

MILTON VALUE PROPOSITION

Milton pays fully franked dividends half yearly

- An ordinary dividend every year since listing in 1958
- The fully franked interim dividend has been increased to 9.0 cents per share

Milton provides exposure to a diverse portfolio of Australian listed companies

- Investment portfolio at 31 December 2018 was valued at \$2.8 billion

Milton is an efficient, low cost and professional investment manager

- Total annualised operating costs represented 0.13% per annum of average total assets in the half year ended 31 December 2018
- Milton is internally managed and no fees are paid to an external manager

MILTON IS A TRADITIONAL LISTED INVESTMENT COMPANY

Its key objective is to pay increasing fully franked dividends per share out of the dividends that it receives from its long term holdings of assets including Australian equities, interest bearing securities and real property.

Milton is not a speculative investor and does not sell its assets to increase profit for distribution to shareholders. Capital profits are reinvested by the company for the benefit of shareholders.

DIRECTORS

R.D. Millner (Chairman)	B.J. O’Dea (MD)
G.L. Crampton	J.E. Jarvinen
K.J. Eley	I.A. Pollard

SENIOR EXECUTIVES

B.J. O’Dea	CEO and Managing Director
D.N. Seneviratne	CFO and Secretary

SHARE REGISTRY MATTERS:

Shareholders with access to the internet can manage their holding details by visiting www.linkmarketservices.com.au.

Alternatively, you can call Link Market Services on (02) 8280 7111 or Toll Free on 1800 641 024

PORTFOLIO

Milton is reasonably fully invested with the Equity portfolio representing 94.6% of total assets.

During the first half \$56 million of equity investments were added, partially funded by \$15 million of disposals.

Investments made during the period include Cleanaway (\$10.3 million), BHP (\$7.5 million), Transurban (\$7.3 million), AGL (\$7.1 million) and RIO (\$6.1 million).

The larger disposals were Vicinity Centres (\$5.0 million) and Graincorp (\$2.9 million).

\$22 million of equity investments were added through the acquisition of a family investment company by Milton on 17 August 2018.

THE 20 LARGEST INVESTMENTS:

At 31 December 2018	Market Value \$million	Share of Total Assets %
Westpac Banking Corporation	263.6	9.0
W H Soul Pattinson	228.4	7.8
Commonwealth Bank	226.7	7.7
BHP Group Limited	138.3	4.7
National Australia Bank	116.6	4.0
CSL Limited	109.7	3.7
Wesfarmers Limited	92.0	3.1
Woolworths Limited	86.4	2.9
ANZ Banking Group	84.0	2.9
Macquarie Group Limited	72.2	2.5
Bank of Queensland Limited	70.9	2.4
AGL Energy Limited	70.1	2.4
Bendigo and Adelaide Bank	61.6	2.1
Brickworks Limited	53.8	1.8
Transurban Group	53.0	1.8
Rio Tinto Limited	51.8	1.8
Blackmores Limited	44.8	1.5
Telstra Corporation	43.4	1.5
Suncorp Group	41.9	1.4
ALS Limited	41.2	1.4
Total value of Top 20	1,950.4	66.4
Total assets	2,938.4	

MILTON CORPORATION LIMITED

ABN 18 000 041 421

HALF YEAR REVIEW – 31 DECEMBER 2018

- **Fully franked interim ordinary dividend:**
Interim ordinary dividend of 9.0 cents per share up 2.3% from 8.8 cents per share.
- **Dividend Reinvestment Plan in operation for the interim dividend**
Last day for receipt of an election notice for participation in the plan is 15 February 2019.
- **Earnings per share:**
Up 5.0% to 10.66 cents (including special investment revenue & acquisition costs net of tax)
Up 3.5% to 10.41 cents (excluding special investment revenue & acquisition costs net of tax)
- **Profit after tax:**
Up 6.2% to \$70.7 million (including special investment revenue & acquisition costs net of tax)
Up 4.6% to \$69.0 million (excluding special investment revenue & acquisition costs net of tax)
(All above comparative figures refer to the half year ended 31 December 2017)
- **Net tangible asset backing per share (NTA):**
Down 6.6% to \$4.42 since 30 June 2018 (before provision for tax on unrealised capital gains)
Down 5.3% to \$3.94 since 30 June 2018 (after provision for tax on unrealised capital gains)

CONTACT DETAILS

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This document is not a prospectus and does not seek to invite applications for shares in the Company.

