

10.07.2006

A New Star in the Milky Way.

Centrale del Latte di Torino could benefit from a partial recovery in the milk market in 2006. The completion of the new plant in Vicenza should allow cost efficiencies, improving profitability in the coming years.

- Leader in some regional markets.** Centrale del Latte di Torino (CLT) is a multi-regional group active in the production and distribution of milk (both fresh and UHT), milk derivatives (yogurt, cheese) and other fresh products (eggs, salads). The group operates almost exclusively in the regions of Piedmont, Veneto and Liguria. While CLT is a small player on a nationwide basis, it can count on leadership positions in these regional markets, with shares well above 20% in the fresh milk segment in Liguria and Piedmont.
- New production plant.** CLT is realising a new production plant in Vicenza, which should be completed in 2007. The new plant will replace the two plants in Vicenza and Valdagno, grouping the production of milk and yogurt in one site and rationalising costs. The new plant should have additional capacity for yogurt production thus allowing it to increase sales in other regions and eventually to produce yogurt for third parties (eg, private labels).
- External growth.** In the last few years the group has also grown through acquisitions (Centro Latte Rapallo and Centrale del Latte di Vicenza). Should suitable opportunities arise, CLT would be keen to continue external growth, so as to expand into regions close to the areas in which the group operates. CLT participated in a competitive bid for the acquisition of a 12% stake in Centrale del Latte di Asti e Alessandria. The group could also be interested in acquiring Centrale del Latte di Brescia, whose privatisation, however, is for the time being on hold.
- Estimates and valuation.** After a difficult 2005, the milk market has started showing signs of a recovery in 2006. We expect CLT sales to increase by approx. 1.8% this year with EBITDA margin remaining stable at 10%. Over the next two years, the new Vicenza plant should allow some efficiency gains, improving marginality. We valued CLT using a DCF model based on the following main assumptions: 1) 7.8% WACC, based on the financial structure at end-2005; 2) a mid-term (2009-13E) sales growth rate of 1% with an EBITDA margin stable at 10.5%; 3) a perpetuity growth rate of 0%. Our model returns a fair value of EUR 5.16/share.

Italy - Food & Beverages

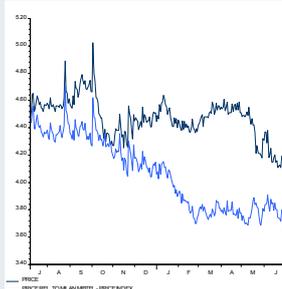
Initiation of coverage

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Price Performance, -1Y.



Source: Datastream.

Basic figures.

Current Price (EUR)	41.3		
Market cap. (EUR M)	41.3		
No. of shares (M)	10.00		
52-week range (EUR)	5.02-4.08		
Major shareholder	Finanz. CLT		
(%)	51.0		
Free float (%)	36.2		
Reuters	CLT.MI		
Bloomberg	CLT IM		
Mibtel	27904		
Performance %			
Absolute	Rel. to Mibtel		
-1M	3.6	-1M	1.6
-3M	-4.4	-3M	2.3
-12M	-3.7	-12M	-13.3

Source: Company data and Datastream.

Centrale del Latte di Torino – estimates and key ratios (2004-08E).						
December Y/E		2004	2005	2006E	2007E	2008E
Value of production	EUR M	95.9	96.0	97.7	99.7	101.6
EBITDA	EUR M	10.0	9.6	9.8	10.2	10.9
EBIT	EUR M	5.5	5.1	4.9	5.0	5.6
Net profit	EUR M	1.8	2.0	2.0	1.8	2.3
EPS Adj.	EUR	0.18	0.20	0.20	0.18	0.23
DPS	EUR	0.03	0.05	0.05	0.05	0.06
P/E Adj.	x	23.2	20.4	20.9	22.5	17.6
EV/EBITDA	x	4.6	4.8	4.7	4.5	4.2
P/BV	x	1.1	1.1	1.0	1.0	1.0
Dividend yield	%	0.7	1.2	1.2	1.2	1.5
ROI	%	0.0	12.0	10.6	10.5	12.7
ROE	%	0.0	5.4	5.0	4.5	5.5
Gearing	%	4.6	6.4	16.1	4.9	-6.3

Source: Company data and Banca IMI estimates.

See Page 18 for Full Disclosures and Analyst Certification.

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This document is priced at the close of market on 06.07.2006 (unless otherwise indicated).

Valuation.

DCF.

We valued Centrale del Latte di Torino using a three-stage Discounted Cash Flow model. The first stage runs through 2008 and is based on our explicit forecast. The second stage runs from 2009 to 2013 and is based on the following basic assumptions: 1) sales growth of 1%; 2) EBITDA margin stable at 10.5%, which we consider to be high for an industry standard; 3) investments limited to only maintenance capex at some EUR 2M annually. Lastly, we used a perpetuity growth rate of zero. The table below summarises our DCF model.

DCF model. (EUR M)	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Revenue	97.7	99.7	101.6	102.6	103.7	104.7	105.7	106.8
YoY (%)		2.0	2.0	1.0	1.0	1.0	1.0	1.0
EBITDA	9.8	10.2	10.9	10.8	10.9	11.0	11.1	11.2
EBITDA margin (%)	10.0	10.2	10.7	10.5	10.5	10.5	10.5	10.5
Capex	-10.0	-2.0	-2.0	-2.0	-2.1	-2.1	-2.2	-2.3
NWC change	-0.4	-0.1	-0.2	-0.2	0.0	0.0	0.0	0.0
Severance provisions	0.1	0.3	0.4	0.0	0.0	0.0	0.0	0.0
Tax	-2.7	-2.7	-3.1	-3.3	-3.6	-3.8	-4.1	-4.4
Free cash earnings	-3.1	5.7	6.0	5.2	5.2	5.0	4.8	4.6

Source: Banca IMI estimates.

