Good afternoon ladies and gentlemen.

My name is Robert Millner and it is my pleasure to welcome you to Milton's 81st Annual General Meeting.

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.

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Non Executive Directors

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

Executives & Auditors

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

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First, I would like to introduce you to the 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.

In front of me we have Nishantha Seneviratne, the company's secretary and Brendan O'Dea, Milton's CEO and 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 145 million shares or approximately 21.60 per cent of the company's ordinary shares have either lodged their proxy or voted on-line.

Following my report Brendan will provide an overview of the 2019 results and comment on the investment portfolio.

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

Key Highlights

Net Profit after tax	Underlying Operating Profit*	Fully Franked Total Dividends	Fully Franked Ordinary Dividends
A$ 147.7m	A$ 133.6m	cents per share 21.9	cents per share 19.4
up 13.6%	up 3.7%	up 15.3%	up 2.1%

Basic Earnings Per Share	Underlying Earnings Per Share	Total Assets	Management Expense Ratio
cents per share 22.2	cents per share 20.1	A$ 3.3Bn	0.14%
up 12.1%	up 2.4%	up 6.2%	Same as 2018

* Underlying operating profit excludes special investment revenue and acquisition costs net of tax.

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Milton's uncomplicated business model is focused on delivering several important outcomes for shareholders.

Milton aims to deliver, over the long term, a growing stream of tax effective dividends and capital growth whilst maintaining a very low expense base.

Milton achieves these goals through investing in a portfolio of companies, trusts, real estate and cash.

This approach, whilst being continually refined to reflect a changing business environment, has remained fundamentally unchanged, and has delivered another strong set of results for shareholders.

In 2019, Milton reported record net profit after tax of $147.7 million, an increase of 13.6% on 2018.

Earnings per share grew by 12.1% to 22.19 cents per share.

Milton is internally managed, and as such has no management or performance fees that reduce returns to shareholders. Milton's expense ratio at 0.14% is significantly lower than the vast majority of actively managed investments.

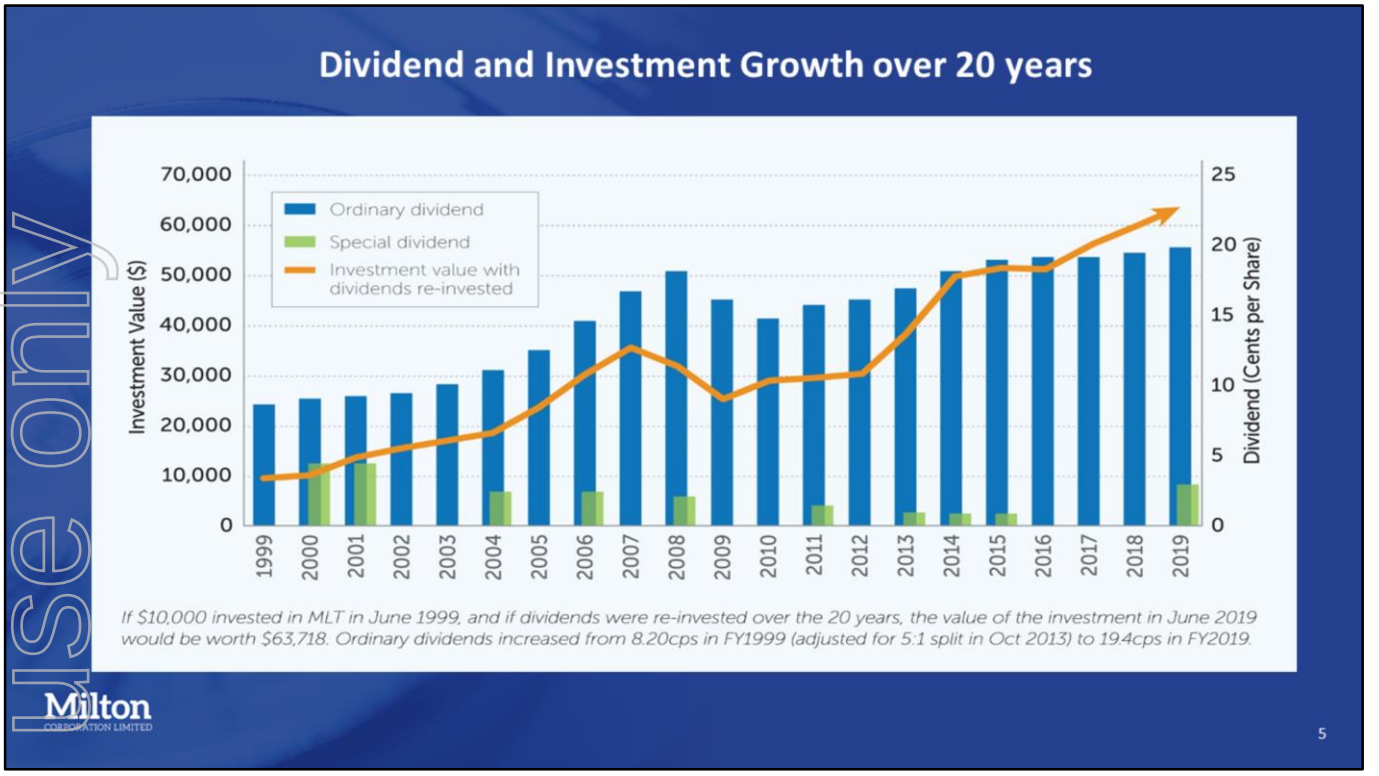
This year's strong result was driven by increased dividend income, most notably $14.1 million of special dividends received in the period, as various portfolio companies returned excess capital to shareholders.

