

We invest in winners. That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

Kraft Foods Group Inc.

Kraft Foods Group Inc. and H.J. Heinz Company are merging into the world's fifth-largest food and beverage corporation. The transaction is the result of a cooperation started by Jorge Paulo Lemann, founder of Brazilian financial investor 3G Capital, and Warren Buffett in 2013. 3G is known for reorganizing top-class business models that suffer from weak management performance and ownership structures but offer strong brand value. With a bold vision and clear measures, 3G was able to create the largest and most profitable beer group in the world: AB Inbev. That impressed Buffett. He not only likes everyday products but also outstanding managers to whom he can entrust Berkshire Hathaway's capital. In this spirit, two years ago he contributed USD 12 billion to purchase ketchup manufacturer Heinz for USD 28 billion including debt, together with 3G. In the meantime, 3G has replaced the management team and streamlined both processes and the workforce. The adjusted EBITDA margin was improved from 18% to 26%.

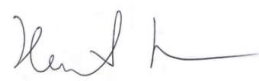
In March 2015, the owners announced that Heinz and Kraft will merge in order to establish a global champion for food and beverages. Kraft emerged from the split into two separate listed companies in 2012, and is responsible for the food activities in the North American market. It's shareholders will receive a special dividend of USD 10 billion and

49% of shares in the new Kraft Foods Group Inc., with 3G and Berkshire Hathaway taking the remaining 51% of shares.

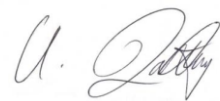
For Buffett, this deal is very satisfying. He was disappointed by the earlier Kraft management team. It purchased British sweet goods manufacturer Cadbury for GBP 12 billion in 2010 after a protracted process. To complete the deal, Kraft not only issued 370 million new shares under value, but also sold the US frozen pizza segment for only USD 4 billion - to competitor Nestlé of all people. Buffett was of the opinion that both moves were bad business, sold a portion of his Kraft shares and denounced management in an open letter.

3G plans to save USD 1.5 billion in costs and increase synergies, raise the EBITDA margin significantly, provide the Kraft brands with international market access through the Heinz sales network, and work together to build the new joint platform. The systematic and proven 3G methods consisting of cost-cutting ("zero-base budgeting") and clear target- and results-oriented objectives ("management by objectives") should lead to a successful outcome. We expect that the corporation will generate an annual EBITDA of USD 8-10 billion in five years. The share price is likely to follow the objectives that have been achieved over the long term.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky