BERKSHIRE HATHAWAY INC /DE/

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10-K

SIC 2731 NYSE SEC # 1-10125 FOR 12/31/91

CARD 001 REC 03/30/92 (c) Disclosure Info. Services, Inc. 052129 92087197 DR

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

RECD S.E.C.
MAR 30 1992
FEE 100

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]**

For the fiscal year period ended December 31, 1991

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

PROCESSED BY
139-44-X+
MAR 31 1992
DISCLOSURE INCORPORATED

For the transition period from ____________ **to** ____________

Commission file number 1-10125

BERKSHIRE HATHAWAY INC.
(Exact name of registrant as specified in its charter)

Delaware	04 2254452
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification number)
1440 Kiewit Plaza, Omaha, Nebraska	68131
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code (402) 346-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $5.00 Par Value	New York Stock Exchange
Zero Coupon Convertible Subordinated Notes Due 2004	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for the past 90 days. Yes X No__

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this For 10-K or any amendment to this Form 10-K. [ ]

State the aggregate market value of the voting stock held by non-affiliates of the Registrant - $5,269,685,925*

Indicate number of shares outstanding of each of the Registrant's classes of common stock:

March 20, 1992 -- common stock, $5 par value .... 1,146,441 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated In
Proxy Statement for Registrant's Annual Meeting	Part III

* This aggregate value is computed at the last sale price of the common stock on March 20, 1992. It does not include the value of 556,000 shares held by Directors and Executive Officers of the Registrant and members of their immediate families, some of whom may not constitute "affiliates" for purpose of the Securities Exchange Act of 1934.

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Part I

Item 1. Business

Berkshire Hathaway Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities. The most important of these is the property and casualty insurance business conducted nationwide on a primary or direct basis and worldwide on a reinsurance basis through a number of subsidiaries collectively referred to in this report as the Berkshire Hathaway Insurance Group.

Additionally, Berkshire Hathaway Inc. publishes the *Buffalo News*, a daily and Sunday newspaper in upstate New York. Other business activities conducted by non-insurance subsidiaries include publication and distribution of encyclopedias and related educational and instructional material (*World Book* and *Childcraft* products), manufacture and marketing of home cleaning systems and related accessories (sold principally under the *Kirby* name), manufacture and sale of boxed chocolates and other confectionery products (*See's Candies*), retailing of home furnishings (*Nebraska Furniture Mart*), manufacture and distribution of uniforms (*Fechheimer Bros. Co.*) and manufacture, import and distribution of footwear (*H.H. Brown Shoe Co.*). Berkshire also owns a number of other businesses engaged in a variety of activities, as identified herein.

Operating decisions for the various Berkshire businesses are made by managers of the business units. Investment decisions and all other capital allocation decisions are made for Berkshire and its subsidiaries by Warren E. Buffett, in consultation with Charles T. Munger. Mr. Buffett is Chairman and Mr. Munger is Vice Chairman of Berkshire's Board of Directors.

Property and Casualty Insurance and Reinsurance Business

Berkshire's insurance and reinsurance business is conducted by 12 separate subsidiaries, the largest of which is National Indemnity Company ("National Indemnity") headquartered in Omaha, Nebraska.

On a primary or direct basis (policies issued in the name of, and to the insured party) several of the subsidiary members underwrite multiple lines of principally casualty coverages for primarily commercial accounts. The Commercial Casualty Division and the Professional Liability and Special Risk Division, each with offices in New York City, solicit and underwrite especially large or unusual risks. Member companies domiciled in the states of Colorado, Kansas and Nebraska provide standard multiple-line property/casualty insurance to "homestate" residents. A California domiciled member provides principally workers' compensation insurance to employers in that state.

The Reinsurance Division of National Indemnity in New York City provides treaty reinsurance to other property/casualty insurers and reinsurers. National Indemnity is currently one of the leading providers in the world of finite-risk reinsurance and property/catastrophe retrocessional protection (i.e., reinsurance for reinsurers). Minimal organizational resources, but huge financial resources, are currently devoted to this business.

The Berkshire Hathaway Insurance Group maintains capital strength at unparalleled high levels, significantly higher than normal in the industry. This strength differentiates Group members from their competitors. For example, the Group's net premiums written in 1991 were approximately 10% of the Group's year-end statutory surplus. That compares to an industry average premiums-to-surplus ratio of about 157% (for 1990). The obvious margins of safety thus provided to insureds of the Group are particularly persuasive in marketing of individually negotiated insurance and reinsurance contracts.

The traditional business of National Indemnity, acquired by Berkshire Hathaway in 1967, has been largely in providing liability coverages for truck and bus operators — and related activities that require specialized underwriting knowledge and techniques. Premium rates for the business peaked in 1986 and decreased annually thereafter. Because of the lower rates, Group members have written successively less of this business each year after 1986. Similarly, writings by the Group's "homestate" members have decreased in recent years because of lower premium rates and the disciplined underwriting practices of the members that causes their rejection of underpriced risks. The Special Risks operation in New York city has from year to year after 1986 also viewed fewer and fewer underwriting opportunities that met its acceptance standards, and virtually no new business in this area was written in 1991.

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Item 1. Business (continued)

Property and Casualty Insurance and Reinsurance Business (continued)

No improvement in prices is foreseen for 1992, and the Insurance Group's premium volume for the primary or direct business is likely to be little changed from 1991.

While the primary or direct insurance underwriting activity by Group members decreased in recent years, the amount of business derived from reinsurance activity increased significantly. Although engaged in this activity to some degree since 1969, a major increase in reinsurance assumed premiums occurred in 1985, when National Indemnity Company entered into a contract providing reinsurance coverage to Fireman's Fund Insurance Companies (FFIC), for a period of four years, for 7% of FFIC's entire book of business. The Group recorded an underwriting loss aggregating approximately $56 million for the full four-year term of the contract, but that amount is deemed a reasonable cost for the significant amount of float that resulted to the Group from the arrangement. The contract expired as of August 31, 1989, but National Indemnity remains liable for run-off of its share of liabilities for loss occurrences during the contract period, and the run-off period is expected to extend for many years. Float attributable to this contract totalled as much as $360 million in mid-1989, and at December 31, 1991 totalled a still meaningful amount — approximately $190 million.

In recent years, non-traditional reinsurance products — finite-risk contracts — have become increasingly significant in the property/casualty insurance marketplace. Those terms refer to reinsurance agreements under which, for example, minimum and maximum payouts by the reinsurer may be contractually fixed, possibly both in the aggregate and within stated time periods. The amount of risk transferred may be more limited than in the more traditional contracts. Early in the evolution of this business, it was commonly termed as "financial reinsurance," with that term derived from the fact that the concept of time-value-of-money was a more important element in the pricing and setting of terms for these contracts than for traditional contracts. Minimum payout requirements may originate in commutation clauses that call for repayments to the reinsureds, on specified dates, of sums not otherwise paid out by the reinsurer as losses. Transaction amounts are likely to be larger than for traditional transactions; for example, a single contract may relate to loss occurrences in a number of lines of business that span a number of years. Traditionally, separate reinsurance contracts would provide covers separately as to each line and accident year. Significant financial strength is a need of any prospective provider of the non-traditional products and Berkshire meets that need many times over. Many of the reinsurance arrangements under which the Berkshire Hathaway Insurance Group provided coverages in 1990 and 1991 were through finite-risk type contracts. Exemplary of such business, significant reinsurance assumed premiums were earned in 1990 and in 1991 from contracts, sizeable in amounts of coverage provided, but few in number, that indemnify other insurers and reinsurers against adverse loss development of their own loss portfolios.

Also in 1990, Berkshire Insurance Group management perceived declines to be occurring in industry capacity and competition for catastrophe excess-of-loss type reinsurance coverages and consequently National Indemnity wrote coverages for a number of such risks. Management believes that in 1991 the Berkshire Hathaway Insurance Group was among the largest providers in the world of this type of coverage. The contracts may provide sizeable amounts, i.e., $10 million or more, of indemnification per contract and a single event may result in payments under several contracts. This business can produce extreme volatility in reported periodic results. For example, in a year in which the Group earned $100 million of premiums from this business and no sizable natural disaster occurred, an underwriting profit would result of $100 million less nominal acquisition costs, whereas an annual underwriting loss might result for the Group of, say, $200 million, in a year of one or more sizable disasters (windstorm, earthquake, hurricane, etc.). Accounting consequences, however, do not influence decisions of Berkshire's management with respect to this or any other business, and this fact plus the Insurance Group's above-normal-for-the-industry financial strength are believed to be the primary reasons why the Group has become a major provider of these coverages.

Item 1. Business (continued)

Property and Casualty Insurance and Reinsurance Business (continued)

The following table shows insurance premiums earned by the Berkshire Hathaway Insurance Group in successive five year periods commencing with 1977 and extending through 1991, disaggregated between (i) premiums earned for reinsurance assumed and (ii) those earned in the Group's primary or direct operations.

	dollars in millions		
Five Year Period	Reinsurance assumed premiums earned	Primary or direct premiums earned	Total premiums earned
1977 - 1981	$ 148	$ 706	$ 854
1982 - 1986	575	1,012	1,587
1987 - 1991	1,953	1,218	3,171

The preponderance of reinsurance premiums in the most recent five year period, and more particularly in the past two years (75% of total premiums earned in 1990 and 82% in 1991) represents a change in Berkshire's insurance business that has resulted in an exceptional increase in the amount of "float", or net policyholder funds, held by the Insurance Group. The term denotes the sum of unpaid losses, unpaid loss adjustment expenses and unearned premiums, less the aggregate of agents balances receivable, amounts recoverable as reinsurance on paid losses, deferred policy acquisition costs and deferred charges re reinsurance. Given the length of the claims payment period — or tail — that attaches to the reinsurance business, the increased float plus the earnings it generates will result in somewhat meaningful increases for several years in the level of the Insurance Group's investments and investment income, with some part of such increases already evident.

Investment portfolios of insurance subsidiaries include equity securities valued at approximately $10.3 billion at December 31, 1991. Included are meaningful ownership percentages of other publicly traded companies such as approximately 48% of the outstanding capital stock of GEICO Corporation, approximately 18% of the capital stock of Capital Cities/ABC Inc., approximately 11% of the capital stock of The Gillette Company, convertible preferred stock of Salomon Inc having approximately 14% of the total voting power of the company, approximately 7% of the capital stock of The Coca-Cola Company, approximately 15% of the capital stock of The Washington Post Company, and approximately 10% of the common stock of Wells Fargo Company. Much information about these publicly-owned companies is available, including that released from time to time by the companies themselves.

Non-Insurance Businesses of Berkshire

Registrant's seven non-insurance "reportable business segments" are described below.

Encyclopedias, Other Reference Materials — World Book publishes educational products for homes, schools, and libraries. Its chief products include: *The World Book Encyclopedia*, the largest-selling encyclopedia in the United States; *Early World of Learning*, a readiness program for preschoolers, and *Information Finder*, a CD-ROM (compact disc read - only format) version of the encyclopedia text. These and other educational materials are marketed in the United States and Canada by a large direct-selling force. A newly copyrighted edition of *The World Book Encyclopedia* is published each year. Annual products such as *The World Book Year Book*, *Science Year* and *The World Book Health & Medical Annual* are updating publications for owners of earlier encyclopedia editions and are sold by direct mail. An international group markets these and other specially created educational products in Australia, the United Kingdom and Ireland with a commissioned sales force, and in 38 other countries through 31 distributors.

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Item 1. Business (continued)

Non-Insurance Businesses of Berkshire (continued)

There is significant competition in the business of publishing and marketing encyclopedias in North America, World Book's principal geographic market. World Book's selling prices are generally lower than those of its principal competitor; World Book quality is thought to be superior to any other.

A large portion of encyclopedia sales is made on an installment basis. Wholly-owned Berkshire subsidiaries offer financing of domestic and certain foreign consumer receivables.

Home Cleaning Systems — This segment of Berkshire's business is principally represented by Kirby home cleaning systems and products, sold to approximately 700 independent authorized factory distributors in the United States and foreign countries. These factory distributors sell to the consumer or to independent authorized area distributors who sell to the consumer. Sales are made through in-the-home demonstrations by independent salespeople. Substantially all of Kirby's sales to distributors are for cash. A wholly-owned Berkshire subsidiary offers consumer financing to about 350 authorized distributors in the United States and Canada. The distributors independently establish the prices at which they offer Kirby products. Kirby and its distributors believe they offer a premium product, and it is believed that the prices are generally higher than those of most of its four major competitors. In late 1989, Kirby began the introduction of an improved model which incorporates a power-assisted drive. That unit represented virtually all of the Kirby manufactured products in 1991.

This segment also includes the Douglas Products business that manufactures specialty vacuum cleaners such as electric hand held and cordless vacuum cleaners. Channels of distribution for these products include retail discount stores, catalogue showrooms, hardware stores and department stores. Additionally, Cleveland Wood Products, a manufacturer of vacuum cleaner brushes, is included in this segment.

Candy — See's produces boxed chocolates and other confectionery products with an emphasis on quality in two large kitchens in California. See's distributes its candies through its own retail stores - over 200 in number - located in 12 western and midwestern states, including Hawaii. A meaningful volume of candy business is also recorded for direct shipments made nationwide from a seasonally-varying number of quantity order distribution centers.

Seasonality in this business is extreme. About 50% of each year's unit sales volume is generated during the last two months of the year, when quantity sales at reduced prices to businesses and other organizations augment the extremely high December shop volume.

Newspaper — The Buffalo News, a division of Berkshire, publishes a Sunday edition and seven editions each weekday. It is the only metropolitan newspaper published daily within a ten county upstate New York distribution area that comprises one of the 50 largest primary market areas in the United States.

Among newspapers published in those primary markets, The Buffalo News claims the highest percentage of its area household coverage, 76% on weekdays and 84% on Sundays. Berkshire management believes the "newshole" percentage (portion of the paper devoted to news) of The Buffalo News to be greater than any other dominant newspaper of its size or larger. During 1991 this percentage was 53.6%.

Retailing of Home Furnishings — The Nebraska Furniture Mart ("NFM") operates a home furnishing retail business from a very large - over 200,000 square feet - retail outlet and sizable warehouse facilities in Omaha, Nebraska. In addition, NFM operates a detached 20,000 square foot clearance center. The business serves a trade area with a radius around Omaha of approximately 300 miles. An important feature of the business is its ability to control its costs and to produce a high business volume from offerings of significant value to its customers, while realizing highly satisfactory earnings.

Uniform Manufacturing and Distribution — The Fechheimer Brothers Company manufactures its products at plants in Kentucky, Ohio, Tennessee and Texas, for marketing through about forty company-operated retail distribution centers and by independent distributors and dealers who together serve more than 200 of the country's major metropolitan areas.

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tem 1. Business (continued)

Non-Insurance Businesses of Berkshire (continued)

Shoes — On July 1, 1991, Registrant purchased for cash all of the capital stock of H. H. Brown Shoe Co. ("Brown"), the business of which is the manufacturing, importing and marketing of work, safety, outdoor, western and casual footwear. Approximately 80% of Brown's revenues are derived from sales of a wide variety of work and safety shoes and boots. They are manufactured under the *H. H. Brown, Carolina, Richland, Double HH* and other brand names as well as under private label. Brown is the leading domestic producer of steel toe safety work shoes and maintains a significant share of other markets in which it competes, namely the western boot and causal shoe market.

In addition to manufacturing its products at three facilities located in the United States (two in Pennsylvania and one in North Carolina) and a facility in Quebec, Canada, the company sources shoes and shoe components offshore from several countries including Korea, Taiwan, China, India and Mexico. The Company purchases the majority of its leather (which accounts for approximately 30% of the manufacturing cost) on the world-wide hide market and sends it to contract tanners, rather than buying directly from tanners.

The Company markets its products entirely within the United States and Canada through a direct sales force of just over 100. Its' customer base is primarily composed of small independent retailers and wholesalers who sell to workers in a variety of industries including steel, construction, agriculture and heavy manufacturing. A significant quantity of Brown's work and military boots are sold to the United States and Canadian military, as well as to military PX's. Additionally, much of its imported footwear is sold to mass merchandisers such as K Mart, Wal Mart and Payless Shoe Co.

The Company competes in the mid-priced segment of the work boot and shoe market. The consumer is typically a middle income industrial laborer who is required by OSHA to wear a specific type of footwear. The Company's competitors in this market are typically small, domestic work boot manufacturers. Management believes that its products are competitive in terms of quality and pricing.

Other non-insurance activities not identified with Berkshire business segments include the more than one dozen diverse manufacturing businesses acquired with the 1986 purchase of The Scott & Fetzer Company. The largest revenue producer of these businesses was Campbell Hausfeld/Scott Fetzer Company, which manufactures and markets a variety of products related to transmission of air and other fluids, such as air compressors and painting systems.

In 1989, Berkshire purchased an 80% interest in a long established, high volume retailer of fine jewelry, Borsheim's, in Omaha, Nebraska. The size of this operation, like several of the Scott Fetzer operations, currently precludes its classification as a "reportable business segment" of Berkshire. However, it contributes meaningful added diversity to Berkshire's activities.

Mutual Savings and Loan Association, Pasadena, California (in addition to Wesco-Financial Insurance Company, a member of the Berkshire Hathaway Insurance Group), is wholly-owned by Wesco Financial Corporation, itself 80.1% owned by Berkshire. Mutual is relatively small; its assets of approximately $367 million at December 31, 1991 ranked it approximately 50th in asset size among California savings and loan associations.

Berkshire Hathaway Inc. and subsidiaries employed approximately 22,000 persons on a full-time basis at December 31, 1991. In addition to that number of full-time employees, up to 30,000 persons may act as World Book sales representatives from time to time.

Additional information with respect to Berkshire's businesses

The amounts of revenue, operating profit and identifiable assets attributable to each of the eight aforementioned business segments are included in Note 11 to Registrant's consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data. Additional information regarding Registrant's investments in fixed maturity and marketable equity securities is included in Notes 2 and 3 to Registrant's consolidated financial statements.

Item 2. Properties

The physical properties used by Registrant's significant business segments are summarized below:

Business	Location	Type of Property	Owned or Leased	Approx. Square Footage
Company Headquarters	Omaha, NE	Offices	Leased	4,000
Insurance	Omaha, NE	Offices	Owned	73,000
	Omaha, NE & other locations in California, Colorado, Kansas & New York	Offices	Leased	87,000
Candy	Los Angeles, CA & South San Francisco, CA	Plants/Warehouses/ Offices	Owned	273,000
	California	Warehouses/Offices	Leased	252,000
	California & other locations principally in western states	Retail outlets and quantity order centers (214 locations)	Leased	315,000
Newspaper	Buffalo, NY	Offices	Owned	220,000
	Buffalo, NY	Printing Plant	Owned	180,000
	New York & Washington, D.C.	Offices/Warehouses	Leased	50,000
Home Furnishings	Omaha, NE	Retail Store	Owned	274,000
	Omaha, NE & Lincoln, NE	Warehouses/Offices	Owned	391,000
Encyclopedias, Other Reference Material	Elk Grove Village, IL & Addison, IL	Offices/Warehouse	Owned	100,000
	Chicago, IL & Evanston, IL	Offices	Leased	86,000
	Australia	Offices/Warehouses	Leased	7,000
	United Kingdom	Offices	Leased	18,000
Home Cleaning Systems	Cleveland, OH, Andrews, TX & Walnut Ridge, AR	Plants/Warehouses/ Offices	Owned	424,000
	Cleveland, OH	Warehouse/Offices	Leased	29,000
	Canada & England	Warehouses/Offices	Leased	31,000
Uniforms	Cincinnati, OH & various other U.S. locations	Plants/Warehouses/ Offices	Owned	253,000
	Hodgenville, KY & various other U.S. locations	Plants/Warehouses/ Offices	Leased	250,000
	9 U.S. locations	Retail Stores	Owned	75,000
	34 U.S. locations	Retail Stores	Leased	227,000
Shoes	Morganton, NC, Womelsdorf, PA, Martinsburg, PA & Canada	Plants/Warehouses/ Offices	Owned	535,000
	Greenwich, CT, Commerce, CA, Morganton, NC, & Canada	Plants/Warehouses/ Offices	Leased	200,000
Consumer Finance	Westlake, OH	Offices	Owned	26,000
	Columbus, OH & United Kingdom	Offices	Leased	23,000

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Item 3. Legal Proceedings

The Company is a defendant in a lawsuit growing out of its acquisition in January 1986 of The Scott & Fetzer Company ("Scott Fetzer"). In John W. Drumm v. Ralph E. Schey, et al., (United States District Court, Northern District of Ohio, No. C85-3897, filed December 23, 1985), a former shareholder of Scott Fetzer has filed a complaint on behalf of a purported shareholder class alleging damages and seeking other relief against Scott Fetzer, its former directors, certain other persons, and the Company resulting from the acquisition transaction. The Drumm complaint alleges that the defendants unlawfully manipulated the acquisition transaction for the purpose of benefitting the defendants, failed to make material disclosures to the shareholders of Scott Fetzer regarding the acquisition, and committed corporate waste. Plaintiff seeks injunctive relief, unspecified compensatory damages and $30,000,000 in punitive damages. Defendants filed a motion to dismiss on February 13, 1986 based on lack of standing and mootness with respect to the injunctive remedy, but the Court has not yet ruled on this motion.

