

MILTON CORPORATION LIMITED

2018 ANNUAL GENERAL MEETING

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Good afternoon ladies and gentlemen.

My name is Robert Millner and it is my pleasure to welcome you to the 80th Annual General Meeting of shareholders of Milton Corporation Limited.

As it is now 3pm I declare the meeting open.

DISCLAIMER

Milton Corporation Limited ("Milton") has prepared this presentation.

The presentation (including views expressed by Milton's directors) is made in good faith however, Milton does not warrant or represent that it is free from errors or omissions.

This presentation is intended as general information only and those to whom this presentation is made should seek independent financial advice that takes into account their financial circumstances when making an investment decision.

NON EXECUTIVE DIRECTORS

- MR ROBERT MILLNER, Chairman
- MR GRAEME CRAMPTON
- MR KEVIN ELEY
- DR IAN POLLARD
- MS JUSTINE JARVINEN

Before we turn to the official business for the day I would like to introduce you to the non executive directors and senior executives of Milton.

Starting from the far end we have the non executive directors: Graeme Crampton, Kevin Eley, Ian Pollard and Justine Jarvinen.

EXECUTIVES & AUDITORS

- MR BRENDAN O'DEA, Managing Director
- MR NISHANTHA SENEVIRATNE, CFO & Company Secretary
- MS MELISSA ALEXANDER, Pitcher Partners, Auditor

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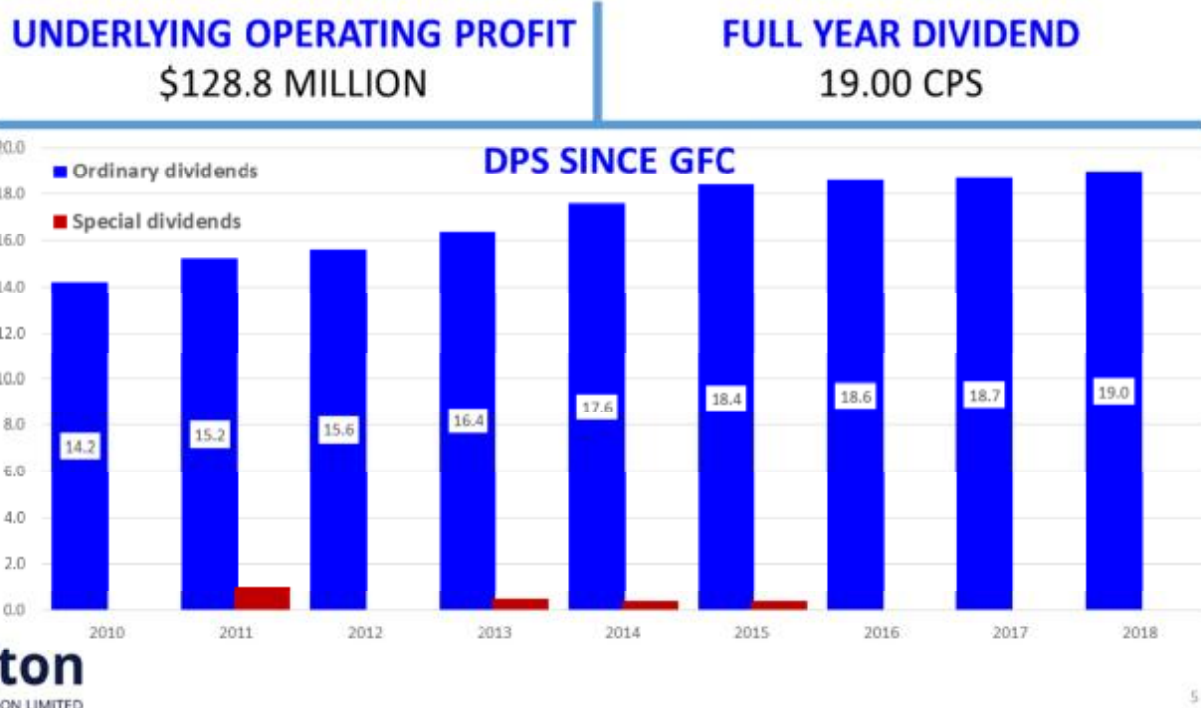
In front of me we have Nishantha Seneviratne, the company's secretary and then Brendan O'Dea, the Managing Director.

In addition, the company's auditor, Melissa Alexander from Pitcher Partners Sydney, is in attendance.

The notice of annual general meeting has been circulated to all shareholders. The holders of over 142 million shares or approximately 21 per cent of the company's ordinary shares have either lodged their proxy or voted on-line.

Following my report to the meeting Brendan will provide an overview of the 2018 financial results of Milton and comment on the investment portfolio.

You will then have the opportunity to ask questions regarding the business of the meeting.



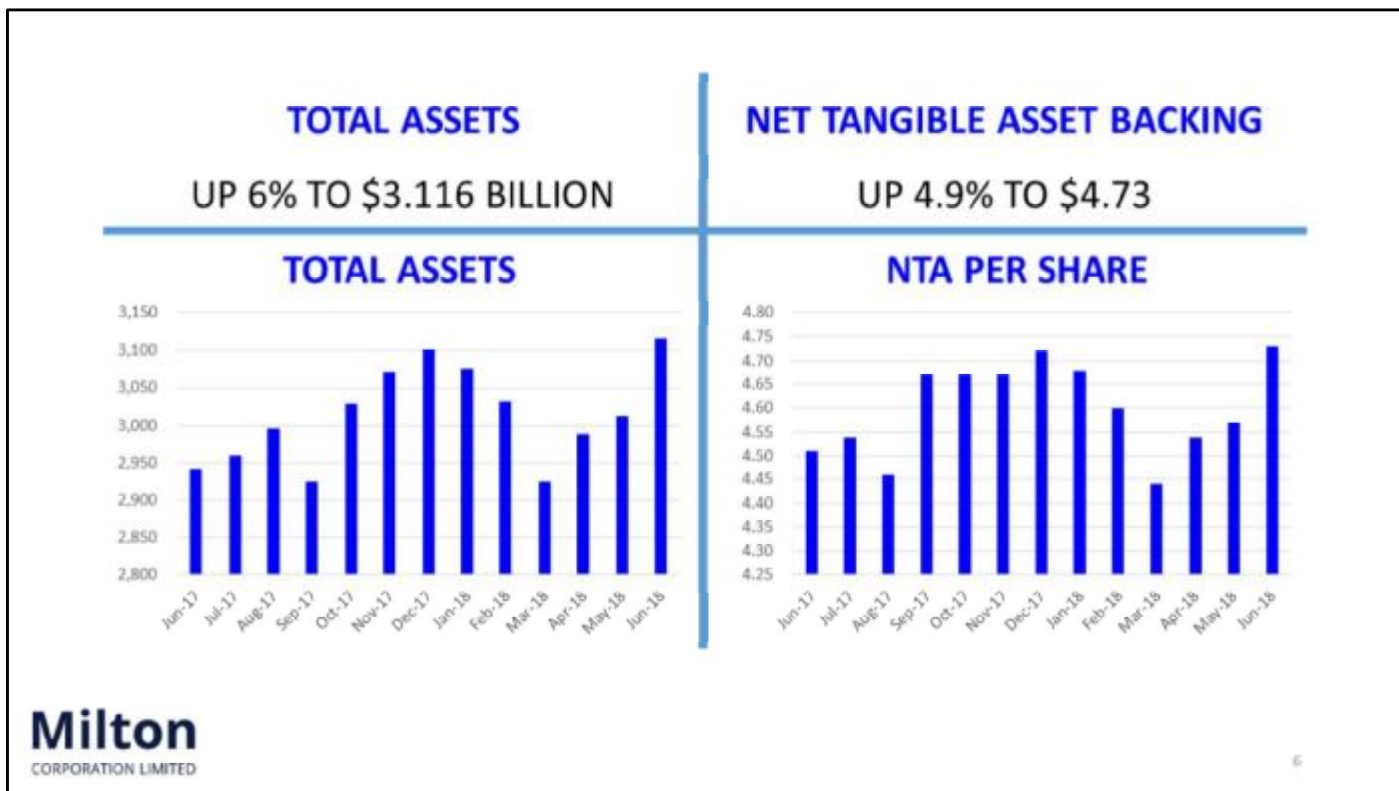
2018 was another successful year for Milton.

