

## ASX ANNOUNCEMENT

**Coates recommends \$6.59 per share cash offer from National Hire and Carlyle Consortium****Sydney, 2 October 2007**

A consortium comprising National Hire Group Limited ("National Hire") and The Carlyle Group ("Carlyle") (collectively "the Consortium") today advised that they had reached agreement with the Independent Board Committee of Coates Hire Limited ("Coates") to acquire all of the outstanding shares in Coates for \$6.59 cash per share. The offer price is equivalent to \$6.70 per share taking into account Coates' 11 cent final dividend for the year ended 30 June 2007 that will be paid on 3 October 2007. The offer values Coates on an enterprise basis at approximately \$2.2 billion<sup>1</sup>.

The \$6.59 offer consideration includes a fully franked special dividend of 53 cents per share payable to Coates shareholders on completion of the transaction.

The \$6.59 per share offer price represents:

- a 37% premium to Coates' closing share price of \$4.80 on 5 April 2007<sup>2</sup>;
- a 33% premium to Coates' one month volume weighted average share price of \$4.97 at 5 April 2007; and
- a multiple of 13.3x earnings before interest and tax (EBIT) for the year ending 30 June 2007.

The transaction will be implemented by a Coates Scheme of Arrangement and is subject to approvals by both Coates and National Hire shareholders.

The Independent Board Committee of the Coates Board, comprising the non executive directors, has unanimously determined to recommend this offer to its shareholders.

The directors of National Hire unanimously recommend that National Hire shareholders vote in favour of the transaction. Each of the directors of National Hire intends to vote their shares in favour of the transaction in respect of National Hire shares they own or control.

The Consortium has formed a new company, Ned Group Holdings Pty Ltd ("Ned Group"), to acquire Coates and National Hire's rental services business. National Hire and Carlyle will each hold a 50% voting interest in Ned Group<sup>3</sup>.

Ned Group will fund the transaction from new debt finance and equity contributions from each of the Consortium parties. Financing commitments for the new debt have been obtained from seven leading domestic and international financial institutions. The financial institutions' commitment to finance the transaction has been provided on a 'certain funds' basis (i.e. the financing is no longer subject to due diligence and conditions to funding are limited to the completion of the transaction and customary procedural matters).

National Hire will fund its equity contribution of approximately \$339 million by the transfer of its rental business to Ned Group for \$282 million and \$57 million in cash. Carlyle will

<sup>1</sup> Based on the offer price of \$6.59 per Coates share and Coates' net debt as at 30 June 2007 of \$525 million (includes financing derivatives and adjusted for Coates' final dividend).

<sup>2</sup> The date on which Carlyle made its initial approach to Coates.

<sup>3</sup> National Hire and Carlyle will each hold a 47% economic interest in Ned Group. The remaining 6% is a non-voting interest held by financial investors.

contribute \$339 million in cash. As part of the transaction, National Hire's existing debt will be transferred to Ned Group with its rental business and will be refinanced.

National Hire has entered into a subscription agreement with Elph Pty Ltd (a company controlled by Mr Dale Elphinstone) to make a placement of up to 28.7 million new National Hire shares at \$3.00 per share to raise up to \$86 million. Part of the placement proceeds will be used to fund National Hire's cash contribution to Ned Group, with the balance providing capital for future growth in National Hire. The placement is subject to approval by National Hire shareholders and completion of the Scheme of Arrangement to acquire Coates. Following the placement, shares owned by Elph Pty Ltd will represent up to 19.9% of the expanded capital of National Hire.

The rental operations of Coates and National Hire will be merged within Ned Group. The merged rental operations will be the leading equipment hire business in Australia, with annual hire revenues of approximately \$990 million and EBIT of approximately \$202 million, based on Coates' and National Hire's financial performance to 30 June 2007<sup>4</sup>. Synergy benefits in excess of \$30 million per annum are expected to be realised from the transaction once the two businesses have been fully integrated.

Ned Group will be led by Malcolm Jackman and will be managed by a combination of National Hire's and Coates' existing management teams. Tony Dage, a consultant specialising in industrial business integration, will also join Ned Group to lead the integration of the two rental operations.

Simon Moore, Managing Director of Carlyle said, "This is an exciting investment for Carlyle. We are pleased to be part of the creation of Australia's most significant equipment hire business. Both Coates and National Hire are high quality businesses with strong management teams. We look forward to working with the management team of the merged entity. Carlyle has experience in the equipment rental industry through its acquisition of Hertz Corporation in 2005."