Underlying profit after tax, which excludes special dividends, was $133.6 million, a solid but more modest increase of 3.7% over 2018.

Underlying earnings per share in 2019 was 20.1 cents per share, up 2.4% on the prior year.

In 2019, 60% of Milton's portfolio increased their ordinary dividends with the largest increases seen in the resource sector from BHP, RIO and Woodside Petroleum. Resource companies have enjoyed very favourable trading conditions with prices for many commodities at elevated levels.

Unfortunately dividend decreases were seen from Telstra, as the NBN impacts earnings, and NAB. NAB reduced its dividend to build its capital reserves and reduce its payout ratio from an elevated position.



Milton's Board of Directors declared ordinary dividends of 19.4 cents per share in relation to 2019's earnings, an increase of 2.1% year on year.

When determining Milton's ordinary dividend payments the Board looks at underlying earnings, which exclude special dividends, in order to enhance the reliability of Milton's own dividend.

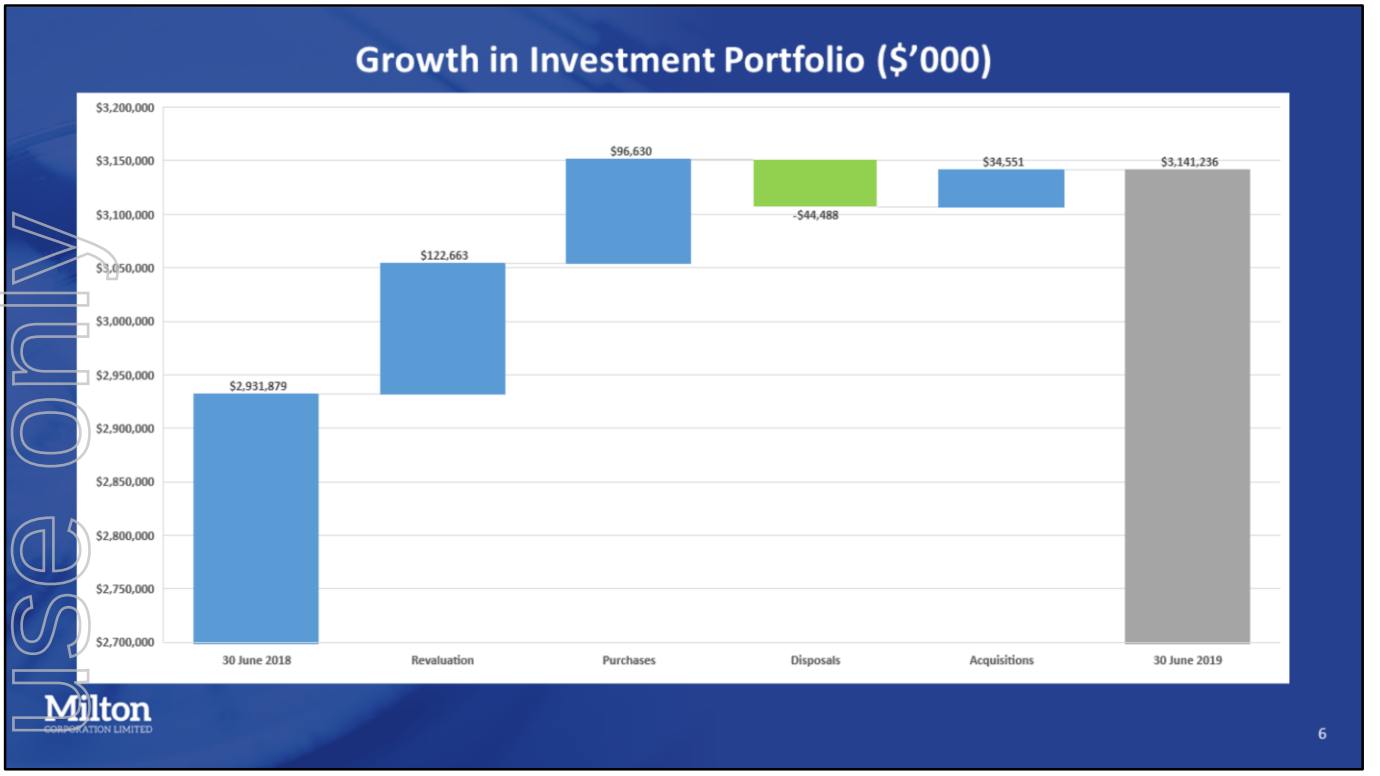
Milton's DRP was available for the final dividend and the Board is pleased to note that participation in the program continues to increase.