Underlying profit after tax increased by 5.6% to \$128.8 million as increased dividends were received from Milton's diversified portfolio of listed shares.

Milton's ordinary dividend was increased to a record fully franked 19 cents per share. Milton's full year dividend has increased every year since the GFC, and growing dividends remains one of Milton's main priorities.

The board considers underlying profit in determining dividends. This excludes the impact of any special dividends received. This approach is taken to enhance the reliability of Milton's own dividend payments. Special dividends of \$1.3 million were received in 2018.

Milton's DRP was available for the final dividend and the Board is pleased to note that participation in the program continues to increase. 2018's final dividend saw the sharpest increase in the DRP since its introduction in 2014.



Total assets grew from \$2.9 billion to \$3.1 billion at year end. The majority of the increase was from gains in the investment portfolio which is presently comprised of 86 companies. With over 95% of Milton's assets being investments in listed shares, Milton's assets will typically rise and fall with the value of the stock market.

However, it is important to note that Milton is not an index investor, and does not invest with a benchmark in mind, so actual performance will vary from stock market indices.

Milton's NTA increased year on year by 4.9% to \$4.73.

Net assets increased to \$2.7 billion as at 30 June 2018.

Milton has since paid its final dividend of 10.2 cents per share. The September NTA, after paying the dividend, was \$4.77, reflecting continued growth in the portfolio.

Milton's investment team, supported by the Investment Committee, continued to fine tune the portfolio over the year. Portfolio turnover remains below 5%, consistent with Milton's long term investing approach. Milton's investing approach is to look through economic cycles and short term noise to achieve long term dividend and capital growth. The team consider the impact of technology and other types of disruption in its investment approach with additional investments in 2018 in sectors other than the banks in response to recent uncertainty.

Milton's expense ratio grew in 2018 as a result of the one off recruitment and transition costs of the new Managing Director. At 0.14%, up from 0.12% in 2017, Milton remains one of the lowest cost vehicles available to investors. Milton has no performance or management fees, which reduce returns to shareholders, and a dividend payout ratio of 97% of underlying profit in 2018.

Milton completed, post year end, the acquisition of an unlisted investment company. This is Milton's 18th such acquisition. 5.6 million shares were issued as consideration for net assets of \$27 million. The acquisition was accretive to Milton's shareholders. I warmly welcome the vendors to Milton and thank them for their show of support.

Milton has a strong balance sheet, no debt and sufficient cash on hand to make investments as opportunities arise.

DIRECTOR CHANGES

- MR FRANK GOOCH, Retired after 22 years of service
- BRENDAN O'DEA, Appointed Managing Director and CEO

The Board notes the retirement of Mr Frank Gooch, who retired in August 2018 after 22 years with Milton, including 19 years as CEO. As CEO and Managing Director, Mr Gooch contributed greatly to the success of Milton overseeing a growth in assets from \$200 million to \$3.1 billion.

Mr Gooch has been succeeded by Mr Brendan O'Dea who worked with Mr Gooch from January 2018 as part of an orderly transition. Mr O'Dea was appointed Managing Director in August 2018 and has made valuable contributions to the Board. You will hear from Brendan shortly and have the opportunity to elect Brendan as a Director.

On behalf of all shareholders I would like to wish Frank and his family well and thank him for his contribution.

OUTLOOK

- Positive economic outlook
- Companies to grow earnings and dividends
- Strong balance sheets
- Milton Q1 2019 earnings exceed prior year

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The Australian economy remains sound with strong GDP and employment growth and high levels of investment in infrastructure. Companies are expected to continue to modestly increase earnings and dividends in 2019. Balance sheets are strong, and notwithstanding increased regulatory headwinds, management teams are optimistic.

Milton's quarterly results for 2019 are ahead of budget with the recent reporting season delivering better than expected dividend growth.

With the company having sufficient franking credits and financial flexibility the Board is confident, in the absence of unforeseen circumstances, that Milton's dividend should be at least maintained in the next financial year.

Thank you.

I would now invite Brendan to provide his report.

MILTON CORPORATION LIMITED

2018 ANNUAL GENERAL MEETING

BRENDAN O'DEA

MANAGING DIRECTOR

Thank you Mr Chairman and good afternoon everyone.

I would firstly like to echo the Chairman's comments and recognise Mr Frank Gooch for his leadership and many contributions to Milton over his years with the firm. I greatly enjoyed working with Frank during my transition to Managing Director throughout which he was a patient and gracious mentor.

Frank is a highly experienced investor and will be missed by both staff and shareholders alike. I wish him all the best for the future and plan to keep in touch with him to make use of his extensive knowledge of the market and of Milton itself.

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MILTON FACTS

26,000 SHAREHOLDERS

INCORPORATED IN 1938

\$3.1 BILLION TOTAL ASSETS

EXPENSE RATIO 0.14%

AVERAGE 20YR RETURN 10.2%

86 COMPANIES IN PORTFOLIO

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In 2018 Milton celebrates its 80th anniversary and its 60th year of listing on the Australian Securities Exchange.

In a time where performance is measured in quarters and the news cycle in a matter of minutes, Milton remains a long term investor, aiming to look through short term and often transient noise to focus on long term earnings and dividend growth for the benefit of shareholders.

2018 has certainly provided its share of short term noise.

The Royal Commission into Financial Services has unearthed numerous cases of misconduct. Political turmoil in Australia has been ever present resulting in another change of Prime Minister. Globally we have seen threats of trade wars and rising populist sentiment.

In Australia the All Ordinaries index is yet to exceed the levels reached pre-GFC. Many traditional “mum and dad” stocks have languished in terms of price performance. Value investing is not fashionable.

This, however, is not the full story.

Looking through the noise reveals a strong economic environment with solid growth and record corporate earnings.

US indices are trading at record highs.

Australian stocks lead the world in terms of dividend generation. The All Ordinaries Accumulation index, which includes dividends reinvested, is up 133% since 30 June 2009. Over the longer term dividends contribute as much as 50% of the total return to investors in Australian stocks.

Dividend paying companies exhibit certain important characteristics. They tend to be financially sound with strong balance sheets and have the earnings track record to pay dividends. They consider the long term and reward shareholders. They tend to have confident boards and management teams.

