

20th September 2013

Tanfield Group PLC
("Tanfield" or the "Company")

Disposal of Powered Access Division and GM

Highlights

- Staged disposal (initially 51%) of Powered Access division (the "Snorkel Division")
- Tanfield to hold a US \$50million preferred interest in new Snorkel entity, Snorkel International Holdings, LLC ("Snorkel International Holdings")
- Anticipated significant potential to enhance shareholder value through strategic alliance
- Acquirer to inject working capital to fund Snorkel's recovery
- Acquirer's existing businesses in related industries to be used to underpin recovery plan
- Put option for Tanfield to realise its remaining holding on a significant EBITDA multiple
- Disposal has no impact on Tanfield's holding in Smith Electric Vehicles

The Board of Tanfield announces that the Company has reached agreement on the terms of a conditional contribution agreement (the "Contribution Agreement") to dispose of the Snorkel Division by contributing the Snorkel Division to a new company, Snorkel International Holdings in which the Company will retain a minority interest, with SKL Holdings, LLC ("SKL Holdings") owning a majority interest.(the "Transaction"). The Company has today published a circular to shareholders (the "Circular") to explain why the Independent Directors consider the Transaction to be in the best interests of the Company and its shareholders; and recommend that shareholders vote in favour of the resolutions to be proposed at the General Meeting that is convened for 9.00am on Monday 7 October 2013 . A copy of the Circular will be available today on the Company's website at www.tanfieldgroup.com

Introduction

Following a consultation with its major shareholders in February 2013, the Board agreed to examine the potential disposal of the Snorkel Division, to reduce Tanfield's exposure to the Snorkel Division's on-going working capital requirements and thereby help to protect its investment in Smith Electric

Vehicles.

Having appointed an M&A adviser, the Board examined a wide range of options and engaged with a number of companies interested in acquiring the Snorkel Division.

Given the requirement for a significant working capital injection into the Snorkel Division to deliver its recovery plan, it became clear that an outright sale could only be at a price that reflected this need. Therefore, the Board considers that, as in the case of the Transaction, an acquirer or investor that is willing to fund the Snorkel Division's recovery, whose own business is in a related industry that will support that recovery, and who is also willing to allow Tanfield to benefit from the recovery upside, is preferable to an outright sale. The Independent Directors believe that this proposal represents the most attractive offer for the Snorkel Division and is the best option in terms of delivering value to shareholders.

The Transaction

Xtreme Manufacturing, LLC ("Xtreme"), by way of its holding in SKL Holdings, proposes a staged acquisition of the Snorkel Division, via the creation of Snorkel International Holdings, which is a Nevada, USA, limited liability company, in which Tanfield will retain a holding until the consideration terms are fully met. Xtreme has committed to making significant working capital facilities available to Snorkel International Holdings to deliver its growth forecast (such growth forecast is estimated by Xtreme to require between US \$35million and US \$50million of working capital) and to deliver certain other strategic benefits and synergies to Snorkel International Holdings. Tanfield will retain an initial interest in 49% of Snorkel International Holdings and a preferred interest position of US \$50 million (which may be subject to adjustment, as described in the Circular), in exchange for Xtreme's controlling interest in Snorkel International Holdings. Subject to the Snorkel Division reaching an EBITDA of at least US \$25million for any prior 12 month period within 5 years of completion, Tanfield can demand payment of this preferred interest which would be paid when Snorkel International Holdings is able to fund such payment and its net debt/EBITDA ratio is less than 2, ultimately reducing Tanfield's interest to 30% and Xtreme will hold 70% of Snorkel International Holdings.

Subject to the payment of the preferred interest, and within 5 years of completion, Tanfield has a "put" option on this remaining holding, whereby Xtreme will be obliged to purchase the remaining interest held by Tanfield at an agreed multiple of 5.5 times EBITDA earnings, as at the date of the put, again subject to Snorkel International Holdings being able to fund. Xtreme has a call option on the same commercial terms.

In the year ended 31 December 2012, the losses of the Snorkel Division were approximately £14.6m and it had net assets of £23.5m.

The form of Contribution Agreement agreed between the respective parties is subject to certain conditions precedent prior to closing, including, approval of the Transaction by Tanfield's shareholders, warranties and representations

being materially accurate , the new working capital financing of Snorkel International Holdings being available to close at the same time as the Contribution Agreement and there being no material adverse change in the financial position or performance of the Snorkel Division.

It is intended that the respective parties will enter into the form of Contribution Agreement which has been agreed between them, along with an operating agreement, to regulate their interests in SNK (the "LLC Agreement"), again in the form agreed between the respective parties, shortly after the General Meeting on 7 October 2013, conditional on the resolution approving the Transaction having been passed by the Company's shareholders at the General Meeting.

Subject to completion of the Transaction each of Darren Kell, Charles Brooks and Brendan Campbell will resign from the board of Tanfield to transfer with the Snorkel Division.

Detailed terms of the agreed form Contribution Agreement and agreed form LLC Agreement are contained in the Circular.

