



Magellan Flagship Fund Limited
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Magellan Flagship Fund Limited ('MFF') Net Tangible Assets ('NTA') per share for December 2009

MFF advises that its approximate monthly and weekly NTA per share as at Thursday, 31 December 2009 was \$0.754 excluding net deferred tax assets¹ of \$0.085. For the 6 months to 31 December 2009 MFF's pre tax NTA per share increased approximately 19%, compared with global indices measured in AUD which increased about 9% for the period. MFF's pre tax results for the 6 months to 31 December 2009 will reflect this gain in pre tax NTA, as MFF 'marks to market' all portfolio and currency movements through its profit and loss account.

The gain was assisted by the share price rise in MFF's largest holding (American Express) which rose most in 2009 of the Dow Jones Industrials components. However, the share prices of a number of MFF's holdings (particularly those perceived as 'defensive') did not rise in line with the markets despite some market leading business performances.

During the 6 months, MFF continued its on market buyback and acquired approximately 11.6 million shares at an average price of slightly below 59 cents per share.

MFF remained fully invested in December, as it was for the 6 month period. Changes to MFF's portfolio in the month were again modest, with dividend flows and a small number of sales used to provide funds for the buy-back and purchases.

We are very positive about the business prospects for MFF's portfolio companies, many of which are performing well in the ongoing difficult economic conditions. In almost all cases their competitive advantages continue to increase, or at least be maintained. MFF's portfolio companies' outstanding cashflow generation has continued in the latest 6 months. Markets are no longer beset by the profound pessimism that was prevalent in late 2008/ early 2009 and many asset prices have increased markedly, ahead of broad based economic recovery. Regulatory/ government policies and confidence levels remain key risk areas.

Other risks remain, including the risk that MFF's portfolio performance continues to be at least partially offset by the strong AUD and weak USD, on translation into Australian currency. For the 6 months, the rise in the AUD and weak USD reduced MFF's reported figures, although this reversed modestly in December. The AUD rose 11.24% against the USD for the 6 month period and reversed about 1.75% in December.

Nestlé's recurrent capability to increase the value of its businesses is an example of the quality we seek in MFF's portfolio. Nestlé (which is the second largest MFF holding) announced this week that it had contracted to complete the sale of its majority shareholding in Alcon for US\$28 billion. The release went on to say that Nestlé on completion will have realised cash of over US\$40 billion from its US\$280 million 1977 investment and that "since its acquisition, Nestlé has continuously supported the strengthening of Alcon's R&D capabilities and its drive for internationalisation, which has enabled Alcon to build a significant global leadership position in the eye care business".

Approximately 92% of MFF's total investment assets by market value continue to be in global multinationals (being entities that generate 50% or more of their revenue and/or have material operations in 15 or more countries outside the domicile of their primary securities exchange), with a majority of the balance being predominantly North American focused. The revenue and earnings split for the multinationals average about 40% USA, 30% Europe and 30% ROW. The emerging markets proportion of underlying revenue and earnings continues to rise. As at 31 December 2009, MFF had net borrowings of approximately 19.5% of total investment assets. Most of the borrowings are denominated in AUD, with smaller amounts of borrowings in USD and Euro.

Key currency rates for AUD as at 31 December were 0.8994 (USD), 0.6268 (EUR), 0.5569 (GBP) and 0.9297 (CHF), compared with 30 November 2009 rates which were 0.9154 (USD), 0.6097 (EUR), 0.5578 (GBP) and 0.9192 (CHF).

A handwritten signature in black ink, appearing to read 'Nerida Campbell'.

Nerida Campbell
Company Secretary
5 January 2009

¹ Deferred tax assets less deferred tax liabilities. All figures are unaudited