Fleetwood
CORPORATION
Delivering the Promise

22 November 2013

Company Announcements Office
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth, WA 6000

Dear Sir

**Annual General Meeting - Chairman's Address**

In accordance with Listing Rule 3.13.3, please find attached a copy of the Chairman's Address, which is to be presented at the Company's Annual General Meeting commencing at 9:30am, 22nd November 2013.

Yours faithfully

**Bradley Denison**
**Company Secretary**

# 2013 ANNUAL GENERAL MEETING
# CHAIRMAN'S ADDRESS

**WELCOME**

Good morning ladies and gentlemen. Welcome to the 27th Annual General Meeting of Fleetwood Corporation Limited. My name is Michael Hardy and I am Chairman of the board of directors. Let me introduce the other members of the board present today;

Greg Tate, Non-Executive Director
Peter Gunzburg, Non-Executive Director
John Bond, Non-Executive Director

I would like to take this opportunity to welcome John, who joined the board in March, and will stand for election today in accordance with the company's constitution.

John brings to Fleetwood broad expertise, notably as a fund manager. In the time he has been a member of the board, he has made a valuable contribution which we expect will continue.

The executives present today are;

Stephen Price, Chief Executive Officer; and

Bradley Denison, Chief Financial Officer and Company Secretary

**LAST YEAR**

Before we attend to the formal business of the meeting I would like to give you an overview of the company's performance last year.

2013 was a challenging year for Fleetwood. It has been the most challenging period during my time as a member of the board.

Trading conditions in all the Group's key markets were weak. I am sure you are aware of the many factors which affected the operations of the company and its various divisions. It is, of course, cold comfort that many of these challenges also had adverse effects on other market sectors and participants in them. On an almost daily basis, there are reports of the difficulties and setbacks which are being encountered in many sectors. As a consequence of the difficult conditions which were encountered, actions were taken to reduce costs and support revenue. Despite the successful and timely implementation of these actions, net profit after tax for the Group fell to $16.6m in 2013, excluding the loss from the Windsor discontinued operation.

Net debt to equity increased to around 15% by the end of the year, following investments made by the company to upgrade Searipple village, and to establish Osprey village.

Fleetwood Corporation is now comprised of five operating companies organised in two divisions.

**Manufactured Accommodation**

The Manufactured Accommodation division is made up of Fleetwood in WA and NT, and BRB on the east coast. Both these companies provide accommodation solutions for the resources, education and affordable housing sectors.

In WA, Fleetwood operates Searipple village, which has the capacity to accommodate more than 1,200 FIFO workers in Karratha.

Fleetwood is also constructing and part funding Osprey village, which consists of 300 transportable homes to accommodate key workers in South Hedland. Subject to finalisation of commercial terms, Fleetwood will operate the village for the WA Department of Housing for 15 years receiving a guaranteed minimum return on its investment.

In Queensland, BRB operates the recently opened Dingo village, which can accommodate 150 FIFO or drive in drive out workers for Aurizon.

At the start of 2013, the Manufactured Accommodation division experienced two significant events which, when combined with low demand from the education sector since the end of the Government's Building the Education Revolution program, provided much of the context for the year. The two events were:

- the completion of major projects by Rio Tinto and Woodside, which reduced demand for workers in the Karratha region, resulting in high vacancy rates for accommodation facilities such as Searipple; and
- a marked drop in commodity prices, which caused delays and cancellations to resources projects that flowed through to demand for manufactured accommodation.

The challenging market conditions in this division were addressed by implementing the following four actions:

- first, by securing an early start on the Osprey project, which by the end of the first half resulted in high levels of manufacturing activity in WA;
- secondly, by entering into a new agreement with Rio Tinto to accommodate more of its workers at Searipple, albeit at lower room rates;
- thirdly, by securing an extension to the Victorian Department of Education Transfer Program contract, which underpins BRB's revenue in that State; and
- finally, by pausing before committing to the Gladstone project, to conduct a review.

**Recreational Vehicles**

The Recreational Vehicles division is made up of Fleetwood RV, which produces the Coromal and Windsor caravan brands; Camec, which supplies caravan parts and accessories to the recreational vehicles industries of Australia and NZ; and Flexiglass, which supplies fibreglass canopies and aluminum trays for light commercial vehicles.