AIM Rule 15 states that where the effect of a proposed disposal is to divest an AIM company of all, or substantially all, of its trading business, activities or assets that company will be treated as an investing company

Accordingly following the Transaction, the Company will be classified under the AIM Rules as an investing company. The Company's trading operations will be limited to engineering and related activities undertaken by Tanfield Engineering Systems Limited (TES). In addition to the Company's 49% membership interest in Snorkel International Holdings, the Company will continue to hold a 24% interest in the shares of Smith Electric Vehicles Corp. These investments comply with the Company's Investment Policy going forward, details of which are set out in the Circular and below. This policy is also subject to the approval of shareholders. It is not envisaged that the Company will be required to make any further investments.

Investing Policy:

Under its investing policy, the Company will not invest in other holdings outside the holdings it will have on completion of the disposal of the Snorkel Division.

The holdings in Snorkel International Holdings and Smiths Electric Vehicles are passive investments. It is the intention that where distributions or realisations of such holdings are made (or there is a receipt of marketable securities) that these are distributed to shareholders, subject to compliance with any legal requirements associated with such distributions. There is presently no anticipated limit on the amount of time the holdings are to be held by the Company.

The Company does not have and will not make cross holdings and does not have a policy on gearing.

It is further confirmed that on completion of the disposal the Company will have

already implemented this investing policy for the purposes of AIM Rule 15.

The Acquirer

Xtreme is a Nevada, USA, based manufacturer of ultra-high quality telescopic material handlers, also known as "telehandlers" or rough terrain fork lifts. These machines are widely used by the construction, mining, resources, and agricultural sectors for lifting materials.

Don F. Ahern, as trustee of the DFA Separate Property Trust, owns 96.6% of Xtreme and 97% of Ahern Rentals, Inc. ("Ahern"), one of the largest privately held equipment rental companies in the world, which is a long-standing customer of the Snorkel Division. Mr. Ahern, who serves as Ahern's CEO and the managing member of Xtreme, has a proven track record of growing equipment and rental companies engaged in the construction arena.

Xtreme is looking at international markets with a view to further expand its footprint to global markets.

Ahern purchases a significant number of aerial work platforms annually, and was, until recently, one of the Snorkel Division's largest global customers. However, concerns over the Snorkel Division's working capital position, and accordingly its ability to meet Ahern's order and delivery requirements, had resulted in a suspension of this relationship. The Board believes that the Transaction will allay the concerns of Ahern, and it is anticipated that it will also allay the concerns of other similar customers, which should allow the Snorkel Division to benefit from the on-going market recovery.

What Xtreme also brings to the Snorkel Division

The Snorkel Division markets its products under the well known Snorkel brand. The Snorkel brand currently competes with its global OEM peers in all product segments apart from telehandlers. The Board believes that a significant opportunity exists to market competitive telehandlers utilising the value of the Snorkel brand and sales channels. Xtreme intends to make its full line of telescopic material handlers available to the Snorkel Division's global distributor network and as Xtreme currently sells the vast majority of its output in the USA, it is anticipated that this could create significant export opportunities, which should increase revenues and allow Snorkel International Holdings to compete more effectively with the industry leaders. This should, in turn, reduce overheads, and increase supply chain efficiencies. Snorkel International Holdings intends to pursue global sourcing to reduce product costs, whilst enhancing product quality, using the global supply networks of the Snorkel Division and Xtreme.

Additionally, Xtreme and the Snorkel Division intend to pursue potential sharing or combining of facilities, administrative functions, insurance programmes and personnel to reduce overhead expenses. Xtreme and the Snorkel Division also intend to pursue sharing joint technology advances wherever common solutions mutually enhance both product lines.

Ahern rents a full range of equipment; sells used rental equipment, new

equipment, parts, supplies and related merchandise; and provides maintenance, repair and other services that supplement its rental activities through a nationwide network of 75 equipment rental branches across 22 states in the USA. Under the LLC Agreement, SKL Holdings will procure that Ahern uses its commercial best efforts to represent the Snorkel Division's product line in its rental branches for retail sales, replacement parts and service support, supports the Snorkel Division's global spare parts business, with its dedicated call centre to ensure immediate aftermarket response and makes available its fleet of mobile service repair trucks and mechanics to support the Snorkel Division's existing population of product.

The Recovery Plan

The Snorkel Division, as the only independent full line manufacturer, has, to date, suffered from constraints upon its working capital, such that it has not been able to respond to demands from its customers and to benefit from the upturn in its end markets. By injecting the necessary working capital and by leveraging its position in the market it is expected that the Transaction will enable the Snorkel Division to execute its recovery plan, with the aim of returning to profitability and delivering significant revenue and EBITDA growth.

The Board believes that a properly funded Snorkel Division, with an improved product portfolio, enhanced North American sales channels, and reduced overheads will be very well positioned to deliver significant benefits to the Company's shareholders.

Summary

The Independent Directors believe that the Transaction provides a solution to the working capital needs of the Snorkel Division and an opportunity for shareholders to benefit from the potential value upside of the Snorkel Division, and from the links with Ahern's businesses and the recovery that Tanfield has been unable to fund itself. As such the Independent Directors recommend that you vote in favour of the resolutions to be proposed at the General Meeting.

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