The Company is a defendant in litigation relating to Salomon Inc ("Salomon") and the transactions in which Salomon repurchased a significant block of its common stock from a holder thereof and sold a new issue of preferred stock to the Company. Twenty-one derivative action lawsuits have been filed against Salomon's directors challenging these transactions and seeking damages; two of these lawsuits (Ruby Resnik v. Dwayne O. Andreas, et al., Delaware Chancery No. 9300, filed September 30, 1987 and Rodney Shields v. John H. Gutfreund, et al., United States District Court for the Southern District of New York, No. 88 Civ. 1058, filed February 12, 1988) named the Company as an additional defendant. The lawsuits allege that the Salomon directors breached their fiduciary duties to Salomon and its shareholders in connection with these transactions, and the two lawsuits naming the Company claim, in essence, that the Company participated in such alleged breaches of duty. The complaints in these lawsuits seek damages in unspecified amounts, a declaration that the sale of preferred stock to the company is illegal, null and void, an order requiring that the preferred stock purchased by the Company be voted in the same manner as the majority of Salomon's shares, and rescission of the transaction between Salomon and the Company.

Management does not expect the outcome of the proceedings described above to be materially adverse to the Company. Other litigation pending against the Company and its subsidiaries is not considered material or is ordinary routine litigation incidental to the business.

Item 4. Submission of Matters to a Vote of Security Holders

None

Executive Officers of the Registrant

Following is a list of the Registrant's executive officers:

Name	Age	Position with Registrant	Since
Warren E. Buffett	61	Chairman of the Board	1970
Michael A. Goldberg	45	Vice President	1981
J. Verne McKenzie	63	Vice President and Secretary	1966
Charles T. Munger	68	Vice Chairman of the Board	1978

Each executive officer serves, in accordance with the by-laws of the Registrant, until the first meeting of the Board of Directors following the next annual meeting of shareholders and until his respective successor is chosen and qualified or until he sooner dies, resigns, is removed or becomes disqualified. Messrs. Buffett, McKenzie and Munger also serve as directors of the Registrant.

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Part II

Item 5. Market for Registrant's Common Stock and Related Security Holder Matters

Market Information

The Company's Common Stock is listed for trading on the New York Stock Exchange, trading symbol: BRK. The following table sets forth the high and low sales prices per share as reported on the New York Stock Exchange Composite List during the periods indicated:

1991	High	Low	1990	High	Low
First Quarter	$8,275	$6,550	First Quarter	$8,725	$6,675
Second Quarter	8,750	7,760	Second Quarter	7,675	6,600
Third Quarter	9,000	8,325	Third Quarter	7,325	5,550
Fourth Quarter	9,125	8,150	Fourth Quarter	6,900	5,500

Shareholders

The Company had approximately 6,900 record holders of its common stock at March 2, 1992. Record owners included nominees holding at least 170,000 shares on behalf of beneficial-but-not-of-record owners.

Dividends

Berkshire has not declared a cash dividend since 1967.

Item 6. Selected Financial Data

Selected Financial Data for the Past Five Years
(dollars in thousands, except per share data)

	1987	1988	1989	1990	1991
Revenues:					
Sales and service revenues	$1,326,829	$1,407,642	$1,526,459	$1,580,074	$1,651,134
Insurance premiums earned	824,895	584,235	394,279	591,540	776,413
Interest and dividend income	237,319	314,251	331,452	450,295	481,793
Realized investment gain	28,838	131,671	223,810	33,989	192,478
Sundry	13,901	27,094	7,892	3,574	4,178
Total revenues	$2,431,782	$2,464,893	$2,483,892	$2,659,472	$3,105,996
Earnings:					
Before realized investment gain	$ 214,746	$ 313,441	$ 299,902	$ 370,745	$ 315,753
Realized investment gain	19,806	85,829	147,575	23,348	124,155
Net earnings	$ 234,552	$ 399,270	$ 447,477	$ 394,093	$ 439,908
Earnings per share:					
Before realized investment gain	$ 187.24	$ 273.37	$ 262.46	$ 323.39	$ 275.42
Realized investment gain	17.27	74.86	127.55	20.36	108.30
Net earnings	$ 204.51	$ 348.23	$ 390.01	$ 343.75	$ 383.72
Year-end data:					
Total assets	$5,863,235	$6,816,848	$9,459,594	$10,670,423	$14,461,902
Term debt and other borrowings	289,886	480,009	1,007,516	1,239,358	1,255,068
Shareholders' equity	2,841,659	3,410,108	4,925,126	5,287,454	7,379,918
Common shares outstanding, in thousands	1,147	1,146	1,146	1,146	1,146
Shareholders' equity per outstanding share	$ 2,477	$ 2,975	$ 4,296	$ 4,612	$ 6,437

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net earnings for each of the past three years are disaggregated in the table that follows. Amounts are after deducting minority interests and taxes.

Activity or Item	Contribution to Net Earnings					
	1991		1990		1989	
	Millions of Dollars	Dollars per Share	Millions of Dollars	Dollars per Share	Millions of Dollars	Dollars per Share
Insurance Segment:						
Underwriting	$(77.2)	$(67)	$(14.9)	$(13)	$(12.3)	$(11)
Investment income	285.1	249	282.6	247	213.6	186
Realized investment gain	73.8	64	11.8	10	145.5	127
Total - Insurance Segment	281.7	246	279.5	244	346.8	302
Non-Insurance business segments	104.2	91	100.1	87	93.4	81
Other businesses	27.6	24	31.9	28	30.6	27
Interest and dividend income not included above	40.9	36	27.8	24	7.1	6
Realized investment gain not included above	50.3	44	11.5	10	2.1	2
All other except interest expense	(7.6)	(7)	(7.0)	(6)	(5.4)	(5)
Interest expense	(57.2)	(50)	(49.7)	(43)	(27.1)	(23)
Net earnings	$439.9	$384	$394.1	$344	$447.5	$390

In the above table, interest expense incurred by Consumer Finance companies and by Mutual Savings and Loan Association is not reflected as "Interest expense" but instead is reflected in amounts shown for "Other businesses".

The business segment data (Note 11 to the Consolidated Financial Statements contained in Item 8, Financial Statements and Supplementary Data.) should be read in conjunction with this discussion.

Insurance Underwriting

The after-tax figures shown above for Insurance underwriting derive from the following:

	(dollars in millions)		
	1991	1990	1989
Underwriting gain (loss):			
Primary or Direct Insurance	$ (2.5)	$ 0.5	$ 4.2
Reinsurance Assumed	(117.1)	(27.2)	(28.6)
Underwriting loss — pre-tax	(119.6)	(26.7)	(24.4)
Applicable income tax credit	42.2	11.6	11.8
Applicable minority interest	0.2	0.2	0.3
After-tax underwriting loss	$ (77.2)	$(14.9)	$(12.3)

The Berkshire Hathaway Insurance Group engages in both insurance and reinsurance of property/casualty risks. In its insurance activities, as distinguished from its reinsurance activities, its members assume risks of loss from persons primarily and directly subject to the risks. In its reinsurance activities, the members assume defined portions of similar or dissimilar risks to which other insurers and reinsurers have subjected themselves in their own insuring activities.

In each of the past two years, the premiums that the Berkshire Hathaway Insurance Group earned in its reinsurance business have increased significantly from the preceding year, while premiums earned in its primary or direct business have shown year-to-year decreases for each of the past 5 years.

Insurance Underwriting (continued)

A significant marketing strategy followed by all Insurance Group members is the maintenance of above average capital strength. Statutory surplus as regards policyholders of the Berkshire Hathaway Insurance Group increased to approximately $8.7 billion at year-end 1991. This unique capital strength creates opportunities for Berkshire Group members to negotiate and enter into contracts of insurance specially designed to meet unique needs of sophisticated insurance and reinsurance buyers.

Reinsurance Assumed

Underwriting results, stated on the basis of generally accepted accounting principles ("GAAP"), with respect to the reinsurance assumed business for the past three years are summarized in the following table.

	(dollars in millions)					
	1991		1990		1989	
	Amount	%	Amount	%	Amount	%
Premiums written	$ 667.0		$435.2		$126.4	
Premiums earned	$ 635.4	100.0	$437.5	100.0	$205.4	100.0
Losses and loss expenses	731.9	115.2	432.2	98.8	183.5	89.4
Underwriting expenses	20.6	3.2	32.5	7.4	50.5	24.5
Total losses and expenses	752.5	118.4	464.7	106.2	234.0	113.9
Underwriting (loss) — pre-tax	$(117.1)		$(27.2)		$(28.6)	

Disaggregated data follows for these activities.

	(dollars in millions)								
	Premiums Earned			Underwriting Gain (Loss)			Year-End Reserves*		
	1991	1990	1989	1991	1990	1989	1991	1990	1989
Retroactive reinsurance and structured settlements	$ 363.2	$423.7	$ 57.4	$ (49.0)	$(21.7)	$(16.1)	$1,573.9	$1,002.2	$246.4
Major quota share reinsurance	—	—	130.6	30.6	—	(9.0)	248.1	332.6	411.9
Other reinsurance	272.2	13.8	17.4	(98.7)	(5.5)	(3.5)	460.2	128.9	138.9
	$ 635.4	$437.5	$205.4	$(117.1)	$(27.2)	$(28.6)	$2,282.2	$1,463.7	$797.2

**Unpaid losses and loss adjustment expenses*

Premiums Earned

As shown, premiums earned from reinsurance assumed activities grew significantly from 1989 to 1990 and again from 1990 to 1991. The growth from 1989 to 1990 came from premiums earned in 1990 amounting to $370 million with respect to retroactive reinsurance — coverages for past loss events. A relatively insignificant amount of premiums were received for such business prior to 1990. Premiums earned in 1991 for such coverages amounted to $362 million. The increase in "other reinsurance" premiums earned from 1990 to 1991 came from (i) finite-risk type coverages, for which 1991 earned premium amounted to $197 million, plus (ii) premiums earned in 1991 from significantly increased issuances of catastrophe excess-of-loss coverages to other insurers and reinsurers.

Underwriting Gain (Loss)

The 1991 underwriting loss from retroactive reinsurance was $26.2 million, representing amortization of deferred charges re reinsurance, an account first established at the end of 1990. See Note 1(h) to the Consolidated Financial Statements for information with respect to this charge. The underwriting loss with respect to structured settlement liabilities was $22.8 million for 1991, $21.7 million for 1990 and $16.1 million for 1989. Such amounts represent accretion of liabilities with respect to all structured settlement contracts.

Favorable development in the amount of $30.6 million was recorded in 1991 with respect to liabilities under pre-1990 major quota share reinsurance contracts. No development with respect to those contracts was recorded in 1990. For 1989, losses under the contracts were estimated in an amount that exceeded by $9 million the premiums

Insurance Underwriting (continued)

Reinsurance Assumed (continued)

earned with respect thereto. It should be noted that estimated unpaid losses and loss adjustment expenses with respect to these contracts amounted to $248.1 million at December 31, 1991 and there will be additional development — which may be either favorable or unfavorable — recorded in future years as these contracts are run-off.

Gross losses and expenses of approximately $295 million were recorded for 1991 with respect to the finite-risk type contracts referred to in the third preceding paragraph. That amount exceeded by $98 million the related premiums earned, and that difference comprised virtually all of the 1991 underwriting loss from the category of "other reinsurance" shown in the disaggregated data above. These contracts provide casualty-type coverages of sizeable but limited amounts per contract.

The concept of the time-value-of-money is taken into account in pricing of virtually all insurance products, but the concept is a more important consideration in the pricing of reinsurance products than in the pricing of direct business due to the more extended claims payment period — or "tail" — attached to reinsurance business. Thus, the premium charged per dollar of expected loss and expense for reinsurance coverage is normally less than for direct coverage in the same line of business. Further, the concept of the time-value-of-money is a more important consideration in pricing of certain lines, e.g., workers' compensation and general liability, than for other lines, e.g., auto physical damage, whether it be direct insurance or reinsurance. Recognition of the concept, through discounting liabilities for unpaid losses to present value, is permitted by insurance regulatory authorities of a few states, usually only for some lines of insurance and reinsurance. Nebraska, the state of domicile for National Indemnity Company and several other members of the Berkshire Hathaway Insurance Group, permits discounting only for structured settlement liabilities. The extreme difficulty in estimating the amount of unpaid losses plus the added difficulty of projecting the time of their payment may justify the mandated, conservative approach that treats all liabilities as equal for accounting purposes, irrespective of differences in their projected payment date.

Discounting is not permitted with respect to the Group's unpaid losses and loss expenses in the category of "other reinsurance," and a large portion of this business is in long-tail lines. Thus, a large portion of the $272 million premiums earned for this category in 1991 was priced based in significant part on time-discounting of expected losses where the effects of such discounting are very meaningful. However, the related losses and loss expenses charged against those premiums in the Statement of Earnings are stated on an undiscounted basis. The resulting substantial underwriting loss does not reflect management's view of the economics of the underlying arrangements.

The (i) deferred charge and its amortization that arise from the accounting treatment afforded to retrospective reinsurance, as well as (ii) the periodic accretion of structured settlement liabilities, are accounting procedures that apply the concept of the time-value-of-money. However, the amortization and accretion are charged as losses incurred in periods subsequent to the periods when related premiums are earned, and thus reflect themselves as underwriting losses in the subsequent periods. Accretion and amortization charges referred to in this paragraph, charged as loss costs in periods when there is no directly related credit for premium income, amounted to $49 million for 1991 and are expected to approximate $70 million for 1992.

Berkshire's management is not recommending a changed accounting model for insurance companies. These comments, regarding the mismatch in the Statement of Earnings of premiums earned and related loss costs, are instead intended as an aid to shareholders' and others' understanding of the data reported above.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations *(Continued)*

Insurance Underwriting (continued)

Primary or Direct Insurance Underwriting

A summary follows of the combined underwriting results, stated on a GAAP basis, of the Berkshire Hathaway Insurance Group's primary or direct insurance operations.

	(dollars are in millions)					
	1991		1990		1989	
	Amount	%	Amount	%	Amount	%
Premiums written	$135.5		$139.1		$169.7	
Premiums earned	$141.0	100.0	$154.0	100.0	$188.9	100.0
Losses and loss expenses	95.2	67.5	102.0	66.2	125.9	66.6
Underwriting expenses	48.3	34.3	51.5	33.4	58.8	31.1
Total losses and expenses	143.5	101.8	153.5	99.6	184.7	97.7
Underwriting gain (loss) — pre-tax	$ (2.5)		$ 0.5		$ 4.2	

Favorable development, discussed on the following page, of beginning-of-the-year loss reserves represented respectively, 16.9%, 11.9%, and 10.6% of premiums earned in 1991, 1990 and 1989. Without such credits, total losses and expenses as a percentage of premiums earned were: 1991 — 118.7%, 1990 — 111.5%, and 1989 — 108.3%.

The number of risks accepted in Berkshire's primary or direct insurance operations peaked in 1986 and has declined each succeeding year. The declines have been shared by each of the underwriting units that produce the Group's direct business, as reflected in the following table of premiums earned for the past five years:

	(dollars in millions)				
Underwriting Unit	1991	1990	1989	1988	1987
Traditional motor vehicle/general liability operations	$ 89	$ 94	$113	$168	$268
N.Y. commercial casualty/professional liability/specialty risk operations	14	18	20	54	93
Homestate companies/Cypress Insurance Co.	38	42	56	70	80
Total premiums earned	$141	$154	$189	$292	$441

The "traditional" business, written through general agents located nationwide directed from National Indemnity's Omaha offices, represents principally casualty coverages for commercial accounts. The operations are termed internally as those of the "National Indemnity primary group." Historically from the founding of National Indemnity Company fifty years ago, the volume of business written by this group varied significantly from year to year, increasing during periods of limited industry insuring capacity and decreasing when industry capacity expanded. When capacity was adequate, much of the business was written by competing insurers (i) charging prices lower than those acceptable to National Indemnity, and/or (ii) applying less stringent underwriting guidelines than those applied by National Indemnity. Those lower prices continued until the resulting unacceptable losses caused voluntary or involuntary exits from the market. At such point in the cycle, offerings increased to National Indemnity Company and its affiliated Insurance Group members at prices they believed to be adequate. In recent years, the group has experienced the down-side of this cycle. The upside, evidenced by increased offerings meeting the Group's acceptance standards, has not yet been observed.

Disciplined underwriting is also practiced by the Group's New York City underwriting units that commenced operations in 1985. Earned premiums from policies underwritten from these offices peaked at $93 million in 1987 and then declined each year, totalling $18 million in 1990 and $14 million in 1991. The commercial casualty/professional liability and special risks underwriting units enter into "tailored" insurance contracts for insureds presenting risks unusual in nature and/or unusually large. Many standard carriers decline to provide such coverages when their capacity can be fully employed in providing standard coverages for standard risks, i.e., in tight markets such as those of 1985 and 1986, but they have increasingly competed for, and written much of this business in the 1988-1991 period.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations *(Continued)*

Insurance Underwriting (continued)

Primary or Direct Insurance Underwriting (continued)

The Homestate companies of the Berkshire Hathaway Insurance Group — in Colorado, Kansas and Nebraska — reduced their premium writings in each of the past three years. Their disciplined underwriting approach in a soft market environment resulted in loss of market share. Cypress Insurance Company underwrites primarily workers' compensation risks in a highly competitive market environment in California.

The preceding discussion is given to explain the downward trend in dollar amount of premiums. It should be understood that no management judgments with respect to the Insurance Group's operations are based on volume of business done. Instead, members are encouraged to reject underpriced risks without regard to volume.

Summarized below is loss and loss expense data from primary or direct insurance underwriting:

	(dollars in millions)		
	1991	1990	1989
Unpaid losses and loss expenses at beginning of year	$586.6	$639.2	$667.6
Incurred losses recorded:			
Current year occurrences	119.0	120.3	145.9
All prior years' occurrences	(23.8)	(18.3)	(20.0)
	95.2	102.0	125.9
Payments with respect to:			
Current year occurrences	23.3	21.7	27.6
All prior years' occurrences	91.6	132.9	126.7
	114.9	154.6	154.3
Unpaid losses and loss expenses at end of year	$566.9	$586.6	$639.2

Credits against incurred losses were recorded in each of the last three years for "all prior year occurrences." They are corrections of estimation error that are credited or charged to earnings in the year made. Relating these credits for each year to the related estimated unpaid amounts at the beginning of the respective year, the "savings" were: 1991 — 4.1%, 1990 — 2.9%, and 1989 — 3.0%. 1991 was the fifth consecutive year of favorable development, which might be viewed as somewhat comforting. But additional cases of an unknowable number and magnitude for pre-1992 losses are certain to be reported. A provision for late reported cases is, of course, included in the $566.9 million 1991 year-end provision for unpaids. But, that total amount is subject to the favorable or unfavorable development that will be recorded in future years.