A special dividend of 2.5 cents per share was paid in the second half of the year rewarding shareholders for the sharp increase in special dividends received on Milton's own portfolio.

Milton's 27,000 shareholders received total dividends of 21.9 cents per share for 2019. This record dividend payment represents an increase of 15.3% on 2018. All dividends paid were fully franked.

Milton has significant capacity to maintain dividends in future periods due to available profit reserves and franking credits.

We recognise that Milton's long held aim of providing tax effective and sustainable dividends is increasingly important in an environment where interest rates available on deposits are at historically low levels. Low rates available to savers have reduced returns to more conservative investors and driven more investors to the equity market. This presents a favourable set of conditions for Milton to display many of the benefits of its conservatively managed LIC structure.



Milton's total portfolio return (TPR) in 2019 was +8.81%. TPR represents the change in Milton's NTA per share (after all expenses and tax) and the value of dividends received by shareholders.

Milton's pre-tax NTA per share at 30 June was $4.92 an increase of 4% year on year. Milton has since paid its final dividend of 10.4 cents per share. The September NTA, after payment of the final dividend, was $4.97.

With 95% of Milton's assets being investments in listed shares, Milton's assets will rise and fall with the value of the stock market. 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 investment portfolio has grown from $2.9 billion to $3.1 billion over the course of the year. The largest contribution to growth was $123 million of net increases in market value from a portfolio which is presently comprised of 85 companies.

The largest positive contributions were from the resources, infrastructure and healthcare sectors. The only material negative in 2019 was from the consumer staples sector due to the sharp falls in China exposed names.

In August 2018 and February 2019, Milton acquired unlisted investment companies with a combined net asset value of $40.1 million. 8.4 million shares were issued as consideration. The acquisitions were accretive to Milton's shareholders. I warmly welcome the vendors to Milton and thank them for their show of support.

I would like to close with a few comments on Milton's outlook for 2020, which Brendan will expand on in his presentation.

After several strong years of corporate earnings growth there is reason to be more cautious about market conditions.

We expect that ordinary dividends, and hence Milton's underlying earnings, will remain resilient.

Total dividends are likely to fall with the high levels of special dividends received in 2019 unlikely to repeat.

Milton's results for the first quarter of 2020 are on budget and flat on an underlying basis when compared with the prior year. The August reporting season delivering better than expected ordinary dividend growth.

The Board is confident, in the absence of unforeseen circumstances, that Milton's ordinary dividend should be at least maintained in the next financial year.

Thank you.

I would now invite Brendan to provide his report.

Brendan O'Dea

MANAGING DIRECTOR

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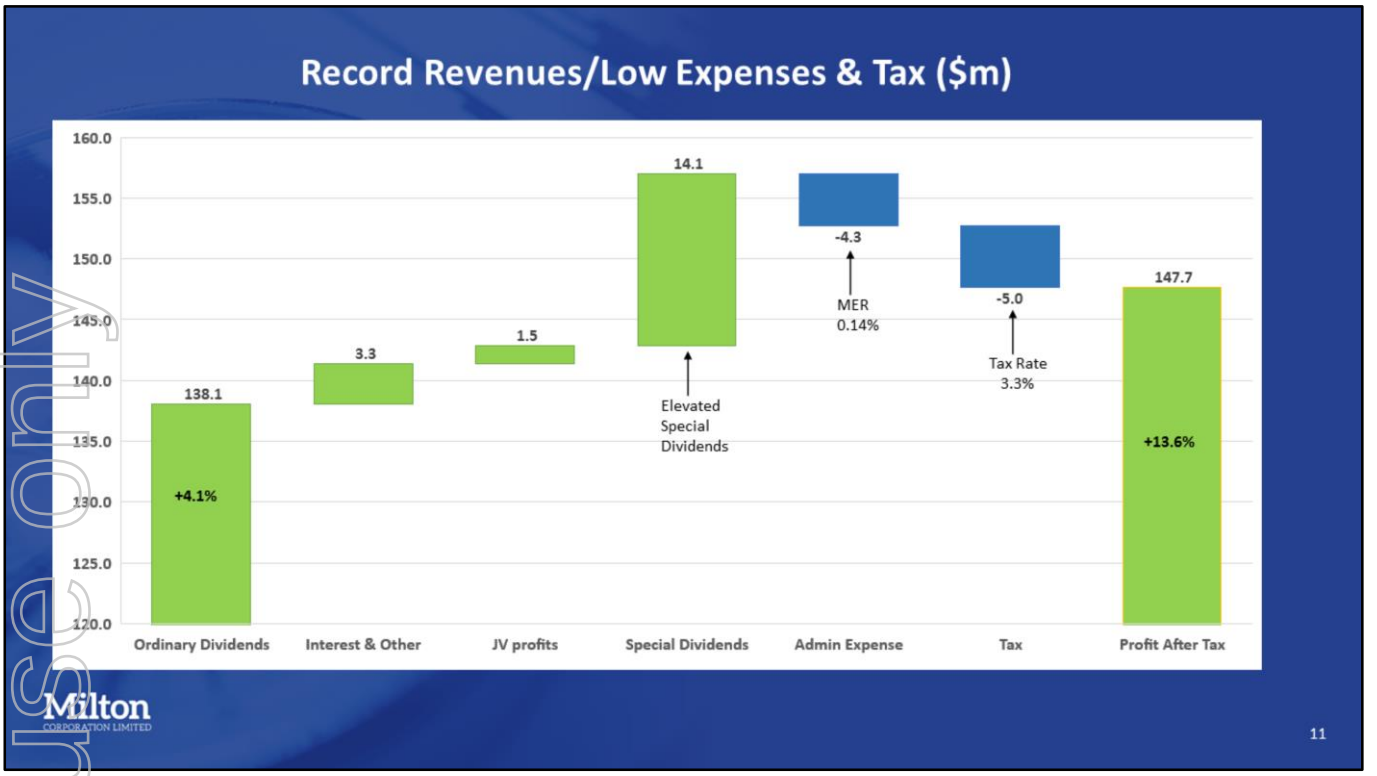


