

MILTON VALUE PROPOSITION

Milton pays fully franked dividends semi annually

- Ø Milton has paid a dividend every year since listing in 1958
- Ø Milton increased its fully franked full year dividend for 2017 to 18.7 cents per share.

Milton provides exposure to a diverse portfolio of Australian listed companies

- Ø Investment portfolio at 30 June 2017 was valued at \$2.76 billion

Milton is an efficient, low cost and professional investment manager

- Ø Total annualised operating costs represented 0.12% per annum of average total assets in the year ended 30 June 2017
- 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.

DIRECTORS

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

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

PORTFOLIO

During the year Janus Henderson, Charter Hall Group, Charter Hall Long Wale REIT and Growthpoint Properties Australia were added to the portfolio and positions were increased in 26 other companies and trusts with a total of \$56 million being invested. This investment was partly funded by disposals amounting to \$44 million of which \$10 million was takeover related.

The composition of Milton's portfolio enabled it to benefit from the strong performance of companies in sectors such as, Resources, Diversified Financials, Insurance and Banks. However, with the equity market as a whole continuing to increase in value over the year there were limited opportunities to increase investment in the portfolio significantly.

20 LARGEST INVESTMENTS:

At 30 June 2017	Market Value \$million	Share of Total Assets %
Westpac Banking Corporation	318.9	10.8
Commonwealth Bank	257.5	8.8
Washington H. Soul Pattinson	152.9	5.2
National Australia Bank	140.8	4.8
Wesfarmers Limited	113.8	3.9
ANZ Banking Group	96.8	3.3
BHP Billiton	84.7	2.9
Bank of Queensland	83.7	2.8
CSL Limited	81.7	2.8
Woolworths Limited	74.2	2.5
Perpetual Limited	68.8	2.3
AGL Energy	68.8	2.3
Telstra Corporation	64.4	2.2
Bendigo and Adelaide Bank	63.3	2.2
Macquarie Group	57.8	2.0
Suncorp Group	49.1	1.7
AP Eagers Limited	48.8	1.7
ALS Limited	45.3	1.5
Brickworks Limited	44.6	1.5
Transurban Group	41.6	1.4
Total value of Top 20	1,957.5	66.6
Total assets	2,941.2	

CONTACT DETAILS

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MILTON CORPORATION LIMITED

ABN 18 000 041 421

ANNUAL REVIEW – 30 JUNE 2017

Ø Fully franked ordinary dividends:

Final ordinary dividend of 10 cents per share up 1% from 9.9 cents per share

Full year ordinary dividend of 18.7 cents per share up 0.5% from 18.6 cents per share

Ø Earnings per share:

Down 4.1% to 18.74 cents (excluding special investment revenue)

Down 4.9% to 18.79 cents (including special investment revenue)

Ø Profit after tax:

Down 3.5% to \$122 million (excluding special investment revenue)

Down 4.3% to \$122.4 million (including special investment revenue)

Ø Net tangible asset backing per share (NTA):

Up 6.9% to \$4.51 (before provision for tax on unrealised capital gains)

Up 5.3% to \$3.99 (after provision for tax on unrealised capital gains)

Ø Dividend Reinvestment Plan is in operation for the final dividend

Last day for receipt of an election notice for participation in the plan is 14 August 2017.

(Comparative figures refer to results for the year ended 30 June 2016)

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held on Thursday, 12 October 2017 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 16 August 2017.

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 2017

	\$million	Movement on pcp
Ordinary investment revenue	125.0	-0.3%
Interest	2.7	-9.6%
Net trading gains	0.3	-90.8%
Other revenue	0.7	+11.0%
Net profits of joint ventures	1.2	-32.7%
Administration costs ⁽¹⁾	(3.6)	+1.3%
Operating profit before tax	126.3	-3.6%
Tax expense	(4.3)	-6.4%
Underlying operating profit after tax	122.0	-3.5%
Special dividends after tax	0.4	-75.6%
Net profit after tax	122.4	-4.3%

⁽¹⁾ Administration costs represented 0.12% per annum of average total assets.

The weighted average earnings per share for 2017 were 18.79 cps. Excluding the special investment revenue, the underlying weighted average earnings per share were 18.74 cents per share compared to 19.53 cents per share in 2016.

BALANCE SHEET

At 30 June	2017 \$million	2016 \$million
Cash & liquids	118	123
Investments	2,764	2,568
Other assets	59	57
Total Assets	2,941	2,748
Liabilities	(2)	(2)
Net assets before provision for tax on unrealised capital gains	2,939	2,746
Provision for tax on unrealised capital gains	(335)	(280)
Net assets	2,604	2,466
Net Tangible Assets (NTA)		
Before provision for tax on unrealised capital gains	\$4.51	\$4.22
After provision for tax on unrealised capital gains	\$3.99	\$3.79

FULLY FRANKED DIVIDEND HISTORY

	2017	2016	2015	2014	2013
Interim (cps)	8.7	8.7	8.5	8.2	7.8
Final (cps)	10.0 ⁽¹⁾	9.9	9.9	9.4	8.6
Total (cps)	18.7	18.6	18.4	17.6	16.4
Special (cps)	-	-	0.4	0.4	0.5

⁽¹⁾Dividend "ex date" is 10 August 2017 and the payment date is 5 September 2017.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) will operate for the final dividend. The last day for the receipt of an election notice for participation in the plan is 14 August 2017.

COMMENTARY

Net profit after tax for the 2017 financial year was \$122.4 million and the fully franked final dividend has been increased to 10 cents per share payable on 5 September 2017.

Ordinary investment income earned in the year from the portfolio of Australian listed equities was \$125 million and market movements lifted the value of that portfolio by \$183 million to \$2.8 billion.

Investment income rebounded in the second half of the year with 60% of the portfolio paying higher dividends and almost recovering the first half's fall in earnings from companies including BHP Billiton, Woolworths, ANZ Banking Corporation and Rio Tinto.

Other income items, including interest, trading profits and special dividends, were also marginally lower this year and the earnings per share reduced by 4.9% to 18.8 cents."

The fully franked final dividend has been increased by 1% to 10 cents per share to take the full year dividend to 18.7 cents per share. The increased full year dividend is fully covered by the underlying profit and is the seventh consecutive increase in full year ordinary fully franked dividends.

A common theme that emerges from discussions with shareholders is the importance they place on Milton's reliable fully franked dividend and so it was pleasing that the dividend could be lifted once again.

Milton has sufficient franking credits to fully frank dividends for the foreseeable future and with total assets valued at \$2.9 billion and no debt the company is in a sound position to maintain its reliable dividend track record.

TOTAL RETURNS

The composition of the equity portfolio reflects the emphasis Milton has always placed on investing in companies that pay dividends as Milton generally funds its dividend payments from the dividend income that it receives. Consequently, the portfolio is not aligned with any index and shareholder returns may differ from index returns.

Milton's total portfolio return for the year of 11.5% was marginally below that of the accumulation return of the All Ordinaries Index, however Milton's return is net of all operational expenses and tax payments and does not account for the benefit of the franking credits attached to its dividend. Over the longer term periods of 10 and 15 years the total portfolio return has exceeded that of the accumulation return of the Index.

ACQUISITION

Milton has entered into an agreement to acquire all of the shares of a private investment company with an investment portfolio valued at approximately \$18 million. The terms of the agreement are similar to those of previous similar transactions and will result in Milton issuing its shares on an ex-dividend basis as consideration in the latter half of August 2017.

OUTLOOK

As a long term investor, Milton attempts to look through the short term noise of the almost daily release of contradictory financial indicators and focus more on the expected performance of our investments through the cycle.

"We are looking forward to the upcoming reporting season, which commences in August, to provide further insights into the way in which the management teams of our investments are positioning their businesses in the current conditions and for the longer term," Mr Gooch said.

The equity market appears to be reasonably fully valued with many companies having modest earnings growth expectations but their shares are trading on historically high multiples. However, if companies report earnings that do not meet or exceed expectations, opportunities may arise to make sound long term investments at more reasonable prices.

A further update on market conditions will be provided at Milton's Annual General Meeting to be held on 12 October 2017.