The Executive Chairman of National Hire, Ray Romano said "We are excited to be partnering with Carlyle in this significant investment. It delivers greatly expanded scale to National Hire's rental business in line with our strategic intent and provides us with access to Carlyle's global rental industry experience. Following the transaction, National Hire will remain a listed company in its own right. Its major assets will comprise our capital sales business, a 47% economic interest in the merged Coates/National Hire rental business and net cash of approximately \$40 million."

## Process and Timetable

Coates has entered into a Scheme Implementation Agreement ("SIA") with a wholly owned subsidiary of Ned Group for the proposed transaction. The proposed transaction is subject to a number of conditions, including:

- Coates shareholder approval;
- National Hire shareholder approval;
- court approval of the Coates Scheme of Arrangement;
- no adverse regulatory intervention; and
- continued financial accommodation from the banking syndicate.

The appendix to this announcement sets out the key terms of the SIA.

<sup>4</sup> Assumes the businesses were merged on 1 July 2006 and exclude any costs or synergy benefits from combining the operations. The figures are for illustrative purposes only.

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Coates' shareholders will be asked to approve the Scheme of Arrangement at a shareholders meeting expected to be held in mid December 2007.

National Hire shareholders will be asked to approve the proposed acquisition of Coates transaction and associated matters, including the placement, at a National Hire shareholders meeting expected to be held prior to the Coates Scheme meeting in late November/early December 2007. A notice of meeting is expected to be mailed to National Hire shareholders in late October/early November 2007.

National Hire's major shareholder, WesTrac Pty Ltd (which holds approximately 67% of the shares in National Hire) has indicated that it intends to vote the shares it owns or controls in favour of the resolutions to be put to National Hire shareholders at the shareholders meeting.

National Hire is being advised by Grant Samuel Corporate Finance. Ned Group is being advised by ABN AMRO, Deutsche Bank and Goldman Sachs JBWere.

## Contacts:

### National Hire Group Limited:

Stephen Donnelley (Managing Director)  
Ph: 02 9384 9200

David Lindsay, Channel Financial  
Communication - Investors  
Ph: 02 9221 0008

### Carlyle Australia Investment Advisors:

Simon Moore (Managing Director)  
Ph: 02 9270 3510

Sue Cato, Cato Counsel - Media  
Ph: 0419 282 319

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### **Media Call**

A National Hire and Carlyle media conference call will be held at **2:30pm (AEST)** today. Dial in details for the media conference call is as follows:

- Australian dial in number: 1800 555 616
- Outside Australia: +61 3 9221 4420

#### Instructions:

- Media are encouraged to pre-register for the conference call at:  
<http://202.139.27.84/webportal3/reg.html?Acc=4722459544&Conf=123889>
- Media unable to pre-register, please ignore the PIN prompt and wait for operator to be connected to the conference call.

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### **Analyst & Investor Call**

A National Hire and Carlyle analyst and investor conference call will be held at **3:30pm (AEST)** today. Dial in details for the analyst and investor conference call is as follows:

- Australian dial in number: 1800 500 686
- USA dial in number: 1866 369 4113
- Outside Australia: +61 3 9221 4420

#### Instructions:

- Participants are encouraged to pre-register for the conference call at:  
<http://202.139.27.84/webportal3/reg.html?Acc=4722459544&Conf=123890>
  - Participants unable to pre-register, please ignore the PIN prompt and wait for operator to be connected to the conference call.
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## **About National Hire Group**

Established in 1981, National Hire Group Limited is a publicly listed business that operates throughout Australia and in Indonesia.

Through a merger undertaken in December 2004 the National Hire Group acquired the assets of Allight Holdings Pty Ltd and WesTrac's The Cat Rental Stores® in WA. The National Hire Group is now one of the leading hire companies in Australia and a major manufacturer and distributor of Allight mobile lighting towers, FG Wilson power generation and de-watering equipment and Perkins engines.

The National Hire Group operates two divisions: Rental Services and Capital Sales. The Rental Services division trades as National Hire The Cat Rental Store® in NSW, ACT and WA and as National Hire in Queensland, Victoria, South Australia, the Northern Territory and Indonesia. Capital Sales trades as Allight in each state in Australia and Indonesia.

The Group meets the specialised needs of customers in the mining, construction, industrial, infrastructure, civil and engineering markets by providing expert advice and project planning, a high quality and young fleet and a wide geographic distribution.

The National Hire Group is committed to being the leader of comprehensive and innovative equipment solutions, with a reputation for service excellence.