Thank you Mr Chairman and good afternoon everyone.

2019 was a successful year for Milton Corporation with record earnings and dividends supported by strong special dividend income.

Interest and other income fell due to lower interest rates and limited trading opportunities.

The property joint ventures performed well in 2019 with robust commercial sales volumes in our Western Australian JVs offsetting slow residential sales conditions across both the Hunter and WA developments.

Expenses were held flat at 0.14% of assets and Milton's effective tax rate was 3.3% reflecting income received on our portfolio that is mostly franked.

Net profit after tax grew by 13.6% to $147.7 million.

However, as we prepared our 2019 annual report, we flagged certain concerns that had emerged over the second half of the financial year. Our primary concern was that earnings growth was slowing rapidly after several years of strong growth.

Milton's investment team is cautious about dividend growth in 2020, with a particular concern about the banking sector, where Milton holds substantial exposures. We highlighted this in our communications to shareholders and the market in July.

The August earnings season has partly borne out those concerns. 25% of large companies beat expectations, whilst 32% missed. This ratio was the weakest seen in several reporting seasons.

Further, due to weaker guidance from companies, consensus earnings have been downgraded by 2.5% to a growth rate of 6.0%. Dividend growth consensus is –1.7% for 2020.

Encouragingly, however, dividends announced in the recent earnings season generally beat expectations. Companies have used strong cash flow positions, which in some cases are due to lower investment spend, to increase dividend payout ratios.

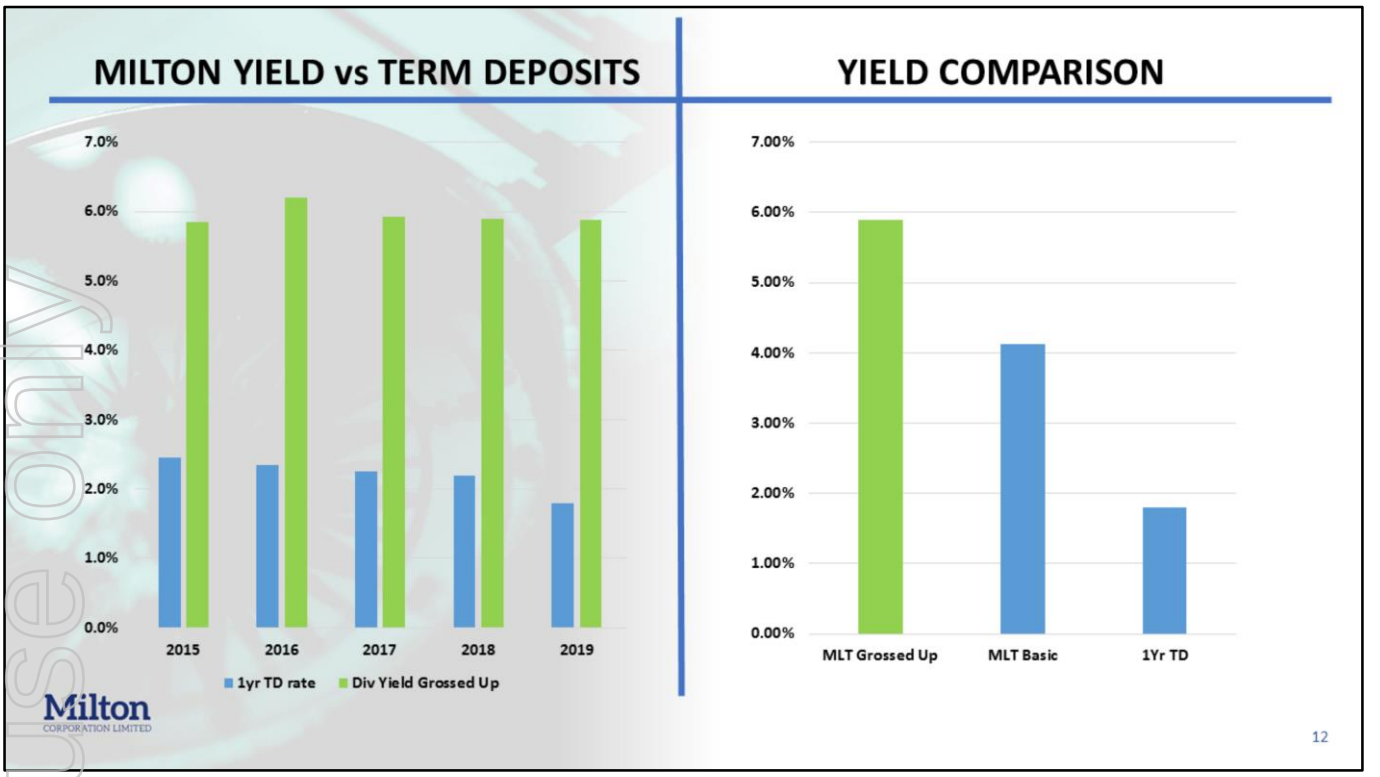
Milton has long asserted that dividends tend to be less volatile than earnings, and certainly less volatile than share prices. Milton pays dividends to shareholders based on our own dividends received. This results in Milton's earnings stream being more predictable than the earnings of the underlying stocks in our portfolio.

