

MILTON VALUE PROPOSITION

Milton pays fully franked dividends semi annually

- Ø Milton has paid a dividend every year since listing in 1958
- Ø Milton's 2014 fully franked interim dividend of 8.2 cps is 5.1% higher than the 2013 interim dividend

Milton provides exposure to a diverse portfolio of Australian listed companies

- Ø Investment portfolio at 31 December 2014 was valued at \$2.5 billion

Milton is an efficient, low cost and professionally managed collective investment

- Ø Total annualised operating costs represent approximately 0.13% per annum of average total assets
- Ø 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.

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

SHARE REGISTRY MATTERS:

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

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

DIRECTORS

R.D. Millner (Chairman)	K.J. Eley
J.F. Church	F.G. Gooch (MD)
G.L. Crampton	I.A. Pollard

PORTFOLIO

The larger purchases included partial participation in the ALS rights issue in July 2013 with \$3 million invested and participation in the recent IAG placement with a further \$5 million invested. In addition, Milton increased its holding of Rio Tinto by \$5 million, APA Group by \$3.7 million and Tatts Group by \$3 million.

The larger disposals included a reduction in the QBE holding and the sale of Fairfax Media.

At 31 December 2013	% of Total Assets
Banks	36.0
Materials	9.9
Consumer staples	9.8
Energy	7.5
Diversified financials	5.3
Insurance	4.4
Commercial services	4.1
Other shares	16.0
Total listed securities	
Cash	5.5
Other assets	1.5
Total assets	100.0

THE 20 LARGEST INVESTMENTS:

At 31 December 2013	Market Value \$million
Westpac Banking Corporation	338.3
Commonwealth Bank	235.6
National Australia Bank	152.8
W H Soul Pattinson	133.5
BHP Billiton	125.9
Wesfarmers Limited	124.7
ALS Limited	99.0
ANZ Banking Group	95.4
Woolworths Limited	91.0
Bank of Queensland	79.7
Telstra Corporation	71.3
Bendigo and Adelaide Bank	67.1
Perpetual Limited	65.6
Brickworks Limited	46.3
CSL Limited	40.5
Suncorp Group	39.2
Rio Tinto Limited	37.1
AGL Energy	35.5
Woodside Petroleum	31.8
QBE Insurance	30.1
Total value of Top 20	1,940.4
Total assets	2,711.3

MILTON CORPORATION LIMITED

ABN 18 000 041 421

HALF YEAR REVIEW 31 DECEMBER 2013

Ø Fully franked ordinary dividends⁽¹⁾

Interim ordinary dividend of 8.2 cents per share up from 7.8 cents per share

Ø Earnings per share:⁽¹⁾

Up 4.8% to 9.5 cents (excluding special investment revenue and acquisition costs)

Up 6.8% to 9.9 cents (including special investment revenue and acquisition costs)

Ø Profit after tax:⁽¹⁾

Up 6.7% to \$58.8 million (excluding special investment revenue and acquisition costs)

Up 8.8% to \$61.2 million (including special investment revenue and acquisition costs)

Ø Net tangible asset backing per share (NTA):⁽²⁾

Up 17.4% to \$4.32 (before provision for tax on unrealised capital gains)

Up 13.6% to \$3.84 (after provision for tax on unrealised capital gains tax)

Ø Dividend Reinvestment Plan introduced and in operation for the interim dividend

(Per share comparisons have been restated to reflect the 5 for 1 share split in October 2013)

⁽¹⁾ Comparisons refer to the results for the 6 months to 31 December 2012

⁽²⁾ Comparisons refer to the balance at 31 December 2012

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 2013

	\$million	Movement on pcp
Operating revenue	61.2	+5.9 %
Net profits of joint ventures	1.7	-4.4 %
Operating expenses ⁽¹⁾	(1.7)	-1.4 %
Operating profit before tax	61.2	
Tax expense	(2.4)	
Underlying operating profit after tax	58.8	+6.7 %
Special dividends after tax	2.4	+108.9 %
Net profit after tax	61.2	+8.8 %

⁽¹⁾ Efficient, low cost operation

“Milton’s internal management structure and focus on shareholder returns enabled operating costs to be maintained at a similar level as last year even though the value of the company’s total assets is more than 20% higher than a year ago,” Mr Gooch said.

“Milton’s annualised operating costs for the half year represented just 0.13% of average total assets,” he said.