Market conditions for the Recreational Vehicles division continued to be soft in 2013, shown by an industry reduction in caravan construction and a shift in buyer preference to lower specification caravans.

The challenging market conditions in this division were addressed by closing operations and restructuring businesses. Specifically:

- the Windsor manufacturing facility in Victoria was closed, and its operations were combined with that of Coromal in WA; and

- the Flexiglass fibreglass manufacturing facility was closed with fibreglass products now sourced from overseas, and operations were centralised in a new facility in Victoria.

Results for the division in 2013 were disappointing. However, the results can be viewed in the context of a year of major change, the benefits of which the Group is realising now in terms of greater Asian sourcing, simpler business models, and improved economies of scale.

**DIVIDENDS**

A fully franked interim dividend of 30 cents per share was paid on 28 March 2013. After consideration of the weak trading conditions and the sizeable investment the company is making in the Osprey project, the directors decided that it would not be prudent to pay a final dividend.

However, conscious of Fleetwood's track record, the directors do intend to re-instate dividend payments as soon as trading conditions allow.

**DEBT**

Historically Fleetwood has maintained a relatively conservative debt profile. Although, the Group's net debt to equity ratio is expected to approach 30% over the next couple of months, it is important to note that a large proportion of that debt has been used to finance the Osprey project.

The company deferred renewing its funding arrangements at the end of the 2013 financial year which resulted in its debt being classified as a current liability. The company has now agreed new funding arrangements which incorporate its investment in the Osprey project.

**OUTLOOK**

Trading conditions in the group's key markets are likely to continue to be weak in 2014.

Osprey village is on budget and on schedule to be competed this quarter. The village is of high quality and is expected to generate strong interest.

Occupancy at Searipple was over 60% in the first quarter, but is expected to be lower in the second. Every effort is being made to secure long term contracts and increase the number of users of the village. In September Fleetwood won a new contract to supply accommodation services for the main electrical and mechanical works on the TAN Burrup Project.

Eighteen months ago, Fleetwood won the tender to build Gladstone Village, and 6 months ago Fleetwood commenced a review of the project following a significant reduction in demand expectations. As you may be aware, in common with many resources projects in Australia, there has been a slow down in demand in Gladstone and there is no certainty that the position will change in the short to medium term. As a consequence, the board has decided not to proceed to construct the village in its original form and as a result expects to expense $1.5 million of pre-commitment development costs in the first half of the financial year. It would not have been a prudent decision to proceed with the project having regard to the amount of capital that would have been required to be invested when measured against the uncertainties in demand.

Currently, accommodation manufacturing activity in WA is focused on completing the Osprey project, the supply and installation of the 200 person Abydos village for Atlas Iron, together with contracts for the housing and education sectors.

It is notable that the WA arm of manufactured accommodation has now secured two sizeable contracts with the Western Australian Department of Education. BRB has a long history of providing relocatable education buildings in Victoria and it is pleasing that the BRB expertise has been able to be applied to secure contracts in Western Australia.

On the east coast, competitive pressure earlier in the first half resulted in some resources and housing projects being completed at reduced margins. However, the east coast now has a good order book driven mainly by the education sector.

Looking forward, there is a reasonable level of good prospects across resources, education and affordable housing. More of the demand is for higher specification facilities including permanent villages and two storey buildings, which Fleetwood has the expertise to deliver.

Industry demand for recreational vehicles continues to be soft. However, Fleetwood RV continues to grow with a strong order book, and increasing sales of caravans and Asian sourced campers. Its success is driven by its strong brands and a range of exciting new products. The board is cautiously optimistic that the maintenance of a strong order book and increasing production levels will lead to an improved share of the recreational vehicle market.

Taking the above into account, Fleetwood expects first half earnings to be lower than for the same period last year, although with an expectation that earnings in the second half will be higher.

## CONCLUSION

Fleetwood is a strong company, with a long and successful track record.

Trading conditions were weak in 2013, as they continue to be today.

However, major changes were made in 2013, which have better positioned Fleetwood for the future. There is a lot to be excited about with new and upgraded facilities, and new product and service offerings driving higher levels of business activity across the group.

## OUR PEOPLE

Finally, I would like to take this opportunity to thank our Fleetwood people for making the most of what was a challenging year for the group, as well as for initiating and implementing major improvements to Fleetwood's businesses to position them better for the future.