Dividends are paid by companies who are shareholder aware, confident about the future for earnings growth and in possession of strong balance sheets and cash flow. These are precisely the companies we like to own.

Milton paid record dividends of 21.9 cents per share fully franked to shareholders in relation to 2019's earnings. 2.5 cents of this was a special dividend, reflecting the high level of special dividends received by Milton over the year.

Milton has ample profit reserves and a strong franking credit balance. This allows us to have confidence that we can deliver predictable tax effective dividends to our 27,000 shareholders in future.

The 2019 market year was characterised by a strong sell off late in calendar year 2018 and a sharp rebound in the second half of the financial year. The catalyst for the rebound was a clear signal from central banks that they were willing to cut rates to support growth after previously indicating that they were on the path to normalisation.



In Australia, the Reserve Bank (RBA) has followed suit. Official interest rates sit at a generation low level of 0.75% with the RBA indicating a willingness to take rates lower should growth or unemployment disappoint.

This presents a challenge for conservative income oriented investors who now receive meagre returns on their term deposits or cash.

Term deposit rates have been trending lower for several years, with the tax advantaged dividend yield available to equity investors, and Milton's shareholders, holding relatively steady.

This spread is currently at the widest levels seen in recent years and will act as a support for equity valuations.

Whilst listed investment companies such as Milton are fundamentally different to term deposits, Milton's grossed up ordinary yield of 5.9%, from a defensive earnings profile, compares favourably to term deposit rates of 1.8%. Milton paid out, in 2019, 97% of underlying earnings.

Milton's total portfolio return in 2019 was +8.8%. This measures the change in Milton's net tangible assets per share and the value of dividends received by shareholders.

Milton's performance compares favourably to other conservative, actively managed, investments and the peer group of traditional internally managed LICs.

The low interest rate environment has seen equity valuations continue to rise. This is primarily due to a declining risk free rate. A lower risk free rate allows for higher values to be assigned to future earnings, increasing the multiples investors are willing to pay for growth.

Lower rates encourage fixed income investors to move to the equity market, further boosting valuations.

Stretched valuations, however, leave the market vulnerable to correction and investors nervous in an environment where short term noise is louder than ever. This increases the chance of sharp price movements both higher and lower.

2019 featured an Australian federal election with proposed new policies that were negative for investors, notably retirees. The US and China are currently engaged in a trade war which is dampening trade flows and global growth. Brexit continues to rumble contributing to long term uncertainty in Europe and the UK.