The favorable development recorded in each of the most recent three years related principally to the traditional commercial automobile business of the primary group.

Insurance Segment Investment Income

Following is a summary of Insurance Group net investment income for the past three years.

	(dollars in millions)			
	Investment Income Before Taxes	Applicable Income Taxes	Applicable Minority Interest	Investment Income After Taxes and Minority Int.
1991	$331.8	$ 43.8	$ 2.9	$285.1
1990	327.0	41.2	3.2	282.6
1989	243.6	26.8	3.2	213.6

Invested assets increased in each of the past three years. In the three-year period, Berkshire contributed approximately $625 million additional capital to the Group, and reinvested earnings of the Group for that period amounted to approximately $800 million. Contributing to a further increase in invested assets was about $525 million increase during the past two year period in the amount of "float" from policyholder funds. That term denotes the sum of unpaid losses, unpaid loss adjustment expenses and unearned premiums, less the aggregate of agents' balances receivable, amounts recoverable as reinsurance on paid losses, deferred policy acquisition costs and deferred charges re reinsurance. The net amount of float was approximately $1.54 billion at the end of 1989 — unchanged during that year, $1.63 billion at the end of 1990, and $2.07 billion at the end of 1991.

The Insurance Group received dividends in the prior year of $52.5 million with respect to the Group's investment in Gillette convertible preferred stock that was converted on April 1, 1991 into common stock. 1991 dividends received from Gillette with respect to such common stock plus the 1st quarter dividend on the preferred totalled $24.3 million. The comparative decrease is one reason why the increase in 1991 investment income over 1990 was less than the 1990 increase over 1989. Another is that the timing of Berkshire capital contributions to the Group influenced the year-to-year comparison more in 1990 than in 1991.

Non-Insurance Business Segments

A summary follows of results to Berkshire from these identified business segments for the past three years.

	(dollars in millions)			
			Net after-tax earnings	
	Revenues	Operating profit before taxes	Minority share	Berkshire share
1991	$ 1,204.8	$ 176.1	$ 2.9	$ 104.2
1990	1,120.8	170.6	3.2	100.1
1989	1,069.7	158.8	3.2	93.4

The businesses that produced the above results numbered seven in 1991, versus six in both 1990 and 1989.

On July 1, 1991, Berkshire purchased for cash all of the capital stock of H. H. Brown Shoe Co. ("Brown"), the business of which is the manufacturing, importing and marketing of work, safety, outdoor, western and casual footwear. Its operations for the last six months of 1991 accounted for approximately $7.5 million of Berkshire's 1991 after-tax earnings, and that figure more than accounts for the $4.1 million increase, 1991 vs 1990, in Berkshire's aggregate net earnings from these business segments.

Operations of each of the non-insurance business segments are dealt with in the following paragraphs.

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Non-Insurance Business Segments (continued)

Candy — See's Candies

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 196.0	$ 41.4	$ 24.6
1990	196.1	38.6	22.9
1989	186.0	33.3	19.7

1991 vs 1990

In 1991, unit sales of See's candies at retail — stated on the basis of an equivalent number of shops — decreased from 1990 by about 5%, and the physical volume of shipments in response to quantity orders was approximately 3% lower than in the previous year. Virtually all of the year-to-year decrease was experienced in the last two months — the critical selling season for See's. Price increases that were initiated on January 1 permitted 1991 sales revenues to equal those of 1990, a year when See's highest-ever revenues were recorded. Fortunately, 1991 cost and expense increases — at a rate of just over 2% on a per-pound sold basis — were lower than anticipated by the price increase. The 1991 raw material component of cost was actually less than in 1990, and See's after-tax profits for 1991 were higher by approximately $1.7 million than for the preceding year.

See's management believes that two factors were largely responsible for its decreased unit sales volume in 1991. First, as of July 15, 1991, the State of California imposed a sales tax on "candy and snack foods". The rate of tax is 8.5% in most metropolitan areas and because of See's heavy presence in California it applies to about 80% of See's sales. A second factor in management's view was the major decline in consumer confidence that commenced in mid-1990 and then intensified through the last quarter of 1991. Those factors may continue to adversely affect the business in 1992.

1990 vs 1989

Physical volume in 1990 was up over 1989, but by less than 1%. An increase of approximately 4.5% in pounds sold in response to quantity orders was largely offset by a decrease of about 2% in pounds sold from the retail stores. A slowing in 1990 retail store volume was particularly notable in the last quarter of the year when West Coast mall stores of all types saw less traffic. A selling price increase of about 5%, initiated at the beginning of the year, together with the slight increase in physical volume of sales, resulted in a $10.1 million, 5.4% increase in sales revenue and a $3.2 million, 16% year-to-year increase in after-tax profits.

Home Furnishings — Nebraska Furniture Mart

	(dollars in millions)			
			Net after-tax earnings	
	Revenues	Operating profit before taxes	Minority share	Berkshire share
1991	$ 171.0	$ 13.9	$ 1.7	$ 6.5
1990	163.7	16.8	2.1	8.1
1989	156.8	16.6	2.1	8.0

The Nebraska Furniture Mart's sales and other revenues increased from the preceding year by just over 4% in both 1991 and 1990. The 1991 increases over 1990 were achieved in a retailing economy that was sluggish for the entire year, and in the face of some heightened competition. In 1990, the influence of a slowing economy revealed itself in the fourth quarter, when sales increases over the 1989 fourth quarter, at about 1%, were below the average increase for the year. The percentage increase in sales revenues for 1991 over 1990 came from increased sales of furniture, appliances, electronics and carpet. On the other hand, the increased 1990 sales over 1989 came primarily from electronics and appliances.

Non-Insurance Business Segments (continued)

Home Furnishings — Nebraska Furniture Mart (continued)

In 1991, in order to protect and reinforce its image as a low-cost supplier and to fulfil its customers' low-price expectations, the Mart's management priced its goods at levels that resulted in lower gross margins on sales. In addition to accepting lower gross margins in 1991, the Mart also increased expenditures for advertising. In both 1991 and 1990, additional payroll costs were incurred for added point-of-sale personnel.

The Mart added personal computers and 35mm cameras to its product line in the last half of 1991 and devoted space to a "new life style furniture" facility called Trends. To enlarge its position as a provider of commercial carpet, in the fourth quarter of 1991, the Nebraska Furniture Mart purchased a small business located 50 miles away in Lincoln, Nebraska, that is engaged in that line of business.

Management at the Mart are hopeful that some increase in sales can be achieved in 1992, but expect it to be at a continuing cost of lower profit margins. Lower advertising costs may offset those cost pressures and permit modestly improved earnings for 1992.

Newspaper — The Buffalo News

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 130.3	$ 36.6	$ 21.3
1990	135.2	43.4	25.4
1989	135.6	45.4	27.2

1991 vs 1990

During the first nine months of 1991, newspaper revenues and profits continued the decline that started in the last quarter of 1990, as the demand for print advertising declined dramatically. Revenues at the News stabilized in the fourth quarter of 1991 and were at approximately the same level as for the fourth quarter of 1990. However, pre-tax profits continued to slide and for the quarter were about 5% lower than for the fourth quarter of the prior year. For the full year 1991, newspaper revenues of $130.3 million were 3.7% less than for the full year 1990, and after-tax earnings of $21.3 million were 16.4% less than for the preceding year.

1990 vs 1989

A marked decline occurred in virtually every category of advertising lineage and revenue in the fourth quarter of 1990. Largely as a result, newspaper revenues for the year declined slightly from their 1989 level and after-tax earnings declined about 6%.

1992 prospects

Downward pressure on newspaper profitability from two trends is expected to continue. They are (i) increasing competition from direct mail, and (ii) an increasing tendency on the part of the retailing sector to rely less on newspaper advertising. Also, the trend in cost of newsprint is likely to reverse in the near term from its downward direction of the past three years. A buy-out offer made to printers and pressmen in early 1992 will result in at least $2 million of additional expense for the News. Thus, some further decline in earnings from the News may be in prospect for 1992.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations *(Continued)*

Non-Insurance Business Segments (continued)

Encyclopedias, Other Reference Materials — World Book

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 311.5	$ 22.2	$ 15.2
1990	342.9	31.6	20.1
1989	338.4	25.3	16.2

1991 vs 1990

Revenues for this segment in 1991 were below 1990's all time record high level by $31.4 million. The 9% decline resulted largely from a disappointing 15% drop in unit sales in the Parent & Teacher market for World Book encyclopedias, Childcraft and Early World of Learning products. A part of the decline in revenues in 1991 is believed to reflect recessionary pressures in the domestic economy; a larger part may reflect some internal inefficiencies resulting from changes made during the year in the World Book marketing organization. World Book's marketing effort is accomplished by a geographically dispersed, very sizeable group of persons. While reorganizational steps taken to date are believed to have adversely affected the immediate selling effort, management believes that after related additional planned steps are accomplished, the restructuring's influence upon longer term results will be favorable. Improved capability to serve what is believed to be an increasing market for World Book products may be demonstrated in 1993 and beyond, but meaningful improvement in 1992 financial results over 1991 is not anticipated.

The decrease in earnings in 1991 from the prior year is attributable to the lower 1991 revenues.

1990 vs 1989

Revenues were about 1% higher for 1990 than for 1989. International sales increased as did domestic sales of publications other than encyclopedias. Revenues from domestic sales of the latter declined. Response to domestic special promotions of the encyclopedias was disappointing in 1990, believed to relate to earlier inadequate recruitment of sales representatives.

Profits of the segment in 1990 increased over 1989 as shown above. Among other factors contributing to this increase were lower costs in 1990 than in 1989 relating to relocating activities of the segment away from Chicago's Merchandise Mart to suburban and other locations. Such costs incurred were $6.9 million in 1989 versus $1.5 million in 1990. Also, foreign currency exchange gains of approximately $700,000 were recorded for the segment in 1990 contrasted to foreign exchange losses of approximately $550,000 in 1989.

Non-Insurance Business Segments (continued)

Home Cleaning Systems

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 192.0	$ 37.3	$ 23.0
1990	188.3	28.5	17.7
1989	159.0	26.2	16.3

Revenues of this segment derive from sales to distributors of *Kirby* home cleaning systems and accessories, sales to retailers or others of specialty vacuum cleaners such as electric as well as cordless hand-held vacuum cleaners, and sales of vacuum cleaner brushes to other manufacturers.

1991 revenues were $3.7 million more than in 1990. 77% of that increase, $2.8 million, represents the year-to-year increase in sales revenues from Kirby cleaners. The remainder of the increase came from higher sales in 1991 of hand-held brush vacuums, essentially resulting from a single large quantity order from a buyer that used the product as a promotional item. Kirby's new Generation III model cleaner, introduced in late 1989 as a replacement for its Legend II, represented about 99% of domestic unit sales in 1991, versus about 82% in 1990. The newer cleaner, with its power drive, is larger, is somewhat more costly to produce, commands a higher unit selling price and yields a somewhat higher profit margin than the Legend II.

In 1990, the first full introductory year for the Generation III, unit sales of Kirby cleaners increased 8% domestically and 20% internationally over 1989. In 1991, unit sales declined slightly from the prior year, both in the domestic and international market. (International sales comprised about one-third of Kirby sales in both 1991 and 1990).

The higher sales revenues mentioned above, and somewhat higher profit margin realized on sales, in both 1991 and in 1990, each as compared to the immediately preceding year, contributed largely to the earnings increases shown above. In addition, the Kirby operation was burdened with somewhat less start-up costs in 1991 than in 1990 with respect to the new product.

Uniforms — Fechheimer Bros. Co.

	(dollars in millions)			
			Net after-tax earnings	
	Revenues	Operating profit before taxes	Minority share	Berkshire share
1991	$100.0	$ 12.2	$ 1.2	$ 6.1
1990	94.6	11.7	1.1	5.9
1989	93.9	12.0	1.1	6.0

This operation achieved a 6% increase in revenues in 1991 over 1990, greater than the 1% increase in the prior year over 1989. The current year's increase came largely from growth in retail operations and in part from its new fire-protective clothing line. Sales of marching band uniforms were also higher in 1991 than in 1990.

Levels of profitability of this segment gradually improved in 1991 as problems gradually decreased in integrating into its operations store acquisitions and start-ups from the late 1980's as well as a manufacturing facility acquired in 1989. 1992 is Fechheimer's 150th anniversary, and its managers are cautiously optimistic that earnings results for the year can somewhat exceed the level of recent years.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations *(Continued)*

Non-Insurance Business Segments (continued)

Shoes — H. H. Brown

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 104.0	$ 12.5	$ 7.5

H. H. Brown Shoe Co. (unrelated to another Brown Shoe operation in St. Louis) was purchased for cash by Berkshire as of July 1, 1991, and the results of its operations after that date, above, are included in Berkshire's consolidated results. The business manufactures, imports and markets work, safety, outdoor, western and casual footwear.

Brown's profit results for the last six months of the year were better than might have been projected earlier. In the domestic leather market where Brown's purchases its major raw material, prices were lower than at any time in the past seven years. Pairs of shoes and boots from this operation sold in the last six months of 1991 were somewhat fewer than in the corresponding period of 1990, when it was under previous ownership, but increased sales of western boots, combined with other changes in product mix and some increase in prices resulted in a higher dollar volume of sales from the operation than for the corresponding six month period of the prior year. That, combined with a decrease in raw material cost for manufactured products and lower promotional costs, resulted in earnings at a very respectable level for the six month 1991 period of Berkshire ownership.

The good start under Berkshire ownership means that a comparable or a better level of results should not be anticipated for 1992, particularly in view of the now-firming leather market.

Businesses Other Than Identified Segments

	(dollars in millions)			
			Net after-tax earnings	
	Revenues	Operating profit before taxes	Minority share	Berkshire share
1991	$524.4	$ 49.3	$ 2.4	$ 27.6
1990	535.9	56.4	2.9	31.9
1989	531.7	53.4	2.5	30.6

The above represent aggregate data for businesses that numbered 23 in 1991. Berkshire management believes that narrative discussion of the results of the constituent businesses would not yield significant benefit to investors or others, particularly in view of the relative consistency of the year-to-year aggregate data.

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Interest Expense

Interest expense was higher in 1991 than in 1990 partly because the average amount of Berkshire's borrowings under investment agreements was higher in 1991 than in 1990. Also, in 1991, debt of $72 million was redeemed prior to scheduled maturity (in 2018) and the early redemption premium amounting to $5.7 million that was incurred in the redemption transactions was charged to 1991 interest expense.

Interest expense was higher in 1990 than in 1989 partly because accretion for all of 1990 amounting to $22.6 million with respect to Berkshire's zero coupon convertible subordinated notes was greater than the $5.7 million charge with respect thereto for the last quarter of 1989 following their issue. Also in 1990, borrowings by Berkshire under investment agreements were more than in 1989.

Realized Investment Gain

Realized investment gain has been a recurring element in Berkshire's net earnings for many years. The amount — recorded when appreciated securities are sold — tends to fluctuate significantly from period to period, with a meaningful effect upon Berkshire's consolidated net earnings. But, the amount of realized investment gain for any given period has no predictive value, and variations in amount from period to period have no practical analytical value, particularly in view of the billions of dollars now reflected for unrealized price appreciation in Berkshire's consolidated investment portfolio.

Liquidity and Capital Resources

Berkshire's Consolidated Balance Sheet as of December 31, 1991, reflects continuing capital strength. In the past three years, Berkshire shareholders' equity has more than doubled from approximately $3.41 billion at December 31, 1988 to approximately $7.38 billion at December 31, 1991. In that three-year period, realized and unrealized securities gains increased equity capital by approximately $3 billion, and reinvested earnings, other than realized securities gains, were nearly $1 billion. The rate of increase in net worth is certain to decline in future years because of its current magnitude. But, creditors and customers can continue to benefit from Berkshire's capital adequacy.

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Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Berkshire Hathaway Inc.

We have audited the accompanying consolidated balance sheets of Berkshire Hathaway Inc. and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Berkshire Hathaway Inc. and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

Deloitte & Touche

DELOITTE & TOUCHE

Omaha, Nebraska
March 9, 1992

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(dollars in thousands except per share amounts)

	December 31, 1991	December 31, 1990
ASSETS		
Cash and cash equivalents	$ 762,000	$ 247,024
Investments:		
Obligations with fixed maturities	2,337,954	3,084,802
Marketable equity securities	9,182,524	5,685,983
Loans and accounts receivable	904,471	681,922
Inventories	256,473	203,795
Properties and equipment	222,139	209,870
Other assets	796,341	557,027
	$14,461,902	$10,670,423
LIABILITIES AND SHAREHOLDERS' EQUITY		
Losses and loss adjustment expenses	$ 2,849,089	$ 2,050,305
Unearned premiums	152,490	126,381
Savings accounts	286,904	286,093
Accounts payable, accruals and other liabilities	492,177	475,873
Income taxes	1,929,074	1,111,783
Term debt and other borrowings	1,255,068	1,239,358
	6,964,802	5,289,793
Minority shareholders' interests	117,182	93,176
Shareholders' equity:		
Common stock of $5 par value. Authorized 1,500,000 shares; issued 1,375,202 shares, including shares held in treasury	6,876	6,876
Capital in excess of par value	157,377	157,377
Unrealized appreciation of marketable equity securities, net	3,962,989	2,310,433
Retained earnings	3,294,969	2,855,061
	7,422,211	5,329,747
Less common stock in treasury, at cost (228,761 shares)	42,293	42,293
Total shareholders' equity	7,379,918	5,287,454
	$14,461,902	$10,670,423

See accompanying Notes to Consolidated Financial Statements

(23)

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS
(dollars in thousands except per share amounts)

	Year Ended December 31,		
	1991	1990	1989
Revenues:			
Sales and service revenues	$1,651,134	$1,580,074	$1,526,459
Insurance premiums earned	776,413	591,540	394,279
Interest and dividend income	481,793	450,295	331,452
Realized investment gain	192,478	33,989	223,810
Sundry income	4,178	3,574	7,892
	3,105,996	2,659,472	2,483,892
Cost and expenses:			
Cost of products and services sold	939,011	871,073	844,056
Insurance losses and loss adjustment expenses	827,169	534,261	309,391
Insurance underwriting expenses	68,837	83,926	109,288
Selling, general and administrative expenses	556,146	541,054	526,359
Interest expense	121,847	112,692	77,574
	2,513,010	2,143,006	1,866,668
Earnings before income taxes	592,986	516,466	617,224
Income taxes	142,058	112,047	159,287
	450,928	404,419	457,937
Minority interest	11,020	10,326	10,460
Net earnings	$ 439,908	$ 394,093	$ 447,477
Net earnings per share	$384	$344	$390

See accompanying Notes to Consolidated Financial Statements

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BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31,		
	1991	1990	1989
Cash flows from operating activities:			
Net income	$ 439,908	$ 394,093	$ 447,477
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	37,175	34,083	32,107
Realized investment gain	(192,478)	(33,989)	(223,810)
Investment purchase price discount accretion less premium amortization	(26,931)	(58,648)	(3,663)
Accretion of issue discount on zero coupon notes	23,881	22,618	5,683
Minority interests	11,020	10,326	10,460
Increase in liability for losses and loss adjustment expenses	798,784	613,994	29,122
Increase in deferred charges re reinsurance assumed	(178,328)	(350,787)	—
Increase (decrease) in unearned premiums	26,109	(17,250)	(98,187)
(Increase) decrease in accounts receivable	(177,043)	(133,809)	8,923
Increase (decrease) in accounts payable, accruals and other liabilities	(6,067)	32,271	118,088
Increase (decrease) in income taxes currently payable	(31,173)	12,766	(9,852)
Other	(15,684)	(3,100)	13,858
Net cash flows from operating activities	709,173	522,568	330,206
Cash flows from investing activities:			
Purchases of fixed maturity investments	(377,332)	(287,700)	(1,468,157)
Purchases of marketable equity securities	(809,633)	(729,352)	(739,932)
Proceeds from sales of fixed maturity investments	292,010	61,035	519,470
Proceeds from redemptions and maturities of fixed maturity investments	399,120	21,457	28,985
Proceeds from sales of marketable equity securities	522,701	261,923	821,656
Acquisition of businesses	(161,043)	—	—
Loans originated in finance businesses	(163,803)	(132,313)	(133,546)
Principal collection on loans	124,760	110,415	109,830
Other	(11,266)	11,762	(57,174)
Net cash flows from investing activities	(184,486)	(682,773)	(918,868)
Cash flows from financing activities:			
Proceeds from borrowings	455,972	785,818	1,172,356
Repayments of borrowings	(464,913)	(576,634)	(650,019)
Other	(770)	(7,082)	6,371
Net cash flows from financing activities	(9,711)	202,102	528,708
Increase (decrease) in cash and cash equivalents	514,976	41,897	(59,954)
Cash and cash equivalents at beginning of year	247,024	205,127	265,081
Cash and cash equivalents at end of year	$ 762,000	$ 247,024	$ 205,127
Other cash flow information:			
Income taxes paid	$ 183,097	$ 113,860	$ 181,468
Interest paid	93,951	79,857	70,191

See accompanying Notes to Consolidated Financial Statements

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BERKSHIRE HATHAWAY INC.
and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1991

(1) Significant accounting policies and practices

(a) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of Berkshire Hathaway Inc. (the "Company" or "Berkshire") consolidated with accounts of all its subsidiaries. Intercompany accounts and transactions have been eliminated.