We used a WACC of 7.8%, based on the D/E (+D) ratio as of end-2005.

WACC calculation (%)	
Risk-free rate (10 year bond)	4.5
Risk premium	4.0
Beta	0.9
Cost of equity	8.1
Tax shielded cost of debt	3.4
Financial structure (D/E+D)	6.0
WACC	7.8

Source: Banca IMI estimates

Our model returns a fair value of EUR 5.16/share. Tables below show our valuation and the sensitivity to changes in WACC and perpetuity growth rate.

DCF model.	
Perpetual g of OpFCF (%)	0.00
Terminal value	58.67
PV of TV	32.14
PV of OpFCF	24.56
Enterprise value	56.69
NFP 2005	-2.64
Minorities	-2.41
Equity value	51.64
No. of shares (M)	10.0
Fair value (EUR)	5.16
Vs. market price (%)	25.0

Source: Banca IMI estimates.

DCF - Sensitivity analysis.							
Fair Value (EUR)	Growth rate to perpetuity (%)						
Discount rate (%)	-1.5	-1.0	-0.5	0.0	0.5	1.0	1.5
5.8	6.13	6.42	6.76	7.16	7.63	8.20	8.90
6.3	5.69	5.93	6.21	6.54	6.92	7.38	7.93
6.8	5.30	5.51	5.74	6.01	6.33	6.70	7.13
7.3	4.95	5.13	5.33	5.56	5.82	6.12	6.48
7.8	4.65	4.80	4.97	5.16	5.38	5.64	5.93
8.3	4.37	4.50	4.65	4.82	5.00	5.21	5.46
8.8	4.12	4.24	4.37	4.51	4.67	4.85	5.05
9.3	3.90	4.00	4.11	4.23	4.37	4.52	4.70
9.8	3.69	3.78	3.88	3.99	4.11	4.24	4.39

Source: Banca IMI estimates.

IMTG.

The following table reports our IMTG model, which measures the medium-term growth of net profit implied in the current market price. Our model shows that at the current share price, the market is discounting a medium-term EPS growth rate of 21.5%.

EPS IMTG calculation (%).	
First stage (2006-08E) CAGR of EPS	4.9
Steady stage (2013 onwards) EPS growth	2.0
First stage (2006-08E) pay-out ratio	26.0
Discount rate (cost of equity)	8.1
Current P/E	20.9
EPS IMTG - (2009-13E)	21.5
EPS IMTG - at fair value	26.7

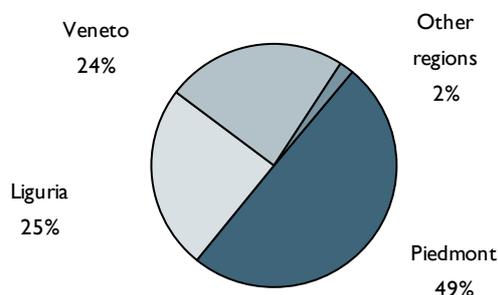
Source: Banca IMI estimates.

Group Profile.

Centrale del Latte di Torino (CLT) is a multi-regional group active in the production and distribution of milk (both fresh and UHT), milk derivatives (yogurt, cheese) and other fresh products (eggs, salads). The group operates almost exclusively in the regions of Piedmont, Veneto and Liguria, where CLT has leadership positions. Although the group is a relatively small player on a national basis, compared to the market leaders Parmalat and Granarolo, its competitive position in each single region is much stronger. For example, in the fresh milk segment, CLT is the leader in Piedmont with a 27.5% market share and is the second largest player in Liguria with a 24.4% market share.

A multi-regional player in milk.

Revenue by region (2005).



Source: Company data.

CLT market shares by region (2005).

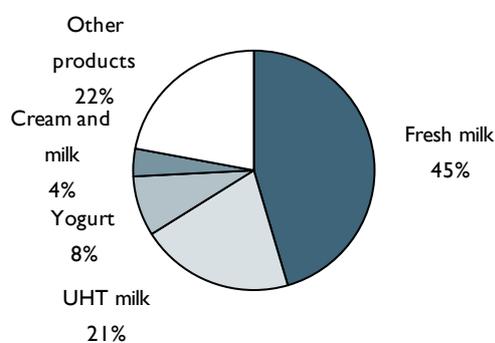
%	Fresh milk	UHT milk	Yogurt
Piedmont	27.5	15.7	1.9
Liguria	24.4	14.3	2.1
Veneto	13.2	9.0	6.8
Italy	4.2	2.7	1.2

Source: Company data.

The bulk of revenue is generated by milk, but the group widened its range, introducing other fresh products. In particular, in 2003 CLT introduced packaged fruit and vegetables (eg, ready-to-use salads) and fresh pastas and in 2005 the group entered the fresh pasta sauce segment. Sales of these products have grown rapidly and were 22% of total sales in 2005. While milk and milk-based products are produced by the group, the other fresh products are produced by third parties and distributed and marketed by CLT under its own brands. The main distribution channel is mass merchandising, a total of 1,250 supermarkets accounting for 50% of total sales. However, the traditional street channel (small single shops) remains very important, especially for fresh milk: the group distribution network counts more than 8,000 shops, representing approx. 39% of sales.