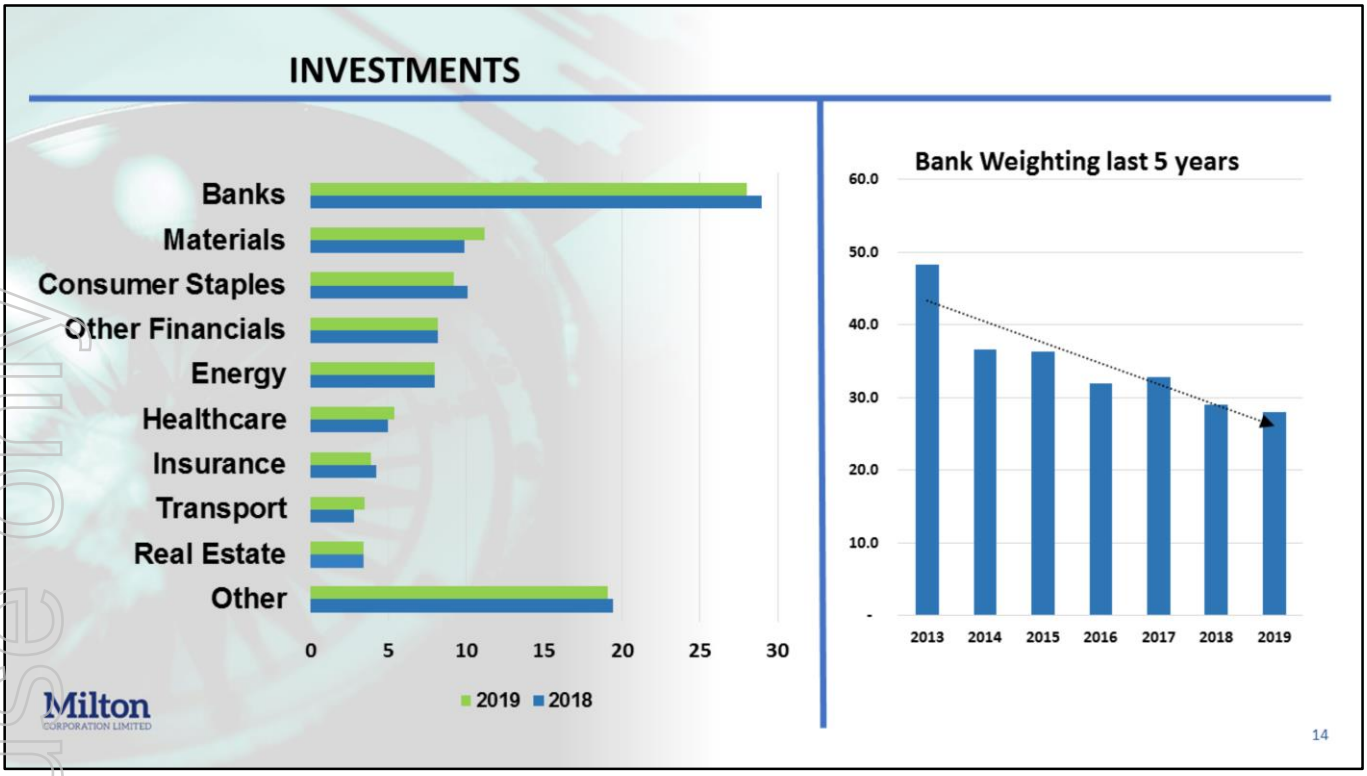
Against this backdrop, a number of sectors have performed strongly in 2019, notably healthcare, resources, and infrastructure. These sectors share predictable and growing earnings streams, defensive qualities, high barriers to entry and hard assets. Milton has substantial existing investments in these areas and we have added to them over the course of 2019.

This environment however, is more challenging for Milton's bank shareholdings, which I will expand on shortly.

The environment has also been challenging for companies exposed to Chinese demand. The Chinese consumer is more cautious and politics has played a role for Australian companies with operations in China. Milton holds positions in Blackmores and Treasury Wines, both of which have underperformed in 2019.

Milton enjoys a 20-year return of 9.5% per annum, testament to the benefits of low cost, long term investing. Milton charges no performance fees, and has an expense ratio of 0.14%, amongst the lowest in the industry. Lower fees translates to greater returns for investors, which compound over the longer term.

We will continue to take a conservative approach to investing, and will look to find, and invest in dividend paying companies with strong long-term growth prospects. This may cause Milton to underperform broad market indices at times, but has delivered sound results over the long term.



Milton has long held substantial positions in the Australian banks, which have been strong long-term contributors to our income and capital growth.

28% of Milton's portfolio is invested in Banks and 38% of our income is derived from those positions.

In recent years, banks have faced a number of headwinds. We highlighted these challenges in our 2018 meeting and in many ways the challenges are just as acute now. By way of reminder in 2018, we flagged headwinds from:

- The Banking Royal Commission,
- Business model changes and increased regulation,
- Capital retention to comply with higher prudential requirements; and
- Slowing credit growth.

As we move into 2020, whilst the Banking Royal Commission is now completed, the banks are faced with implementing new regulations and large costs associated with remediating customers for past practices.

Income growth has slowed and lightly regulated non-bank competitors are taking market share in the core mortgage and payment processing franchises.

Lower official interest rates present a new challenge for bank profitability.

As banks reduce mortgage rates to customers, their ability to maintain margins by reducing deposit rates becomes more challenged as rates approach zero. In Europe negative interest rates are common.

The Australian banks, however, remain unquestionably strong in terms of capital reserves. They are highly regulated, with regulation only increasing post the Hayne report and acting as a moat to potential competition.

They are moving rapidly to automate their businesses in response to consumer preferences, competitive threats and to reduce operating costs.

