

Falkland Islands Holdings plc

Acquisition of Momart

4 March 2008

Highlights

- Acquisition of Momart for £10.27 m by Falkland Islands Holdings plc
- Momart is a UK market leader in fine art logistics and storage with a blue chip client list
- Art removal and storage market growth is driven by internationalisation of art market, re-distribution of global wealth and trend for outsourcing
- Since 1998 Momart has delivered a Compound Annual Growth Rate in turnover of 7.9%
- Acquisition expected to be significantly EPS enhancing
- Momart's customers include The Victoria and Albert Museum, The Tate Galleries, The Royal Collection, Damien Hirst and The Henry Moore Foundation
- Scope for international expansion and growth

Acquisition of Momart

The Board of Falkland Islands Holdings plc ("FIH" or the "Group"), 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"), is pleased to announce the acquisition of Momart International Ltd ("Momart"), the international art logistics and storage company, for £10.27m. Momart is being acquired from its management and employees for a mixture of cash, deferred consideration and shares in FIH. The acquisition is conditional on the admission of the new FIH shares to trading on AIM, which is expected to take place tomorrow (5 March 2008).

Following the acquisition, Momart's key management and staff will continue to work within the Group to drive its continued expansion, particularly in rapidly growing overseas markets. It is expected that the acquisition will be significantly accretive to EPS post completion and further strengthens the Group's earnings base within the transport services sector. It also enhances FIH's overall growth prospects.

Momart was established in 1971 and has grown steadily to become a globally-respected logistics group focused exclusively on the storage, transportation and installation of fine art, ranging from paintings, to sculptures, to complex installations, into, out of and within the United Kingdom. Momart has a highly trained workforce and a fleet of purpose built specialist vehicles operating from its modern 78,000 sq.ft. storage facility in East London. Momart enjoys an estimated 13% of a market estimated to be worth approximately £85m in the UK. The Company is a trusted partner of choice for major art institutions, galleries and artists in the UK and internationally. Clients include:

UK Institutions

The Victoria and Albert Museum, The Royal Academy, The Tate Galleries, The National Gallery and The British Museum

Collections

The Royal Collection, The Henry Moore Foundation, and The UBS Collection

Artists

Damien Hirst and Antony Gormley

Overseas Institutions

The Metropolitan Museum of New York, The National Gallery of Art Washington, J Paul Getty Museum – Los Angeles, The Pompidou Centre – Paris and The Hermitage St Petersburg

Momart has a wide spread of clients, with no single customer accounting for more than 8% of turnover. Over 30 years Momart has developed a team of skilled craftsmen with a thorough knowledge and appreciation of the artefacts handled and it delivers a consultancy-led solution to organisers of major exhibitions and galleries, providing clients with the care and attention to detail they demand and helping them to accurately cost, plan and orchestrate the movement, collection and display of priceless works of art across the globe.

Momart's audited accounts to 31 August 2007 showed turnover of £12.3 million, pre-tax profits of £1.2 million and net assets of £0.35 million. Profits for that year before bank interest and depreciation/amortisation were £1.65m. In the 10 year period to August 2007, helped by the steady growth in the global movement of art, Momart's turnover increased by over 90% (a compound annual growth rate of 7.9%) and in the five month period to 31 January 2008 sales have increased 9.8% over the comparable prior period.

Deal Structure

The consideration comprises:

£7.78m in cash and 582,666 new FIH shares. The cash is payable as follows:

- £4.61m payable on or shortly after completion,
- £1.55m payable on 15 January 2009 and
- £1.62m two years following completion in March 2010.

The aggregate value of the consideration amounts to £10.269 million (based on the closing price of 427.5p of an FIH share on 3 March 2008).

The deferred payments are supported by a bank guarantee and are subject to certain directors remaining with the business.

The cash consideration payable on completion is being financed out of FIH's existing cash resources and a £4.0m term bank loan. Certain non-trading assets of Momart are also to be sold and the net proceeds paid to the vendors.

The sale and purchase contract contains warranties and non competition covenants in favour of FIH.

Following the allotment of new FIH shares to the vendors, FIH will have 9,052,876 ordinary shares of 10p each in issue. Application has been made to London Stock Exchange plc for the 582,666 new FIH shares to be admitted to trading on AIM. Seventy-five percent of the FIH shares being issued are subject to a 12 month lock-in.

The vendors were advised by Livingstone Partners LLP.

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

"I am delighted that we have been able to acquire Momart which meets all the key criteria we identified during our acquisition search. Momart is a high quality business with a strong management team and is a good cultural fit with FIH. The acquisition gives FIH a new source of earnings from a business with a long record of cash generation and profits, and which has superior growth prospects.

"For FIH shareholders, on a pro forma historical basis, earnings per share will be significantly enhanced without any significant dilution in the Group's indirect interest in FOGL. This along with our progressive dividend policy demonstrates our commitment to maximizing shareholder value."

Enquiries

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Notes to Editors

About FIH

Prior to acquiring Momart, FIH had two principal operating subsidiaries: The Falkland Islands Company (“FIC” - incorporated in 1852); and The Portsmouth Harbour Ferry Company (“PHFC” - incorporated in 1883). It also had a 16.2% shareholding in Falkland Oil & Gas Limited. Prior to the admission of new FIH shares pursuant to the acquisition of Momart, FIH's market capitalisation (based on yesterday's closing price of 427.5p) was £36.2m.

FIC operates retail and support services businesses in the Falkland Islands where it has a number of retail outlets selling a wide range of items from cornflakes to cement and Land Rovers. Other support service operations include fishing and shipping agency, port services, and an insurance agency. Turnover for the year ended 31 March 2007 was £12.2 million.

PHFC operates a ferry service between Portsmouth and Gosport for foot passengers, bicycles and motorcycles, a water taxi service and summer cruising. Turnover for the year ended 31 March 2007 was £3.4 million achieved from ferrying nearly 3.6 million passengers across the harbour.

FIH was also a founder shareholder in and still owns 15 million shares (16.2%) in the AIM quoted Falkland Oil & Gas Limited (“FOGL”), which is exploring for oil in a 48,900 sq km licence area (equivalent to over 220 north Sea blocks) to the South and East of the Falkland Islands. FOGL has recently announced a farm-in by BHP Billiton who will be paying approximately 68% of the costs of the near term work programme, including the drilling of two exploration wells and other associated costs. BHP Billiton has also paid FOGL \$12.75m in reimbursement of costs already incurred. FOGL had a market capitalisation of £120m (based on yesterday's closing price of 130p).

About Momart

Momart is an acknowledged authority on the handling of fine arts and antiquities. Its expertise with fragile, rare, valued and monumental objects has made it one of the largest specialists in its field world-wide.

Many years of experience and detailed planning enable Momart to create a cost efficient service for all its clients – from moving a single picture to handling an international exhibition or corporate collection.

The cornerstone of the relationship between the Momart workforce and its clients is centered on a shared passion for art and its care.

Low staff turnover across many years has enabled Momart to build a wealth of expertise in handling every aspect of a client's needs, from an individual to a national institution. Momart's personnel have handled the majority of all major exhibitions in the UK over the past twenty years.