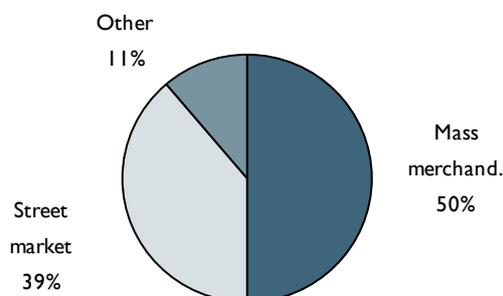
Product range widened from milk to other fresh products.

Revenue by product (2005).



Source: Company data.

Revenue by distribution channel (2005).



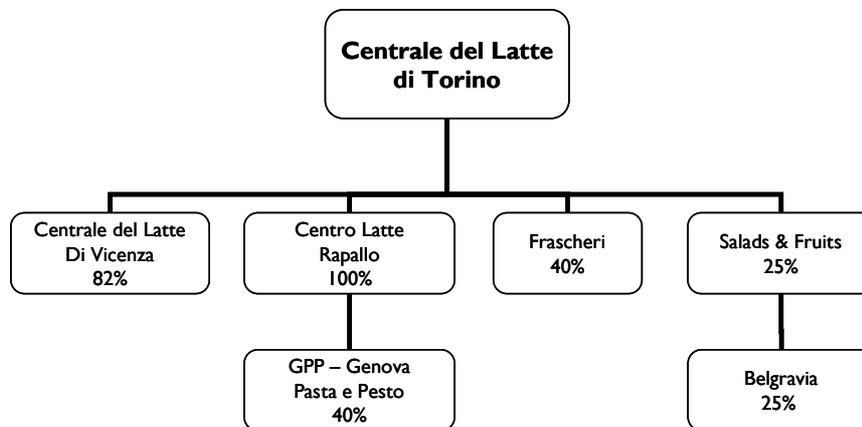
Source: Company data.

Group structure.

The group comprises three main companies described as follows:

- Centrale del Latte di Torino is the parent company. It operates two production facilities, one in Turin, for milk production, and one in Carmagnola for yogurt production. The company mainly operates in the Piedmont region, particularly the Turin area. The main brand is Tapporosso;
- Centro Latte Rapallo: this company was acquired in 1999 and is 100% controlled. It produces milk in a facility in Rapallo (Liguria region) and distributes its products in the eastern part of Liguria, mainly under the brand Latte Tigullio. In turn, Centro Latte Rapallo owns a 40% stake in GPP. The latter is building a new plant for pasta and pasta sauce production;
- Centrale del Latte di Vicenza: the company is 82% owned by CLT and the remaining 18% is in the hands of Granarolo. CLT is set to increase its stake to 85%, via a capital increase. Centrale del Latte di Vicenza currently runs two production facilities in Vicenza and Valdagno in the Veneto region;
- Frasccheri. In 2002 CLT acquired a 40% stake in Frasccheri, a company operating in the western part of Liguria. Frasccheri owns one production plant for milk in Bardineto. The company is not consolidated;
- Lastly, CLT owns some minority stakes in start-up companies such as Salads and Fruits and Belgravia, which produce fresh packaged vegetables.

Group's structure.



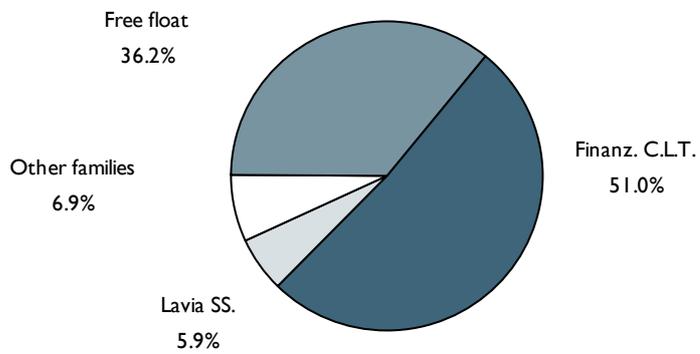
Source: Company data.

Shareholder structure.

CLT is a family owned company: the major shareholder is the holding company Finanziaria Centrale del Latte di Torino, which in turn is controlled by the families of the founders of the group. The Turin municipality owns a 20% stake in the Finanziaria. A second holding, Lavia, controls a 5.9% of CLT. Lavia itself is controlled by the founding families of the group. Lastly, other families control a further 6.9% stake.

A family-owned group.

Centrale del Latte di Torino - Shareholders structure.



Source: Company data.

Market Analysis.

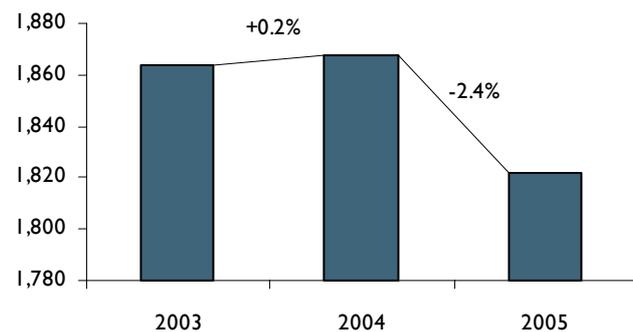
The milk market is totally mature, with very low growth rates. The main market structure is different for different products.

The fresh milk market.