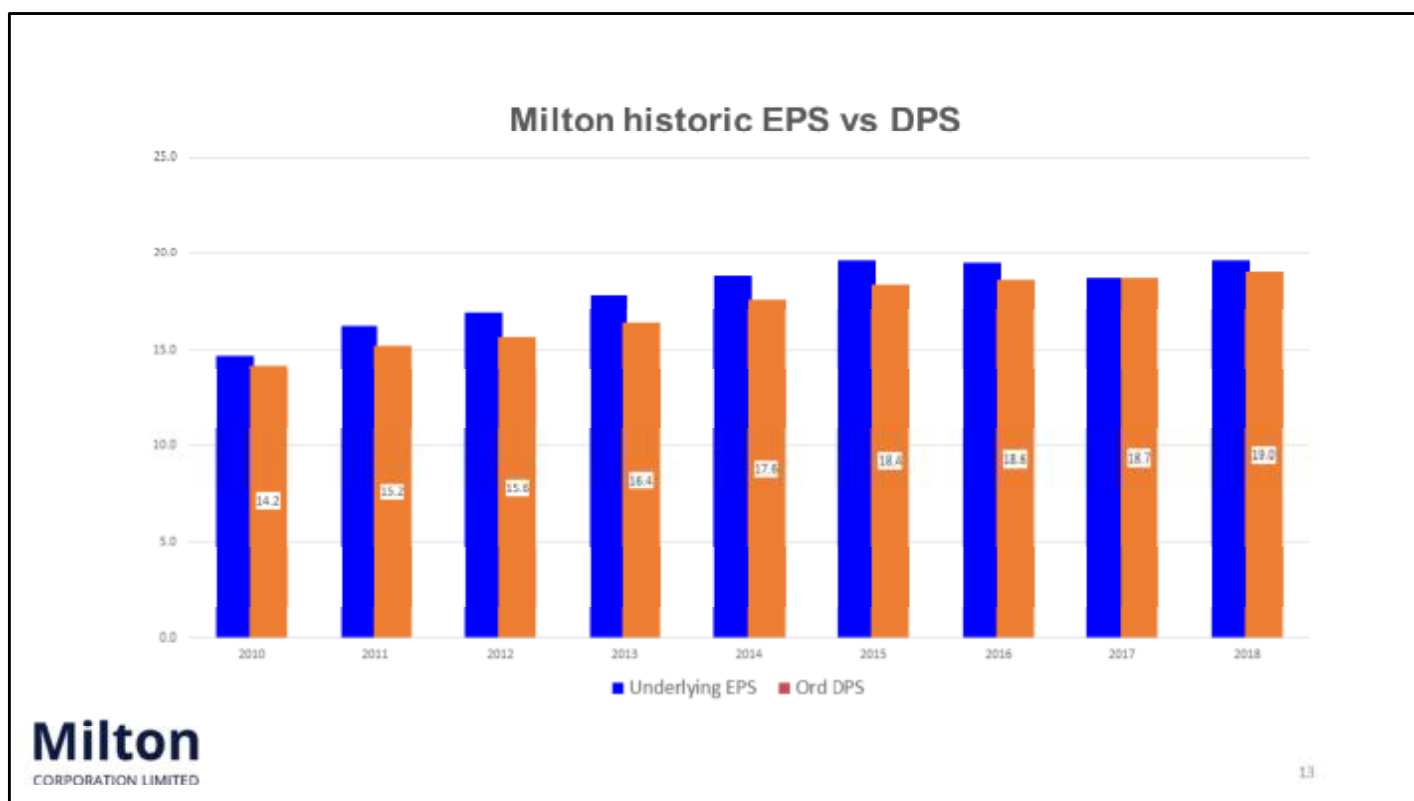
Dividends themselves are generally unaffected by share prices and as such are less volatile. Dividends primarily move based on the level of underlying earnings which tend to have a degree of predictability.

In short, dividends are usually unaffected by the short term noise that has been a feature of the market in 2018.

Milton pays its own dividends from the dividends received from underlying equity investments. In 2018 97% of Milton's income was generated this way, and 95% of our total assets are listed equity investments.

Milton does not trade its portfolio to create earnings. The fact that we do not trade to generate short term gains reduces the risk that market conditions impact our dividend payments to shareholders.

In 2018 Milton paid a record, fully franked, dividend of 19 cents per share. Milton's 20 year returns have averaged 10.2% annually and we have confidence that we will be able to continue to grow our dividend stream to shareholders, over the long term.



The full year, fully franked dividend of 19 cents per share represents the eighth consecutive increase and a payout ratio of 97% of underlying earnings.

Over time, we would expect that dividend income grows as the underlying earnings of our portfolio companies grow. Not every company will grow dividends every year, but Milton's diversified portfolio has provided steady growth over time and 2018 was no exception.

Milton's ordinary dividend income received increased 6% year over year to \$132.5 million, special dividend income of \$1.3 million was also received.

Over two thirds of the companies in Milton's portfolio increased their dividends in 2018.

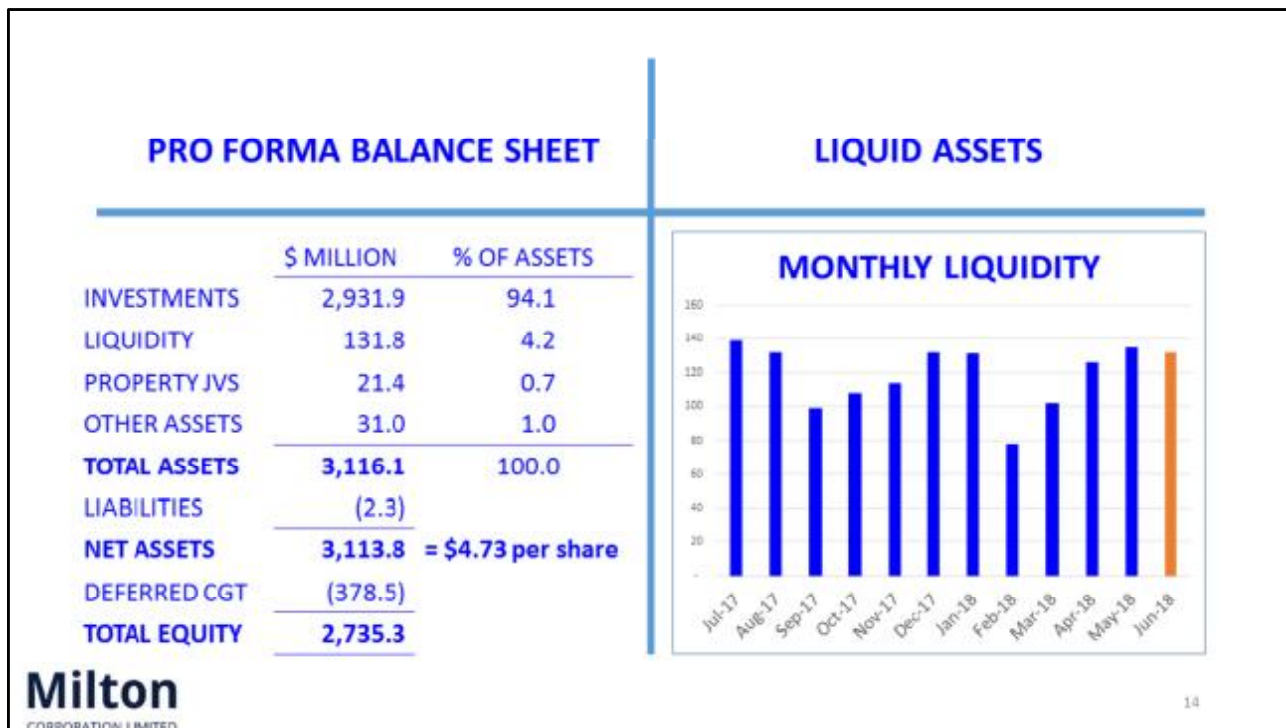
Strong year on year growth was seen in the resource sector, with BHP, RIO Tinto and Woodside Petroleum contributing strongly to the overall dividend increases. The resources sector is experiencing very strong trading conditions with high demand and prices and, as a result, strong earnings and cashflows.

Increased dividends were also received from investments in Wesfarmers, Woolworths, Insurance Australia Group and AGL.

In terms of dividend cuts, Telstra and TPG provided the only material decreases, with earnings declines and a very challenging competitive environment. We expect this to continue in the near term.

Bank dividends were largely flat over the year. It has been Milton's expectation that bank dividend growth will be slow in the short to medium term. This is still our expectation, with recent reputational and regulatory challenges acting as a further headwind to growth. 29% of Milton's total portfolio is held in banks generating \$58 million of fully franked dividends.

