

MILTON VALUE PROPOSITION

Milton pays fully franked dividends semi annually

- Milton increased its fully franked full year dividend for 2018 to 19.0 cents per share and has paid a dividend every year since listing in 1958.

Milton has a diverse portfolio of Australian companies

- Milton's investment portfolio at 30 June 2018 was valued at \$2.93 billion across 86 companies.

Milton is a low cost, professional investment manager

- Milton is internally managed with no management or performance fees. Total operating costs represented 0.14% per annum of average total assets in the year ended 30 June 2018.

MILTON, A TRADITIONAL LISTED INVESTMENT COMPANY

Milton is not a speculative investor and does not trade its assets to increase profit for distribution to shareholders.

Milton seeks to invest in well managed listed Australian companies and trusts that have a profitable history and the expectation of dividend growth.

Milton's key objective is to pay increasing fully franked dividends per share out of the dividends that it receives from its long term holdings.

DIRECTORS

R.D. Millner (Chairman)	F.G. Gooch (MD)
G.L. Crampton	J.E. Jarvinen
K.J. Eley	I.A. Pollard
B.J. O'Dea (MD & CEO) from 1 August 2018	

SHARE REGISTRY MATTERS

Registering for electronic updates will enable Milton to keep shareholders fully informed promptly and securely in a cost effective manner. Also by electing for direct deposit of your dividend, you will benefit from secure, convenient and prompt payment of your dividend. We encourage shareholders to update their email addresses and provide their bank details online through the below link.

www.linkmarketservices.com.au

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

PORTFOLIO

Milton aims to invest, over the long term, in companies with growing dividends and earnings.

In 2018 the composition of Milton's portfolio enabled it to benefit from the strong performance of companies in sectors such as Resources, Energy and Consumer Staples.

During the year the investment portfolio continued to be fine-tuned with positions in 26 companies and trusts increased by a total of \$70 million. The larger investments made were in AGL, Janus Henderson, Technology One and Woodside Petroleum. The increased investment was partly funded by disposals amounting to \$66 million. These included the complete disposals of AMP, BWP Trust, Origin Energy and Fletcher Building.

20 LARGEST INVESTMENTS:

At 30 June 2018	Market Value \$million	Share of Total Assets %
Westpac Banking Corporation	307.4	9.9
Commonwealth Bank	227.2	7.3
Washington H. Soul Pattinson	189.8	6.1
Wesfarmers Limited	140.0	4.5
National Australia Bank	132.2	4.2
BHP Billiton	123.8	4.0
CSL Limited	114.1	3.7
ANZ Banking Group	96.3	3.1
Woolworths Group	88.6	2.8
Macquarie Group	81.6	2.6
Bank of Queensland	74.4	2.4
AGL Energy	68.8	2.2
Bendigo and Adelaide Bank	61.9	2.0
Blackmores Limited	52.3	1.7
Perpetual Limited	51.3	1.6
Brickworks Limited	50.6	1.6
IAG Limited	49.9	1.6
A P Eagers Limited	49.8	1.6
RIO Tinto Limited	48.7	1.6
Suncorp Group	48.4	1.6
Total value of Top 20	2,057.1	66.1
Total assets	3,116.1	

CONTACT DETAILS

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MILTON CORPORATION LIMITED

ABN 18 000 041 421

ANNUAL REVIEW – 30 JUNE 2018

➤ *Fully franked ordinary dividends:*

Full year ordinary dividend of 19.0 cents per share up 1.6% from 18.7 cents per share

Final ordinary dividend of 10.2 cents per share up 2% from 10.0 cents per share

➤ *Earnings per share:*

Up 5.3% to 19.80 cents (including special investment revenue)

Up 4.7% to 19.61 cents (excluding special investment revenue)

➤ *Profit after tax:*

Up 6.2% to \$130.0 million (including special investment revenue)

Up 5.6% to \$128.8 million (excluding special investment revenue)

➤ *Net tangible asset backing per share (NTA):*

Up 4.9% to \$4.73 (before provision for tax on unrealised capital gains)

Up 4.3% to \$4.16 (after provision for tax on unrealised capital gains)

(Comparative figures refer to results for the year ended 30 June 2017)

DIVIDEND REINVESTMENT PLAN

The DRP is in operation for the final dividend. The last day for receipt of an election notice for participation in the plan is 13 August 2018.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting will be held on Thursday, 11 October 2018 at 3pm at the Sofitel Sydney Wentworth, Level 4, Adelaide Room, 61-101 Phillip Street, Sydney.