(b) Cash equivalents

Cash equivalents consist of funds invested in money market accounts and in investments with a maturity of three months or less when purchased.

(c) Investments

Investments in obligations with fixed maturities are carried at cost. Marketable equity securities held by members of the Berkshire Hathaway Insurance Group are carried at market value, marketable equity securities held by the Company and by non-insurance subsidiaries are carried at the lower of aggregate cost or market.

(d) Cost of investments sold

Cost of investments sold is usually determined on a first-in, first-out basis. Occasionally, when specific identification results in lower applicable income taxes, identified cost is used.

(e) Goodwill and negative goodwill of acquired businesses

The difference between purchase cost and the fair value of the net assets of acquired businesses is amortized on a straight line basis over forty years. The net unamortized balance is carried in other assets.

(f) Insurance premium acquisition costs

For financial reporting purposes, certain costs of acquiring insurance premiums are deferred, subject to ultimate recoverability, and charged to income as the premiums are earned. With respect to premiums received under major quota-share reinsurance contracts, the computation of ultimate recoverability of the directly related acquisition cost takes into account investment income anticipated to be earned on funds held subject to the contracts. Otherwise, ultimate recoverability of premium acquisition costs is determined without regard to investment income.

(g) Deferred charges re reinsurance assumed

The excess of estimated liabilities for claims and claim costs ultimately payable by the Insurance Group over consideration received with respect to retroactive property/casualty reinsurance contracts that provide for indemnification of insurance risk, other than structured settlements, is established as a deferred charge at inception of such contracts. The deferred charges are subsequently amortized using the interest method over the periods that the liabilities for the claims and claim costs are expected to be outstanding. At December 31, 1991 and 1990, deferred charges re reinsurance assumed in the amounts of $529,115,000 and $350,787,000 are included in other assets.

(h) Losses and loss adjustment expense

Liability for losses and loss adjustment expenses represents the aggregate of such obligations of members of the Insurance Group with respect to: (1) prospective property/casualty insurance and reinsurance contracts, (b) retroactive property/casualty reinsurance contracts that provide for indemnification of insurance risk, other than structured settlements, and (c) contracts providing for periodic payments with respect to settled claims ("structured settlements"). Except for structured settlement liabilities which are stated at discounted present values, the liability for losses and loss adjustment expenses is at the aggregate of estimated ultimate payment amounts less amounts recoverable on account of reinsurance.

Ultimate payment amounts with respect to prospective contracts are determined from (i) individual case estimates, (ii) estimates of incurred but not reported losses, based on past experience, and (iii) reports of losses from ceding insurers.

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(1) Significant accounting policies and practices *(Continued)*

(h) Losses and loss adjustment expense (continued)

Ultimate payment amounts with respect to retroactive reinsurance contracts that provide for indemnification of insurance risk, other than structured settlements, are established for financial reporting purposes at maximum limits of indemnification under the contracts. This liability at December 31, 1991 was $1,296,875,000 and at December 31, 1990 was $737,524,000 of which, respectively $529,115,000 and $350,787,000 were established for financial reporting purposes as deferred charges re reinsurance. See also 1(g) above. For statutory reporting purposes, liabilities under these contracts are established, not at worst-case maximum loss limits, but at best estimates of claims and claim costs ultimately payable thereunder. These "best estimates" yielded respectively as of December 31, 1991 and December 31, 1990 liabilities of $911,829,000 and $425,595,000. Underwriting losses reported with respect to these contracts in the accompanying financial statements were $26 million for 1991 (representing in its entirety, amortization of the related deferred charge re reinsurance) and zero for 1990, whereas for statutory reporting purposes the corresponding figures were $184 million and $68 million.

Liabilities under structured settlement contracts are established on a contract-by-contract basis when the contracts are entered into, at the then present value of the actuarially determined ultimate payment amount discounted at the market interest rate. Thereafter, annual accretions to the liabilities are charged to losses incurred. The aggregate of these liabilities for financial reporting purposes at December 31, 1991 was $276,996,000. For statutory and tax reporting purposes, where the liabilities are determined using discount rates mandated by Insurance Regulatory authorities (5% for contracts incepting after 1986 and 7% with respect to contracts dated prior to 1987), the aggregate of structured settlement liabilities was $361,116,000.

(j) Insurance premiums

Insurance premiums for prospective insurance and reinsurance policies are recognized as revenues ratably over their terms with unearned premiums computed on a monthly or daily pro rata basis. Consideration received for indemnification of risk under retroactive reinsurance contracts, including structured settlements, are accounted for as premiums earned at the inception of the contracts. Both earned and unearned premiums are stated net of amounts ceded to reinsurers.

(k) Income taxes

Certain items of income and deductions are recognized in the financial statements in time periods that differ from those in which they are recognized in the Company's consolidated Federal income tax returns, giving rise to recognition in the financial statements to deferred and prepaid income taxes.

The liability for income taxes in the Consolidated Balance Sheets includes deferred taxes deemed applicable to unrealized appreciation included in carrying value of marketable equity securities. Such taxes were accrued at a rate of 34% relative to increases in unrealized appreciation that arose subsequent to 1986 and at the rate of 28% relative to appreciation that arose in years prior to 1987.

In February, 1992 the Financial Accounting Standards Board ("FASB") issued Statement No. 109 "Accounting for Income Taxes". The statement requires the "liability method" of accounting for income taxes with a balance sheet focus superseding requirements for the "deferred method" with an earnings statement focus. Implementation of the statement is now required in financial statements for years beginning after December 15, 1992. The Company has not yet implemented the statement's provisions. If the current provisions of Statement No. 109 were to be given effect in Berkshire's consolidated balance sheet as of December 31, 1991, a reduction to shareholders' equity of no more than $70 million would result. The precise amount of the reduction is dependent upon Berkshire's selection between alternative means of implementation.

(m) Postretirement benefits other than pensions

In December, 1990, the FASB issued Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement alters generally accepted accounting principles with respect to employers' costs of providing retiree healthcare and other postretirement benefits other than pensions. The Company believes that the provisions of this statement will not have a material effect on Berkshire's financial position or results of operations.

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(2) Investments in obligations with fixed maturities

The amortized cost and estimated market value as of December 31, 1991 and 1990 of investments in obligations with fixed maturities are as follows:

December 31, 1991	*Amortized Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Market Value*
Bonds:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 2,429,000	$ 66,000	$ —	$ 2,495,000
Obligations of states, municipalities and political subdivisions	531,418,000	90,664,000	(412,000)	621,670,000
Corporate bonds	316,070,000	88,301,000	—	404,371,000
Redeemable preferred stocks	1,358,527,000	14,273,000	(125,300,000)	1,247,500,000
Mortgage-backed securities	129,510,000	2,669,000	—	132,179,000
	$2,337,954,000	$195,973,000	$(125,712,000)	$2,408,215,000

December 31, 1990	*Amortized Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Market Value*
Bonds:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 6,665,000	$ 84,000	$ —	$ 6,749,000
Obligations of states, municipalities and political subdivisions	576,588,000	87,622,000	(551,000)	663,659,000
Corporate bonds	514,547,000	13,787,000	(11,888,000)	516,446,000
Redeemable preferred stocks	1,963,275,000	120,141,000	(143,307,000)	1,940,109,000
Mortgage-backed securities	23,727,000	890,000	—	24,617,000
	$3,084,802,000	$222,524,000	$(155,746,000)	$3,151,580,000

Shown below are the amortized cost and estimated market values of the above obligations at December 31, 1991, by contractual maturity dates. Actual maturities will differ from contractual maturities because issuers of certain of the obligations retain early call or prepayment rights.

	Amortized Cost	*Estimated Market Value*
Due in one year or less	$ 134,102,000	$ 154,327,000
Due after one year through five years	572,871,000	645,362,000
Due after five years through ten years	1,466,214,000	1,433,299,000
Due after ten years	35,257,000	43,048,000
	2,208,444,000	2,276,036,000
Mortgage-backed securities	129,510,000	132,179,000
	$2,337,954,000	$2,408,215,000

During 1991 gross gains of $139,700,000 were realized and during 1990, gross gains of $3,098,000 and gross losses of $1,468,000 were realized on sales and redemptions of obligations with fixed maturities.

Item 8. Financial Statements and Supplementary Data *(Continued)*

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(3) Investments in marketable equity securities

Aggregate data with respect to the consolidated investment in marketable equity securities is shown below as of the dates indicated. See Note 1(c) as to methods applied to determine carrying value of these securities.

December 31, 1991

	Cost	*Unrealized Gain*	*Market*	*Carrying Value*
Common stock of:				
Capital Cities/ABC, Inc. [(a)]	$ 517,500,000	$ 783,000,000	$1,300,500,000	$1,287,450,000
The Coca-Cola Company	1,023,919,000	2,723,756,000	3,747,675,000	3,740,888,000
GEICO Corporation [(b)]	45,713,000	1,317,437,000	1,363,150,000	1,363,150,000
The Gillette Company [(c)]	600,000,000	747,000,000	1,347,000,000	1,347,000,000
All other marketable equity securities	1,067,842,000	634,317,000 [(d)]	1,702,159,000	1,444,036,000
	$3,254,974,000	$6,205,510,000	$9,460,484,000	$9,182,524,000

December 31, 1990

	Cost	*Unrealized Gain*	*Market*	*Carrying Value*
Common stock of:				
Capital Cities/ABC, Inc.	$ 517,500,000	$ 859,875,000	$1,377,375,000	$1,363,044,000
The Coca-Cola Company	1,023,919,000	1,147,631,000	2,171,550,000	2,168,812,000
GEICO Corporation	45,713,000	1,064,843,000	1,110,556,000	1,110,556,000
All other marketable equity securities	697,548,000	402,192,000 [(e)]	1,099,740,000	1,043,571,000
	$2,284,680,000	$3,474,541,000	$5,759,221,000	$5,685,983,000

(a) *Common shares of Capital Cities/ABC, Inc. ("Capital Cities") owned by Berkshire subsidiaries possessed approximately 18% of the voting rights of all Capital Cities shares outstanding at December 31, 1991. The shares are held subject to an Agreement, the terms of which grant to Capital Cities a right of first refusal to purchase the shares and otherwise govern until January 3, 1997 the manner by which the shares may be sold or transferred. Also, Berkshire and its subsidiaries have delivered to Capital Cities irrevocable proxies with respect to these shares in favor of Thomas S. Murphy or Daniel B. Burke, so long as either shall be the chief executive officer of Capital Cities, to vote the shares at any and all meetings of shareholders of Capital Cities. The proxies expire on January 2, 1997 or at the earlier date when neither of such persons is chief executive officer of Capital Cities.*

(b) *Subsidiaries of Berkshire, at both December 31, 1991 and at December 31, 1990, owned 6,850,000 shares of common stock of GEICO Corporation. The shares possessed approximately 48% of the voting rights of all GEICO shares outstanding at December 31, 1991, but Berkshire maintains an independent proxy arrangement for voting of the shares as required by Order of GEICO's domiciliary insurance supervisory authority. The Order, dating from Berkshire subsidiaries' major purchase of the shares in 1976, prohibits Berkshire from seeking or causing to change the independent proxy. Also, under the Order, no officer or director of Berkshire or of any affiliate or subsidiary of Berkshire is permitted to serve as a director of GEICO. Because the Order divests Berkshire of its voting rights with respect to the shares, Berkshire does not use the equity method of accounting for its investment in GEICO.*

(c) *Common shares of The Gillette Company were acquired April 1, 1991 through conversion of the previously-held issue of Gillette convertible preferred shares.*

(d) *Represents gross unrealized gains $673,177,000, less gross unrealized losses $38,860,000.*

(e) *Represents gross unrealized gains $413,255,000, less gross unrealized losses $11,063,000.*

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(4) Income taxes

The liability for income taxes as reflected in the accompanying Consolidated Balance Sheets represent estimates of liabilities as follows:

	Dec. 31, 1991	*Dec. 31, 1990*
Payable currently	$ 18,499,000	$ 49,672,000
Deferred, relating to unrealized appreciation of marketable equity securities	1,944,311,000	1,085,342,000
Net prepaid arising from timing differences	(33,736,000)	(23,231,000)
	$1,929,074,000	$1,111,783,000

The Consolidated Statements of Earnings reflect charges for income taxes as shown below:

	1991	*1990*	*1989*
Federal	$120,121,000	$ 94,713,000	$142,996,000
State	20,281,000	16,779,000	15,514,000
Foreign	1,656,000	555,000	777,000
	$142,058,000	$112,047,000	$159,287,000
Current provision	$152,563,000	$126,626,000	$171,616,000
Increase in prepaid taxes	(10,505,000)	(14,579,000)	(12,329,000)
	$142,058,000	$112,047,000	$159,287,000

The increase in prepaid taxes represents the tax effects of timing differences as follows:

Applicable to:	*1991*	*1990*	*1989*
Deferred insurance premium acquisition costs	$ 3,392,000	$ (549,000)	$(10,363,000)
Losses and loss adjustment expenses, net	(4,940,000)	(5,719,000)	2,019,000
Unearned premiums	(5,414,000)	(3,679,000)	1,913,000
Deferred gross profit on installment receivables	—	(9,598,000)	(7,752,000)
Other, net	(3,543,000)	4,966,000	1,854,000
	$(10,505,000)	$(14,579,000)	$(12,329,000)

Charges for income taxes are reconciled, in the table which follows, to hypothetical amounts computed at the Federal statutory rate:

	1991	*1990*	*1989*
Net earnings before income taxes	$592,986,000	$516,466,000	$617,224,000
Hypothetical amounts applicable to above computed at the Federal statutory rate	$201,615,000	$175,598,000	$209,856,000
Decreases, resulting from:			
Tax-exempt interest income	(18,637,000)	(19,744,000)	(26,735,000)
Dividends received deduction	(54,923,000)	(53,901,000)	(36,065,000)
State income taxes, less Federal income tax benefit	13,385,000	11,073,000	10,240,000
Net other differences	618,000	(979,000)	1,991,000
Total income taxes	$142,058,000	$112,047,000	$159,287,000

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BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(5) Term debt and other borrowings

Liabilities reflected for this balance sheet captions are as follows:

	Dec. 31, 1991	*Dec. 31, 1990*
Term debt	$ 861,153,000	$ 914,557,000
Borrowings under investment agreements	393,915,000	324,801,000
	$1,255,068,000	$1,239,358,000

Giving effect to planned issuer-optional redemptions of term debt in 1992, payments in redemption of amounts outstanding at December 31, 1991 are expected to be required no earlier than as follows:

	Term debt	Borrowings under investment agreements	Total
1992	$161,439,000	$100,415,000	$261,854,000
1993	1,924,000	3,976,000	5,900,000
1994	18,049,000	7,708,000	25,757,000
1995	872,000	9,203,000	10,075,000
1996	120,025,000	10,482,000	130,507,000
After 1996	558,844,000	262,131,000	820,975,000

Borrowings under investment agreements

These borrowings, made pursuant to contracts with terms ranging from three months to forty years and calling for interest payable, normally semiannually, at rates ranging from 3 1/2% to 9% per annum, are senior unsecured debt obligations of the Company.

Term debt

Company	*Dec. 31, 1991*	*Dec. 31, 1990*
Zero Coupon Convertible Subordinated Notes Due 2004	$ 452,182,000	$ 428,301,000
10% Debentures, of which $150,000,000 was issued in 1988. The issue was redeemed at the company's option - $50,000,000 at the end of 1991 and $100,000,000 in February 1992	100,000,000	150,000,000
9 3/4% Debentures, of which $100,000,000 was issued in 1988. $22,000,000 of the issue was repurchased in 1991 and in February 1992, an additional $13,000,000 was optionally redeemed.	78,000,000	100,000,000
Other notes, payable through 1993	5,554,000	7,475,000
	635,736,000	685,776,000
Subsidiaries		
8.125% Notes, payable in 1996	120,000,000	120,000,000
10% Notes, for which redemption in 1992 is planned	18,500,000	21,125,000
9 1/2% Notes, for which redemption in 1992 is planned	17,500,000	20,000,000
8 7/8% Notes, payable in 1999	30,000,000	30,000,000
Federal Home Loan Bank advance, due August 1994, bearing interest at 8.73%	16,900,000	16,900,000
Other notes maturing through 2014	22,517,000	20,756,000
Total term debt	$ 861,153,000	$ 914,557,000

The Zero Coupon Convertible Subordinated Notes Due 2004 were issued on September 28, 1989 at 44.314% of their face value which totaled $902,640,000. The issue price reflected an original issue discount rate and yield to maturity of 5.5% per annum; there are no periodic payments of interest. Each $10,000 face amount note may be converted at any time prior to redemption into 0.4515 shares of common stock. A holder otherwise entitled upon conversion to a fractional share of common stock shall receive cash in lieu thereof. The Company may redeem the notes for cash at any time after September 28, 1992. A holder may require the Company to purchase any of its holdings on September 28, 1994 and again on September 28, 1999. The price at which notes will be purchased or redeemed will be issue price plus accrued original issue discount to the date of purchase or redemption.

No materially restrictive covenants are included in any of the various debt agreements.

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(6) Shareholders' equity accounts

Changes in Shareholders' Equity accounts during the most recent three years were as follows:

	Net Unrealized Appreciation	*Retained Earnings*
Balance at December 31, 1988	$1,274,657,000	$2,013,491,000
Increase during 1989 in unrealized appreciation included in carrying value of marketable equity securities	1,623,462,000	
Change during 1989 in deemed applicable income taxes	(552,314,000)	
Increase in minority shareholders' interest in unrealized appreciation	(3,607,000)	
Net earnings 1989		447,477,000
Balance December 31, 1989	2,342,198,000	2,460,968,000
Decrease during 1990 in unrealized appreciation included in carrying value of marketable equity securities	(45,636,000)	
Change during 1990 in deemed applicable income taxes	15,441,000	
Increase in minority shareholders' interest in unrealized appreciation	(1,570,000)	
Net earnings 1990		394,093,000
Balance December 31, 1990	2,310,433,000	2,855,061,000
Increase during 1991 in unrealized appreciation included in carrying value of marketable equity securities	2,526,248,000	
Change during 1991 in deemed applicable income taxes	(858,969,000)	
Increase in minority shareholders' interest in unrealized appreciation	(14,723,000)	
Net earnings 1991		439,908,000
Balance December 31, 1991	$3,962,989,000	$3,294,969,000

(7) Interest and dividend income

Interest and dividend income for each of the past three years were comprised of the following:

	1991	*1990*	*1989*
Interest earned with respect to:			
Investment securities	$164,894,000	$132,694,000	$114,928,000
Loans and financed receivables	56,398,000	53,985,000	50,904,000
Dividends with respect to:			
Fixed maturity preferred stocks	138,900,000	176,742,000	102,181,000
Marketable equity securities	121,601,000	86,874,000	63,439,000
	$481,793,000	$450,295,000	$331,452,000

Item 8. Financial Statements and Supplementary Data *(Continued)*

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(8) Interest expense

Interest expense is comprised of interest on savings accounts of Mutual Savings and Loan Association ("Mutual") plus interest on debt and other borrowings as follows:

	1991	*1990*	*1989*
Savings accounts of Mutual	$ 18,311,000	$ 21,975,000	$21,261,000
Debt of Mutual	1,475,000	1,475,000	599,000
Debt of Scott Fetzer Financial Group	12,811,000	12,868,000	13,325,000
Other debt and borrowings	89,250,000*	76,374,000	42,389,000
	$121,847,000	$112,692,000	$77,574,000

** Includes redemption premiums of $5,661,000 — see note 5.*

(9) Dividend Restrictions - Insurance Subsidiaries

Payments of dividends by Insurance Group members are restricted by insurance statutes and regulations. Without prior regulatory approval in 1992, Berkshire can receive up to approximately $292,000,000 as dividends from insurance subsidiaries.