## **About The Carlyle Group**

The Carlyle Group is a global private equity firm with \$75.6 billion under management committed to 55 funds. Carlyle invests in buyouts, venture & growth capital, real estate and leveraged finance in Africa, Asia, Australia, Europe, North America and South America focusing on aerospace & defense, automotive & transportation, consumer & retail, energy & power, financial services, healthcare, industrial, infrastructure, technology & business services and telecommunications & media. Since 1987, the firm has invested \$32.3 billion of equity in 686 transactions for a total purchase price of \$157.7 billion. The Carlyle Group employs more than 900 people in 21 countries. In the aggregate, Carlyle portfolio companies have more than \$87 billion in revenue and employ more than 286,000 people around the world.

Carlyle has assembled one of the largest private equity teams in Asia and Japan with a staff of over 90 investment professionals with over US\$6.3 billion under management. Carlyle's strong presence in Asian buy-outs has supported 14 acquisitions in a range of sectors including financial services, media and telecommunications, industrial and consumer.

## **About Coates**

Coates Hire Limited is Australia's largest equipment hire company with 120 years of experience, supplying to a wide variety of markets including Engineering Civil Construction, Building Construction and Maintenance, Mining and Resources, Manufacturing, Government, Industrial Shutdowns and Events.

With over 190 branch and satellite locations and its own maintenance and transport capability, Coates is well positioned to satisfy the equipment hire needs of its customer base.

Coates' overseas operations consist of Coates Offshore based in Aberdeen in the UK providing specialised equipment to the offshore oil and gas industry, and Coates Hire Indonesia with 7 locations supporting the mining resource and offshore sectors.

Coates is listed on the Australian Stock Exchange under the code COA and is included in the S&P/ASX 200 Index of Australia's Top 200 companies. For more information on Coates, visit [www.coates.com.au](http://www.coates.com.au).

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Annexure A

## Scheme Implementation Agreement – summary of key clauses

<b>SIA</b>	Coates Hire Limited ( <b>Coates</b> ), Ned Group Holdings Pty Limited ( <b>Bidco</b> ), Ned Operations Pty Limited ( <b>National Hire</b> ) and CAP Orange Holding BV ( <b>Carlyle</b> ) have entered into a Scheme Implementation Agreement ( <b>SIA</b> ) dated 2 October 2007.
<b>Conditions</b>	<p>The SIA is subject to the following conditions precedent:</p> <ol style="list-style-type: none"> <li>1 Coates shareholder approval;</li> <li>2 no injunction or other legal restraint or prohibition restraining or prohibiting the scheme is in effect;</li> <li>3 no Coates regulated event occurs;</li> <li>4 FIRB approval;</li> <li>5 Court approval;</li> <li>6 representations and warranties provided by the parties are materially true and correct;</li> <li>7 no Material Adverse Change;</li> <li>8 Bidco's financial accommodation continues to be available;</li> <li>9 National Hire shareholder approval is obtained for the purposes of section 260B of the Corporations Act and the ASX Listing Rules.</li> </ol>
<b>Exclusivity</b>	<p>Coates must ensure that neither it nor any of its representatives solicits any Competing Proposal.</p> <p>Coates must not:</p> <ol style="list-style-type: none"> <li>1 enter into negotiations or discussions with any other person regarding any Competing Proposal;</li> <li>2 solicit or invite any party to undertake due diligence investigations on Coates; or</li> <li>3 make available any non-public information relating to Coates to any other person.</li> </ol> <p>In addition, Coates must notify Bidco, and provide all relevant details, of:</p> <ol style="list-style-type: none"> <li>4 any approach that could reasonably be expected to lead to any Competing Proposal;</li> <li>5 any request for information which Coates has reasonable grounds to suspect may relate to a Competing Proposal; and</li> <li>6 any provision of information relating to Coates to any person in connection with a Competing Proposal,</li> </ol> <p>and must not recommend a Competing Proposal unless at least 48 hours' notice of the matters referred to above has been provided to Bidco.</p> <p>The restrictions in points (1) to (6) above do not prevent Coates or the Coates Board from taking any action in respect of a bona fide Competing Proposal which was not solicited by Coates, provided that the Coates Board has determined:</p> <ol style="list-style-type: none"> <li>1 that the Competing Proposal is a Superior Proposal; or</li> <li>2 in good faith and acting reasonably, after having received written advice from its external legal and financial advisers, that failing to respond would constitute a breach of the Coates directors' fiduciary or statutory obligations.</li> </ol>