The total value of the fresh milk market in 2005 was EUR 1.822Bn, a 2.4% decline vs. the previous year. The market is basically local, with different players in each region: indeed consumers are used to buying local brands, as they prefer to consume fresh milk that is perceived as coming from their own region. In addition, in terms of distribution channels, the street market is very important, as daily purchases of fresh milk are made in proximity shops rather than supermarkets. These factors favour regional players with local brands, while mass merchandising private labels have little weight on the total. On a national scale, the market is dominated by two large players, Parmalat and Granarolo, both with a market share of approx. 30%. Both Parmalat and Granarolo, in addition to their main brands, use a number of local brands (eg, Latte Brianza, Centrale del Latte di Monza, Centrale del Latte di Napoli for Parmalat and Centrale del Latte di Milano and Calabrialatte, for Granarolo).

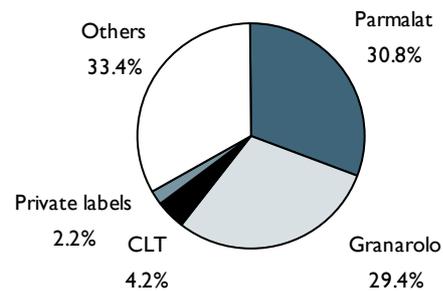
Regional brands play an important role.

Fresh milk market (EUR M).



Source: IHA Italia.

Fresh milk market shares (2005).



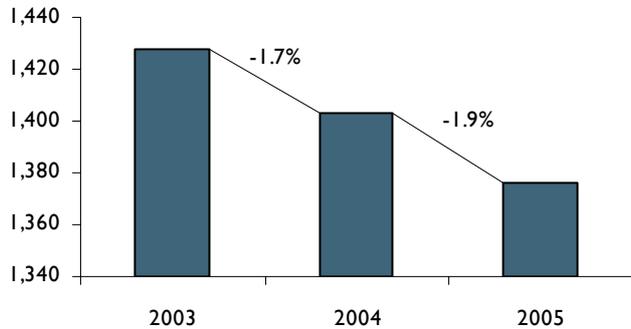
Source: IHA Italia.

The UHT milk market.

The UHT milk market reached a total value of EUR 1.376M in 2005, a 1.7% decline vs. 2004. The UHT milk market differs from the fresh milk market mainly through the distribution channels: the mass merchandising channel is more important, as demonstrated by the higher weight of private labels on total market (14%). The largest players are Parmalat, with a 26% market share and Granarolo (approx. 21% market share).

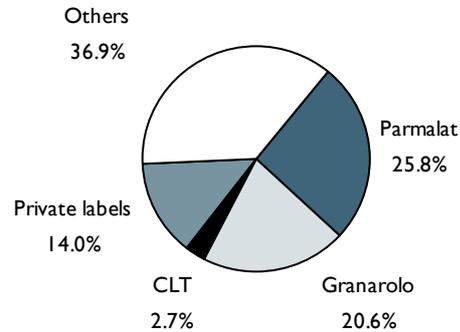
The mass merchandising channel is more important.

UHT milk market (EUR M).



Source: IHA Italia.

UHT milk market shares (2005).



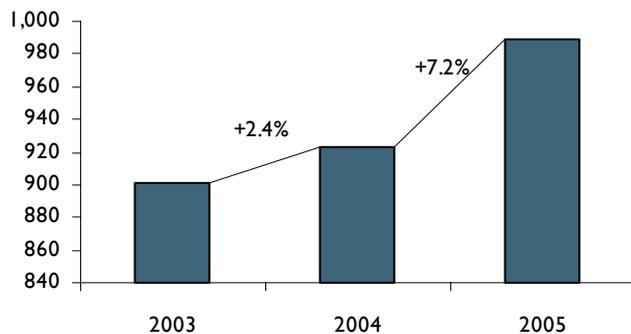
Source: IHA Italia.

The yogurt market.

The yogurt market is the most dynamic, mainly due to the company's marketing efforts and product innovation. The introduction of new kinds of products (eg, drinkable yogurt, probiotic yogurt, new tastes) boosted sales: the market increased by 7.2% in 2005, reaching a total value of EUR 989M. The main difference vs. the milk market is the massive presence of international players: Danone is the market leader, accounting for almost a third of total sales, followed by Müller (11.8%). Granarolo, thanks to the acquisition of Yomo, is now in second place along with Müller. Lastly, the mass merchandising of private labels has an important share, while local players have a minor role. CLT has a 1.2% market share on a nationwide basis. The main market for the group is the Veneto region, where CLT has an approx. 7% market share.

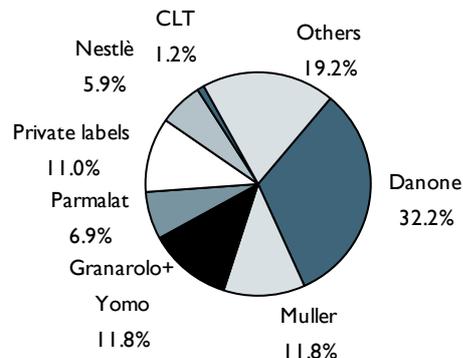
Product innovation boosts sales.

Yogurt market (EUR M).



Source: IHA Italia.

Yogurt market shares (2005).



Source: IHA Italia.

Strategy.

Product innovation.

In a mature and competitive milk market, product innovation is a key competitive factor to maintaining market shares. In the case of milk, innovation mainly involves the kind of packaging. For example, in 2005 CLT's subsidiary, Centrale de Latte di Vicenza, introduced a plastic (PET) bottle for fresh milk, while Centro Latte Rapallo introduced the milk carton with a plastic screw-top for fresh milk. The latter entailed the renewal of the packaging line at the Rapallo plant.