Combined shareholders' equity of insurance subsidiaries determined pursuant to statutory accounting rules (Statutory Surplus as Regards Policyholders) was approximately $8,700,000,000 at December 31, 1991. This amount exceeded by approximately $1,400,000,000 the corresponding amount determined on the basis of generally accepted accounting principles; the difference is principally represented by deferred income tax liabilities recognized for financial reporting purposes but not for statutory reporting purposes.

(10) Quarterly data

A summary of revenues and earnings by quarter for each of the last two years is presented in the following table. This information is unaudited. Dollars are in thousands, except per share amounts.

	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
	1991	1990	1991	1990	1991	1990	1991	1990
Revenues	$694,419	$590,776	$673,781	$545,310	$662,006	$525,965	$1,075,790	$997,421
Earnings excluding realized investment gain	$ 85,668	$ 84,151	$ 71,609	$ 82,917	$ 75,182	$ 81,712	$ 83,294	$121,965
- per share	74.72	73.40	62.46	72.32	65.58	71.27	72.65	106.39
Realized investment gain	$ 59,336	$ 325	$ 46,015	$ 11,041	$ 18,062	$ 8,502	$ 742	$ 3,480
- per share	51.76	0.29	40.14	9.63	15.75	7.42	0.65	3.03
Net earnings	$145,004	$ 84,476	$117,624	$ 93,958	$ 93,244	$ 90,214	$ 84,036	$125,445
- per share	126.48	73.69	102.60	81.95	81.33	78.69	73.30	109.42

In varying degree from year to year, revenues and earnings from marketing of World Book products are concentrated in the first quarter. See's Candy sales peak at Easter and more notably so in the fourth quarter when more than one-half of annual revenues for that business are normally recorded. A non-seasonal factor that may influence Berkshire's interim consolidated financial statements is that estimation error, inherent to the process of determining liabilities for unpaid losses of insurance subsidiaries, can be relatively more significant to results of interim periods than to results for a full year. Variations in amount and timing of realized securities gains or losses cause significant variations in periodic net earnings.

Item 8. Financial Statements and Supplementary Data *(Continued)*

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(11) Business Segment Data

Berkshire identified eight business segments for purposes of 1991 reporting, pursuant to Financial Accounting Standards Board Statement No. 14. These include the property and casualty insurance and reinsurance business (The Insurance Segment) plus seven separately conducted non-insurance businesses as follows:

Business identity and headquarters	Product	Activity
See's Candies South San Francisco, CA	Candy	Manufacture and distribution at retail and by catalog solicitation
Buffalo News Buffalo, NY	Newspaper	Publication of a daily and Sunday newspaper.
Nebraska Furniture Mart Omaha, NE	Home furnishings	Retailing
World Book Chicago, IL	Encyclopedias and other reference materials	Publication and marketing, principally by the direct sales method.
Kirby and Douglas Products Divisions of The Scott Fetzer Company Cleveland, OH	Home cleaning systems	Manufacture and sale principally to distributors
Fechheimer Bros. Co. Cincinnati, OH	Uniforms	Manufacture and distribution at wholesale and retail
H. H. Brown Shoe Co. Greenwich, CT	Shoes	Manufacture, importing and wholesale distribution.

The business segments identified above were responsible in 1991 for more than 78% of Berkshire's consolidated revenues and more than 84% of Berkshire's consolidated operating profits before taxes.

Other businesses activities that contributed for 1991, in the aggregate, 17% of Berkshire's consolidated revenues and 8% of Berkshire's consolidated operating profits before taxes, were as follows:

Business identity	Product/Service/Activity
Adalet	Conduit fittings, explosion proof fittings, junction boxes
BHR	Real estate management
Blue Chip Stamps	Marketing motivational services
Borsheim's	Retailing fine jewelry
Campbell Hausfeld	Air compressors and accessories, painting systems
Carefree	Roll-up awnings, other RV accessories
France	Appliance controls, ignition and sign transformers
Halex	Zinc and aluminum die cast fittings
K&W Products	Automotive compounds
Meriam	Pressure and flow measurement devices
Mutual Savings	Savings & loan association
New America Electric	Electrical equipment
Northland	Fractional horsepower motors
Powerwinch	Boat winches, windlasses
Precision	Steel service center
Quikut	Varieties of cutlery
Scott Fetzer Financial Group	Consumer finance companies
Scot Labs	Cleaning and maintenance chemicals
Stahl	Custom steel services bodies and tool boxes for trucks
Wayne Home Equipment	Furnace burners; sump, utility and sewage pumps
Wesco Financial	Real estate management
Western Enterprises	Compressed gas fittings and regulators
Western Plastics	Molded plastic components

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(11) Business Segment Data *(continued)*

A disaggregation of Berkshire's consolidated data for each of the three most recent years is presented in the tables which follow on this and the following page. Amounts are in thousands.

	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Identified Segments:						
Insurance	$1,230,608	$ 943,277	$ 865,026	$323,006	$316,207	$439,223
Non-insurance businesses	1,204,755	1,120,755	1,069,748	176,134	170,640	158,751
	2,435,363	2,064,032	1,934,774	499,140	486,847	597,974
Other than identified segments	670,633	595,440	549,118	183,096	105,993	61,639
Interest expense *				(89,250)	(76,374)	(42,389)
Aggregate consolidated total	$3,105,996	$2,659,472	$2,483,892	$592,986	$516,456	$617,224

* *Amounts of interest expense represent those for term debt and other borrowings exclusive of that of Scott Fetzer Financial Group and of Mutual Savings. See note 8 to Consolidated Financial Statements.*

Insurance Segment	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Premiums earned:						
Primary or direct	$ 141,014	$154,015	$188,920			
Reinsurance assumed	635,399	437,525	205,359			
Underwriting (loss)				$(119,593)	$(26,647)	$(24,400)
Investment income	343,442	335,930	250,723	331,846	327,047	243,599
Realized investment gain	110,753	15,807	220,024	110,753	15,807	220,024
	$1,230,608	$943,277	$865,026	$323,006	$316,207	$439,223

Non-Insurance Business Segments	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Candy	$ 195,978	$ 196,119	$ 186,053	$ 41,416	$ 38,605	$ 33,260
Newspaper	130,259	135,211	135,647	36,527	43,382	45,448
Home furnishings	171,002	163,709	156,762	13,939	16,802	16,624
Encyclopedias, other reference material	311,509	342,870	338,397	22,232	31,645	25,332
Home cleaning systems	192,001	188,292	158,959	37,332	28,479	26,188
Uniforms	99,961	94,554	93,930	12,224	11,727	11,899
Shoes	104,045	—	—	12,464	—	—
	$1,204,755	$1,120,755	$1,069,748	$176,134	$170,640	$158,751

Other Than Identified Segments	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Other businesses	$524,395	$535,941	$531,714	$ 49,355	$ 56,404	$ 53,386
Not identified with specific businesses:						
Interest and dividend income	63,686	40,907	11,616	63,686	40,907	11,616
Realized investment gain	81,725	18,182	3,786	81,725	18,182	3,786
All other except interest expense	827	410	2,002	(11,670)	(9,500)	(7,149)
	$670,633	$595,440	$549,118	$183,096	$105,993	$ 61,639

Item 8. Financial Statements and Supplementary Data *(Continued)*

BERKSHIRE HATHAWAY INC.
and Subsidiaries

Notes to Consolidated Financial Statements *(Continued)*

(11) Business Segment Data *(continued)*

	Capital expenditures *			Deprec. & amort. of tangible assets		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Insurance	$ 1,437	$ 601	$ 525	$ 992	$ 708	$ 918
Candy	4,687	6,970	3,882	3,882	3,752	3,574
Newspaper	817	2,229	971	2,949	2,909	2,757
Home furnishings	2,552	1,397	2,247	1,613	1,792	1,745
Encyclopedias, other reference material	3,107	7,705	3,552	1,449	1,124	749
Home cleaning systems	1,104	3,859	11,191	5,092	5,285	3,274
Uniforms	1,482	1,330	2,272	1,411	1,736	2,115
Shoes	1,050	—	—	1,580	—	—
Other	13,648	9,832	17,897	14,094	13,236	13,589
	$29,884	$33,923	$42,537	$33,062	$30,542	$28,721

* *Expenditures which were part of business acquisitions are excluded.*

	Identifiable assets at year-end		
	1991	*1990*	*1989*
Insurance	$12,406,654	$ 8,884,393	$7,871,097
Candy	68,300	69,833	66,278
Newspaper	44,061	48,286	48,917
Home furnishings	76,396	75,714	71,107
Encyclopedias, other reference material	94,927	107,913	103,159
Home cleaning systems	51,929	66,388	60,147
Uniforms	74,190	71,572	70,597
Shoes	157,902	—	—
Other	1,487,543	1,346,324	1,168,292
	$14,461,902	$10,670,423	$9,459,594

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Part III

Except for the information set forth under the caption "Executive Officers of the Registrant" in Part I hereof, information required by this Part (Items 10, 11, 12, and 13) is incorporated by reference from the Registrant's definitive proxy statement, filed pursuant to Regulation 14A, for the Annual Meeting of Shareholders of the Registrant to be held on April 27, 1992, which meeting will involve the election of directors.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

The following consolidated financial statements, as well as the Independent Auditors' Report, are included in Part II Item 8 of this report:

Other schedules are omitted because they are not required, information required therein is not applicable, or is reflected in the Financial Statements or notes thereto.

(a) 3. Exhibits

See the "Exhibit Index" at page 43. 44

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BERKSHIRE HATHAWAY INC.

Date: March 27, 1992

J. Verne McKenzie
J. Verne McKenzie
Vice President and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Warren E. Buffett Warren E. Buffett	Chairman of the Board of Directors - Chief Executive Officer	March 27, 1992 Date
J. Verne McKenzie J. Verne McKenzie	Director and Vice President - Principal Financial Officer	March 27, 1992 Date
Charles T. Munger Charles T. Munger	Vice Chairman of the Board of Directors	March 27, 1992 Date
Walter Scott Walter Scott, Jr.	Director	March 27, 1992 Date
Marc D. Hamburg Marc D. Hamburg	Treasurer - Principal Accounting Officer	March 27, 1992 Date

INDEPENDENT AUDITORS' REPORT ON SCHEDULES

To the Board of Directors and Shareholders
Berkshire Hathaway Inc.

We have audited the consolidated financial statements of Berkshire Hathaway Inc. and subsidiaries as of December 31, 1991 and 1990, and for the three years in the period ended December 31, 1991, and have issued our report thereon dated March 9, 1992; such consolidated financial statements and report is included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules of Berkshire Hathaway Inc. and subsidiaries, listed in Item 14. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Deloitte & Touche

Deloitte & Touche

Omaha, Nebraska
March 9, 1992

Berkshire Hathaway Inc. and Consolidated Subsidiaries
Summary of Investments
December 31, 1991

Schedule I

	Number of shares or par value of bonds	000's Omitted Cost or Adjusted Cost	Market Value	Balance Sheet Carrying Value
Obligations with Fixed Maturities:				
Bonds:				
U.S. Government and U.S. Government agencies	131,291	$ 131,939	$ 134,674	$ 131,939
States, municipalities and political subdivisions	583,910	531,418	621,670	531,418
Corporate				
Various issuers	361,950	316,070	404,371	316,070
Redeemable preferred stocks -				
Champion International Corporation*	300	300,000	300,000**	300,000
Salomon Inc*	700	700,000	714,000**	700,000
USAir Group, Inc*	358	358,000	232,700**	358,000
Various issuers	***	527	800	527
Total Obligations with Fixed Maturities		$2,337,954	$2,408,215	$2,337,954
Marketable Equity Securities:				
Common Stocks:				
Banks and insurance companies:				
GEICO Corporation*	6,850	$ 45,713	$1,363,150	$1,363,150
Wells Fargo Company*	5,000	289,431	290,000	287,944
Others	***	17,588	41,979	41,979
Industrial and miscellaneous				
Capital Cities/ABC, Inc.*	3,000	517,500	1,300,500	1,287,450
The Coca-Cola Company*	46,700	1,023,920	3,747,675	3,740,888
Federal Home Loan Mortgage Assn.*	2,495	77,245	343,090	84,819
The Gillette Company*	24,000	600,000	1,347,000	1,347,000
Guinness PLC*	31,247	264,782	296,755	296,755
The Washington Post Company*	1,728	9,731	336,050	336,050
Others	***	38,727	36,830	36,830
Nonredeemable preferred stocks -				
American Express*	122	300,000	263,265**	265,469
Various issuers	***	70,337	94,190	94,190
Total Marketable Equity Securities		$3,254,974	$9,460,484	$9,182,524

* These issues are stated separately in accordance with note 2(ii)(1) to Rule 12-02 of Regulation S-X.

** There is no regular trading market for these securities. The market value for these is based upon fair value as determined by the valuation committee of Registrant's Board of Directors.

*** Not meaningful

BERKSHIRE HATHAWAY INC.
(Parent Company)
Condensed Financial Information
(Dollars in thousands)

Schedule III

This Schedule includes the accounts of the Buffalo News Division, an autonomous division of Registrant. It's business is the publishing of a daily and Sunday newspaper in Buffalo, New York.

Balance Sheets

	December 31, 1991	1990
Assets:		
Cash and cash equivalents	$ 203,774	$ 31,882
Investments in consolidated subsidiaries	7,948,615	5,936,263
Investments - other than consolidated subsidiaries	211,198	319,825
Other assets (includes identifiable assets of the Buffalo News Division of $44,074 and $48,286 at December 31, 1991 and 1990 respectively)	79,088	69,867
	$8,442,675	$6,357,837
Liabilities and Shareholders Equity:		
Accounts payable and accrued expenses	$ 29,200	$ 27,128
Term debt and other borrowings	1,029,652	1,010,578
Income taxes	3,905	32,677
	1,062,757	1,070,383
Shareholders' equity	7,379,918	5,287,454
	$8,442,675	$6,357,837

Statements of Earnings

Income items:	1991	1990	1989
From consolidated subsidiaries:			
Interest	$ 163	$ 1,696	$ 62
Dividends	168,109	109,300	107,950
Undistributed earnings	231,300	274,326	332,314
	399,572	385,322	440,326
Interest and dividends - other investments	50,877	32,884	1,761
Realized investment gains	67,816	15,453	3,769
Revenues of Buffalo News Division	130,259	135,238	135,708
Other income	544	82	1,054
	649,068	568,979	582,618
Cost and expense items:			
Costs and expenses of Buffalo News Division	93,732	91,829	90,199
General and administrative	6,783	4,940	4,389
Interest and finance charges	81,310	67,779	32,988
Income tax expense	27,335	10,338	7,565
	209,160	174,886	135,141
Net earnings	$439,908	$394,093	$447,477

See Note to Condensed Financial Information on following page.

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BERKSHIRE HATHAWAY INC.
(Parent Company)
Condensed Financial Information
(Dollars in thousands)

Schedule III (continued)

See headnote on preceding page.

Statements of Cash Flows

	1991	1990	1989
Cash flows from operating activities:			
Net income	$439,908	$394,093	$447,477
Adjustments to reconcile net income to cash flows from operating activities:			
Undistributed current earnings of subsidiaries	(231,300)	(274,326)	(332,314)
Realized investment gain	(67,816)	(15,453)	(3,769)
Other	(25,756)	11,141	(16,180)
Net cash flows from operating activities	115,036	115,455	95,214
Cash flows from investing activities:			
Investments in and advances to consolidated subsidiaries	(128,496)	(189,759)	(480,795)
Purchases of investments	(139,865)	(406,972)	(104,699)
Proceeds on sales of investments	330,024	203,407	54,239
Net cash flows from investing activities	61,663	(393,324)	(531,255)
Cash flows from financing activities:			
Proceeds from borrowings	434,688	760,160	1,024,820
Repayment of borrowings	(439,495)	(546,406)	(517,620)
Net cash flows from financing activities	(4,807)	213,754	507,200
Increase (decrease) in cash and cash equivalents	171,892	(64,115)	71,159
Cash and cash equivalents at beginning of year	31,882	95,997	24,838
Cash and cash equivalents at end of year	$203,774	$ 31,882	$ 95,997
Other cash flow information:			
Income taxes paid	$168,438	$101,034	$162,114
Interest paid	55,573	36,319	26,904

Note to Condensed Financial Information

Giving effect to issuer optional redemptions of term debt in 1992, principal repayments of the Registrant's term debt and other borrowings outstanding at December 31, 1991 are expected to be required no earlier than as shown below. Amounts are in thousands.

1992	$218,191
1993	4,754
1994	7,708
1995	9,203
1996	10,482
After 1996	779,313

For additional information regarding Registrant's outstanding term debt and other borrowings, see Note 5 to the Consolidated Financial Statements on page 30. 31

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BERKSHIRE HATHAWAY INC. AND CONSOLIDATED SUBSIDIARIES
Supplementary Income Statement Information
(dollars in thousands)

Schedule X

Certain items of expense that exceeded 1% of revenues in the Consolidated Statement of Earnings were as follows:

	1991	1990	1989
Advertising	$31,686	*	$27,477
Repairs and Maintenance	*	*	$25,455

* Item did not exceed 1% of revenues

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Location in Sequentially Numbered Pages

EXHIBIT INDEX

<u>Exhibit No.</u>

3 Articles of Incorporation

Incorporated by reference to Exhibit 3 to the Registrant's 1987 Annual Report on Form 10-K

3.1 By-Laws 45-60

4 Form of Indenture dated as of September 15, 1989 between Berkshire Hathaway Inc. and The First National Bank of Chicago, as Trustee, with respect to the Zero Coupon Convertible Subordinated Debentures Due 2004

Incorporated by reference to Exhibit 4 to Registration Statement No. 33-31109 filed on Form S-3

4.1 Form of Indenture dated as of December 1, 1987 between Berkshire Hathaway Inc. and The First National Bank of Boston, as trustee, with respect to 10% Debentures due January 1, 2018 and 9 3/4% Debentures due January 15, 2018

Incorporated by reference to Exhibit 4 to Registration Statement No. 33-19000 filed on Form S-3

Other instruments defining the rights of holders of long-term debt of Registrant and its subsidiaries are not being filed since the total amount of securities authorized by all other such instruments does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis as of December 31, 1991. The Registrant hereby agrees to furnish to the Commission upon request a copy of any such debt instrument to which it is a party.

10.1 Agreement with Capital Cities Communications, Inc. dated January 2, 1986

Incorporated by reference to Exhibit 10.1 to the Registrant's 1990 Annual Report on Form 10-K.

10.2 Written Description of Agreement with Michael A. Goldberg re Annual Bonus Compensation dated March 25, 1991

Incorporated by reference to Exhibit 10.2 to the Registrant's 1990 Annual Report on Form 10-K.

