesses focused on transport and logistics and which has a major shareholding in Falkland Oil and Gas ("FOGL"), announces today a pre-close trading update for the year ended 31 March 2009, based on trading performance for the 10 months ended 31 January 2009.

Highlights:

- Despite difficult market conditions, the Group has continued to trade profitably
- The deteriorating commercial art market, which accounts for 15% of Group revenue, has impacted on sales and profitability at Momart
- Management has taken prompt action to control costs at Momart
- Anticipated exceptional charges relating to restructuring, goodwill, and interest rate hedge
- Underlying earnings per share for the year ended March 2009 will show an improvement on 2008
- The Group's financial position remains strong with good cash generation, robust Balance Sheet and secure banking facilities
- The Board remains positive about the Group's future prospects and plans to maintain the dividend

Since the announcement of the Group's Interim Results for the 6 months ended 30 September 2008 on 8 December 2008, despite the difficult economic environment, the Group's businesses have generally shown resilience and have continued to perform in line with the Board's expectations. However conditions in the commercial art market have deteriorated, impacting sales and profitability at the Group's specialist art logistics subsidiary, Momart. (Services to commercial art galleries historically represent about one third of Momart's turnover and account for approximately 15% of the Group's total revenue). As a result of this reduction in activity, prompt action has been taken to reduce headcount at Momart by some 12%, resulting in exceptional restructuring charges of approximately £150,000 and annualised cost savings of around £500,000.

Having regard to the lowered expectations of Momart's future performance, the Group has reassessed the carrying value of the goodwill linked to its investment. As a result of this reassessment and changes in discount rates the Group now expects to make an exceptional, non cash write down of approximately £2.0million in the carrying value of its investment in Momart, in the year ended 31 March 2009.

As foreshadowed in the Interim Results statement, the recent sharp falls in bank interest rates mean that there has been a significant reduction in the market value of the Group's interest rate hedge. There is likely to be a further increase in the provision relating to the carrying value of the hedge of approximately £400,000 in the second half of the current financial year. This exceptional charge has no impact on cash and will reverse, boosting profitability in future years.

The Group's financing position remains strong. Net borrowings at the 31 March 2009 are expected to be similar to net borrowings at 31 March 2008, with significant cash balances and unutilised bank facilities of £2m which are committed to March 2011. The Group continues to operate within its banking covenants and expects to continue to do so.

Management now expects that profit before tax, exceptional items and the amortisation of intangibles (PBTae) (ie profit before the goodwill impairment , restructuring charge, the expected reduction in the market value of the Group's interest rate hedge and the normal amortisation of intangibles ("Underlying Profits")) for the year to 31 March 2009 will be slightly lower than market expectations of £2.4m.

After taking account of the exceptional restructuring charges noted above (£0.15m) and non cash charges for the increased provision for the carrying value of the Group's interest rate hedge (£0.4m), the goodwill impairment (£2.0m) and the normal amortisation of intangibles (£0.4m), it is expected that the Group will show a loss before tax for the year ended 31 March 2009. However the Board still anticipates that underlying earnings per share for the year ended 31 March 2009 (based on Underlying Profits) will show an improvement on 2008 when underlying earnings per share were 16.3p.

Looking beyond the current financial year, in the near term the decline in the art market will restrict the Group's ability to deliver the steady increase in profitability anticipated at the time of the acquisition of Momart, although the Directors remain confident in the Group's long term potential for steady growth.

Annual results for the year ended 31 March 2009 are due to be announced on 12 June 2009.

David Hudd, Chairman of Falkland Islands Holdings plc, said:

"In the face of difficult economic conditions the Group has continued to trade profitably and to generate cash. The spread and resilience of the Group's operations is providing a real cushion against the worst effects of recession.

"In these market conditions, we believe our robust Balance Sheet and secure bank facilities will be a major source of strength. The Board remains positive about the future prospects of the business and can confirm that it has no plans to reduce the Group's dividend."

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