It has been pleasing to see that growth in overall portfolio dividends has continued into the first half of 2019.



Milton's total assets increased to \$3.1 billion from \$2.9 billion at the end of the previous year. Net asset backing before tax, as reported in our monthly NTA announcement, increased by 4.9% to \$4.73 from \$4.51.

This increase was primarily driven by a \$167.8 million increase in the value of our equity portfolio to \$2.9 billion.

Milton has no debt.

Cash and term deposits increased by 11% over the year to \$131.8 million. Milton aims to be fully invested and holds limited cash positions to allow for potential capital issues or new investments. Associated liquidity income fell by 1.8% in 2018 reflecting lower deposit interest rates. It is our expectation that lower interest rates will persist in Australia, notwithstanding the fact that globally rates are rising as central banks normalise policy settings post GFC.

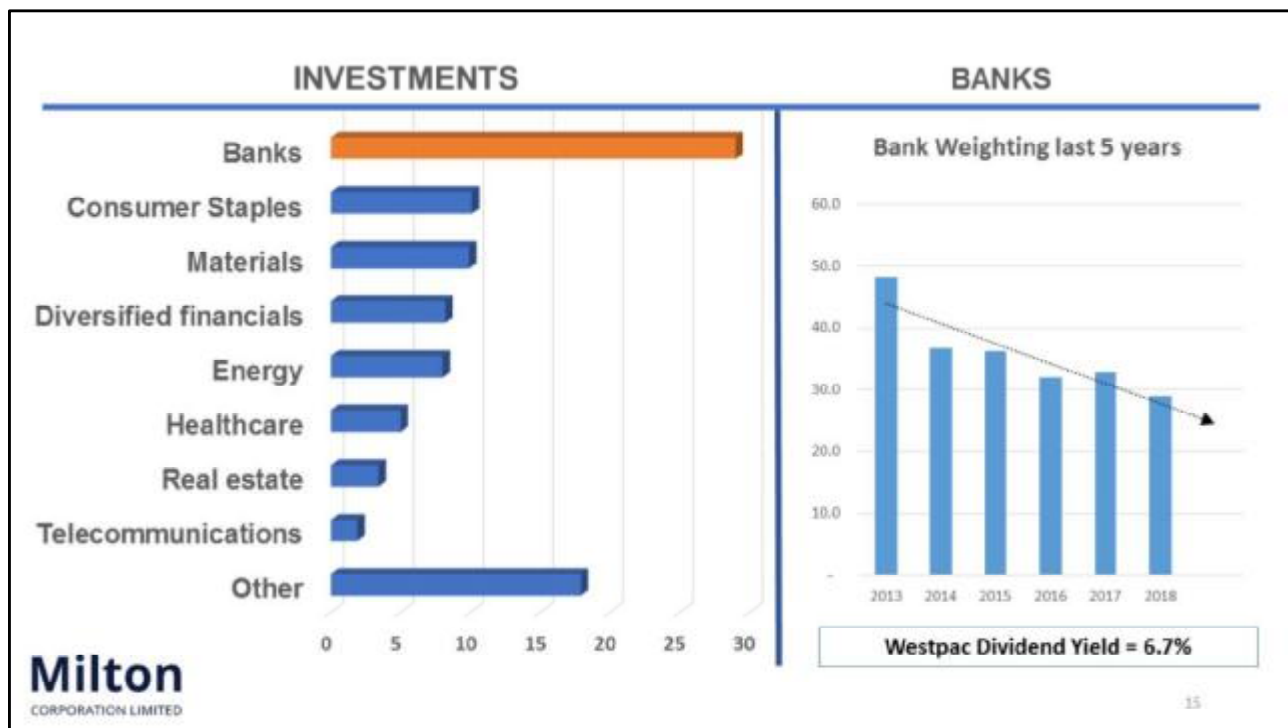
Milton has long term investments in joint ventures to develop major new residential communities in Western Australia and the Hunter Valley in New South Wales. These investments represent less than 1% of Milton's balance sheet and have been strong contributors to income over the long term.

Joint Venture equity value is \$21.4 million with income from investments lower in 2018 at \$0.4 million. The fall in income reflects difficult market conditions with challenges accessing finance for first home buyers and investors. Milton has had strong returns from its 18-year involvement in the WA projects and we remain confident that strong returns will be delivered over the long term in the Hunter Valley.

Milton's equity portfolio is comprised of 86 companies. The individual positions and sectors are listed in the Annual Report.

Milton's portfolio turnover is less than 5% per annum. Expenses are very tightly managed and represent 0.14% of assets. Milton is one of the most cost effective managed investment vehicles available to retail investors. No management or performance fees are charged. Milton is focused on maximising the return to its 26,000 shareholders.

Whilst Milton's turnover remains low, during 2018 investments in 26 companies and trusts were increased with a total investment of \$70m. This included investments in Technology One, AGL and Woodside Petroleum. Partly funding this was the complete disposal of investments in AMP, Origin Energy and Fletcher Building.



As income focused investors Australian banks have long been a feature of Milton's portfolio. In 2018 29% of Milton's portfolio was invested in banks, the equivalent allocation being 32% in 2017. The total return on Milton's bank holdings in 2018 was -1%, with price falls largely offset by dividend income.

2018 was a year of significant challenge for the banking sector with a number of serious headwinds impacting total returns, these include:

- The Royal Commission with its attendant costs and distractions
- Business model changes in response to compliance and cultural concerns
- Capital retention to ensure that bank balance sheets are "unquestionably strong"
- Slowing credit growth as the housing market slows

Risks remain for the banks which will continue to be subject to heavy regulatory, political and media scrutiny.

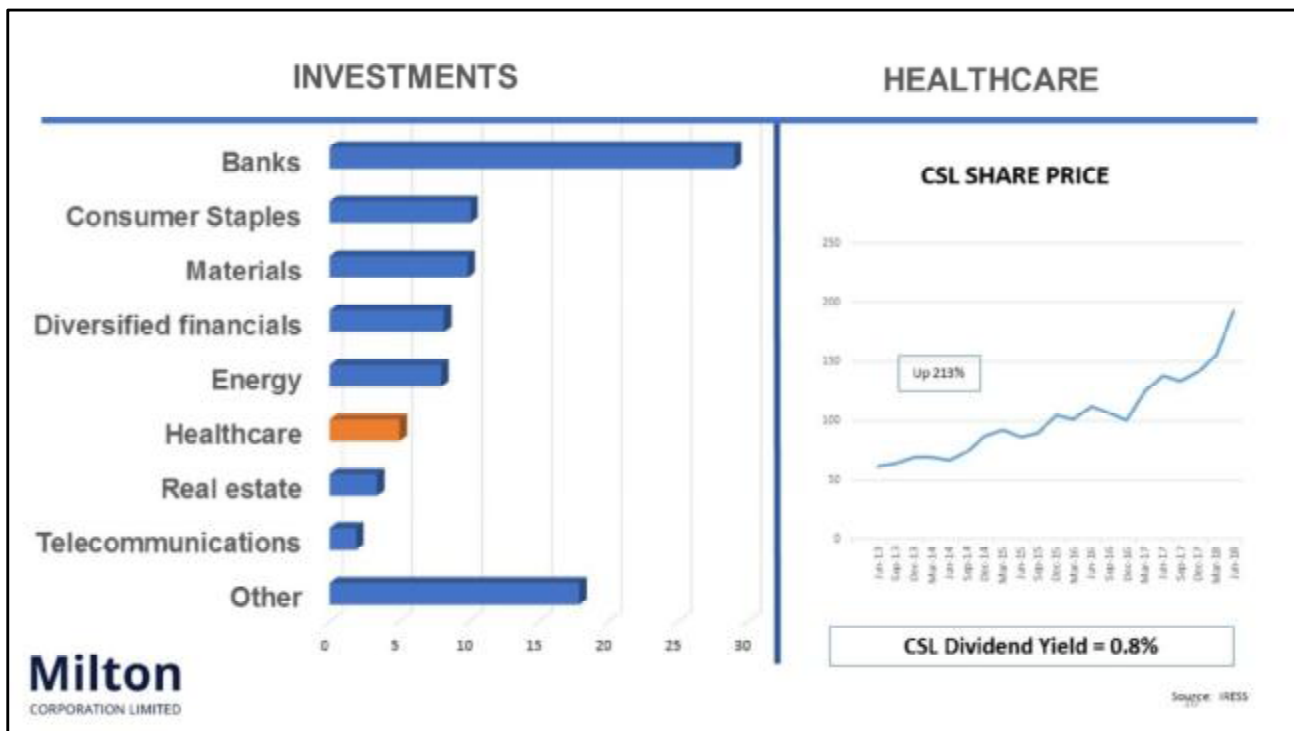
The banks however, are transforming their business models through investment in technology and moving rapidly to address competitive challenges. Banks are highly regulated, with increased regulation acting as a moat to new competition in core deposit taking activities. Increased regulation comes with higher capital costs which act as a drag on returns, but less so profitability.