RESULTS FOR THE HALF YEAR TO 31 DECEMBER 2018

	\$million	Movement on pcp
Ordinary investment revenue	70.9	+5.3%
Interest	1.3	+5.9%
Net trading gains	0.0	-81.5%
Other revenue	0.3	-44.7%
Net profits of joint ventures	0.8	+70.9%
Administration costs ⁽¹⁾	(1.9)	+5.1%
Operating profit before tax	71.4	+5.1%
Tax expense	(2.4)	+20.5%
Underlying operating profit after tax	69.0	+4.6%
Special dividends after tax	1.7	+170.0%
Net profit after tax	70.7	+6.2%

⁽¹⁾ Administration costs represented 0.13% per annum of average total assets.

BALANCE SHEET

As at	31 Dec 18 \$million	30 Jun 18 \$million
Cash & liquids	126	132
Investments	2,779	2,932
Other assets	33	52
Total Assets	2,938	3,116
Liabilities	(1)	(2)
Net assets before provision for tax on unrealised capital gains	2,937	3,114
Provision for tax on unrealised capital gains	(315)	(379)
Net assets	2,622	2,735
Net Tangible Assets (NTA)		
Before provision for tax on unrealised capital gains	\$4.42	\$4.73
After provision for tax on unrealised capital gains	\$3.94	\$4.16

FULLY FRANKED DIVIDEND HISTORY

	2019	2018	2017	2016	2015
Interim (cps)	⁽¹⁾ 9.0	8.8	8.7	8.7	8.5
Final (cps)		10.2	10.0	9.9	9.9
Total (cps)		19.0	18.7	18.6	18.4
Special (cps)		-	-	-	0.4

⁽¹⁾Dividend "ex date" is 13 February 2019 and the payment date is 5 March 2019.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) will operate for the interim dividend. Shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. The pricing of the new DRP shares will be based on the volume weighted average selling price of Milton shares over the five business day period commencing on 15 February 2019 being the first trading day after the Record Date. The last day for the receipt of an election notice for participation in the plan is 15 February 2019.

COMMENTARY

In its release to the Australian Securities Exchange on 24th January 2019, Milton reported a net profit after tax for the six months to 31 December 2018 of \$70.7 million (2017: \$66.6 million) and announced it will pay an increased fully franked interim dividend of 9.0 cents per share on 5 March 2019.

The result includes \$1.7 million of special dividends. Special dividends received in the previous corresponding half amounted to \$0.6 million.

Underlying operating profit grew by 4.6% to \$69.0 million due to strong growth in ordinary dividend income received from Milton's investment portfolio.

In the first half of 2019 Milton's portfolio outperformed during a challenging period for equity markets. The ASX All Ordinaries Accumulation index returned -7.3% over the first half and Milton's total portfolio return was -4.6%. For the year to 31 December 2018, Milton's total portfolio return was -2.6% with the All Ordinaries Accumulation Index -3.5%.

Milton has no debt on its balance sheet and net tangible assets before provision for tax on unrealised capital gains were valued at \$2.9 billion at 31 December 2018.

Share capital increased by 6.8 million shares during the first half of 2019.

TOTAL PORTFOLIO RETURN

Milton's equity portfolio is not aligned with any stock market index, rather it reflects Milton's investment philosophy to invest in quality companies that are expected to grow earnings and dividends over the long term.

Milton's total portfolio return (TPR) for the last 12 months was -2.6% which is net of all operational expenses and tax.

Milton's returns do not include the impact of franking credits which may be of benefit to certain shareholders.

	1 Year	5 Years	10 Years	15 Years	20 Years
TPR %	-2.6	4.8	9.0	8.0	8.9

OUTLOOK

We expect the market to remain volatile in the short term with many macroeconomic factors at play including trade concerns, housing prices and the direction of interest rates. Underlying company earnings and dividend growth, however, remain solid and market valuations are not stretched.

Milton's management team will continue to monitor the companies already held by Milton and seek to add to positions and search for opportunities to further diversify our portfolio.

Second half operating profit is currently expected to be an improvement on the previous corresponding period. In the absence of unforeseen circumstances, Milton is expected to have sufficient earnings and liquidity to at least maintain the final ordinary dividend at 10.2 cents per share. We note that special dividend income is expected to be strong in the second half which may allow for a special dividend for the full year.

ALP POLICY ON NON- REFUNDABILITY OF FRANKING CREDITS

Milton notes and remains vigilant about the policy proposal from the ALP to end the refundability of franking credits to a certain group of investors.

We believe the policy to be inequitable, likely to reduce the attractiveness of equity investments and increase the cost of capital for all Australian companies.

Milton will continue to advocate on behalf of shareholders and encourage concerned shareholders to highlight the issue by contacting their local political representatives.