10.3 Letter Agreements between Berkshire Hathaway Inc. and Salomon Inc dated September 27, 1987 and September 28, 1987 relating to the purchase by Registrant of an Issue of Series A Cumulative Convertible Preferred Stock of Salomon Inc and Certificate of Designation of said Preferred Stock

Incorporated by reference to Exhibit "A" and "B" to Schedule 13D filed by Warren E. Buffett, Berkshire Hathaway Inc., <u>et al</u>, dated October 6, 1987

10.4 Letter Agreement dated September 1, 1986 between Berkshire Hathaway and Trustee under indenture covering debt securities issued by Scott Fetzer Financial Group, Inc., formerly World Book Finance, Inc. 61-62

10.5 Investment Agreement dated July 1, 1986, between Berkshire Hathaway and Scott Fetzer Financial Group, Inc., formerly World Book Finance, Inc. and Amendment thereto dated August 31, 1986 63-73

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Disclosure®
Information Services, Inc.

5161 River Road
Bethesda, MD 20816
(301) 951-1300

EXHIBITS FOLLOW

BY-LAWS

OF

BERKSHIRE HATHAWAY INC.

(as amended through April 29, 1991)

SECTION 1

Certification of Incorporation

1.1. The nature of the business or purposes of the corporation shall be as set forth in its certificate of incorporation. These by-laws, the powers of the corporation and of its directors and stockholders, and all matters concerning the management of the business and conduct of the affairs of the corporation shall be subject to such provisions in regard thereto, if any, as are set forth in the certificate of incorporation; and the certificate of incorporation is hereby made a part of these by-laws. In these by-laws, references to the certificate of incorporation mean the provisions of the certificate of incorporation (as that term is defined in the General Corporation Law of Delaware) of the corporation as from time to time in effect, and references to these by-laws or to any requirement or provision of law mean these by-laws or such requirement or provision of law as from time to time in effect.

SECTION 2

Offices

2.1. Registered Office. The registered office of the corporation shall be in the City of Wilmington, County of New Castle, Delaware.

2.2. Other Offices. The corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board of Directors of the corporation from time to time may determine or as the business of the corporation may require.

SECTION 3

Stockholders

3.1. Annual Meeting. The annual meeting of the stockholders shall be held at nine-thirty o'clock in the forenoon on the last Monday in April in each year, unless that day be a legal holiday at the place where the meeting is to be held, in which case the meeting shall be held at the same hour on the next succeeding day not a legal holiday, or at such other date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which they shall elect a board of directors and transact such other business as may be required by law or these by-laws or as may be specified by the chairman of the board or by a majority of the directors then in office or by vote of the board of directors and of which notice was given in the notice of the meeting. Notwithstanding the foregoing, the first annual meeting of the corporation shall be held in the year 1974.

3.2. Special Meeting in Place of Annual Meeting. If the election for directors shall not be held on the day designated by these by-laws, the directors shall cause the election to be held as soon thereafter as convenient, and to that end, if the annual meeting is omitted on the day herein provided therefor or if the election of directors shall not be held thereat, a special meeting of the stockholders may be held in place of such omitted meeting or election, and any business transacted or election held at such special meeting shall have the same effect as if transacted or held at the annual meeting, and in such case all references in these by-laws to the annual meeting of the stockholders, or to the annual election of directors, shall be deemed to refer to or include such special meeting. Any such special meeting shall be called, and the purposes thereof shall be specified in the call, as provided in Section 3.3.

3.3. Special Meetings. A special meeting of the stockholders may be called at any time by the chairman of the board or by the board of directors. A special meeting of the stockholders shall be called by the secretary, or in the case of the death, absence, incapacity or refusal of the secretary, by an assistant secretary or some other officer, upon application of a majority of the directors or of one or more stockholders who are entitled to vote and who hold at least fifty percent of the capital stock issued and outstanding. Any such application shall state the purpose or purposes of the proposed meeting. Any such call shall state the place, date, hour, and purposes of the meeting.

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3.4. Place of Meeting. All meetings of the stockholders for the election of directors or for any other purpose shall be held at such place within or without the State of Delaware as may be determined from time to time by the chairman of the board or the board of directors. Any adjourned session of any meeting of the stockholders shall be held at the place designated in the vote of adjournment.

3.5. Notice of Meetings. Except as otherwise provided by law, a written notice of each meeting of stockholders stating the place, day and hour thereof and, in the case of a special meeting, the purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the meeting, to each stockholder entitled to vote thereat; and to each stockholder who, by law, by the certificate of incorporation or by these by-laws, is entitled to notice, by leaving such notice with him or at his residence or usual place of business, or by depositing it in the United States mail, postage prepaid, and addressed to such stockholder at his address as it appears in the records of the corporation. Such notice shall be given by the secretary, or by an officer or person designated by the board of directors, or in the case of a special meeting by the officer calling the meeting. As to any adjourned session of any meeting of stockholders, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment was taken except that if the adjournment is for more than thirty days or if after the adjournment a new record date is set for the adjourned session, notice of any such adjourned session of the meeting shall be given in the manner heretofore described. No notice of any meeting of stockholders or any adjourned session thereof need be given to a stockholder if a written waiver of notice, executed before or after the meeting or such adjournment session by such stockholder is filed with the records of the meeting or if the stockholder attends such meeting without objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the stockholders or any adjourned session thereof need be specified in any written waiver of notice.

3.6. Quorum of Stockholders. At any meeting of the stockholders, whether the same be an original or an adjourned session, a quorum shall consist of a majority in interest of all stock issued and outstanding and entitled to vote at the meeting, except in any case where a larger quorum is required by law, by the certificate of incorporation or by these by-laws. Any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, whether or not a quorum is present.

3.7. Action by Vote. When a quorum is present at any meeting, whether the same be an original or an adjourned session, a plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than an election to an office shall decide the question, except when a larger vote is required by law, by the certificate of incorporation or by these by-laws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

3.8. Action without Meetings. Unless otherwise provided in the certificate of incorporation, any action required or permitted to be taken by stockholders for or in connection with any corporate action may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that wold be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

If action is taken by unanimous consent of stockholders, the writing or writings comprising such unanimous consent shall be filed with the records of the meetings of stockholders.

If action is taken by less than unanimous consent of stockholders and in accordance with the foregoing, there shall be filed with the records of the meetings of stockholders the writing or writings comprising such less than unanimous consent and a certificate signed and attested to by the secretary that prompt notice was given to all stockholders of the taking of such action without a meeting and by less than unanimous written consent.

In the event that the action which is consented to is such as would have required the filing of a certificate under any of the provisions of the General Corporation Law of Delaware, if such action had been voted upon by the stockholders at a meeting thereof, the certificate filed under such provision shall state that written consent has been given under Section 228 of said General Corporation Law, in lieu of stating that the stockholders have voted upon the corporate action in question, if such last mentioned statement is required thereby.

3.9. Proxy Representation. Every stockholder may authorize another person or persons to act for him by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, objecting to or voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by his attorney-in-fact or be authorized by such other means as is provided in Section 212 of the Delaware General Corporation Law. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. The authorization of a proxy may but need not be limited to specified action, provided, however, that if a proxy limits its authorization to a meeting or meetings of stockholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof.

3.10. Votes Per Share. Unless otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock having voting power held by such stockholder.

3.11. List of Stockholders. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in his name. Such list shall be open to examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for at least ten days prior to the meeting either at the place within the city where the meeting is to be held, which place should be specified in the notice of such meeting, or at the place where such meeting is to be held, and shall also be produced at the time and place of the meeting during the whole time thereof and subject to the inspection of any stockholder who may be present. The stock ledger shall be the only evidence as to who are stockholders entitled to examine such list or to vote in person or by proxy at such meeting.

SECTION 4

Board of Directors

4.1. Number. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

4.2. Tenure. Except as otherwise provided by law, by the certificate of incorporation or by these by-laws, each director shall hold office until his successor is elected and qualified, or until he sooner dies, resigns, is removed or becomes disqualified.

4.3. Powers. The business of the corporation shall be managed by the board of directors who shall have and may exercise all the power of the corporation and do all such lawful acts and things as are not by law, the certificate of incorporation or these by-laws directed or required to be exercised or done by the stockholders.

4.4. Vacancies. Vacancies and any newly created directorships resulting from any increase in the number of directors may be filled by vote of the stockholders at a meeting called for the purpose, or by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. When one or more directors shall resign from the board, effective at a future date, a majority of the directors then in office, including those who have resigned, shall have power to fill such vacancy or vacancies, the vote or action by writing thereon to take effect when such resignation or resignations shall become effective. The directors shall have and may exercise all their powers notwithstanding the existence of one or more vacancies in their number, subject to any requirements of law or of the certificate of incorporation or of these by-laws as to the number of directors required for a quorum or for any vote or other action.

4.5. Committees. The board of directors may, by vote of a majority of the whole board, (a) designate, change the membership of or terminate the existence of any committee or committees, each committee to consist of one or more of the directors; (b) designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member at any meeting of the committee; and (c) determine the extent to which each such committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, including the power to authorize the seal of the corporation to be affixed to all papers which require it and the power and authority to declare dividends, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware; excepting, however, such powers which by law, by the certificate of incorporation or by these by-laws they are prohibited from so delegating. In the absence or disqualification of any member of such committee and his alternate, if any, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Except as the board of directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the board or such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these by-laws for the conduct of the business by the board of directors. Each committee shall keep regular minutes of its meetings and report the same to the board of directors upon request.

4.6. Regular Meetings. Regular meetings of the board of directors may be held without call or notice at such place within or without the State of Delaware and at such times the board may from time to time determine, provided that notice of the first regular meeting following any such determination shall be given to absent directors. A regular meeting of the directors may be held without call or notice immediately after and at the same place as the annual meeting of the stockholders.

4.7. Special Meetings. Special meetings of the board of directors may be held at any time and at any place within or without the State of Delaware designated in the notice of the meeting, when called by the chairman of the board, or by one-third or more in number of the directors, reasonable notice thereof being given to each director by the secretary or by the chairman of the board or any one of the directors calling the meeting.

4.8. Notice. It shall be reasonable and sufficient notice to a director to send notice by mail at least forty-eight hours or by telegram at least twenty-four hours before the meeting addressed to him at his usual or last known business or residence address or to give notice to him in person or by telephone at least twenty-four hours before the meeting. Notice of a meeting need not be given to any director if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

4.9. Quorum. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, at any meeting of the directors a majority of the directors then in office shall constitute a quorum; a quorum shall not in any case be less than one-third of the total number of directors constituting the whole board. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

4.10. Action by Vote. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, when a quorum is present at any meeting the vote of a majority of the directors present shall be the act of the board of directors.

4.11. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the board of directors or a committee thereof may be taken without a meeting if all the members of the board or of such committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the records of the meeting of the board or of such committee.

Such consent shall be treated for all purposes as the act of the board or of such committee, as the case may be.

4.12. Compensation. In the discretion of the board of directors, each director may be paid such fees for his services as director and be reimbursed for his reasonable expenses incurred in the performance of his duties as director as the board of directors from time to time may determine. Nothing contained in this Section shall be construed to preclude any director from serving the corporation in any other capacity and receiving reasonable compensation therefor.

4.13. Interested Directors and Officers.

(a) No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of the corporation's directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors, a committee thereof, or the stockholders.

(b) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

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SECTION 5

Officers and Agents

5.1. Enumeration; Qualification. The officers of the corporation shall be a chairman of the board, a treasurer, a secretary and such other officers, if any, as the board of directors from time to time may in its discretion elect or appoint including without limitation a vice-chairman of the board, one or more vice presidents and a controller. The corporation may also have such agents, if any, as the board of directors from time to time may in its discretion choose. Any officer may be, but none except the chairman and any vice-chairman of the board need be, a director or stockholder. Any two or more offices may be held by the same person. Any officer may be required by the board of directors to secure the faithful performance of his duties to the corporation by giving bond in such amount and with sureties or otherwise as the board of directors may determine.

5.2. Powers. Subject to law, to the certificate of incorporation and to the other provisions of these by-laws, each officer shall have, in addition to the duties and power herein set forth, such duties and powers as are commonly incident to his office and such additional duties and powers as the board of directors may from time to time designate.

5.3. Election. The officers may be elected to the board of directors at their first meeting following the annual meeting of the stockholders or at any other time. At any time or from time to time the directors may delegate to any officer their power to elect or appoint any other officer or any agents.

5.4. Tenure. Each officer shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders and until his respective successor is chosen and qualified unless a shorter period shall have been specified by the terms of his election or appointment, or in each case until he sooner dies, resigns, is removed or becomes disqualified. Each agent shall retain his authority at the pleasure of the directors, or the officer by whom he was appointed or the officer who then holds agent appointive power.

5.5. Chairman and Vice-Chairman of the Board of Directors. Except as otherwise voted by the directors, the chairman of the board shall be the chief executive officer of the corporation, he shall preside at all meetings of the stockholders and directors at which he is present and shall have such other powers and duties as the board of directors, executive committee or any other duly authorized committee shall from time to time designate.

Except as otherwise voted by the directors, the vice-chairman of the board, if any is elected or appointed, shall assume the

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duties and powers of the chairman of the board in his absence and shall otherwise have such duties and powers as shall be designated from time to time by the board of directors.

5.6. Vice Presidents. Any vice presidents shall have such duties and powers as shall be designated from time to time by the board of directors or by the chairman of the board.

5.7. Treasurer and Assistant Treasurers. Except as otherwise voted by the directors, the treasurer shall be the chief financial officer of the corporation and shall be in charge of its funds and valuable papers, and shall have such other duties and powers as may be designated from time to time by the board of directors or by the chairman of the board. If no controller is elected, the treasurer shall also have the duties and powers of the controller.

Any assistant treasurers shall have such duties and powers as shall be designated from time to time by the board of directors, the chairman of the board or the treasurer.

5.8. Controller and Assistant Controllers. If a controller is elected, he shall be the chief accounting officer of the corporation and shall be in charge of its books of account and accounting records, and of its accounting procedures. He shall have such other duties and powers as may be designated from time to time by the board of directors, the chairman of the board or the treasurer.

Any assistant controller shall have such duties and powers as shall be designated from time to time by the board of directors, the chairman of the board, the treasurer or the controller.

5.9. Secretary and Assistant Secretaries. The secretary shall record all proceedings of the stockholders, of the board of directors and of committees of the board of directors in a book or series of books to be kept therefor and shall file therein all writings of, or related to action by stockholder or director consent. In the absence of the secretary from any meeting, an assistant secretary, or if there be none or he is absent, a temporary secretary chosen at the meeting, shall record the proceedings thereof. Unless a transfer agent has been appointed the secretary shall keep or cause to be kept the stock and transfer records of the corporation, which shall contain the names and record addresses of all stockholders and the number of shares registered in the name of each stockholder. He shall have such other duties and powers as may from time to time be designated by the board of directors or the chairman of the board.

Any assistant secretaries shall have such duties and powers as shall be designated from time to time by the board of directors, the chairman of the board or the secretary.

SECTION 6

Resignations and Removals

6.1. Any director or officer may resign at any time by delivering his resignation in writing to the chairman of the board or the secretary or to a meeting of the board of directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time, and without in either case the necessity of its being accepted unless the resignation shall so state. A director (including persons elected by directors to fill vacancies in the board) may be removed from office with or without cause by the vote of the holders of a majority of the shares issued and outstanding and entitled to vote in the election of directors. The board of directors may at any time remove any officer either with or without cause. The board of directors may at any time terminate or modify the authority of any agent. No director or officer resigning and (except where a right to receive compensation shall be expressly provided in a duly authorized written agreement with the corporation) no director or officer removed, shall have any right to any compensation as such director or officer for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise; unless in the case of a resignation, the directors, or in the case of a removal, the body acting on the removal, shall in their or its discretion provide for compensation.

SECTION 7

Vacancies

7.1. If the office of the chairman of the board or the treasurer or the secretary becomes vacant, the directors may elect a successor by vote of a majority of the directors then in office. If the office of any other officer becomes vacant, any person or body empowered to elect or appoint that officer may choose a successor. Each such successor shall hold office for the unexpired term, and in the case of the chairman of the board, the treasurer and the secretary until his successor is chosen and qualified, or in each case until he sooner dies, resigns, is removed or becomes disqualified. Any vacancy of a directorship shall be filled as specified in Section 4.4 of these by-laws.

SECTION 8

Capital Stock

8.1. <u>Stock Certificates</u>. Each stockholder shall be entitled to a certificate stating the number and the class and the designa-

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tion of the series, if any, of the shares held by him, in such form as shall, in conformity to law, the certificate of incorporation and the by-laws, be prescribed from time to time by the board of directors. Such certificates shall be signed by the chairman or vice chairman of the board of directors, or a vice president and by the treasurer or an assistant treasurer or by the secretary or an assistant secretary. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the time of its issue.

8.2. Loss of Certificates. In the case of the alleged theft, loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms, including receipt of a bond sufficient to indemnify the corporation against any claim or account thereof, as the board of directors may prescribe.

SECTION 9

Transfer of Shares of Stock

9.1. Transfer on Books. Subject to the restrictions, if any, stated or noted on the stock certificate, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with necessary transfer stamps affixed, and with such proof of the authenticity of signature as the board of directors or the transfer agent of the corporation may reasonably require. Except as may be otherwise required by law, by the certificate of incorporation or by these by-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to receive notice and to vote or to give any consent with respect thereto and to be held liable for such calls and assessments, if any, as may lawfully be made thereon, regardless of any transfer, pledge or other disposition of such stock until the shares have been properly transferred on the books of the corporation.

It shall be the duty of each stockholder to notify the corporation of his post office address.

9.2. Record Date and Closing Transfer Books. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment

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thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distributions or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days (or such longer period as may be required by law) before the date of such meeting, nor more than sixty days prior to any other action.

If no record date is fixed:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

SECTION 10

Indemnification of Directors and Officers

10.1. Right to Indemnification. Each director or officer of the corporation who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent permitted by the laws of Delaware, as the same exist or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators: provided however, that except for any proceeding seeking to enforce or obtain payment under any right to indemnification by the corporation, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the corporation has joined in or consented to the initiation of such proceeding (or part thereof). The corporation may, by action of its Board of Directors, either on a general basis or as designated by the Board of Directors, provide indemnification to employees and agents of the corporation, and to directors, officers, employees and agents of the Company's subsidiaries, with the same scope and effect as the foregoing indemnification of directors and officers. Notwithstanding anything in this Section 10 to the contrary, no person shall be entitled to indemnification pursuant to this Section on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase and sale by such person of securities of the corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934.

10.2. Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 10 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise. Each person who is or becomes a director or officer of the corporation shall be deemed to have served or to have continued to serve in such capacity in reliance upon the indemnity provided in this Section 10.

10.3. Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

10.4. Expenses as a Witness. To the extent that any director, officer, employee or agent of the corporation is by reason of such position, or a position with another entity at the

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request of the corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

10.5. Indemnity Agreements. The corporation may enter into indemnity agreements with the persons who are members of its board of directors from time to time, and with such officers, employees and agents of the corporation and with such officers, directors, employees and agents of subsidiaries as the board may designate, such indemnity agreements to provide in substance that the corporation will indemnify such persons as contemplated by this Section 10, and to include any other substantive or procedural provisions regarding indemnification as are not inconsistent with the General Corporation Law of Delaware. The provisions of such indemnity agreements shall prevail to the extent that they limit or condition or differ from the provisions of this Section 10.

10.6. Definition of Corporation. For purposes of this Section 10 reference to "the corporation" includes all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director or officer of such a constituent corporation shall stand in the same position under the provisions of this Section with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

SECTION 11

Corporate Seal

11.1. The seal of the corporation shall, subject to alteration by the directors, consist of a flat-faced circular die with the word "Delaware" together with the name of the corporation and the year of its organization, cut or engraved thereon. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 12

Execution of Papers

12.1. Except as the board of directors may generally or in some particular cases authorize the execution thereof in some other manner, all deeds, leases, transfers, contracts, bonds, notes, checks, drafts and other obligations made, accepted or endorsed by the corporation shall be signed by the chairman of the board or by one of the vice presidents or by the treasurer.

SECTION 13

Fiscal Year

13.1. Except as from time to time otherwise provided by the board of directors, the fiscal year of the corporation shall end on the 31st day of December of each year.