<b>Change of recommendation</b>	<p>The Coates Board must not change or withdraw its recommendation in favour of the Scheme unless:</p> <ol style="list-style-type: none"> <li>1 the Independent Expert's Report concludes that the scheme is not in the best interests of Coates shareholders (including in any update to that report); or</li> <li>2 the Coates Board determines, in good faith and acting reasonably, after having consulted with and received written advice from its external legal and financial advisers, that a Competing Proposal constitutes a Superior Proposal to the scheme.</li> </ol>
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<b>Break fee</b>	<p>A break fee of \$10 million is payable by Coates to Bidco if:</p> <ol style="list-style-type: none"> <li>1 a Competing Proposal for Coates is announced or made prior to the earlier of termination of the SIA and the second court date and, within 12 months after the date of the SIA, any person: <ol style="list-style-type: none"> <li>(a) acquires (whether directly or indirectly) or becomes the holder of all or a substantial part of the business or assets of the Coates Group;</li> <li>(b) acquires control (as determined in accordance with section 50AA of the Corporations Act) of Coates; or</li> <li>(c) otherwise acquires or merges with Coates;</li> </ol> </li> <li>2 Bidco terminates the SIA for a material breach by Coates;</li> <li>3 the Coates Board changes or withdraws its recommendation unless that change or withdrawal is consequent upon the Independent Expert's Report concluding that the Scheme is not in the best interest of Coates Shareholders and there is no Competing or Superior Proposal;</li> <li>4 the Independent Expert's Report concludes that the Scheme is not in the best interests of Coates Shareholders because of a Competing or Superior Proposal;</li> <li>5 Bidco terminates the SIA for a breach of the exclusivity provisions by Coates; or</li> <li>6 a Coates regulated event occurs that results in termination of the SIA.</li> </ol>
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<b>Reverse break fee</b>	<p>A reverse break fee of \$10 million is payable by Bidco to Coates if Coates terminates the SIA for a material breach by Bidco, Carlyle or National Hire.</p> <p>An amount of \$2.5 million is payable by Bidco* to Coates if an injunction or other legal restraint or prohibition restraining or prohibiting the scheme is in effect.</p> <p>An amount of \$5 million is payable by Bidco* to Coates if Bidco's financial accommodation is no longer available.</p> <p>An amount of \$10 million is payable by Bidco* to Coates if National Hire shareholder approval is not obtained for the purposes of section 260B of the Corporations Act and the ASX Listing Rules.</p>
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\* This would be borne fully by National Hire, not Carlyle

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**Key definitions**

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**Competing Proposal**

a proposal pursuant to which:

- 1 a person (other than Bidco, National Hire, Carlyle, their representatives, or an institutional investor or hedge fund, provided that the investor is not a private equity fund) would, if the proposal were implemented, after the date of the SIA increase its voting power in Coates to 10% or more (or enters into any agreement or arrangement which confers the rights, the economic effect of which is equivalent or substantially equivalent, to becoming a holder of 10% or more of Coates shares); or
- 2 a person (other than Bidco, National Hire, Carlyle or their representatives) would, if the proposal were implemented:
  - (a) acquire (directly or indirectly) or become the holder of all or a substantial part of the business or assets of the Coates Group;
  - (b) acquire control (as determined in accordance with section 50AA of the Corporations Act) of Coates; or
  - (c) otherwise acquire or merge (including by reverse takeover bid or dual listed company structure) with Coates.

**Material Adverse Change**

a matter, event or circumstance that occurs, is announced or becomes known to Coates (whether or not it becomes public) where that matter, event or circumstance has, has had or could reasonably be expected to have, individually or when aggregated with all other such matters, events or circumstances:

- 1 a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Coates Group taken as a whole; and
- 2 without limiting the generality of (1), the effect of:
  - (a) diminishing the net assets of the Coates Group by an amount of \$100 million or more; or
  - (b) reducing in any financial year earnings before interest, tax, depreciation and amortisation of the Coates Group by an amount of \$25 million or more.

**Superior Proposal**

a bona fide unsolicited Competing Proposal received by Coates which the Coates Board has determined, in good faith and acting reasonably after consultation with and the receipt of written advice from their external legal and financial advisers, is, or is reasonably likely to result in a proposal by the person making the Competing Proposal that is:

- 1 reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal or the proposal and the person making it; and
  - 2 more favourable to Coates Shareholders (as a whole) than the scheme, taking into account all the terms and conditions of the Competing Proposal or the proposal.
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