Cost reduction at the Australian banks is a medium term theme and will be required to preserve earnings. We have confidence, based on our discussions with bank management, that this a critical area of focus for them, notwithstanding the fact that compliance costs are currently elevated.

We have not expected any growth in bank dividends for several years now and indeed have seen recent dividend cuts from Bank of Queensland and NAB.

Banks, however, continue to provide Milton a long-term exposure to economic and population growth. Australia's population continues to grow at +1.6% each year with 2020 forecast GDP growth of +1.5%.

Bank valuations are reasonable and banks underperformed the overall market in 2019 due to earnings pressures. We expect, however, that banks will find support due to their dividend payments and defensive characteristics.

The banks are in the midst of a transformation period, out of which we expect they will emerge leaner and stronger. In the interim, we remain cautious on the sector, and the weight of banks within Milton's portfolio continues to decrease as we direct new investment into other sectors.

Top 20 Investments	Market Value $m		Share of Assets %	Total Return %
Westpac Banking Corporation	299.1	↓	9.1	3.2
Commonwealth Bank	260.0	↑↑	7.9	19.5
W H Soul Pattinson	201.8	↑↑	6.1	9.0
BHP Group Limited	168.7	↑↑	5.1	26.3
National Australia Bank	130.1		3.9	4.1
CSL Limited	129.3	↑↑	3.9	13.0
Wesfarmers Limited	104.0	↓↓	3.2	3.8
Woolworths Limited	97.6	↑	3.0	12.0
ANZ Banking Group	97.4		3.0	5.5
Macquarie Group Limited	93.4	↑↑	2.8	5.8
AGL Energy Limited	71.4		2.2	(5.3)
Bank of Queensland Limited	69.6		2.1	0.6
Rio Tinto Limited	69.4	↑↑	2.1	29.9
Transurban Group	67.7	↑↑	2.1	30.0
Bendigo and Adelaide Bank	66.1		2.0	13.3
Telstra Corporation	58.7	↑↑	1.8	51.6
A P Eagers Limited	57.2	↑	1.7	19.2
Brickworks Limited	52.7		1.6	7.7
Perpetual Limited	52.0		1.6	7.9
Insurance Australia Group Ltd	48.7		1.5	0.9

BUY

REA Group

CLEANAWAY

Altium

SELL

VICINITY CENTRES

challenger

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Milton is committed to keeping portfolio turnover low as we invest through business cycles. This is in contrast to the trading mentality of many other asset managers.

Our long-term approach is increasingly uncommon. Many asset managers chase short-term performance and look to generate returns from trading in order to beat benchmarks, and to attract greater capital in order to grow their fee income.

Commitment to long term investing does not mean, however, that we will not act decisively to reduce or exit positions should our investment thesis on individual stocks be compromised.

Milton is also committed to adding new positions to the portfolio as a source of potential future income and capital growth.

It is our belief that technology has fundamentally accelerated the pace of change. Businesses and indeed whole industries are now able to be rapidly disrupted. Amongst S&P500 companies, the "life expectancy" has fallen from 61 years in 1955 to 17 years in 2015, with forecasts that this will continue to fall. (*) source BAML

This argues for a more nimble approach to portfolio management, one where we must be increasingly mindful of thematic shifts. We have pursued this approach in 2019, whilst noting that our turnover remains less than 5%, and will continue to challenge our assumptions in 2020.

In 2019 Milton added $96.6 million of long-term investments, partially funded by $43.4 million of sales.

Our largest purchases were AGL, Macquarie Group, Cleanaway, Scentre Group and BHP.

BHP, Macquarie and AGL are existing positions that we added to over the course of the year. Each company has a dominant market position, strong management and defensible cash flows. We believe that they will generate robust returns and dividends over the longer term.

Cleanaway is a new stock for Milton. Cleanaway is a quality exposure to the recycling economy, and will benefit from its investment in technology, well-positioned assets and recent restrictions on the import of contaminated waste to certain countries. Cleanaway has displayed steady earnings and dividend growth. They are well placed to continue to grow earnings as new markets open for Australian recycled products and governments and individuals focus on greater sustainability.

Other new additions to the portfolio include REA and Altium. Both are fast growing technology companies that pay dividends.

Altium was founded in Australia in 1985 and produce software for printed circuit board design. They are now headquartered in the USA and sell their products globally. Printed circuit boards are present in virtually every electronic product and are used to connect individual components. In an increasingly connected world all manner of devices are now electronic and connected. Developments such as 5G support a fast growing underlying market. Altium has a strong commitment to R&D and engineering excellence and are also debt free.

REA is Australia's leading real estate website. Through investment in new products and services, REA has proved highly resilient in the face of recently declining listing volumes. As the dominant player in online real estate REA benefit most from the network effect of growing traffic and activity on their platform.

Both stocks have strong long-term growth prospects and demonstrate our commitment to finding future dividend growth champions for Milton's portfolio. Applying the same logic in 2018, Milton added Technology One to our portfolio which delivered total returns of 82% in 2019.