SECTION 14

Amendments

14.1. These by-laws may be made, altered, amended or repealed by vote of a majority of the directors in office or by vote of a majority of the stock outstanding and entitled to vote. Any by-law, whether made, altered, amended or repealed by the stockholders or directors, may be altered, amended or reinstated, as the case may be, by either the stockholders or by the directors as hereinbefore provided.

BERKSHIRE HATHAWAY INC..
1440 Kiewit Plaza
Omaha, Nebraska 68131

As of September 1, 1986

National City Bank
1900 E. Ninth Street, 5th Floor
Cleveland, Ohio 44114-3484

Dear Sirs:

This refers to the Indenture dated as of September 1, 1986 (the "Indenture") between World Book Finance, Inc. (the "Company") and you. Terms used herein which are defined in the Indenture have the same meanings herein.

In order to induce you to enter into the Indenture and in consideration of the purchase of the Securities by the Holders thereof, the undersigned, a Delaware corporation ("Berkshire"), (1) represents and warrants to you that (i) on the date hereof its owns, directly or indirectly, all of the issued and outstanding shares of capital stock of the Company, free and clear of any mortgage, lien, pledge, charge, security interest or other encumbrance, and (ii) there is no charter, by-law or preferred, preference or common stock provision, nor any indenture, contract or agreement to which Berkshire is a party which would be contravened by the execution and delivery of the Indenture or of the Securities or by the performance of any term, provision, condition, agreement, covenant or obligation of the Company contained therein or in the Investment Agreement, and (2) agrees that, from the date hereof and so long as any of the Securities shall be Outstanding, Berkshire will not default under the Investment Agreement or terminate the Investment Agreement, unless the Company shall have obtained the consent to such termination from the Holders of at least two-thirds in aggregate principal amount of each series of Outstanding Securities in accordance with the Indenture.

This agreement shall be binding upon Berkshire, its successors and assigns, and shall constitute an agreement for the equal and proportionate benefit of all Holders of the

Securities or of any series thereof. Any provision of this agreement may be amended, or compliance therewith may be waived (either generally or in a particular instance, and either retroactively or prospectively), if Berkshire shall have obtained your written consent.

If the Company satisfies the conditions set forth in Section 402 or Section 1010 of the Indenture or in any similar provision set forth in any supplemental indenture, whereby the Company is discharged from any and all obligations in respect of the Outstanding Securities of any series (except for such obligations provided for in such provision of the Indenture or supplemental indenture), then Berkshire will be relieved of its obligation to comply with any and all terms of this agreement and this agreement shall cease to be of further effect with regard to the Securities of any such series.

Very truly yours,

BERKSHIRE HATHAWAY INC.

By /s/ J. Verne McKenzie
Title: Treasurer

Approved and accepted:
NATIONAL CITY BANK

By /s/ J. A. Schwartz
Title: Vice President

BERKSHIRE HATHAWAY INC.

July 1, 1986

World Book Finance, Inc.
Merchandise Mart Plaza
Chicago, Illinois 60654

Re: Investment Commitment

Berkshire Hathaway Inc. ("Berkshire"), as the present indirect owner of all the outstanding shares of World Book Finance, Inc. ("Finance"), in consideration of $10.00 and other good and valuable consideration and to induce Finance to (i) create and issue from time to time its debt securities and (ii) amend its Note Agreements with The Prudential Insurance Company of America ("Prudential"), dated August 31, 1978 and June 30, 1981 (as so amended as of the date hereof, the "Note Agreements"), hereby commits to Finance as follows:

1. Maintenance of Fixed Charges Ratio.

Within 45 days after the last day of each quarterly fiscal period of Finance, Berkshire shall make, or cause to be made, a determination of the Consolidated Income Available for Fixed Charges and the Fixed Charges for such quarterly fiscal period. If the Consolidated Income Available for Fixed Charges for such fiscal period shall be less than 125% of Fixed Charges for such fiscal period, Berkshire shall, within such 45-day period after the end of such quarterly fiscal period, pay or credit, or cause to be paid or credited by any one or more of Berkshire's direct or indirect, wholly owned subsidiaries, to Finance facilitating fees in the amount by which such Consolidated Income Available for Fixed Charges for such fiscal period shall be less than 125% of Fixed Charges for such fiscal period.

2. Maintenance of Affiliated Debt Plus Stockholders' Equity.

If, at the end of any fiscal month of Finance, (i) any Prior Debt remains outstanding and (ii) the aggregate amount of Affiliated Debt plus Stockholders' Equity of Finance shall be less than $30,000,000, then, on the last day of such fiscal month, Berkshire shall pay or credit, or cause to be paid or credited by one or more of its direct or indirect, wholly owned subsidiaries, an amount sufficient to increase the aggregate amount of Affiliated Debt plus Stockholders' Equity to $30,000,000. Any such payment may be in the form of a capital contribution, a facilitating fee payment (including that contemplated by paragraph 1 hereof) or Affiliated Debt.

3. Term.

(A) Unless earlier terminated pursuant to clause (B) hereof, this Commitment shall remain in full force and effect for an initial term ending December 31, 1999.

(B) This Commitment may be terminated 30 days after written notice of termination given by either Berkshire or Finance to the other party hereto if:

(i) all Prior Debt outstanding on or prior to the giving of such notice of termination shall have been paid; or

(ii) (a) all the Public Debt outstanding on or prior to the giving of such notice of termination shall either have been paid or payment therefor shall have been duly provided for in accordance with Section 1010 of the Indenture, as of the date of such termination; and

(b) either (x) with the consent of Prudential, (1) cash, (2) obligations the payment of which is unconditionally backed by the full faith and credit of the United States of America, and/or (3) other cash equivalents acceptable to Prudential in an amount sufficient to pay all Prudential Debt outstanding on or prior to the giving of such notice of termination, as and when such Prudential Debt (including interest and any premium thereon) becomes due and payable, shall have been irrevocably provided and set aside in trust for such purpose as of the date of such termination, under documents in form and substance reasonably acceptable to Prudential, or (y) if Prudential shall not have given such consent within 30 days after having received a written request from the Company therefor, all the Prudential Debt shall have been prepaid pursuant to the terms of Section 4 of the Note Agreements.

(C) Any initial term which expires pursuant to clause (A) above shall be automatically renewed for successive terms of one year each unless, at least 90 days prior to the expiration of the then current term, either party hereto shall give to the other party written notice of termination hereof, which termination shall be effective as of the end of the then current term.

4. Definitions.

As used in this Commitment, the following terms have the following respective meanings:

"Affiliated Debt": All Debt of Finance to Berkshire or any company that controls, is controlled by or is under common control with Berkshire, which Affiliated Debt shall be subordinated to the extent required by the Note Agreements and/or the Indenture.

"Consolidated Income Available for Fixed Charges": Consolidated net income of Finance and its subsidiaries determined in accordance with generally accepted accounting principles, except for the following:

(i) such determination shall be made before any deduction for Fixed Charges or provision for taxes in respect of income; and

(ii) any payment in respect of any fiscal period of Finance actually made pursuant to paragraph 1 by Berkshire or any one or more of its direct or indirect, wholly owned subsidiaries shall be added to net income for such fiscal period.

"Debt": As measured at any date, all liabilities and obligations of Finance which, in conformity with generally accepted accounting principles, would be included under the caption "total liabilities" (or any like caption) on a consolidated balance sheet of Finance and its subsidiaries at such date.

"Fixed Charges": All charges of Finance and its consolidated subsidiaries for interest on funded and unfunded debt and rentals for leased properties, determined in accordance with generally accepted accounting principles.

"Indenture": An Indenture to be entered into in 1986 between Finance and National City Bank, as Trustee.

"Prior Debt": The Prudential Debt and the Public Debt.

"Prudential Debt": All Debt for money borrowed owed by Finance to Prudential pursuant to the Note Agreements.

"Public Debt": All Debt for money borrowed issued by Finance pursuant to the Indenture.

"Stockholders' Equity": As measured at any date, all amounts which, in conformity with generally accepted accounting principles, would be included under the caption "total stockholders' equity" (or any like caption) on a consolidated balance sheet of Finance and its subsidiaries at such date.

5. <u>Notices</u>.

All communications contemplated by this Commitment shall be sent by first class mail addressed as follows:

If to Finance, to: World Book Finance, Inc.
c/o The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145
Attn: President

If to Berkshire, to: Berkshire Hathaway Inc.
1440 Kiewit Plaza
Omaha, Nebraska 68131
Attn: Treasurer

6. Miscellaneous.

(A) This Commitment is not intended to be and is not, and nothing herein contained and nothing done by Berkshire or any of its subsidiaries pursuant hereto shall be construed or deemed to constitute, a direct or indirect guaranty by Berkshire or any such subsidiary of the payment of the interest on or principal of any indebtedness, liability or obligation of any kind or character of Finance to any person or persons whomsoever, but this Commitment is intended to obligate the parties hereto as herein set forth. The parties hereto recognize that the existence and performance of their respective obligations under this Commitment are essential to the continuing business and operations of Finance and, accordingly, agree that (i) no default by Finance or Berkshire in the performance of their obligations hereunder shall be deemed sufficiently material to constitute a basis for rescission, revocation or other cancellation of this Commitment prior to the end of the initial term hereof, and (ii) the parties hereto shall be limited to remedies seeking the enforcement of the specific provisions hereof or a suit for damages. The parties hereto further acknowledge that the

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remedies at law for breach or nonperformance of the covenants set forth in paragraphs 1 and 2 hereof are inadequate, and, accordingly, agree that either party hereto shall be entitled to equitable relief for the breach of any such provisions, including preliminary and permanent mandatory injunctions and specific performance.

(B) All commitments herein shall bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto whether so expressed or not. This Commitment shall be governed by the laws of the State of Illinois. The headings herein are for the purpose of reference only and shall not limit or otherwise affect the meaning hereof. This Commitment may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Commitment to produce or account for more than one such counterpart. This Commitment may not be assigned by any party hereto without the written consent of each other party hereto.

(C) So long as this Commitment remains in effect, Berkshire shall not, and shall not permit any of its direct or indirect, wholly owned subsidiaries to, sell, pledge, hypothecate, transfer or otherwise dispose of any legal or equitable interest in any class of capital stock of Finance now or hereafter owned or held by any of them, except to Berkshire or to any other direct or indirect, wholly owned subsidiary of Berkshire, or create, suffer or permit to exist any lien or security interest therein, or authorize or consent to the issuance by Finance of any warrants, options or securities

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convertible into any class of capital stock of Finance, and Berkshire or one or more of its direct or indirect, wholly owned subsidiaries shall at all times remain the legal and equitable owners of all issued and outstanding capital stock of Finance, except for directors' qualifying shares.

Very truly yours,

BERKSHIRE HATHAWAY INC.

By /s/ J. Verne McKenzie
Treasurer

Acknowledged and agreed:

WORLD BOOK FINANCE, INC.

By /s/ Kenneth D. Hughes
Vice President

BERKSHIRE HATHAWAY INC.
1440 KIEWIT PLAZA
OMAHA, NEBRASKA 68131
TELEPHONE [illegible]

August 31, 1986

World Book Finance, Inc.
Merchandise Mart Plaza
Chicago, IL 60654

Re: Amendment to Investment Commitment

Reference is made to a certain Investment Commitment, dated July 1, 1986 (the "Commitment"), from Berkshire Hathaway Inc. ("Berkshire") to World Book Finance, Inc. ("Finance"). In consideration of $1.00 and other good and valuable consideration and in order to lower your borrowing costs, Berkshire hereby agrees with you to amend the Commitment, effective as of the date first above written. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Commitment.

Paragraph 6 of the Commitment hereby is amended by adding thereto and inserting immediately after subparagraph 6(C) of the Commitment the following subparagraphs:

(D) So long as this Commitment remains in effect, Berkshire shall not, and shall not permit any direct or indirect, majority-owned subsidiary of Berkshire ("Berkshire Subsidiary") to assign, pledge, sell, transfer or otherwise dispose of, to persons other than Berkshire or a direct or indirect, wholly owned subsidiary of Berkshire, any shares of any class of capital stock of any Berkshire Subsidiary which is then licensed to conduct an insurance business ("Berkshire Insurance Subsidiary"), which shares are now or hereafter held by Berkshire or any Berkshire Subsidiary unless (i) all such shares of capital stock of such Berkshire Subsidiary shall be so disposed of, (ii) the Board of Directors of Berkshire shall have determined that such disposition is in the best interests of Berkshire and would not materially adversely affect Berkshire's ability to perform its obligations under this Commitment and (iii) such disposition is for a consideration and upon terms determined by the Board of Directors of Berkshire to be fair. Berkshire shall not permit any Berkshire Insurance Subsidiary to issue any shares of any class of its stock having, under ordinary circumstances (not dependent on the happening of a contingency), voting power to elect at least a majority of the Directors of such Berkshire Insurance Subsidiary to persons other than Berkshire or a direct or indirect, wholly owned subsidiary of Berkshire.

(E) So long as this Commitment remains in effect, Berkshire shall not permit any Berkshire Insurance Subsidiary to merge into or consolidate with another corporation (unless the surviving or resulting corporation is Berkshire or a Berkshire Insurance Subsidiary) or sell, transfer or otherwise dispose of its properties and assets as, or substantially as, an entirety to any person (other than Berkshire or a Berkshire Insurance Subsidiary) unless (i) the Board of Directors of Berkshire shall have determined that such merger, consolidation, sale, transfer or other disposition is in the best interests of Berkshire and would not materially adversely affect Berkshire's ability to perform its obligations under this Commitment, and (ii) such merger, consolidation, sale, transfer or other disposition is for a consideration and upon terms determined by the Board of Directors of Berkshire to be fair.

(F) So long as this Commitment remains in effect, Berkshire shall not permit "annual net premiums written" of Berkshire Insurance Subsidiaries to exceed 200% of the "Surplus as regards policy holders" of Berkshire Insurance Subsidiaries, each as shown by the latest consolidated annual statement on file with the Insurance Department of the State of Nebraska for such Berkshire Insurance Subsidiaries or, in the absence of a requirement for the filing of such statement for any year, then as would be required to be shown in such a statement prepared in conformity with the applicable Nebraska requirements for the calendar year 1985.

Except as hereby expressly amended or modified by the foregoing provisions, all provisions of the Commitment shall remain in full force and effect.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the undersigned. This amendment to the Commitment may be executed in counterparts, each of which shall be deemed an original, but which together shall constitute one and the same agreement.

Yours truly,

BERKSHIRE HATHAWAY INC.

By /s/ J. Verne McKenzie
Treasurer

The foregoing amendment
is hereby acknowledged and
accepted as of the date
first above written.

WORLD BOOK FINANCE, INC.

By /s/ Kenneth D. Hughes
Vice President

Exhibit 12

BERKSHIRE HATHAWAY INC.
Calculation of Ratio of Consolidated Earnings to Consolidated Fixed Charges
(Dollars in Thousands)

	Years Ended December 31,				
	1987	1988	1989	1990	1991
Net earnings	$234,552	$399,270	$447,477	$394,093	$439,908
Income tax expense	69,539	140,791	159,287	112,047	142,058
Minority interest in earnings	6,420	10,060	10,460	10,326	11,020
Equity in the undistributed earnings of a less than 50% owned investee	(6,085)	(4,164)	(319)	1,195	—
Fixed charges	56,157	78,559	86,831	122,431	125,827
Earnings available for fixed charges	$360,583	$624,516	$703,736	$640,092	$718,813
Realized investment gain, pretax, included in earnings available for fixed charges	$ 28,838	$131,671	$223,810	$ 33,989	$192,478
Fixed charges					
Interest on indebtedness (including amortization of debt discount and expense)	$ 26,534	$ 49,701	$ 56,313	$ 90,717	$97,875*
Interest on savings deposits	20,903	20,579	21,261	21,975	18,311
Rentals representing interest	8,720	8,279	9,257	9,739	9,641
	$ 56,157	$ 78,559	$ 86,831	$122,431	$125,827
Ratio of earnings to fixed charges	6.42x	7.95x	8.10x	5.23x	5.71x
Ratio of earnings, excluding realized investment gain, to fixed charges	5.91x	6.27x	5.53x	4.95x	4.18x

* Optional prepayment premiums of $5,661 were paid in the fourth quarter of 1991 in connection with redemption prior to maturity of certain obligations scheduled to mature in 2018. Such premiums are not classified as "interest expense" in this presentation.

Reg. S-K
Item 601
Exhibit 22

BERKSHIRE HATHAWAY INC.
Subsidiaries of Registrant (1)
December 31, 1991

Company Name	State of Incorporation
BHSF Inc.	Delaware
Blue Chip Stamps	California
Borsheim Jewelry Company, Inc.	Nebraska
Campbell Hausfeld/Scott Fetzer Company	Delaware
Columbia Insurance Company	Nebraska
Continental Divide Insurance Company	Colorado
Cornhusker Casualty Company	Nebraska
Cypress Insurance Company	California
The Fechheimer Brothers Company (2)	Delaware
H. H. Brown Shoe Company, Inc.	Delaware
Kansas Fire & Casualty Company	Kansas
Mutual Savings and Loan Association	California
National Fire & Marine Insurance Company	Nebraska
National Indemnity Company	Nebraska
National Indemnity Company of the South	Florida
National Indemnity Company of Mid-America	Minnesota
National Liability and Fire Insurance Company	Illinois
Nebraska Furniture Mart, Inc.	Nebraska
Redwood Fire and Casualty Insurance Company	Nebraska
The Scott Fetzer Company	Delaware
Scott Fetzer Financial Group, Inc.	Delaware
See's Candies, Inc.	California
See's Candy Shops, Incorporated	California
Wesco Financial Corporation	Delaware
Wesco-Financial Insurance Company	Nebraska
Wesco Holdings Midwest Inc.	Nebraska
World Book/Scott Fetzer Company	Nebraska

(1) Each of the named subsidiaries is not necessarily a "significant subsidiary" as defined in Rule 1-02(v) of Regulation S-X, and Berkshire has several additional subsidiaries not named above. The unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" at the end of the year covered by this report.

(2) The names have been omitted of 28 wholly-owned U.S. subsidiaries of The Fechheimer Brothers Company, each of whom operated in the business of uniform manufacturing and/or distribution.

Reg. S-K
Item 601
Exhibit 13

BERKSHIRE HATHAWAY INC.

1991
ANNUAL REPORT

Business Activities

Berkshire Hathaway Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities. The most important of these is the property and casualty insurance business conducted nationwide on both a direct and reinsurance basis through a number of subsidiaries collectively referred to in this report as the Berkshire Hathaway Insurance Group.

Investment portfolios of insurance subsidiaries include meaningful equity ownership percentages of other publicly traded companies. Such investments at the end of 1991 included approximately 48% of the outstanding capital stock of GEICO Corporation, approximately 18% of the capital stock of Capital Cities/ABC, Inc., approximately 11% of the capital stock of The Gillette Company, convertible preferred stock of Salomon Inc having approximately 14% of the total voting power of that company, approximately 7% of the capital stock of The Coca-Cola Company, approximately 15% of the capital stock of The Washington Post Company, and approximately 10% of the common stock of Wells Fargo Company. Much information about these publicly-owned companies is available, including information released from time to time by the companies themselves.

Additionally, Berkshire Hathaway Inc. publishes the *Buffalo News*, a daily and Sunday newspaper in upstate New York. Other business activities conducted by non-insurance subsidiaries include publication and distribution of encyclopedias and related educational and instructional material (*World Book* and *Childcraft* products), manufacture and marketing of home cleaning systems and related accessories (sold principally under the *Kirby* name), manufacture and sale of boxed chocolates and other confectionery products (*See's Candies*), retailing of home furnishings (*Nebraska Furniture Mart*), manufacture and distribution of uniforms (*Fechheimer Bros. Co.*) and manufacture, import and distribution of footwear (*H.H. Brown Shoe Co.*). Berkshire also owns a number of other businesses engaged in a variety of activities, as identified in this Report.

Operating decisions for the various Berkshire businesses are made by managers of the business units. Investment decisions and all other capital allocation decisions are made for Berkshire and its subsidiaries by Warren E. Buffett, in consultation with Charles T. Munger. Mr. Buffett is Chairman and Mr. Munger is Vice Chairman of Berkshire's Board of Directors.