BALANCE SHEET

At 31 December 2013	2013 \$million	2012 \$million
Cash & liquids	160	150
Investments	2,522	2,067
Other assets	29	27
Total Assets	2,711	2,244
Liabilities	(1)	(3)
Net assets before provision for tax on unrealised capital gains	2,710	2,241
Provision for tax on unrealised capital gains	(303)	(188)
Net assets	2,407	2,053

NTA⁽³⁾

Before provision for tax on unrealised capital gains	\$4.32	\$3.68
After provision for tax on unrealised capital gains	\$3.84	\$3.38

⁽³⁾Comparisons have been restated to reflect the 5 for 1 share split

DRP

To participate in the DRP an election notice must be lodged with the share registry by 20 February 2014.

Terms & conditions are available on the Milton website or may be obtained by contacting the share registry.

FULLY FRANKED DIVIDEND HISTORY⁽³⁾

	2014	2013	2012	2011	2010
Interim (cps)	8.2 ⁽⁴⁾	7.8	7.6	7.4	7.0
Final (cps)		8.6	8.0	7.8	*7.2
Total (cps)		16.4	15.6	15.2	14.2
Special (cps)		0.5	-	5	-
*LIC Capital Gain included as part of final dividend :					
LIC (cps)		-	-	-	0.4

⁽³⁾Comparisons have been restated to reflect the 5 for 1 share split

⁽⁴⁾Dividend “ex date” – 13February 2014 and the payment date is 4 March 2014.

COMMENTARY

Milton Corporation’s shareholders will receive an increased fully franked interim dividend of 8.2 cents per share on 4 March 2014 and may now participate in a dividend reinvestment plan (DRP).

Milton’s diversified portfolio of Australian listed companies has delivered increased investment income, which we are pleased to pass on to our shareholders.

Net profit after tax of \$61.2 million comprised \$57.6 million of ordinary investment income and \$2.4 million of special dividend income.

Underlying operating profit of \$58 million, which excludes the special dividend income, was 6.7% higher than the previous corresponding half.

Strong equity market returns over the year lifted Milton’s net tangible asset backing per share before provision for tax on unrealised capital gains (NTA) to \$4.32 at 31 December 2013 compared with \$3.68⁽³⁾ a year ago.

Milton recently introduced a number of initiatives to enhance its attractiveness to retail investors and self managed superannuation funds.

The Share Purchase Plan (SPP) was reinstated in September 2013 and it was well supported with 5,500 shareholders participating. The SPP enabled shareholders to acquire additional Milton shares at a discount of 2.5% to the market price and it increased Milton’s funds available for investment by \$63 million.

In October 2013 Milton’s shares were split into five shares for each existing share on issue. Since the split there has been an improvement in the liquidity and turnover in the trading of Milton’s shares.

A DRP has been introduced to enable Eligible Shareholders to increase their investment in Milton without incurring any transaction costs and will commence with the 2014 interim dividend.

Pricing of the new DRP shares will be equal to the volume weighted average selling price over the five day period commencing on the first trading day after the Record Date being 20 February 2014.

During the half to 31 December 2013, \$63 million was invested in over 30 companies that are expected to deliver consistent dividends and sound long term returns. In the same period disposals amounted to \$6 million.

Following the merger of The Trust Company in December 2013 with Perpetual Limited Milton received Perpetual scrip valued at \$24 million for its investment in The Trust Company and \$0.6 million in special fully franked dividends from The Trust Company.

Milton’s Total Portfolio Return (TPR) for the year to 31 December 2013 was 22.1% compared with the accumulation return of the All Ordinaries Index of 19.7%.

Milton’s TPR has outperformed the index over longer periods with the ten year TPR of 9.7% per annum compounded exceeding the accumulation return of the All Ordinaries index of 9.1%.

The relative performance of the TPR, which is based on the movement in Milton’s NTA combined with dividends paid, is understated as the NTA is reduced by tax paid and expenses incurred over the period.

OUTLOOK

The domestic economy is likely to face a few challenges over the next twelve months however many Australian companies have restructured their operations and lowered their cost bases and are expected to at least maintain their dividends.

Whilst Milton’s investment portfolio comprises Australian listed companies, many of these companies have operations off shore and are expected to benefit from an improvement in global economic conditions over the next twelve months as well as from any depreciation of the Australian dollar.

Milton’s chairman, Mr Robert Millner said that he was confident that the investment portfolio, as a whole, will deliver sufficient investment income to enable Milton to at least maintain its fully franked final dividend of 8.6 cents per share.