Product innovation is especially important in the yogurt market, where sales are boosted by new specialty products. The CLT group is too small vs. its main competitors to be at the forefront of product innovation: other players like Danone or Yomo (Granarolo group) have much greater R&D capabilities and marketing power to launch and promote new products. However, CLT is able to react promptly to competitors' innovation, introducing new products and exploiting market trends. For example, in 2005 the group launched a line of drinkable probiotic yogurt and probiotic yogurt with fibre, exploiting the growing segment of "wellness" products.

The new Vicenza plant.

The group is realising a new plant in Vicenza for the production of milk and yogurt. Development of the plant should use EUR 10M of capex in 2006E and should be completed by 2007. The new plant will substitute the two existing facilities in Vicenza and Valdagno and will have new production lines with additional capacity. In particular, the production capacity for yogurt should be increased and the new plant should produce yogurt for the whole group and potentially for third parties (eg, private labels). The additional capacity could allow increased sales of yogurt in Liguria, where the group's market share is weaker.

Possible further expansion.

In recent years, the group has grown via the acquisition of other regional players (Centro Latte Rapallo in 1999 and Centrale del Latte di Vicenza in 2002). The group could potentially continue down this track, should suitable acquisition targets be found. The group is interested in local producers in areas close to the regions in which the group already operates. For example, we believe that a suitable target for the group could be Centrale del Latte di Brescia, should the latter be privatised. Centrale del Latte di Brescia is a local producer in Lombardy controlled by the Brescia municipality with a 96% stake.

CLT presented an offer in a competitive bid for the acquisition of a 12% stake in Centrale del Latte di Alessandria e Asti, a local player in the Piedmont region. The company is controlled by local farmers (30% of capital) and by a number of local Public Administration authorities. The 12% stake for sale is owned by the Provincia di Asti. CLT was the sole bidder, so we believe that according to CLT's management, the award of this first stake could be the first step in the acquisition of a controlling stake in Centrale del Latte di Alessandria e Asti, should other PA bodies decide to privatise their stakes. Should CLT become a shareholder in the company, it could have a first option right on other stakes to be sold.

Packaging innovation and new specialty products are key to compete in mature market.

CLT is bidding for a minority stake in Centrale del Latte di Alessandria e Asti.

Competitive Positioning.

Competitive forces.

Competitive forces.	
<p>Suppliers power</p> <p>The raw milk price is subject to fluctuations, depending on the demand of milk-based products (eg, cheese). However, CLT signs one-year contracts with farmers for milk supply, fixing the price and securing supplies.</p>	<p>New entrants</p> <p>Barriers to entry are mainly represented by the brand. Competitive positions are highly consolidated, thus preventing new players from entering the market. However, the concentration process among local milk players could reinforce competitors.</p>
<p>Substitute products</p> <p>We believe that there are no substitute products for milk.</p>	<p>Customer power</p> <p>There is no concentration of sales by large customers. However, the mass merchandising channel has strong bargaining power, especially on prices.</p>
<p>Rivalry</p> <p>The main competitors are the national players Parmalat and Granarolo in the milk sector plus some large international players (Danone, Muller, Nestlè) in the yogurt sector. All of them can count on higher innovation and marketing capabilities. By contrast, CLT can count on strong local brands.</p>	

Source: Banca IMI, Porter model.

SWOT analysis.

<p>Strengths.</p> <ul style="list-style-type: none"> ▪ Strong market position in the three regions of presence; ▪ High level of profitability, compared to the sector average. 	<p>Weaknesses.</p> <ul style="list-style-type: none"> ▪ Small size compared to national players; ▪ Lower innovation capacity vs. larger competitors.
<p>Opportunities.</p> <ul style="list-style-type: none"> ▪ The new production site in Vicenza should allow cost savings and production rationalisation; ▪ Possibility of aggregating new companies, should the privatisation of public local players continue; ▪ Recovery of the milk market in 2006. 	<p>Threats.</p> <ul style="list-style-type: none"> ▪ Price pressure, especially in the mass merchandising distribution channel.

Source: Banca IMI estimates.

Earnings Outlook.

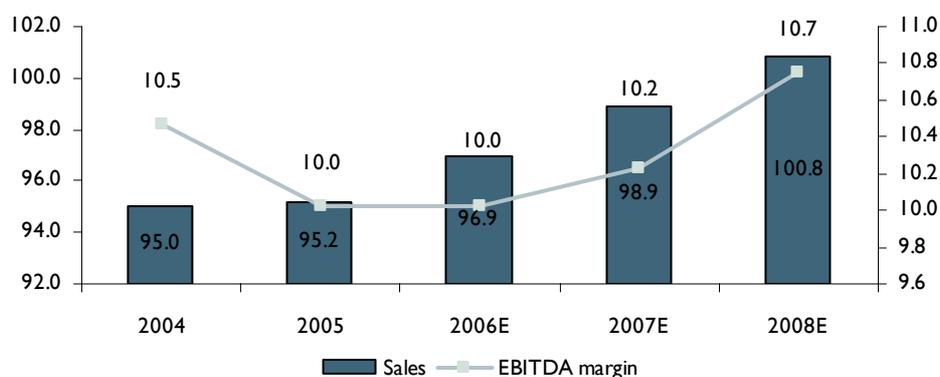
After basically flat growth in 2005, we expect a small recovery in 2006E, thanks to a better environment and a slight recovery in consumption. We expect the major increase to come from yogurt, thanks to new products in 2007E and 2008E and the new plant in Vicenza should allow an increase in production.

