BERKSHIRE HATHAWAY INC.

REPORT TO THE STOCKHOLDERS
FOR THE YEAR ENDED
DECEMBER 28, 1968

Berkshire Hathaway Inc.

March 12, 1969

To the Stockholders of
Berkshire Hathaway Inc.:

Earnings in both textile and insurance operations improved somewhat during 1968. Total operating earnings in relation to stockholders' investment still are not satisfactory, but we are expending every effort to bring them to the proper level.

Textile Operations

Sales volume increased about 14% with good gains in both Home Fabrics and Menswear Linings. Over the years, these have been our most consistently profitable areas and their improvement in 1968 reflects strong efforts by Richard Bowen in Home Fabrics and Ralph Rigby in Menswear Linings. The Home Fabrics Division in 1969 will utilize new 150 inch Saurer looms, offering opportunities for expanding our style line. We hold options on additional looms, enabling expansion if profitable projections materialize.

Our Box Loom Division continued to present severe operating problems, as it has over many years. Our history in this area shows occasional periods of strong prices, regularly followed by heavy imports of goods, severe price cutting and curtailed operations. As a result of a careful survey of the future market for Box Loom greige goods and the investment required to service this market, it was decided to phase out our operation of such greige goods during 1969. After the transitional operating period has been completed and some loss has been sustained on the sale of fixed assets, we expect an improved over-all textile operating situation.

Insurance Subsidiaries

National Indemnity Company and National Fire & Marine Insurance Company continue their splendid operating performance under Jack Ringwalt. Premium volume increased only slightly in 1968, but more importantly, a good underwriting profit was again produced during a period when the property insurance industry operated at an underwriting loss. Investment income increased substantially in 1968, reflecting both a greater base of assets and higher yields on fixed income securities. Some capital gains again developed from our investments in common stocks.

The insurance companies continue to seek new areas for expansion, both at the direct level and possibly in the reinsurance field. The emphasis continues, however, to be on underwriting at a profit rather than volume simply for the sake of size. Due to our policy of retaining all earnings in the insurance subsidiaries, we have substantially augmented their capital funds, increasing our ability to retain greater segments of our originated premium volume.

Marketable Securities and Acquisitions

During 1968, we sold a portion of our marketable securities portfolio at a profit of approximately $1.5 million after tax. At the end of 1968, we had unrealized market appreciation of $6,400,000 in the balance of the portfolio. Such securities were held in marketable common stocks as a temporary investment, pending the utilization of the funds in acquisition or expansion of operating businesses consistent with our program for the development of greater and more diversified earning power.

Immediately after year end, we purchased all of the stock of Sun Newspapers, Inc. and Blacker Printing Company, Inc., which represents an initial entry into the publishing business. This purchase involved only a small portion of our funds available for acquisition. Sun Newspapers, Inc. publishes five weekly newspapers in the Omaha, Nebraska area, with paid circulation of about 50,000. A related printing business is conducted by Blacker Printing Company, Inc. This purchase, while small, has potential for future expansion. The operations will continue under the able management of Stanford Lipsey.

Kenneth V. Chace
President

CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 28, 1968
with comparative figures for the three months ended December 30, 1967
and the year ended September 30, 1967

	Year ended Dec. 28, 1968	*Three months ended Dec. 30, 1967*	*Year ended Sep. 30, 1967*
OPERATING INCOME:			
Net sales of textile products	$46,002,417	$11,599,890	$39,055,671
Equity in earnings of unconsolidated subsidiary insurance companies (notes 5 and 6)	1,789,402	478,761	791,938
Interest and dividends	389,038	46,284	295,687
	$48,180,857	$12,124,935	$40,143,296
OPERATING COSTS:			
Cost of sales, administrative and selling expenses	$44,435,569	$11,034,748	$38,976,007
Interest expense	362,889	66,238	156,777
Federal income taxes (note 6)	728,000	199,127	3,200
	$45,526,458	$11,300,113	$39,135,984
EARNINGS FROM OPERATIONS	$ 2,654,399	$ 824,822	$ 1,007,312
INVESTMENT GAINS, net of taxes on gains (note 6):			
Gains realized by Parent company	$ 1,467,752	$ 46,959	—
Gains realized by unconsolidated insurance subsidiaries (notes 5 and 6)	706,504	311,453	100,147
Total investment gains	2,174,256	358,412	100,147
Earnings before extraordinary items	$ 4,828,655	$ 1,183,234	$ 1,107,459
EXTRAORDINARY ITEMS:			
Loss on liquidation of mill properties, net of $372,000 income tax benefit	(332,319)	—	—
Reduction in Federal income taxes (note 8)	166,000	210,150	—
	(166,319)	210,150	—
NET EARNINGS	$ 4,662,336	$ 1,393,384	$ 1,107,459
DEPRECIATION AND AMORTIZATION DEDUCTED ABOVE	$ 662,061	$ 223,186	$ 979,016
PER SHARE OF OUTSTANDING COMMON STOCK:			
Earnings from operations	$2.69	$ .84	$1.02
Investment gains	2.21	.36	.10
Extraordinary items	(.17)	.21	—
NET EARNINGS	$4.73	$1.41	$1.12

