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Media Release – Coates recommend acquisition proposal

In accordance with Listing Rule 3.1 Coates Hire Limited releases to the Market the attached Media Release with respect to the recommendation by the Independent Board Committee of Coates to accept an offer from the Carlyle Group and National Hire Group Limited.

Yours faithfully
Coates Hire Limited



John Bagnall
Group General Counsel

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Media Release

Coates Hire Limited to recommend an acquisition proposal from The Carlyle Group and National Hire Group Limited

Coates Hire Limited ("Coates") today announced that it has received a further offer from the Carlyle Group and National Hire Group Limited ("the Consortium") which will result in a total cash payment to shareholders of \$6.70 per share (inclusive of a final dividend of 11 cents being paid on 3 October 2007) and will deliver a total value of up to \$6.97 per share (inclusive of the franking credits attaching to the final and special dividends in accordance with the offer).

The Independent Board Committee of the Board, comprising the Non-Executive Directors ("the Committee"), has unanimously determined to recommend this offer to shareholders.

The Committee has a very positive view of the long-term prospects for the Coates business and previously announced that it had concluded an intensive Strategic Review with its advisers, Booz Allen Hamilton and Macquarie Bank, which revealed further opportunities for value creation in the business.

However, the Committee believes the value of this offer, unlike the previous offers received, is sufficiently high to warrant the Committee's recommendation and the opportunity for shareholders to decide whether to accept or not.

Consequently, the Committee has today signed a Scheme Implementation Agreement ("SIA") under which the Consortium would acquire Coates for a total cash consideration of \$6.59 per share, as follows:

- o \$6.06 cash, and
- o \$0.53 special dividend.

In addition, under the terms of the offer, shareholders will receive the final dividend for the financial year ended 30 June 2007 of 11 cents payable on 3 October bringing the total cash payment to \$6.70. With franking credits of 4 cents and 23 cents respectively attaching to the final dividend and special dividend, the total value is \$6.97 for shareholders who can make full use of the franking credits.

The total cash payment of \$6.70 to shareholders is:

- o \$0.49 above the share price close on 1 October (adjusted for the final dividend),
- o a 32% premium to the 30 day volume weighted average price prior to the announcement of a Strategic Review on 1 May,
- o a 16% premium to the 3 month volume weighted average price to 1 October, and
- o in excess of the all time high closing day price for the stock of \$6.55.

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The Committee intends to recommend that Coates shareholders vote in favour of the proposed Scheme of Arrangement, in the absence of a superior proposal emerging and subject to the independent expert concluding and continuing to conclude that the proposal is in the best interests of Coates shareholders.

The Committee has ensured that the Company has acted with integrity at all times and adhered to strict governance protocols both during the Strategic Review process and the review of subsequent proposals. Executive directors and senior management have not participated in the decision making.

A summary of the key terms of the SIA is included in an Appendix to this release. A meeting of the Coates shareholders to vote on the proposed Scheme of Arrangement is expected to be held in December 2007.

In making the announcement, the chairman, Mr. Bill Cutbush said "The Committee's primary concern has been and continues to be to act in the best interest of shareholders, with the view to maximising value for all shareholders.

"I am proud of our record at Coates. It is a well run company with a history of strong profits and a sound strategy based on growth and diversification. Over the last five years we have delivered year-on-year growth in sales, profits, and dividends.

"The continuation of current operations, pursuit of value enhancing strategies and implementation of strategic initiatives we announced last month was a realistic plan to deliver growth into the future.

"Ultimately, however, the improved offer from the Consortium allows shareholders to benefit from the inherent value of the Coates business and a share of the synergies that will be secured on the combination of the Coates and National Hire businesses." he concluded.

For further information about this announcement please contact:

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APPENDIX

Scheme Implementation Agreement – summary of key clauses

SIA	Coates Hire Limited (Coates), Ned Group Holdings Pty Limited (Bidco), Ned Operations Pty Limited (National Hire) and CAP Orange Holding BV (Carlyle) have entered into a Scheme Implementation Agreement (SIA) dated 2 October 2007.
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Conditions	<p>The SIA is subject to the following conditions precedent:</p> <ol style="list-style-type: none">1 Coates shareholder approval;2 no injunction or other legal restraint or prohibition restraining or prohibiting the scheme is in effect;3 no Coates regulated event occurs;4 FIRB approval;5 Court approval;6 representations and warranties provided by the parties are materially true and correct;7 no Material Adverse Change;8 Bidco's financial accommodation continues to be available;9 National Hire shareholder approval is obtained for the purposes of section 260B of the Corporations Act and the ASX Listing Rules.
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Exclusivity	<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">1 enter into negotiations or discussions with any other person regarding any Competing Proposal;2 solicit or invite any party to undertake due diligence investigations on Coates; or3 make available any non-public information relating to Coates to any other person. <p>In addition, Coates must notify Bidco, and provide all relevant details, of:</p> <ol style="list-style-type: none">4 any approach that could reasonably be expected to lead to any Competing Proposal;5 any request for information which Coates has reasonable grounds to suspect may relate to a Competing Proposal; and6 any provision of information relating to Coates to any person in connection with a Competing Proposal,
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and must not recommend a Competing Proposal unless at least 48 hours' notice of the matters referred to above has been provided to Bidco.

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:

- 1 that the Competing Proposal is a Superior Proposal; or
- 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.

Change of recommendation

The Coates Board must not change or withdraw its recommendation in favour of the Scheme unless:

- 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
- 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.

Break fee

A break fee of \$10 million is payable by Coates to Bidco if:

- 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:
 - (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;
 - (b) acquires control (as determined in accordance with section 50AA of the Corporations Act) of Coates; or
 - (c) otherwise acquires or merges with Coates;
 - 2 Bidco terminates the SIA for a material breach by Coates;
 - 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;
 - 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;
 - 5 Bidco terminates the SIA for a breach of the exclusivity
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provisions by Coates; or

- 6 a Coates regulated event occurs that results in termination of the SIA.

Reverse break fee

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.

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.

An amount of \$5 million is payable by Bidco to Coates if Bidco's financial accommodation is no longer available.

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.

Key definitions

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.
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**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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