Australian banks are very well capitalised, with regulatory requirements for “unquestionably strong” status met, and in some cases, exceeded. Australian banks are amongst the best capitalised financial institutions globally.

Milton’s continued expectation is that bank dividends will not significantly grow in the short term as the industry works through these challenges. Banks however, provide long term exposure to underlying macro themes such as GDP and population growth, and currently do so at cycle low valuations.

As evidenced by the decreasing portfolio weight associated with Milton’s bank positions, new investments are likely to be in sectors other than the banks until more certainty emerges.

As long term investors we remain confident that banks have a large role to play in our overall portfolio but will continue to review our bank holdings regularly with Milton’s Investment Committee.



A feature of the global stock market in 2018 is the strong performance of a narrow group of high growth, often low dividend, names. In the US context this includes stocks like Amazon and Apple, locally a narrow group of technology and health care names have also outperformed. This sector divergence is pronounced and has, to date, shown no sign of narrowing.

Milton has seen a similar divergence within our own portfolio.

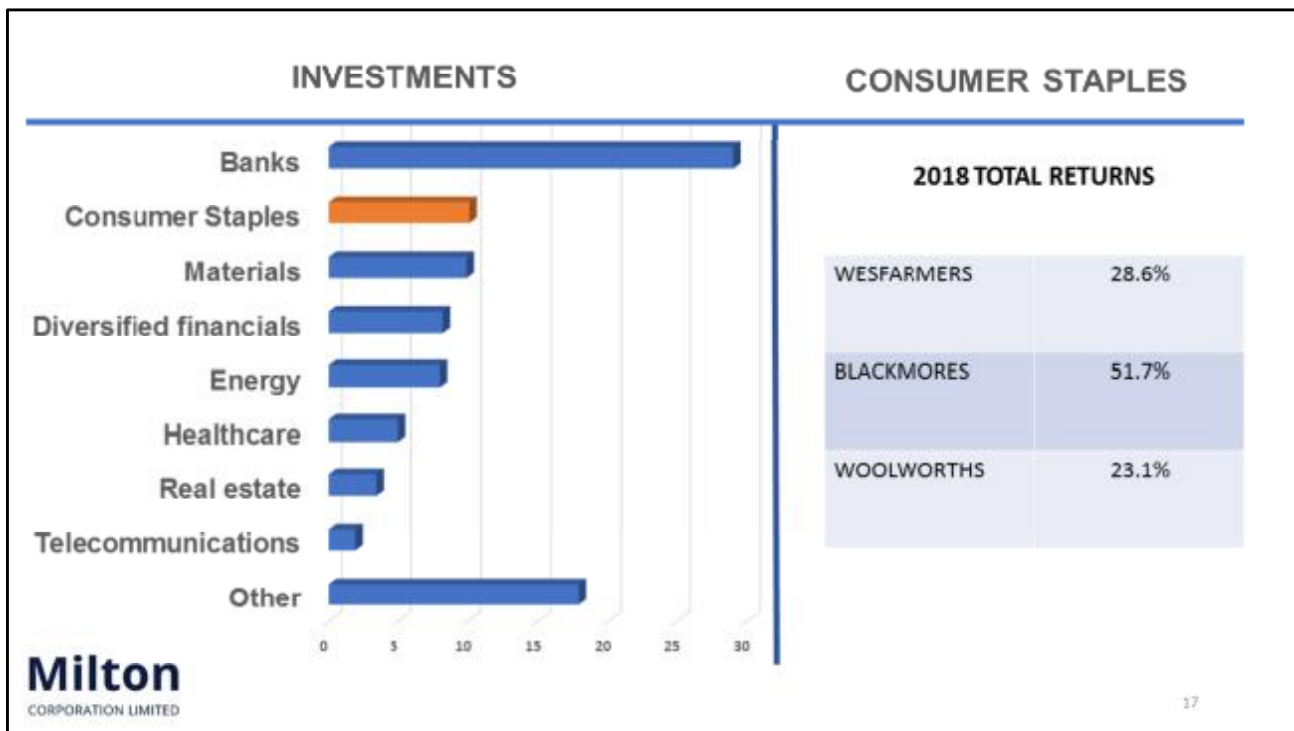
Healthcare has been one of the strongest sectors for Milton in 2018, with a total return of 24.8%.

CSL generated a total return of 41%, and is now one of Milton's largest positions. The 41% return was comprised of 40% of price appreciation, and the balance dividends.

CSL is a global champion and enjoys strong growth prospects as it expands into Asia. Whilst the dividend yield is low we believe that the dividend itself will continue to grow over time, dividend growth in 2018 was 30%.

Other domestically exposed health stocks, such as Regis and Ramsay, have had much more challenging total returns. They are primarily exposed to slower domestic demand, structural difficulties with health insurance and regulatory focus.

We will continue to review the sector, which has a strong underlying theme, for opportunities.