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings, beginning	$27,032,370	$25,638,986	$24,633,282
Net earnings	4,662,336	1,393,384	1,107,459
	$31,694,706	$27,032,370	$25,740,741
Less dividends paid	—	—	$ 101,755
Retained earnings, ending	$31,694,706	$27,032,370	$25,638,986

See accompanying notes to financial statements.

BERKSHIRE

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with comparative fig

ASSETS

	Dec. 28, 1968	Dec. 30, 1967
CURRENT ASSETS:		
Cash	$ 1,605,600	$ 835,301
Marketable securities, at cost (note 2)	5,421,384	3,825,077
Accounts receivable (less allowance for doubtful accounts — 1968 — $281,418; 1967 — $220,966)	7,563,123	7,571,694
Inventories, at the lower of cost (first-in, first-out) or market (note 3)	12,332,943	11,585,598
Prepaid and deferred charges	199,501	223,554
TOTAL CURRENT ASSETS	27,122,551	24,041,224
PROPERTIES, PLANTS AND EQUIPMENT (note 4):		
Properties comprising land, buildings, machinery and equipment	19,998,693	24,878,601
Less accumulated depreciation and amortization	16,136,069	19,238,314
NET PROPERTIES, PLANTS AND EQUIPMENT	3,862,624	5,640,287
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES (note 5)	12,754,985	10,259,079
	$43,740,160	$39,940,590

See accompanying n

HATHAWAY INC.

BALANCE SHEET

BER 28, 1968

ures at December 30, 1967

LIABILITIES AND STOCKHOLDERS' EQUITY

	Dec. 28, 1968	Dec. 30, 1967
CURRENT LIABILITIES:		
Note payable — bank, unsecured	$ 2,000,000	$ 2,000,000
Accounts payable and accrued expenses	4,256,530	5,433,556
Accrued Federal, State, and local taxes (note 6)	637,059	322,799
TOTAL CURRENT LIABILITIES	6,893,589	7,756,355
LONG-TERM DEBT:		
7½% subordinated debentures (note 7)	641,300	641,300
STOCKHOLDERS' EQUITY:		
Common stock, $5 par value. Authorized 1,722,983 shares; issued 1,017,547 shares	5,087,735	5,087,735
Retained earnings	31,694,706	27,032,370
	36,782,441	32,120,105
Less 32,065 shares of common stock in treasury, at cost	577,170	577,170
TOTAL STOCKHOLDERS' EQUITY	36,205,271	31,542,935
	$43,740,160	$39,940,590

otes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 28, 1968

(1) Basis of Consolidation

The accompanying financial statements consolidate the accounts of Berkshire Hathaway Inc. with its wholly-owned non-insurance Canadian subsidiary. The accounts of National Indemnity Company, over 99% owned by Berkshire Hathaway Inc., and National Fire & Marine Insurance Company, 100% owned, are not consolidated. The statement of earnings reflects equity of Berkshire Hathaway Inc. in earnings, excluding unrealized investment gains, of these functionally independent operations, and the balance sheet valuation is at cost plus equity in such earnings since purchase in March 1967.

(2) Marketable Securities

The market value of the securities portfolio, primarily marketable common stocks, was $11,824,000 at December 28, 1968 and $7,422,000 at December 30, 1967.

(3) Inventories

A comparative summary follows:

	Dec. 28, 1968	*Dec. 30, 1967*
Raw materials and supplies	$ 2,025,230	$ 2,053,503
Stock in process	2,709,075	3,074,160
Cloth	7,598,638	6,457,935
	$12,332,943	$11,585,598

(4) Properties, Plants and Equipment

The Company's general policy is to provide for depreciation over the estimated useful lives as allowed by taxing authorities. Except for new additions subsequent to 1965 which are depreciated on the double-declining balance method, depreciation is provided on the straight-line basis. The composition of property, plants and equipment is shown below:

	Dec. 28, 1968	*Dec. 30, 1967*
Land	$ 106,555	$ 116,985
Buildings	3,715,838	3,849,278
Machinery and equipment	15,653,974	20,404,047
Furniture and fixtures and leasehold improvements	522,326	508,291
	$19,998,693	$24,878,601
Less accumulated depreciation and amortization	16,136,069	19,238,314
	$ 3,862,624	$ 5,640,287

(5) Unconsolidated Subsidiaries

The combined adjusted equity of unconsolidated insurance subsidiaries at December 31, 1968 was $14,677,000. Such figure includes $1,523,000 of unrealized appreciation of investments, net of applicable income taxes.

