



Tuesday 2nd September 2008

DAILY COMPANY NOTE — Kerry Group See page 2 & 3 for full details

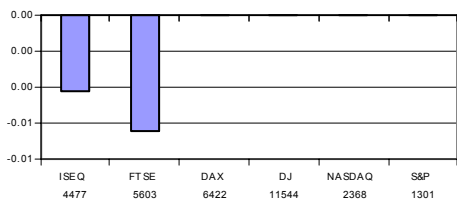
Daily Market Comment

Yesterday's Summary : With worse than expected German retail sales data and UK mortgage approvals at a nine year low, the ISEQ slipped into negative territory yesterday, closing 0.39% lower at 4,477.2. It was a mixed day among the financials as AIB lost 0.58% to €8.65. Anglo Irish lost 2.35% to €5.81, while Bank of Ireland advanced 1.1% to €5.51. Paddy Power, still suffering from its lowered guidance issued at its recent interim results announcement, fell 4.6% to €15.25. With oil prices showing further signs of weakening, Ryanair added 2% to €2.64, while Smurfit Kappa surged 6.1% to €4.67.

Overnight News : In Japan, the benchmark Nikkei 225 Stock Average fell 1.8% to 12,609.47 on Tuesday, reversing earlier gains after investors reassessed Prime Minister Yasuo Fukuda's surprise resignation. In China, the Shanghai Composite closed down 0.87% at 2,304.89, with investors remaining worried about a slowdown in economic growth after disappointing data on Monday.

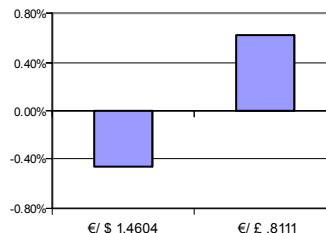
Breaking News : According to media reports this morning, Ryanair is set to revive an £800m bid for Aer Lingus, after its original move was blocked by the European Commission amid fears that the combined group would dominate the Irish market. In other media speculation, Richard Branson is said to be considering a bid for BAA Ltd's Gatwick Airport, a deal that could be worth more than £2bn. BAA's owner Grupo Ferrovial is unlikely to call for bids until after the UK competition Commission's final report on the UK airport industry, which is not due to be published until February 2009. The European Statistics office has released the latest European prices index for July and it shows that prices increased by the most in at least 18 years in July, as crude oil reached a record before easing last month. Producer prices increased by 9% from a year earlier in the 15 euro countries, which was in line with economists' forecasts of 9.1%.

Equity Indices change on day

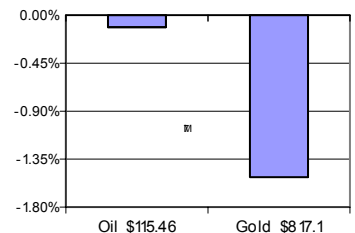


-0.39% -0.60% -0.01% 0.00% 0.00% 0.00%

Currency daily % change



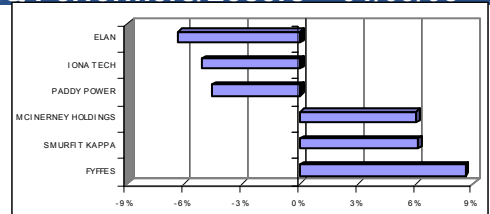
Oil/Gold daily % change



News

- "Falls in July house prices slows to 0.2%"-(The Irish Terms)
- "No need for state to intervene in mortgage market, says banks"-(The Irish Times)
- "DCC completes €27.5m buyout"-(Irish Independent)
- "Inflation fears will keep ECB rates unchanged, says senior analyst"-(I.I)
- "Sterling tumbles to record euro low"-(Financial Times)

ISEQ Performers/Losers 01/09/08



Market Themes & Movers

Crude slumps as Hurricane downgraded: Crude oil fell to a five month low below \$106 a barrel as oil companies prepared to resume production from rigs closed by Hurricane Gustav. Royal Dutch Shell, Total and ConocoPhillips said that they were inspecting offshore US Gulf platforms today. Oil, down more than \$40 from its July record, dropped as Gustav spared US Gulf states the destruction caused by Hurricanes Katrina and Rita in 2005. Crude oil for October delivery fell as low as \$105.46 a barrel, down 8.7% from the close on August 29th and the lowest level since April 4th. Shell, Europe's largest oil company, plans to redeploy a limited number of workers to its offshore platforms in the Gulf of Mexico. Louisiana refineries shut down by Hurricane Gustav may take about 10 days to resume operations because of lack of power, stunting fuel production at a time when regional gasoline inventories are at a 10-month low.