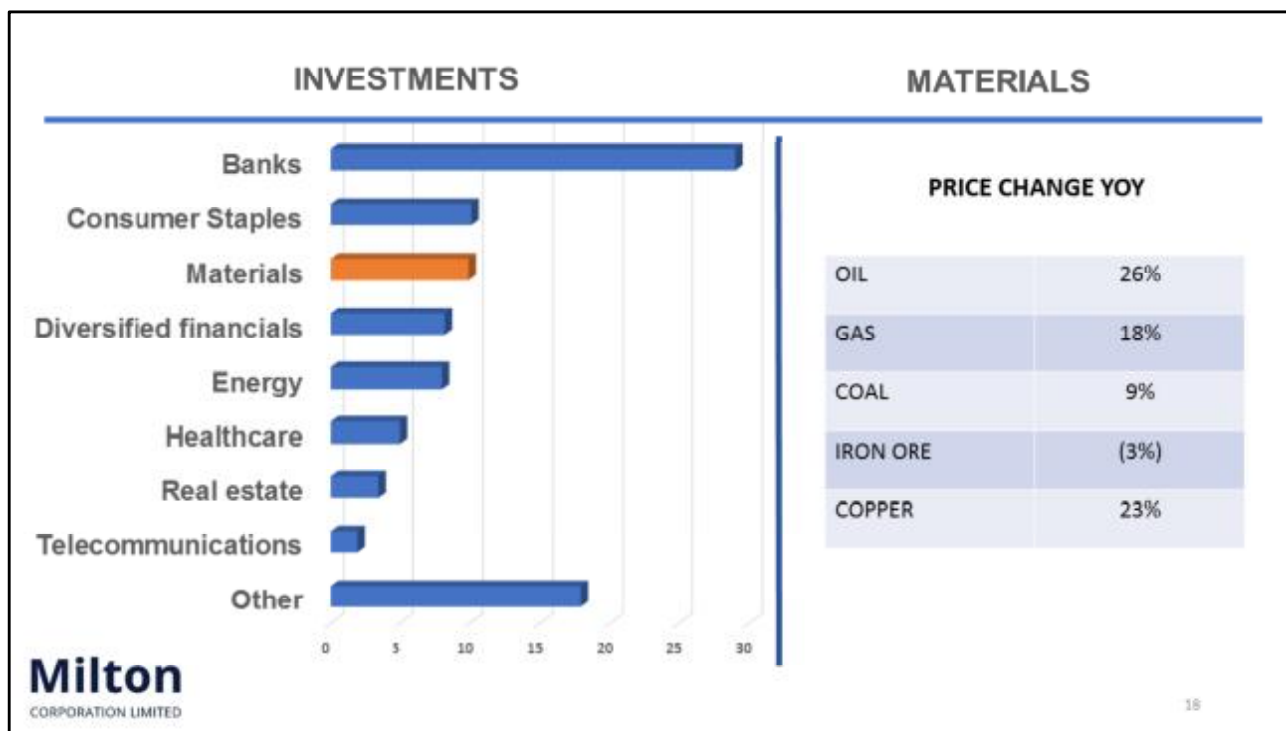


The consumer staples sector was also a strong performer for Milton in 2018. Milton's largest holdings within this sector are Wesfarmers, Blackmores and Woolworths.

Wesfarmers generated a total return in 2018 of 28.6%. The exit from the failed investment in Bunnings UK proving a turning point for the stock as investors celebrated the removal of uncertainty. Wesfarmers also announced that they will be demerging Coles with terms recently announced. Wesfarmers have traditionally had a strong focus on capital efficiency and these announcements reflect that. It is pleasing to see the market re-rate the stock.

Blackmores enjoyed a strong year as concerns around Chinese demand, and increased competition abated. The total return was 51% for the year, 49% of which was the increased stock price itself. Milton has held a long term position in Blackmores and have confidence that it remains a well-managed and well positioned business.

Woolworths also enjoyed strong trading conditions investing in operational efficiency and logistics to build on an already successful business.



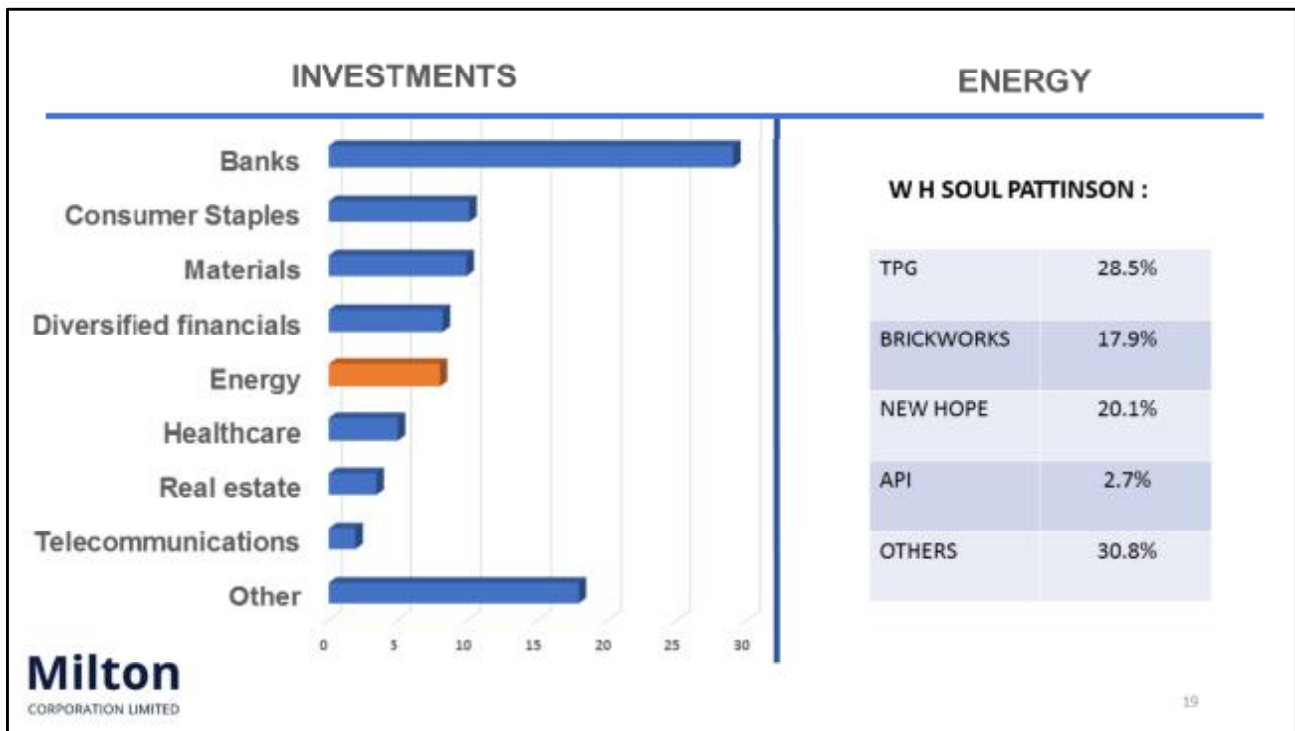
The Materials sector, dominated by the large resource names, has been very topical in 2018. Stronger than expected prices and continued Chinese demand for raw materials a feature.

BHP and RIO, Milton's two largest positions in the sector, had total returns of 50.9% and 37.7% respectively. Both companies enjoying strong pricing environments and generating substantial cashflows.

This has allowed each company to reduce debt, sell assets and increase dividend payments. The dividend payments, due to the more volatile nature of revenues, are expected to remain strong whilst the price environment is supportive.

Management teams have remained disciplined, not overpaying for acquisitions.

Milton has added to its Materials position in 2018 and will look for opportunities to continue to do so in the coming year.



Milton's \$190 million investment in Washington H Soul Pattinson (Souls) is the largest contributor to the Energy sector.

Energy sector investments also include a \$43 million position in Woodside Petroleum.

