

CORPORATE OBJECTIVE

To hold a diversified portfolio of assets to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends and to provide growth in the value of the shareholders' investments.

INVESTMENT PHILOSOPHY

Milton is a long-term investor in companies, trusts, fixed interest securities and real property.

Milton seeks to invest in well-managed companies and trusts with a profitable history and with the expectation of sound dividend growth.

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

DIRECTORS

R.D. Millner (Chairman)
J.F. Church
G.L. Crampton
K.J. Eley – appointed 1 December 2011
F.G. Gooch (Managing Director)
I.A. Pollard

Each of the Directors has extensive experience in the investment industry.

CONTACT DETAILS:

Level 2
50 Pitt Street
Sydney NSW 2000
PO Box R1836
Royal Exchange 1225
Phone: (02) 8006 5357
Fax: (02) 9251 7033
Web address:
www.milton.com.au

Share Registry:
Link Market Services Ltd
Locked Bag A14
Sydney South NSW 1235
Phone: (02) 8280 7111
Toll Free: 1800 641 024
Web address:
www.linkmarketservices.com.au

ASX code: MLT

INVESTMENTS AT 31 DECEMBER 2011:

Top 20	Market Value \$million
Westpac Banking Corporation	208.4
Commonwealth Bank of Australia	148.3
Washington H Soul Pattinson	125.8
BHP Billiton	110.2
Campbell Brothers	106.2
National Australia Bank	101.6
Wesfarmers	83.6
Woolworths	64.6
ANZ Banking Group	58.1
Bendigo & Adelaide Bank	45.8
Bank of Queensland	42.8
Telstra Corporation	36.6
QBE Insurance	35.0
Brickworks	35.0
AGL Energy	28.2
Rio Tinto	27.2
Woodside Petroleum	24.2
Suncorp-Metway	23.7
Metcash	18.9
CSL	18.8
Total value of Top 20	<u>1,343.0</u>
Total assets	<u>1,959.0</u>

Classification	Total Assets %
Banks	31.2
Materials	11.1
Diversified financials	10.3
Consumer staples	9.6
Commercial services	6.0
Insurance	4.6
Energy	3.1
Capital goods	2.6
Real estate	2.1
Telecommunications	2.1
Healthcare	2.0
Other shares	5.7
Cash and equivalents	8.3
Other assets	1.3
Total assets	<u>100.0</u>

MILTON CORPORATION LIMITED

ABN 18 000 041 421

HALF-YEAR REVIEW - 31 DECEMBER 2011

➤ Fully franked interim dividend of 38 cents per share, up from 37 cents per share

➤ Profit after tax:

Up 26.4% to \$54.0 million (excluding special investment revenue)

Up 19.3% to \$54.6 million (including special investment revenue)

➤ Earnings per share:

Up 6.5% to 44.4 cents (excluding special investment revenue)

Up 0.5% to 44.9 cents (including special investment revenue)

➤ Net Asset Backing before tax on unrealised gains:

\$16.08 per share, down from \$17.36 at 30 June 2011.

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 2011

	31/12/11 \$'000	Movement <u>on pcp</u>
Operating Revenue	56,418	↑ 23.3%
Net profits of joint ventures	2,798	↑ 246.0%
Administration expenses	(1,611)	↓ 12.7%
Operating profit before tax	57,605	
Tax expense	(3,621)	
Underlying operating profit after tax	53,984	↑ 26.4%
Special dividends after tax	647	↓ 79.3%
Profit attributable to shareholders	54,631	↑ 19.3%
Weighted average eps based on		
- Profit attributable to shareholders	44.92 cents	↑ 0.5%
- Underlying operating profit after tax	44.39 cents	↑ 6.5%

BALANCE SHEET

	31/12/11 \$million	30/6/11 \$million
Cash & liquids	162	143
Investments	1,771	1,928
Other assets	26	42
Total Assets	1,959	2,113
Liabilities	(3)	(1)
Net assets before provision for tax on unrealised capital gains	1,956	2,112
Provision for tax on unrealised capital gains	(105)	(152)
Net assets	(1,851)	1,960
Net tangible asset backing per share		
- before provision for tax on unrealised capital gains and net of tax on realised capital losses	\$16.08	\$17.36
- after provision for tax on unrealised capital gains and net of tax on realised capital losses	\$15.22	\$16.11

DIVIDENDS

The fully franked interim dividend of 38 cents per share will be paid on 29 February 2012 to shareholders on the register at the close of business on 15 February 2012.