(6) Taxes on Income

The Company and its subsidiaries file separate income tax returns. Equity in earnings of unconsolidated subsidiary insurance companies, and investment gains of the parent and subsidiaries are reflected net of income taxes of the following amounts:

	Year ended Dec. 28, 1968	*Three months ended Dec. 30, 1967*	*Year ended Sept. 30, 1967*
Taxes on income, other than investment gains, of unconsolidated subsidiary insurance companies	$384,248	(29,000)	345,000
Taxes on investment gains (parent company)	575,000	16,000	—
Taxes on investment gains of unconsolidated subsidiary insurance companies	267,984	103,800	33,400

(7) 7½% Subordinated Debentures

Debentures bear interest at the rate of 7½%, payable February 1 and August 1, and will be due on August 1, 1987. The debentures are not secured by any lien and are not convertible; they are subordinated to senior indebtedness which includes indebtedness of the Company for money borrowed. The debentures may, at the Company's option, be redeemed at 105% through July 31, 1973 and thereafter at 100%. The indenture under which the debentures are issued requires the Company to provide for the retirement by redemption, through a sinking fund, on August 1, in each of the years 1973 to and including 1986, of one-fifteenth of the total amount of debentures issued. Redemption through the sinking fund shall be at principal amount plus accrued interest.

(8) Reduction in Federal Income Taxes

For 1968, the reduction in Federal income taxes represents carryover of investment tax credits from prior periods. The reduction in Federal income taxes for the three months ended December 30, 1967 was the effect of net operating loss carryovers to that period. There was no unused operating loss carryover at December 30, 1967.

(9) Pension Plan

The Company has a noncontributory pension plan for salaried employees. Benefits are funded through the medium of an independently trusteed fund, the assets of which exceed the actuarially computed vested and nonvested benefits. The current year's pension expense was $47,900 and represents normal costs less amortization of the overfunded position on a ten-year basis.

(10) Comparative Statements of Earnings

The Company adopted the single-step method of presenting the statement of earnings in 1968 and the comparative figures have been classified accordingly. In addition, realized gains of insurance company subsidiaries in the prior periods have been reclassified from extraordinary items to reflect management's opinion that they are a part of the determination of earnings before extraordinary items.

(11) Commitments

Additional subsidiaries were formed in December for the purpose of acquiring certain printing and publishing operations. Commitments for such acquisition were not material in amount at December 28, 1968.

BERKSHIRE HATHAWAY INC.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
10 DORRANCE STREET
PROVIDENCE, RHODE ISLAND 02903

The Board of Directors and Stockholders
Berkshire Hathaway Inc.:

We have examined the consolidated balance sheet of Berkshire Hathaway Inc. and its subsidiary as of December 28, 1968 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Berkshire Hathaway Inc. and its subsidiary at December 28, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, restated as explained in Note 10 of Notes to Consolidated Financial Statements.

Peat, Marwick, Mitchell & Co.

February 28, 1969

ANNUAL MEETING

The next annual meeting of the shareholders of Berkshire Hathaway Inc. will be held at the principal office of the Company at 97 Cove Street, New Bedford, Massachusetts, at 10:00 a.m. on Tuesday, April 22, 1969.

DIRECTORS

*Malcolm G. Chace, Jr., *Chairman***

Richard Bowen

*Warren E. Buffett

*Kenneth V. Chace

Daniel Cowin

Bradford R. Frost

Arthur Ingraham, Jr.

Stanley Rubin

William Scott

*Member of Finance Committee

**Retired as Chairman of the Board of Directors on February 1, 1969. Continues as a member of the Board.

OFFICERS

Kenneth V. Chace, *President*

Richard Bowen, *Vice President*

John E. Hartley, *Vice President*

J. Verne McKenzie, *Vice President and Treasurer*

Ralph Rigby, *Vice President*

GENERAL COUNSEL

Ropes & Gray, Boston, Massachusetts

AUDITORS

Peat, Marwick, Mitchell & Co.

TRANSFER AGENT

Old Colony Trust Company, Boston, Massachusetts

REGISTRAR

The First National Bank of Boston, Boston, Massachusetts

BERKSHIRE HATHAWAY INC.

Executive Offices — 97 Cove Street, New Bedford, Massachusetts 02744
Sales Offices — 261 Fifth Avenue, New York, New York 10016
1040 Avenue of the Americas, New York, New York 10019