Milton's largest sales in 2019 were Vicinity Centres and Challenger Group. Both positions were sold completely.

In the case of Vicinity Centres, we believe that the shift to online apparel shopping represents a structural threat to earnings. We switched our retail property exposure to Scentre Group who operate "destination" shopping malls that are less exposed to this risk. This is an example of a technology disruption based portfolio decision.

Challenger is Australia's leading provider of annuities. Our Challenger position was sold due to concerns over investment returns and the difficulties presented by a low rate environment, which we expect may persist for the long term.

Milton continues to have a well-diversified portfolio of 85 companies. We have particularly benefited in 2019 from the strong total returns from Infrastructure and Resource stocks.

We contend that it is important to view performance through the lens of total return given the dominant role that dividends play in the Australian stock market. Index or stock prices, the most commonly reported measures of performance simply do not tell the full story.

BHP has delivered Milton a total return of 26.3% in 2019 led by sharp increases in ordinary and special dividend income. BHP conducted a successful discounted off market buyback during the year. Milton did not participate as we have surplus franking credits, and are seeking to grow the position. BHP has been steadily reducing debt, has a clean balance sheet and renewed discipline in terms of capital management and investment process. BHP is a low cost and responsible operator of its assets and has a diverse range of commodity exposures reducing the risk to one single commodity price.

Transurban also performed very strongly in 2019, and Milton's position has grown over the year. We are attracted to their predictable and growing earnings stream, which has broad appeal in a low interest rate environment. Transurban delivered a total return of 30.0% largely driven by an increased share price. They have a pipeline of future projects and have long term, low cost, funding arrangements in place.

After robust returns in 2018, China exposed stocks had a difficult year. In Milton's portfolio, our Blackmores position had a total return of -34.7% as their China business slowed causing the share price to decline sharply. Blackmores had a high level of management turnover and recently cut its dividend materially. Milton has been a long-term investor in Blackmores who remain one of the largest players in the growing supplement and wellness market. Whilst the near term financial outlook is challenging we believe that Blackmores will emerge stronger and more focused following recently announced management and board changes.

I would like to close with some comments on the outlook.

In 2020 the dominant factors are likely to remain the direction of interest rates and the level of economic growth locally and globally.

This will directly influence asset allocation and equity valuations.

When we talked last year I flagged the risk that rising rates posed to the market. Indeed the stock market fell on just that concern on the day of our 2018 AGM. The fact that we are now talking about cuts to official interest rates in Australia indicates how volatile the economic narrative has become.

This is also a cautionary tale that the stock market is, as a result, increasingly short term in its perspective.

Milton's long-term approach allows us the luxury of looking through this noise and focusing calmly and clearly on earnings and the dividends that follow. Volatility provides us opportunity to invest when markets become turbulent.

Earnings per share forecasts for Australian companies for the 2020 financial year, notwithstanding the poor recent earnings season, are for growth of +6.0%. Aggregate dividends for the ASX200 are forecast to fall by 1.7%. Milton's analysts believe that dividend consensus is low after the better than expected start to the financial year.

Companies that offer a combination of earnings certainty and growth will continue to be highly sought after and trade at a premium to the rest of the market.

Due to earnings pressures and volatility, we expect the banks to remain challenged. We will be looking for bank management to demonstrate progress on costs and would expect the regulatory environment to remain difficult.

Resource companies, so long as commodity prices remain supportive, will continue to generate strong cash flows and earnings. We expect Chinese demand for Australian commodities to remain robust over the long term.

Infrastructure is an area of renewed focus for federal and state governments as monetary policy reaches its limit of effectiveness. Infrastructure investment supports the overall economy and underpins the earnings of the group of companies involved in building and operating the assets. We expect continued activity in this sector and growing earnings over time.

Valuations broadly speaking are elevated when compared to historic norms. Interest rates however are lower than any time in recent history and will act to support equity market valuations.

Milton's balance sheet remains robust. We have total assets of $3.3Bn, cash of $110 million and no debt. We have reduced cash by 16% year on year reflective of the lower returns available and the opportunity to invest in our existing portfolio and new companies. It is our expectation that lower interest rates will persist in Australia, and we will look to remain as fully invested in the equity market as practical, whilst retaining sufficient cash for flexibility.

Milton also has $99 million, or 34.4 cents per share, of franking credits available to support future dividend payments.

We have confidence, in the absence of unforeseen circumstances, that the dividend for 2020 will be at least maintained at current levels.

I would like to thank Milton's small group of dedicated staff who focus every day on how best to serve our shareholders.

I also note the retirement in August of Jothi after 30 years of service to Milton's shareholders. Jothi will be greatly missed and we wish her well and thank her for her efforts.

I would like to also thank the Board for their efforts, and all shareholders for their vote of confidence. We are fortunate to have a loyal shareholder base that understand and support our investing approach. We routinely receive feedback from individual shareholders and encourage any shareholder with questions to contact us directly.

I will now hand back to the Chairman for the formal part of the meeting.

Thank you and good afternoon.