Revenues by product (2004-08E).					
(EUR M)	2004	2005	2006E	2007E	2008E
Fresh milk	42.2	43.2	43.9	44.6	45.0
UHT milk	20.8	19.7	19.9	20.1	20.3
Yogurt	7.0	7.7	8.2	8.8	9.7
Cream and milk	3.1	3.5	3.5	3.5	3.5
Other products	21.9	21.0	21.4	21.9	22.3
Total	95.0	95.2	96.9	98.9	100.8
YoY change (%)	2004	2005	2006E	2007E	2008E
Fresh milk		2.5	1.5	1.5	1.0
UHT milk		-5.3	1.0	1.0	1.0
Yogurt		11.0	6.0	8.0	10.0
Cream and milk		12.2	0.0	0.0	0.0
Other products		-4.2	2.0	2.0	2.0
Total		0.2	1.8	2.0	2.0

Source: Company data and Banca IMI estimates.

We expect EBITDA margin to remain stable at 10% in 2006E. The new plant in Vicenza should allow some efficiency gains and improve margins. However, although the new plant should be up and running in 2007, we believe that the impact on profitability will only be fully visible in 2008E. Throughout the next year, the group should transfer production from the old plants to the new one, which could result in some extra costs.

Sales and EBITDA margin (2004-08E).



Source: Company data and Banca IMI estimates.

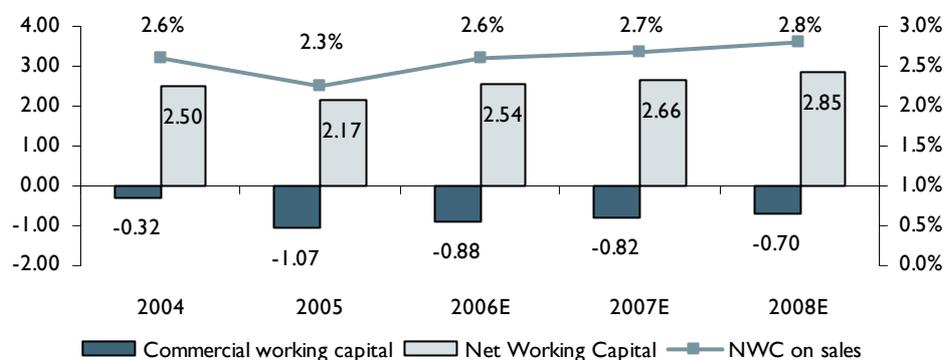
Below the EBIT line, the group is penalised by high depreciation, which we expect to increase slightly from this year, due to the new plant.

Balance sheet.

Net working capital.

The group benefits from a very favourable net working capital cycle. Inventories are basically non-existent, given the nature of the product. Suppliers of raw materials are usually paid at 45 days. As far as receivables are concerned, customers in the mass merchandising channel usually pay at 90 days, while customers in the street market channel pay cash. As a result, the commercial working capital is negative, while the net working capital is very limited, standing at approx. 2.5% of sales.

Net working capital (2004-08E).



Source: Company data and Banca IMI estimates.

Capital structure.

The group has a solid financial position: net debt at end-2005 was EUR 2.6M, with a D/E ratio of 6.4% and a Debt/EBITDA ratio of 0.3x. Debt should increase slightly in 2006E, due to capex for the new plant in Vicenza. According to our estimates debt should reach approx. EUR 6.8M (D/E of 16.1% and Debt/EBITDA ratio at 0.7x). However, we believe the financial structure of the group is not optimal: the company could sustain a higher debt level, considering the stability of the business and the low level of maintenance capex required. Group management prefers to maintain a low leverage level, as it intends to be ready to pounce on any potential acquisition opportunities. External growth would be the best way to improve leverage.

Dividend policy.

In 2005 the company distributed a dividend of EUR 0.05/share (total payout of EUR 0.5M) and increased its payout ratio to approx. 25%. We believe that the company will maintain this ratio in the coming years, thus implying a stable dividend at EUR 0.05/share in 2006E and 2007E and growing at EUR 0.06/share in 2008E. However, we believe that the company could be in a position to distribute an extraordinary dividend and this would be a good way to optimise the capital structure. Although an extraordinary dividend is not part of management plans, we simulated the impact of a distribution of a dividend on multiples and ROE. Our simulation, shown in the following table, indicates that the distribution of EUR 5-10M of dividend would improve ROE and P/E multiples, without jeopardising the financial solidity of the company.

Extraordinary dividend impact (2006E).

	2006E	2006E post extraordinary dividend			
Extraordinary dividend distribution		-5.0	-10.0	-15.0	-20.0
Estimated net debt	-6.8	-11.8	-16.8	-21.8	-26.8
Estimated equity	42.4	37.4	32.4	27.4	22.4
D/E (%)	16.1	31.6	51.8	79.5	119.5
D/EBITDA (x)	0.7	1.2	1.7	2.2	2.7
Additional financial costs (5% cost of debt)	0.00	-0.20	-0.40	-0.60	-0.80
Tax shield	0.00	0.07	0.13	0.20	0.26
Net profit	1.97	1.84	1.71	1.57	1.44
Mkt. Cap. ex dividend	41.3	36.3	31.3	26.3	21.3
P/E (x)	20.9	19.7	18.3	16.7	14.8
ROE (%)	4.9	5.2	5.6	6.2	7.1

Source: Banca IMI estimates.

Financials.

