KRUPA GLOBAL INVESTMENTS

OPEN LETTER TO WARREN BUFFETT

Prague, Czech Republic, November 20, 2019 – Krupa Global Investments released the following open letter to Warren Buffett, CEO of Berkshire Hathaway

November 20, 2019

Dear Mr. Warren Buffett,

I am writing you as a shareholder of **Kraft Heinz** and **Occidental Petroleum.**
You are billionaire investor and Oracle from Omaha known for his mighty touch in stock picking. You usually pick stock based on their great brands, great multiples and value for long term investments such as Coca Cola, Bank of America, Apple, Geico, JP Morgan etc. Usually, these companies outperform the overall market and bring long term performance and significant value for your Berkshire Hathaway. In these long term play, you usually buy equity stakes, but you like to do a debt deals as well where you borrow large sums of money to companies which need extra cash for acquisitions or further development under conditions which are extremely favourable for you and not really good deals for companies, these deals are sometimes even destructive for certain companies. As you said: *``There are 3 ways investor can go broke is girls, alcohol and leverage``*. It is reasonable for you to do these kinds of deals when you clearly declared that stocks are currently too expensive for Berkshire Hathaway. You have to do something with your $125bln+ cash pile in times when recession is knocking on the door, but you are often times going against your statements that large debt is toxic.
Let's summarize 2 deals where you act like financier, with conditions favourable mainly for you, where you did not act appropriate as huge investor, did not care about regular shareholders.

Occidental Petroleum last-minute financing deal

Occidental Petroleum announced in May 2019 that Berkshire Hathaway had committed to invest $10 billion in the company to help fund its proposed acquisition of Anadarko Petroleum. **Berkshire would make the investment by purchasing 100,000 shares of preferred stock, which pays out an 8% annual dividend.**

Based on media coverage, you were willing to invest $20 billion to help Occidental seal the deal. Occidental revised its bid to purchase Anadarko after the international oil and gas driller agreed to sell its business to Chevron last month for $65 a share in a 75% stock and 25% cash deal worth $50 billion including debt.

Berkshire is receiving an 8 percent interest rate on its $10 billion of preferred shares, or $800 million a year. It also got warrants to buy 80 million shares of Occidental at $62.50 a share, substantially above OXY's current price but worth as much as $5 billion by some estimates. Mr. Icahn and others have estimated Occidental is paying Buffett and Berkshire at least $1.5 billion more than if it had used other means to raise the $10 billion.

Doudlebska 5, 140 00 Prague, Czech Republic
ir@krupainvestments.com
www.krupainvestments.com

KRUPA GLOBAL INVESTMENTS

Activist investor Carl Icahn said that Anadarko deal is the worst he has ever seen in his entire life and when 83 year old activist legend say this, it might be truth and I absolutely agree with him in this matter. But of course, you are clean and profitable on this deal.

This is your kind of deal Mr. Buffett. You have done very well by helping companies such as Mars/Wrigley, Bank of America, Goldman Sachs, Restaurant Brands International, Dow Chemical and General Electric in similar preferred stock deals. Each offered nice premiums and relatively low risk.

There are several cheaper options to borrow money at this point, EU and Japan has negative interest rates and US interest rates are at lows. Vicky Hollub CEO of Occidental Petroleum should try to refinance this unfavourable loan from Berkshire Hathaway.

We encourage you to take much bigger equity stake in Occidental Petroleum to ensure investors and support Vicky Hollub and their management because obviously nobody on Wall Street has faith in her besides you. You should prove your belief in OXY management.

Kraft Heinz and ex CEO Bernardo Hees compensation

Kraft Heinz shares cratered more than 25% after reporting 4Q 2018 results, a day after the company wrote down $15.4 billion on two of its most iconic brands, slashed its dividend and disclosed it received a subpoena from the Securities and Exchange Commission on its accounting policies and internal controls in October.

Higher costs coupled with the $15.4 billion impairment charge on the company's namesake Kraft and iconic Oscar Mayer brands led to Kraft Heinz reporting a net loss of $12.61 billion in the fourth quarter. It earned $8 billion in the year-earlier period. Revenue and earnings results fell well short of Wall Street's estimates.

The company cut its dividend to 40 cents per share, a 36 percent decrease from its previous quarterly dividend of 62.5 cents per share. Kraft said it took the measure because it's seeking to deleverage faster and "provide greater balance sheet flexibility."

In the wake of the news, Kraft received several downgrades. Here are few comments on this disaster results:

"However, our visibility with respect to the depth, duration, and general profitability effects of such customer- and consumer-building into 2019 is less clear and lowers our conviction on the name," analyst Rob Dickerson said.

"We believe these impairments validate fears that KHC may have been more focused on costs than building brand equity, and even if management now has 'seen the light', we are now concerned that its brands lack the equity to drive pricing power needed to compete and drive growth in a sustainable way," said analyst Michael Lavery.

KRUPA GLOBAL INVESTMENTS

Despite catastrophic performance and execution during last year, Bernardo Hees former CEO of Kraft Heinz, received 27.7m USD of compensation regardless of the KHC performance in recent years. For example, recently CEO of Boeing Dennis Muilenberg volunteered to not take bonuses for 2019 after disastrous year for Boeing. Boeing has definitely comparable year to Kraft Heinz with struggles to put 737 max planes back to service.

Great deal for Bernardo, nightmare deal for regular shareholders of Kraft Heinz.

You as long-term investor in Kraft Heinz should question management for this kind of behaviour, right? No profit warning in the case of Kraft Heinz, no responsibility for ordinary shareholders. **In every case mentioned above, you did not care about ordinary shareholders just for your hefty profits**.

Sincerely,

Pavol Krupa

Chairman of Krupa Global Investments

Doudlebska 5, 140 00 Prague, Czech Republic
ir@krupainvestments.com

www.krupainvestments.com