UK suspends homebuyer tax: Prime Minister Gordon Brown suspended a homebuyer tax and proposed spending £1bn sooner than planned to help reverse Britain's worst housing slump in at least 18 years. The money will be used to help people buy new homes and support those struggling to pay their mortgages. From tomorrow, residential properties worth less than £175,000 will be exempt from stamp duty for a year under plans announced by Chancellor of the Exchequer Alistair Darling. A separate spending package will help people buy new homes and support those struggling to pay their mortgage. The Treasury plans to use the £6.5bn earmarked for social housing programs over the next three years so that more of it is used in the next 12 months.



Dolmen Securities
75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

Website : www.dolmenstockbrokers.ie
Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie

Kerry Group

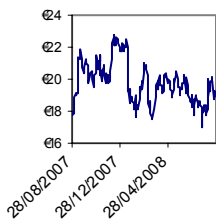
ISEQ
Food

Company Profile

The Group's principal activity is manufacturing and marketing of food ingredients and flavour technologies to the global food and beverage industries. The Group also operates as a consumer foods processor and supplier in selected EU markets. The Group supplies over 10,000 food, food ingredients and flavour products to customers in more than 140 countries worldwide.

Statistics

Price Performance



Revenue by Region



- Europe 64%
- Americas 27%
- Asia Pacific 9%

Fundamental View:

- Kerry reported half year results up to the 30th of June that were better than consensus. Sales revenue was €2.36Bn, an increase of 7.3% on a like for like basis. Trading profit increased by 8.1% on a like for like basis to €175m and EPS was stronger than expected by the market at 62.8c compared to consensus of 60c.
- Operating margins exceed expectations with group operating margin maintained at 7.4% and consumer foods increasing by 10bps to 6.4%. Ingredients & Flavours remained constant at 8.1%. The margin figures were achieved despite rising input costs from food commodities, fuel and adverse FX moves during the first six months of the year.
- On a geographic basis the Food Ingredients division increased revenue in all areas with Asia Pacific increasing revenues on a like for like basis by 20.3% followed by Americas at 7.0% and Europe at 5%. In Consumer Foods a more challenging operating environment was experienced due to weaker economic environment in Ireland and the UK plus adverse FX moves on EUR/GBP.
- In a separate statement issued on Friday, Kerry has announced that the competition authority has ruled against the proposed takeover of Breco. We expect Kerry to challenge the ruling, in what may be a lengthy legal dispute. The ruling does not materially affect our valuation for Kerry, although we note a €20 million payment made to Reox is non-refundable if the deal doesn't happen.

Valuation

- The balance sheet of the group remains strong with net debt falling by €123m compared to 1H07, with €50m of the decrease due to favourable FX moves. Free Cash Flow (FCF) was slightly lower than the same period last year at €51m, but was due to the increase in capital expenditure that will continue for the remainder of 2008 and 2009, but the cash generation of the business is very strong.
- Stan McCarthy spoke about the implementation of the "Go to Market" process of re-aligning group's ingredients, bio-science and flavours business into a more streamlined operation and will involve consolidation of certain facilities across the group. The cost of the process will be €30 to €40m over the 2-years, but will give positive cash impact in 2009.
- Looking towards the full year, management reaffirmed guidance for FY EPS in a range of €1.51 to €1.55 and our estimate for FY08 EPS is €1.53 and €1.68 for FY09. Peers of Kerry currently trade at P/E multiples of 13.5x and this would give a 12-month price target for Kerry Group of €23.

Chart View: Kerry Group

Primary Support: 17.82
 Secondary Support: 16.95
 Primary Resistance: 20.36
 Secondary Resistance: 21.24

Price recently bounced off the stock's short term uptrend and is likely to test its longer term downtrend with resistance at 20.36. However, a break of this longer term downtrend seems unlikely unless buying picks up on the back of stronger volume.

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Kerry Co-Operative Creameries	23.80%	Kerry Group	13.0	11.9	9.03%
AIM Funds Mgt. Inc	7.20%	Danisco	16.7	14.1	17.99%
The Growth fund of America	5.10%				

Shares Outstanding 174.71m

Share Data	Financial Data	2007	2008e	2009e
Current Price (€)	Revenue (€m)	4,788	4,973	5,221
Mkt Cap (€m)	Pretax Profit (€m)	298	324	548
Reuters	EPS (€)	1.37	1.44	1.57
Bloomberg	P/E(x)	15.84	13.01	11.94
Sector	DPS (€)	0.14	0.22	0.24
CEO	Dividend Yield	0.75%	1.17%	1.28%
CFO				
Website				





Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Stuart Draper, David Dunk and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and David Dunk & Stephen Taylor are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.



DOLMEN SECURITIES LTD