The following table details the dividends declared in cents per share for each financial year.

	2012	2011	2010	2009	2008
Interim (cps)	38	37	35	43	43
Final* (cps)		39	36	35	45
Total (cps)		76	71	78	88
Special (cps)		5	-	-	8
<i>* LIC Capital gain included in final dividend:-</i>					
LIC (cps)		-	2	-	12

COMMENTARY

Listed investment company, Milton Corporation Limited, reported an increased half year net profit of \$54.6 million and the fully franked interim dividend has been raised to 38 cents per share (2011: 37 cents per share).

Milton's managing director, Mr Frank Gooch, said, "Dividends are a critical component of investors' returns and we are pleased to lift the fully franked ordinary interim dividend to our shareholders."

The main driver of the result was the increased ordinary investment income of \$52.7 million which was derived from Milton's \$1.8 billion, long term investment portfolio. This investment portfolio was expanded in December 2010 through the merger with Choiseul Investments Limited.

"Milton's larger investments performed well during the half with increases in ordinary dividends from Westpac, Commonwealth Bank of Australia, Washington H Soul Pattinson, BHP Billiton, National Australia Bank, Campbell Brothers and Bank of Queensland," Mr Gooch said.

"I think this result demonstrates the benefit of Milton's long held investment philosophy which is to be a long term owner of well managed companies that reward shareholders with dividends," he added.

The half year net profit included special investment revenue of \$0.6 million which was significantly less than the \$3.1 million included in the net profit of the prior corresponding half year. As the amount of special income can vary from

year to year Milton's directors prefer to use underlying operating profit, which excludes special investment income, as the key performance indicator and to determine the ordinary dividend.

Underlying operating profit for the half year was \$54 million some 26.4% higher than the previous corresponding half. With additional shares on issue following the merger with Choiseul, Milton's weighted average earnings per share, based on the underlying operating profit, grew by 6.5% to 44.4 cents per share.

At 31 December 2011 Milton's net tangible assets per share, before provision for tax on unrealised capital gains (NTA), were \$16.08 compared with \$17.36 at 30 June 2011. The 7.4% reduction in Milton's NTA compares with an 11.8% drop in the All Ordinaries Index.

Milton's total assets at 31 December 2011 comprised the investment portfolio valued at \$1,771 million, cash and liquids of \$162 million and other assets of \$26 million.

Mr Gooch said "Milton is reasonably fully invested however it does have sufficient cash to enable it to participate in further opportunities as they arise."

Over the last six months the equity market has continued to be volatile and this has provided opportunities to add to the company's investments in sound dividend paying companies. Milton invested \$31 million in 44 companies over the six months to 31 December 2011. The larger investments were in AGL Energy, BHP Billiton, Cardno, Coca-Cola Amatil, Telstra, UGL, Wesfarmers and Woolworths.

In the same period Milton received \$27 million as consideration for the takeovers of its holdings in Coal and Allied, Fosters' Group and Macarthur Coal.

OUTLOOK

Global events are likely to continue to influence the Australian equity markets for the foreseeable future and we would expect the equity market to remain volatile until there is some certainty over the resolution of the European debt issues and its likely impact on global economic growth.

Milton's efforts are directed at identifying those companies that are expected to continue to pay dividends even as the domestic economy slows and it will continue to invest in these companies at appropriate prices for the long term benefit of Milton and its shareholders.