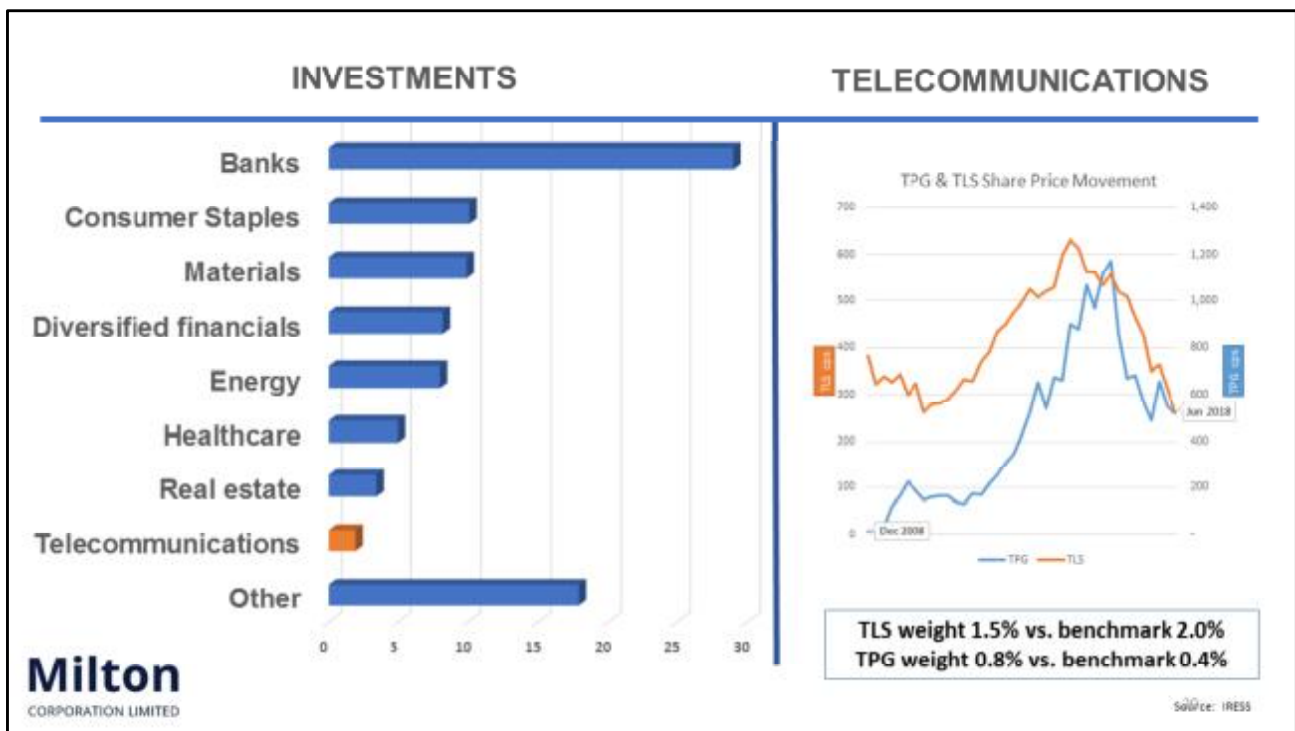
Souls is classified as an energy stock due to its investment in New Hope Coal, but also provides Milton with exposure to telecommunications, financial services and building materials. Management have a record of strong capital discipline and strategic thinking over the long term including a history of dividend increases. Total return on Milton's investment was 27.4% in 2018.

Souls recently announced another dividend increase as part of a strong earnings release and the stock continues to perform well.

Woodside Petroleum enjoyed favourable conditions with oil and gas prices strong throughout the year and, in the case of gas, supply constrained markets.

Woodside raised capital to support its Scarborough expansion during the year, which Milton did not participate in, instead selling our entitlements for a profit of \$353,000.

We maintain a favourable view of the sector as a whole and Souls and Woodside in particular.



The Telecommunications sector has experienced a high degree of volatility in 2018, the competitive environment reducing earnings and forcing dividend cuts across the entire sector.

Aggressive discounting to gain market share has damaged margins, with the introduction of the NBN further complicating the picture.

Milton has exposure to the sector via positions in Telstra and TPG Telecom. Both stocks have delivered disappointing returns with Telstra having a total return of -33.7% and TPG -6.3%.

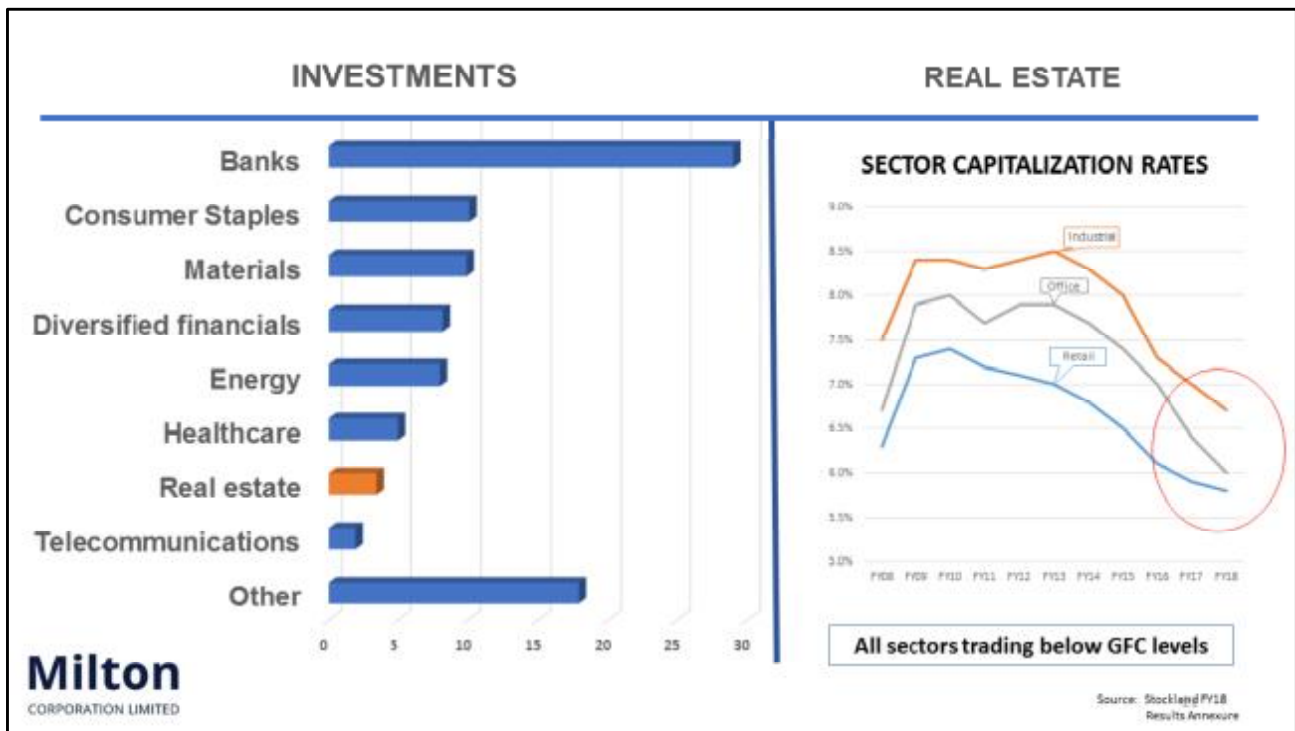
The longer term outlook for telecommunications is robust as data usage increases exponentially, more activities move to digital and smart phones proliferate.

Milton holds conservative positions in the sector, considering our dividend mandate with material dividend cuts across both TPG and Telstra reinforcing that view throughout 2018.

We are relatively overweight TPG vs Telstra, with TPG a strong medium term performer.

Subsequent to year end TPG announced a merger with Vodafone. The announcement causing a sharp move higher in the prices of both TPG and Telstra as the market saw the potential for more rational competition. The merger allows for less pressure on the bidding for 5G spectrum. This reduces the risk that balance sheets will be stretched for investments that may not provide adequate returns.

We are encouraged by the announcement, which may represent a fundamental shift in industry dynamics, and look for improved earnings certainty over time.



Real estate has been a strong performer in 2018. Milton's combined investment in the sector having a total return of 13%.

There has been a shift in the nature of assets that are strongly performing as new retail habits are formed. The move to online shopping has created a two tier market. Premium assets, a Westfield Bondi for example, are performing well. These sites are seen as leisure destinations by consumers.

Second tier assets, conversely, are underperforming as apparel shopping moves progressively online.