Centrale del Latte di Torino - Income statement (2004-08E).					
(EUR M)	2004	2005	2006E	2007E	2008E
Sales	95.04	95.21	96.94	98.88	100.85
Other revenues	0.83	0.78	0.78	0.78	0.78
Value of production	95.87	95.98	97.71	99.65	101.62
Operating costs	-75.93	-75.49	-76.56	-77.84	-78.94
Cost of labour	-9.91	-10.88	-11.36	-11.62	-11.76
EBITDA	10.03	9.62	9.79	10.20	10.92
EBITDA margin (%)	10.5	10.0	10.0	10.2	10.7
D&A and provision	-4.58	-4.51	-4.85	-5.21	-5.33
EBIT	5.46	5.11	4.95	4.99	5.60
EBIT margin (%)	5.7	5.3	5.1	5.0	5.5
Net financial income	-0.62	-0.42	-0.45	-0.45	-0.40
Other	0.00	0.01	0.00	0.00	0.00
Pre-tax Profit	4.83	4.71	4.50	4.54	5.20
Tax	-3.18	-2.83	-2.68	-2.70	-3.05
Minorities	0.13	0.16	0.16	0.00	0.20
Net profit	1.78	2.03	1.97	1.84	2.35

Source: Company data and Banca IMI estimates.

Centrale del Latte di Torino - Balance sheet (2004-08E).					
(EUR M)	2004	2005	2006E	2007E	2008E
Inventories	2.76	2.83	2.93	2.99	3.05
Trade receivables	16.99	17.76	18.74	19.11	19.49
Other current assets	8.19	8.83	9.28	9.47	9.65
Trade payables	-20.06	-21.66	-22.55	-22.93	-23.24
Other current liabilities	-5.36	-5.60	-5.86	-5.98	-6.10
Net Working Capital	2.50	2.17	2.54	2.66	2.85
Tangible assets	26.72	30.98	37.34	35.33	33.21
Intangible assets	17.23	15.99	14.89	13.79	12.69
Financial fixed assets	0.94	0.98	0.98	0.98	0.98
Net Fixed Assets	44.88	47.94	53.20	50.09	46.87
Severance provision	-3.77	-4.13	-4.47	-4.82	-5.17
Other LT liabilities	-2.57	-2.22	-2.00	-2.00	-2.00
Net Capital Employed	41.04	43.76	49.26	45.94	42.55
Net financial position	-1.80	-2.64	-6.82	-2.16	2.88
Minorities	2.44	2.35	2.20	2.20	2.00
Shareholders equity	36.80	38.77	40.25	41.58	43.43
Total equity	39.24	41.13	42.45	43.78	45.43

Source: Company data and Banca IMI estimates.

Centrale del Latte di Torino - Cash flow (2004-08E).					
(EUR M)	2004	2005	2006E	2007E	2008E
Net profit bef. Minorities	1.65	1.87	1.82	1.84	2.15
D&A	4.37	4.39	4.75	5.11	5.23
Change in long term liab.	0.33	-0.05	0.12	0.35	0.35
Change in NWC	0.90	0.34	-0.37	-0.13	-0.19
Operating cash flow	7.25	6.55	6.32	7.16	7.53
Capex tangible net	-1.65	-7.04	-10.00	-2.00	-2.00
Capex intangible net	0.00	0.00	0.00	0.00	0.00
Other investments	-0.25	-0.04	0.00	0.00	0.00
Free cash flow	5.35	-0.53	-3.68	5.16	5.53
Others	0.00	-0.01	0.00	0.00	0.00
Dividend paid	-0.30	-0.30	-0.50	-0.50	-0.50
Share issue	0.00	0.00	0.00	0.00	0.00
Change in NFP	5.05	-0.84	-4.18	4.66	5.03
NFP at year beg.	-6.85	-1.80	-2.64	-6.82	-2.16
NFP at year end	-1.79	-2.64	-6.82	-2.16	2.88

Source: Company data and Banca IMI estimates.

Centrale del Latte di Torino – Key figures (2004-08E).

