

17 May 2018

Dear Fellow Shareholders,

Update on Caravan Manufacturing Business and Potential Shareholder Meeting

We are writing to you following the earnings update given to the ASX on 7 May 2018 (available on our website) for two important reasons:

- To update you on the current and future prospects for the Company's caravan manufacturing business and the potential for growth in the modular accommodation business; and
- To advise that a general meeting of shareholders may be called by a substantial shareholder - which will not be a Board supported process.

Caravan Manufacturing Update and Modular Accommodation Growth

Fleetwood was established in 1964 as a caravan dealer, and listed on the ASX in 1987. The Company expanded into caravan manufacturing in 1999, and subsequently progressed with expansions and acquisitions in the parts and accessories, modular accommodation and village operations markets.

These later acquisitions have seen Fleetwood generate substantially more revenue and profits from these markets than from caravan manufacturing over recent years. Fleetwood has a proud history in caravan manufacturing, but the current market conditions are challenging, and notably reduced consumer demand for caravans together with heavy discounting in the industry has led to a reduction in the Company's order book.

As a result, in a recent update to the ASX Fleetwood announced that earnings in caravan manufacturing in the second half of FY18 are expected to be an EBIT loss of between \$7 million to \$8 million. The expected result includes costs associated with promotional and marketing support to meet competitor discounting. The Board considers the expected losses from caravan manufacturing for the second half of FY18 to be unacceptable and is dissatisfied with the expected performance.

Following a review of this business in late 2017, the Board set clear operational goals to be implemented while all structural and corporate alternatives are considered. This process is the Board's top priority and it will be resolved in the coming months. The Board does not intend to allow continued losses from caravan manufacturing to undermine the strength and growth potential of Fleetwood.

In the same update to the ASX, we stated that earnings in the second half of FY18 for modular accommodation are expected to be approximately \$4 million, compared to \$5.9 million in the first half of FY18. Modular accommodation is by far the largest part of our group, and we see very strong growth potential in this area.

In this regard, the Victorian state budget, released on 1 May 2018, confirmed a significant increase in education spend, and while Fleetwood has not received any information related to demand for its products specifically, the announcement is a positive overall sign in respect of FY19 demand. Fleetwood is also expecting to see a greater contribution from rental income in FY19.

For Fleetwood's overall business, full year FY18 underlying EBIT is expected to be approximately \$5.5 million, as earnings in other businesses offset the loss in the caravan manufacturing.

Potential General Meeting of shareholders to be called by substantial shareholder

The Company advises that it has recently received a request for a copy of Fleetwood's register of members from a substantial shareholder, with the stated intention of using the register to call a shareholder-initiated general meeting of the Company. The same shareholder has also previously nominated an individual to be considered for appointment to Fleetwood's Board of Directors, a matter which would ordinarily be considered at the Company's Annual General Meeting in November.

Your Board currently has a search process underway for the selection of additional directors who have experience at CEO level, operational experience, expertise in modular accommodation and who are familiar with the public company environment.

This search process is designed to identify and recruit additional board members with outstanding credentials, whose skills will complement the expertise in law, finance, and engineering contributed by the new directors who have joined the Board over the last 2 years. Successful candidates from this process will be put forward for ratification by all shareholders at our Annual General Meeting in November this year.

Shareholders should note that the substantial shareholder, who has requested Fleetwood's register of members, has been invited to engage in the search and selection process for new directors that the Board has in hand, but has declined to do so.

Shareholders should be aware that while this shareholder has a right to arrange and call their own meeting, any such meeting is not a Board-supported process, and the Board is highly unlikely to support any resolution (including the appointment of the substantial shareholder's nominated director) put forward in the absence of any engagement on these matters with the Board.

To conclude, your current Board of directors is committed to resolving the issues of the caravan manufacturing in the coming months. We also continue to seek additional well credentialed candidates to join the Board, and look forward to presenting their credentials to you for approval at the Annual General Meeting in November.

We invite you to get in touch with the Company with any comments or concerns you may have.

Regards

A handwritten signature in blue ink that reads "Phillip Campbell".

Phillip Campbell
Non-Executive Chairman

A handwritten signature in blue ink that reads "Brad Denison".

Brad Denison
Managing Director