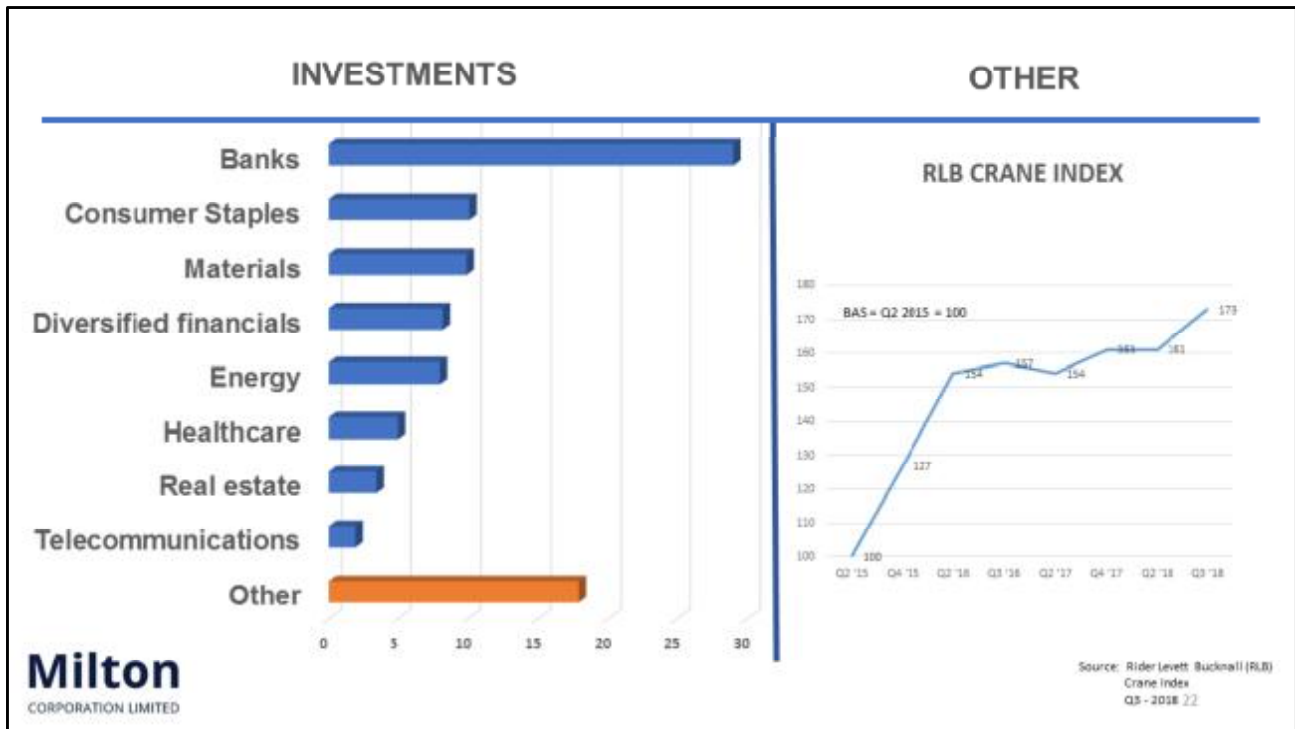
These factors have driven outperformance by Scentre Group +12.7%, with a relative underperformance from Vicinity +7.2%.

Lend Lease has also performed strongly, returning 23.6% on the year as it diversifies globally, reducing its reliance on the Australian property cycle. The growth in infrastructure investment in Australia also representing an opportunity.

Property assets are generally trading at high valuations and there is reason to be cautious on further revaluation gains.

Cap rates are below pre-GFC levels.

Leverage in the property companies is generally at the lower end of historical ranges which provides a margin of safety should the market correct. We will continue to monitor valuations carefully but recognise the strong income production from the sector.



Infrastructure investment in Australia continues at pace with the number of cranes a good indicator of activity.

Transurban's WestConnex acquisition the latest in a series of major infrastructure announcements.

Milton holds \$45 million of Transurban and \$21 million of Sydney Airport. Both stocks have generally underperformed as investors view them as "bond like" investments which may be less attractive in a rising rate environment.

Transurban and Sydney Airport, however, have long term funding arrangements removing in large part their exposures to rate rises in terms of their earnings. Their earnings are often CPI linked providing a useful inflation hedge. They have strong growth potential in terms of utilisation.

The assets themselves are hard to replicate and highly sought after by infrastructure investors due to their long tenor.

Post year end Milton participated in Transurban's capital raise to fund WestConnex.

We are confident that the sector represents a sound long term investment supported by a large pool of future projects.

PERFORMANCE

RETURNS

TOTAL RETURNS TO 30 JUNE 2018

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
TPR	9.3%	7.0%	8.5%	6.9%	9.0%	10.2%
TSR	6.5%	5.2%	9.1%	6.5%	8.6%	9.5%

METRICS

	Movement YOY
Operating Revenue	+ 6.4%
Expenses	+ 14.9%
NPAT	+ 6.2%
NTA	+ 4.9%
AVG Premium/(Discount)	(0.43%)

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Milton is a long term investor, and is not benchmarked to any Index. Milton aims to grow its dividends over the long term by investing in companies with growing earnings and dividends.

Milton's total portfolio return was 9.3% in 2018, and Milton has returned 10.2% annually on average over the last 20 years.

Importantly Milton declared a record full year dividend in 2018 of 19 cents, fully covered by underlying earnings which increased 5.6% in 2018.

Expenses increased by 14.9% in 2018, expenses increasing due to one off employment costs associated with the hiring and transition of the Managing Director. MER was 0.14% and is expected to normalise in 2019. Milton remains one of the most cost efficient investment companies in the industry.

Milton's net assets, and the top 20 portfolio holdings, are reported monthly to the Australian Securities Exchange. The report shows the net tangible assets, or NTA per share. This NTA is often used as a reference point for transactions in Milton shares.

The reporting of NTA allows for the measurement of whether Milton stock was trading at a premium or discount to the value of underlying assets.

Milton's share price, throughout 2018, traded in a premium/discount range of +2.2% to -2.6%, averaging a discount of 0.4%.

ASX requirements are that NTA reports are completed within 14 days of month end. Milton aims to have the report released within 3 business days.

Should you wish to receive this report please contact us directly, or provide your details to Link Market Services.

2019 OUTLOOK

- Companies to grow earnings and dividends
- Infrastructure and resources strong
- Some pressure on households
- Milton unaudited Q1 2019, year on year.
 - Underlying Profit +7.4%
 - Net profit after tax +11.2%
 - Earning per share +10.4%

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Stock markets are made up of individual companies, which have earnings, dividends, management teams and customers.

Milton focuses on the underlying company and its ability to grow and deliver us, as investors, increased earnings and dividends over the long term. This investing approach can sometimes be unfashionable.

Milton's long term returns however support the notion that low costs, and long term fundamental investing can generate strong returns over time.

Value investing has recently underperformed due to the very strong price performance of a narrow group of technology, healthcare and globally exposed stocks. Milton owns some of these companies including CSL, Blackmores and Treasury Wines. Many stocks on the Australian market are globally exposed including the large resource, engineering and construction stocks and financials such as Macquarie Group.

Stocks with high valuation multiples are, however, the most sensitive to interest rate increases. Globally rates are on the rise.

Investment in infrastructure in Australia is expected to continue with a strong pipeline of opportunities already evident. This will bolster economic growth and provide employment opportunities.

The resources sector is enjoying very strong trading conditions.

Pressures do exist in households with high debt levels and power prices that are elevated. Property price declines and mortgage rate increases have the potential to impact confidence. Wage growth is stubbornly slow.

Earnings growth for companies in Australia, however, is forecast to remain in a healthy 5-7% range.

This allows for us to have confidence that we will see continued dividend growth in Milton's portfolio.

The August earnings season delivered strong dividend growth allowing Milton to record, unaudited, Q1 2019 increases in net profit after tax of 11.2% and an earnings per share increase of 10.4%.

I would like to thank Frank and the Board for their constant support over the year, and Frank in particular for his assistance.

I am very fortunate to have the opportunity to work with such a dedicated group of people and at a company with Milton's rich history.

I would also like to thank Milton's staff for their warm welcome and their dedicated efforts on behalf of all shareholders.

Thank you and good afternoon.

I will now hand over to Rob for the official business of the meeting.