Price (EUR)	4.13				
No. of shares (M)	10.0				
Market capitalization (EUR M)	41.3				
Enterprise value (EUR M)	45.9				
Values per share (EUR)	2004	2005	2006E	2007E	2008E
EPS	0.18	0.20	0.20	0.18	0.23
Adj. EPS	0.18	0.20	0.20	0.18	0.23
CEPS	0.62	0.64	0.67	0.69	0.76
BVPS	3.68	3.88	4.02	4.16	4.34
DPS	0.03	0.05	0.05	0.05	0.06
Payout (%)	16.84	24.64	25.32	27.23	25.58
Stock market ratios (x)	2004	2005	2006E	2007E	2008E
EV/Sales	0.5	0.5	0.5	0.5	0.5
EV/EBITDA	4.6	4.8	4.7	4.5	4.2
EV/EBIT	8.4	9.0	9.3	9.2	8.2
EV/FCF	8.6	NM	NM	8.9	8.3
P/E	23.2	20.4	20.9	22.5	17.6
Adj. P/E	23.2	20.4	20.9	22.5	17.6
P/CE	6.7	6.4	6.1	5.9	5.5
P/BV	1.1	1.1	1.0	1.0	1.0
Dividend yield (%)	0.7	1.2	1.2	1.2	1.5
Free cash flow yield (%)	11.7	-1.2	-8.0	11.2	12.0
Income statement (EUR M)	2004	2005	2006E	2007E	2008E
Value of production	95.9	96.0	97.7	99.7	101.6
EBITDA	10.0	9.6	9.8	10.2	10.9
EBIT	5.5	5.1	4.9	5.0	5.6
Pre-tax profit	4.8	4.7	4.5	4.5	5.2
Net income	1.8	2.0	2.0	1.8	2.3
Adj. net income	1.8	2.0	2.0	1.8	2.3
Balance sheet (EUR M)	2004	2005	2006E	2007E	2008E
Net fixed assets	44.9	47.9	53.2	50.1	46.9
Net working capital	2.5	2.2	2.5	2.7	2.9
Other L/T liabilities	-6.3	-6.3	-6.5	-6.8	-7.2
Net invested capital	41.0	43.8	49.3	45.9	42.6
Net debt/(cash)	1.8	2.6	6.8	2.2	-2.9
Shareholders' equity	36.8	38.8	40.2	41.6	43.4
Minorities	2.4	2.4	2.2	2.2	2.0
Cash flow (EUR M)	2004	2005	2006E	2007E	2008E
Cash income	6.0	6.3	6.6	6.9	7.4
Change in NWC and provisions	1.2	0.3	-0.2	0.2	0.2
Total capex	-1.9	-7.1	-10.0	-2.0	-2.0
Free cash flow	5.4	-0.5	-3.7	5.2	5.5
Capital increase	0.0	0.0	0.0	0.0	0.0
Dividend payment	-0.3	-0.3	-0.5	-0.5	-0.5
Other	0.0	0.0	0.0	0.0	0.0
Change in NFP	5.1	-0.8	-4.2	4.7	5.0
Profitability and financial ratios (%)	2004	2005	2006E	2007E	2008E
EBITDA margin	10.5	10.0	10.0	10.2	10.7
EBIT margin	5.7	5.3	5.1	5.0	5.5
Net margin	1.9	2.1	2.0	1.8	2.3
ROI	0.0	12.0	10.6	10.5	12.7
ROE	0.0	5.4	5.0	4.5	5.5
D/E	4.6	6.4	16.1	4.9	-6.3
Growth (%)	2004	2005	2006E	2007E	2008E
Sales	16.8	0.1	1.8	2.0	2.0
EBITDA	-4.0	-4.1	1.8	4.1	7.1
EBIT	8.6	-6.4	-3.2	0.9	12.2
Net income	22.2	13.9	-2.7	-7.0	27.7

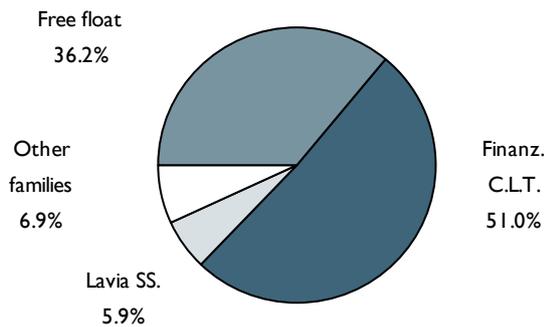
Source: Company data and Banca IMI estimates.

Centrale del Latte di Torino: At a Glance.

Company description.

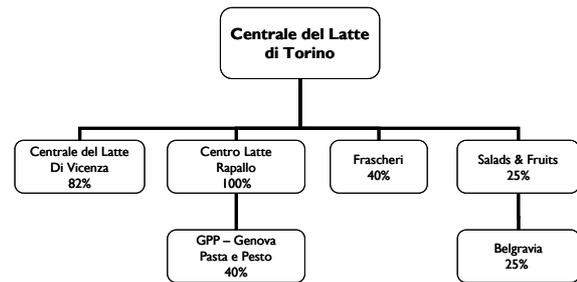
Centrale del latte di Torino (CLT) is a multiregional group active in the production and distribution of milk (both fresh and UHT), milk derivatives (yogurt, cheese) and other fresh products (eggs, salads). The group operates almost exclusively in the regions of Piedmont, Veneto and Liguria, where it has leadership positions, especially in the fresh milk segment. The group was listed in 2000 on the Italian stock exchange and is part of the STAR segment.

Shareholder structure.



Source: Company data.

Group structure.



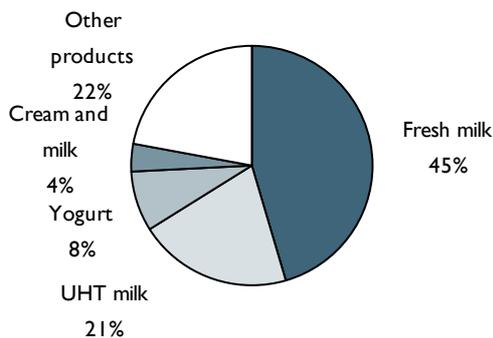
Source: Company data.

Summary of corporate governance rules.

	Board of directors	Internal Audit Committee	Remuneration Committee
Independent members/Total members	4/9	2/3	No
Remuneration system	Stock Option Plan No		Shares to employees No
Minority shareholders listing vote	Board of directors No		Statutory Board of Auditors No
Chairman	Different from CEO Yes		Independent No

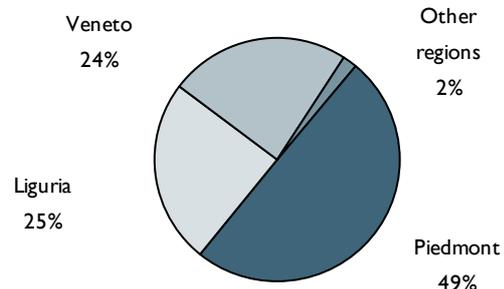
Source: Company data.

Revenue by product (2005).



Source: Company data.

Revenue by region (2005).



Source: Company data.

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5. Banca IMI plans to solicit investment banking business (as defined above) or intends to seek compensation from the Company in the next three months.
6. Banca IMI signed a Corporate Broking agreement with Centrale del Latte di Torino to maintain liquidity in its shares and to publish research on the company (May 2006).

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