The Notice of Meeting is expected to be sent to shareholders on 15 August 2018.

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

RESULTS FOR THE YEAR TO

30 JUNE 2018

	\$million	Movement on pcp
Ordinary investment revenue	132.5	+6.0%
Interest	2.7	-1.8%
Net trading gains	0.8	+133.2%
Other revenue	0.8	+46.8%
Share of net profits of joint ventures	0.4	-67.8%
Administration costs ⁽¹⁾	(4.1)	+14.9%
Operating profit before tax	133.1	+5.4%
Tax expense	(4.3)	+1.1%
Underlying operating profit after tax	128.8	+5.6%
Special dividends after tax	1.3	+244.2%
Acquisition costs net of tax	(0.1)	-
Net profit after tax	130.0	+6.2%
	Cents	
Basic and Diluted EPS	19.80	+5.3%

⁽¹⁾ Administration costs represented 0.14% per annum of average total assets.

BALANCE SHEET

At 30 June	2018 \$million	2017 \$million
Cash & liquids	132	118
Investments	2,932	2,764
Other assets	52	59
Total Assets	3,116	2,941
Liabilities	(2)	(2)
Net assets before provision for tax on unrealised capital gains	3,114	2,939
Provision for tax on unrealised capital gains	(379)	(335)
Net assets	2,735	2,604
Net Tangible Assets (NTA)		
Before provision for tax on unrealised capital gains	\$4.73	\$4.51
After provision for tax on unrealised capital gains	\$4.16	\$3.99

FULLY FRANKED DIVIDEND HISTORY

	2018	2017	2016	2015	2014
Interim (cps)	8.8	8.7	8.7	8.5	8.2
Final (cps)	10.2	10.0	9.9	9.9	9.4
Total (cps)	19.0	18.7	18.6	18.4	17.6
Special (cps)	-	-	-	0.4	0.4

⁽¹⁾ Dividend "ex-date" is 9 August 2018 and the payment date is 4 September 2018.

Ordinary dividends are generally paid out of underlying profit, which excludes special dividend income, to enhance the reliability of Milton's dividend payments. The company may pay special dividends out of special investment income when material amounts are received.

COMMENTARY

Net profit after tax for the 2018 financial year was \$130.0 million and the fully franked final dividend has been increased to 10.2 cents per share payable on 4 September 2018.

Earnings per share increased by 5.3% to 19.80 cents per share.

The increased full year dividend of 19.0 cents per share results in dividend payments of \$125.0 million to shareholders and is covered by the \$128.8 million underlying profit. It is the eighth consecutive increase in full year ordinary fully franked dividends.

Ordinary investment income earned in the year from the portfolio of Australian listed equities was \$132.5 million and market movements lifted the value of that portfolio by \$138 million to \$2.9 billion.

Increases in dividends from over two thirds of the portfolio more than offset disappointing drops in dividends from Milton's investments in the telecommunication sector.

Other income items contributed \$4.7 million to total income in 2018.

Milton's Managing Director, Mr Frank Gooch said "Fully franked dividends are incredibly important to many of Milton's 25,000 shareholders, particularly those who rely on the increased fully franked dividend to either help fund their day to day living expenses or to help them save for their retirement. It is therefore especially satisfying to once again increase the full year ordinary dividend".

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 for 2018 was 9.3% which is net of all operational expenses and tax.

	1 Year	5 Years	10 Years	15 Years
Total Portfolio Return %	9.3	8.5	6.9	9.0

OUTLOOK

The Australian market has aggregate valuations that are reasonable relative to earnings, but exhibit a high level of divergence between sectors. As a long term investor, Milton attempts to look through oftentimes transient noise and focus on the expected performance of our investments through the cycle.

Mr Brendan O'Dea, who will succeed Mr Gooch upon his retirement on 1 August said, "With an expense ratio of 0.14%, Milton is one of the lowest cost professionally managed investment vehicles available to retail investors. When combined with its shareholder return focus, Milton remains very relevant in today's investing environment where dividends provide a material component of a shareholder's total return,"

"Notwithstanding the challenging regulatory and competition conditions in certain sectors, strong global and local economic backdrops provide supportive conditions for equity investing" Mr O'Dea said

"Milton has a diversified portfolio, currently valued at more than \$3 billion, it has liquid assets of \$160 million and no debt. It is therefore in a sound position to continue to invest in opportunities that will help Milton to grow its dividends to shareholders over time," Mr O'Dea added.

A further update on market conditions will be provided at Milton's Annual General Meeting to be held on 11 October 2018.