BERKSHIRE HATHAWAY INC.

1991 ANNUAL REPORT

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Certain **OWNER-RELATED BUSINESS PRINCIPLES** were included in the Chairman's letter* to Shareholders of Berkshire Hathaway Inc. in the 1983 Annual Report. Because the material remains topical, it is reproduced on this and the following page.

With so many new shareholders, it's appropriate to summarize the major business principles we follow that pertain to the manager-owner relationship:

- Although our form is corporate, our attitude is partnership. Charlie Munger and I think of our shareholders as owner-partners, and of ourselves as managing partners. (Because of the size of our shareholdings we also, are, for better or worse, controlling partners.) We do not view the company itself as the ultimate owner of our business assets but, instead, view the company as a conduit through which our shareholders own the assets.

- In line with this owner-orientation, our directors are major shareholders of Berkshire Hathaway. In the case of at least four, over 50% of family net worth is represented by holdings of Berkshire. We eat our own cooking.

- Our long-term economic goal (subject to some qualifications mentioned later) is to maximize the average annual rate of gain in intrinsic business value on a per-share basis. We do not measure the economic significance or performance of Berkshire by its size; we measure by per-share progress. We are certain that the rate of per-share progress will diminish in the future — a greatly enlarged capital base will see to that. But we will be disappointed if our rate does not exceed that of the average large American corporation.

- Our preference would be to reach this goal by directly owning a diversified group of businesses that generate cash and consistently earn above-average returns on capital. Our second choice is to own parts of similar businesses, attained primarily through purchases of marketable common stocks by our insurance subsidiaries. The price and availability of businesses and the need for insurance capital determine any given year's capital allocation.

- Because of this two-pronged approach to business ownership and because of the limitations of conventional accounting, consolidated reported earnings may reveal relatively little about our true economic performance. Charlie and I, both as owners and managers, virtually ignore such consolidated numbers. However, we will also report to you the earnings of each major business we control, numbers we consider of great importance. These figures, along with other information we will supply about the individual businesses, should generally aid you in making judgments about them.

- Accounting consequences do not influence our operating or capital-allocation decisions. When acquisition costs are similar, we much prefer to purchase $2 of earnings that is not reportable by us under standard accounting principles than to purchase $1 of earnings that is reportable. This is precisely the choice that often faces us since entire businesses (whose earnings will be fully reportable) frequently sell for double the pro-rata price of small portions (whose earnings will be largely unreportable). In aggregate and over time, we expect the unreported earnings to be fully reflected in our intrinsic business value through capital gains.

- We rarely use much debt and, when we do, we attempt to structure it on a long-term fixed-rate basis. We will reject interesting opportunities rather than over-leverage our balance sheet. This conservatism has penalized our results but it is the only behavior that leaves us comfortable, considering our fiduciary obligations to policyholders, depositors, lenders and the many equity holders who have committed unusually large portions of their net worth to our care. (As one of the Indianapolis "500" winners said: "To finish first, you must first finish.")

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● A managerial "wish list" will not be filled at shareholder expense. We will not diversify by purchasing entire businesses at control prices that ignore long-term economic consequences to our shareholders. We will only do with your money what we would do with our own, weighing fully the values you can obtain by diversifying your own portfolios through direct purchases in the stock market.

● We feel noble intentions should be checked periodically against results. We test the wisdom of retaining earnings by assessing whether retention, over time, delivers shareholders at least $1 of market value for each $1 retained. To date, this test has been met. We will continue to apply it on a five-year rolling basis. As our net worth grows, it is more difficult to use retained earnings wisely.

● We will issue common stock only when we receive as much in business value as we give. This rule applies to all forms of issuance — not only mergers or public stock offerings, but stock-for-debt swaps, stock options, and convertible securities as well. We will not sell small portions of your company — and that is what the issuance of shares amounts to — on a basis inconsistent with the value of the entire enterprise.

● You should be fully aware of one attitude Charlie and I share that hurts our financial performance: regardless of price, we have no interest at all in selling any good businesses that Berkshire owns, and are very reluctant to sell sub-par businesses as long as we expect them to generate at least some cash and as long as we feel good about their managers and labor relations. We hope not to repeat the capital-allocation mistakes that led us into such sub-par businesses. And we react with great caution to suggestions that our poor businesses can be restored to satisfactory profitability by major capital expenditures. (The projections will be dazzling — the advocates will be sincere — but, in the end, major additional investment in a terrible industry usually is about as rewarding as struggling in quicksand.) Nevertheless, gin rummy managerial behavior (discard your least promising business at each turn) is not our style. We would rather have our overall results penalized a bit than engage in it.

● We will be candid in our reporting to you, emphasizing the pluses and minuses important in appraising business value. Our guideline is to tell you the business facts that we would want to know if our positions were reversed. We owe you no less. Moreover, as a company with a major communications business, it would be inexcusable for us to apply lesser standards of accuracy, balance and incisiveness when reporting on ourselves than we would expect our news people to apply when reporting on others. We also believe candor benefits us as managers: the CEO who misleads others in public may eventually mislead himself in private.

● Despite our policy of candor, we will discuss our activities in marketable securities only to the extent legally required. Good investment ideas are rare, valuable and subject to competitive appropriation just as good product or business acquisition ideas are. Therefore, we normally will not talk about our investment ideas. This ban extends even to securities we have sold (because we may purchase them again) and to stocks we are incorrectly rumored to be buying. If we deny those reports but say "no comment" on other occasions, the no-comments become confirmation.

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BERKSHIRE HATHAWAY INC.

A management change occurred at Berkshire Hathaway early in 1965. In order to present data at even intervals following the change, this table utilizes nine-year spacing.

Selected Financial Data at Nine Year Intervals
(dollars in thousands, except per share amounts)

	1964	1973	1982	1991
Revenues:				
Sales and service revenues	$ 49,983	$ 33,411	$ 306,564	$ 1,651,134
Insurance premiums earned	—	52,929	152,945	776,413
Investment income, insurance group	—	7,310	41,791	343,442
Realized investment gain	—	1,332	38,717	192,478
Total revenues	$ 49,983	$ 95,336	$ 579,589	$ 3,105,996
Earnings (loss):				
Before realized investment gain	$ (2,824)	$ 11,930	$ 31,497	$ 315,753
Realized investment gain	—	930	14,877	124,155
Net earnings (loss)	$ (2,824)	$ 12,860	$ 46,374	$ 439,908
Earnings (loss) per share:				
Before realized investment gain	$ (2.41)	$ 12.18	$ 31.93	$ 275.42
Realized investment gain	—	.95	15.08	108.30
Net earnings (loss)	$ (2.41)	$ 13.13	$ 47.01	$ 383.72
Year-end data:				
Total assets	$ 27,887	$196,132	$1,723,993	$14,461,902
Term debt and other borrowings	2,500	20,599	169,947	1,255,068
Shareholders' equity	22,139	81,155	727,483	7,379,918
Common shares outstanding, in thousands	1,138	980	987	1,146
Shareholders' equity per outstanding share	$19	$83	$737	$6,437

The 1964 fiscal year was the 52 week period ended October 3, 1964. The years 1973, and 1982 were fiscal years that ended on Saturday nearest December 31. Data are presented as last reported.

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BERKSHIRE HATHAWAY INC.

To the Shareholders of Berkshire Hathaway Inc.:

Our gain in net worth during 1991 was $2.1 billion, or 39.6%. Over the last 27 years (that is, since present management took over) our per-share book value has grown from $19 to $6,437, or at a rate of 23.7% compounded annually.

The size of our equity capital — which now totals $7.4 billion — makes it certain that we cannot maintain our past rate of gain nor, for that matter, come close to doing so. As Berkshire grows, the universe of opportunities that can significantly influence the company's performance constantly shrinks. When we were working with capital of $20 million, an idea or business producing $1 million of profit added five percentage points to our return for the year. Now we need a $370 million idea (i.e., one contributing over $550 million of pre-tax profit) to achieve the same result. And there are many more ways to make $1 million than to make $370 million.

Charlie Munger, Berkshire's Vice Chairman, and I have set a goal of attaining a 15% average annual increase in Berkshire's intrinsic value. If our growth in *book* value is to keep up with a 15% pace, we must earn $22 billion during the next decade. Wish us luck — we'll need it.

Our outsized gain in book value in 1991 resulted from a phenomenon not apt to be repeated: a dramatic rise in the price-earnings ratios of Coca-Cola and Gillette. These two stocks accounted for nearly $1.6 billion of our $2.1 billion growth in net worth last year. When we loaded up on Coke three years ago, Berkshire's net worth was $3.4 billion; now our Coke stock alone is worth more than that.

Coca-Cola and Gillette are two of the best companies in the world and we expect their earnings to grow at hefty rates in the years ahead. Over time, also, the value of our holdings in these stocks should grow in rough proportion. Last year, however, the valuations of these two companies rose far faster than their earnings. In effect, we got a double-dip benefit, delivered partly by the excellent earnings growth and even more so by the market's reappraisal of these stocks. We believe this reappraisal was warranted. But it can't recur annually: We'll have to settle for a single dip in the future.

A Second Job

In 1989 when I — a happy consumer of five cans of Cherry Coke daily — announced our purchase of $1 billion worth of Coca-Cola stock, I described the move as a rather extreme example of putting our money where my mouth was. On August 18 of last year, when I was elected Interim Chairman of Salomon Inc, it was a different story: I put my mouth where our money was.

You've all read of the events that led to my appointment. My decision to take the job carried with it an implicit but important message: Berkshire's operating managers are so outstanding that I knew I could materially reduce the time I was spending at the company and yet remain confident that its economic progress would not skip a beat. The Blumkins, the Friedman family, Mike Goldberg, the Heldmans, Chuck Huggins, Stan Lipsey, Ralph Schey and Frank Rooney (CEO of H. H. Brown, our latest acquisition, which I will describe later) are all masters of their operations and need no help from me. My job is merely to treat them right and to allocate the capital they generate. Neither function is impeded by my work at Salomon.

The role that Charlie and I play in the success of our operating units can be illustrated by a story about George Mira, the one-time quarterback of the University of Miami, and his coach, Andy Gustafson. Playing Florida and near its goal line, Mira dropped back to pass. He spotted an open receiver but found his right shoulder in the unshakable grasp of a Florida linebacker. The right-handed Mira thereupon switched the ball to his other hand and threw the only left-handed pass of his life — for a touchdown. As the crowd erupted, Gustafson calmly turned to a reporter and declared: "Now that's what I call coaching."

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Given the managerial stars we have at our operating units, Berkshire's performance is not affected if Charlie or I slip away from time to time. You should note, however, the "interim" in my Salomon title. Berkshire is my first love and one that will never fade: At the Harvard Business School last year, a student asked me when I planned to retire and I replied, "About five to ten years after I die."

Sources of Reported Earnings

The table below shows the major sources of Berkshire's reported earnings. In this presentation, amortization of Goodwill and other major purchase-price accounting adjustments are not charged against the specific businesses to which they apply, but are instead aggregated and shown separately. This procedure lets you view the earnings of our businesses as they would have been reported had we not purchased them. I've explained in past reports why this form of presentation seems to us to be more useful to investors and managers than one utilizing generally accepted accounting principles (GAAP), which require purchase-price adjustments to be made on a business-by-business basis. The total net earnings we show in the table are, of course, identical to the GAAP total in our audited financial statements.

A large amount of additional information about these businesses is given on pages 33 - 47, where you also will find our segment earnings reported on a GAAP basis. However, we will not in this letter discuss each of our non-insurance operations, as we have in the past. Our businesses have grown in number — and will continue to grow — so it now makes sense to rotate coverage, discussing one or two in detail each year.

	(000s omitted)			
	Pre-Tax Earnings		*Berkshire's Share of Net Earnings (after taxes and minority interests)*	
	1991	*1990*	*1991*	*1990*
Operating Earnings:				
Insurance Group:				
Underwriting	$(119,593)	$ (26,647)	$ (77,229)	$ (14,936)
Net Investment Income	331,846	327,047	285,173	282,613
H. H. Brown (acquired 7/1/91)	13,616	—	8,611	—
Buffalo News	37,113	43,954	21,841	25,981
Fechheimer	12,947	12,450	6,843	6,605
Kirby	35,726	27,445	22,555	17,613
Nebraska Furniture Mart	14,384	17,248	6,993	8,485
Scott Fetzer Manufacturing Group	26,123	30,378	15,901	18,458
See's Candies	42,390	39,580	25,575	23,892
Wesco - other than Insurance	12,230	12,441	8,777	9,676
World Book	22,483	31,896	15,487	20,420
Amortization of Goodwill	(4,113)	(3,476)	(4,098)	(3,461)
Other Purchase-Price Accounting Charges	(6,021)	(5,951)	(7,019)	(6,856)
Interest Expense*	(89,250)	(76,374)	(57,165)	(49,726)
Shareholder-Designated Contributions	(6,772)	(5,824)	(4,388)	(3,801)
Other	77,399	58,310	47,896	35,782
Operating Earnings	400,508	482,477	315,753	370,745
Sales of Securities	192,478	33,989	124,155	23,348
Total Earnings - All Entities	$ 592,986	$ 516,466	$ 439,908	$ 394,093

**Excludes interest expense of Scott Fetzer Financial Group and Mutual Savings & Loan.*

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"Look-Through" Earnings

We've previously discussed look-through earnings, which consist of: (1) the operating earnings reported in the previous section, plus; (2) the retained operating earnings of major investees that, under GAAP accounting, are not reflected in our profits, less; (3) an allowance for the tax that would be paid by Berkshire if these retained earnings of investees had instead been distributed to us.

I've told you that over time look-through earnings must increase at about 15% annually if our intrinsic business value is to grow at that rate. Indeed, since present management took over in 1965, our look-through earnings have grown at almost the identical 23% rate of gain recorded for book value.

Last year, however, our look-through earnings did not grow at all but rather declined by 14%. To an extent, the decline was precipitated by two forces that I discussed in last year's report and that I warned you would have a negative effect on look-through earnings.

First, I told you that our media earnings — both direct and look-through — were "sure to decline" and they in fact did. The second force came into play on April 1, when the call of our Gillette preferred stock required us to convert it into common. The after-tax earnings in 1990 from our preferred had been about $45 million, an amount somewhat higher than the combination in 1991 of three months of dividends on our preferred plus nine months of look-through earnings on the common.

Two other outcomes that I did not foresee also hurt look-through earnings in 1991. First, we had a break-even result from our interest in Wells Fargo (dividends we received from the company were offset by negative retained earnings). Last year I said that such a result at Wells was "a low-level possibility — not a likelihood." Second, we recorded significantly lower — though still excellent — insurance profits.

The following table shows you how we calculate look-through earnings, although I warn you that the figures are necessarily very rough. (The dividends paid to us by these investees have been included in the operating earnings itemized on page 6, mostly under "Insurance Group: Net Investment Income.")

Berkshire's Major Investees	Berkshire's Approximate Ownership at Yearend		Berkshire's Share of Undistributed Operating Earnings (in millions)	
	1991	1990	1991	1990
Capital Cities/ABC Inc.	18.1%	17.9%	$ 61	$ 85
The Coca-Cola Company	7.0%	7.0%	69	58
Federal Home Loan Mortgage Corp.	3.4%(1)	3.2%(1)	15	10
The Gillette Company	11.0%	—	23(2)	—
GEICO Corp.	48.2%	46.1%	69	76
The Washington Post Company	14.6%	14.6%	10	18
Wells Fargo & Company	9.6%	9.7%	(17)	19(3)
Berkshire's share of undistributed earnings of major investees			$230	$266
Hypothetical tax on these undistributed investee earnings			(30)	(35)
Reported operating earnings of Berkshire			316	371
Total look-through earnings of Berkshire			$516	$602

(1) Net of minority interest at Wesco
(2) For the nine months after Berkshire converted its preferred on April 1
(3) Calculated on average ownership for the year

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We also believe that investors can benefit by focusing on their own look-through earnings. To calculate these, they should determine the underlying earnings attributable to the shares they hold in their portfolio and total these. The goal of each investor should be to create a portfolio (in effect, a "company") that will deliver him or her the highest possible look-through earnings a decade or so from now.

An approach of this kind will force the investor to think about long-term business prospects rather than short-term stock market prospects, a perspective likely to improve results. It's true, of course, that, in the long run, the scoreboard for investment decisions is market price. But prices will be determined by future earnings. In investing, just as in baseball, to put runs on the scoreboard one must watch the playing field, not the scoreboard.

A Change in Media Economics and Some Valuation Math

In last year's report, I stated my opinion that the decline in the profitability of media companies reflected secular as well as cyclical factors. The events of 1991 have fortified that case: The economic strength of once-mighty media enterprises continues to erode as retailing patterns change and advertising and entertainment choices proliferate. In the business world, unfortunately, the rear-view mirror is always clearer than the windshield: A few years back no one linked to the media business — neither lenders, owners nor financial analysts — saw the economic deterioration that was in store for the industry. (But give me a few years and I'll probably convince myself that I did.)

The fact is that newspaper, television, and magazine properties have begun to resemble *businesses* more than *franchises* in their economic behavior. Let's take a quick look at the characteristics separating these two classes of enterprise, keeping in mind, however, that many operations fall in some middle ground and can best be described as weak franchises or strong businesses.

An economic franchise arises from a product or service that: (1) is needed or desired; (2) is thought by its customers to have no close substitute and; (3) is not subject to price regulation. The existence of all three conditions will be demonstrated by a company's ability to regularly price its product or service aggressively and thereby to earn high rates of return on capital. Moreover, franchises can tolerate mis-management. Inept managers may diminish a franchise's profitability, but they cannot inflict mortal damage.

In contrast, "a business" earns exceptional profits only if it is the low-cost operator or if supply of its product or service is tight. Tightness in supply usually does not last long. With superior management, a company may maintain its status as a low-cost operator for a much longer time, but even then unceasingly faces the possibility of competitive attack. And a business, unlike a franchise, can be killed by poor management.

Until recently, media properties possessed the three characteristics of a franchise and consequently could both price aggressively and be managed loosely. Now, however, consumers looking for information and entertainment (their primary interest being the latter) enjoy greatly broadened choices as to where to find them. Unfortunately, demand can't expand in response to this new supply: 500 million American eyeballs and a 24-hour day are all that's available. The result is that competition has intensified, markets have fragmented, and the media industry has lost some — though far from all — of its franchise strength.

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The industry's weakened franchise has an impact on its value that goes far beyond the immediate effect on earnings. For an understanding of this phenomenon, let's look at some much over-simplified, but relevant, math.

A few years ago the conventional wisdom held that a newspaper, television or magazine property would forever increase its earnings at 6% or so annually and would do so *without the employment of additional capital*, for the reason that depreciation charges would roughly match capital expenditures and working capital requirements would be minor. Therefore, reported earnings (before amortization of intangibles) were also freely-distributable earnings, which meant that ownership of a media property could be construed as akin to owning a perpetual annuity set to grow at 6% a year. Say, next, that a discount rate of 10% was used to determine the present value of that earnings stream. One could then calculate that it was

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appropriate to pay a whopping $25 million for a property with current after-tax earnings of $1 million. (This after-tax multiplier of 25 translates to a multiplier on pre-tax earnings of about 16.)

Now change the assumption and posit that the $1 million represents "normal earning power" and that earnings will bob around this figure cyclically. A "bob-around" pattern is indeed the lot of most businesses, whose income stream grows only if their owners are willing to commit more capital (usually in the form of retained earnings). Under our revised assumption, $1 million of earnings, discounted by the same 10%, translates to a $10 million valuation. Thus a seemingly modest shift in assumptions reduces the property's valuation to 10 times after-tax earnings (or about 6½ times pre-tax earnings).

Dollars are dollars whether they are derived from the operation of media properties or of steel mills. What in the past caused buyers to value a dollar of earnings from media far higher than a dollar from steel was that the earnings of a media property were expected to constantly grow (without the business requiring much additional capital), whereas steel earnings clearly fell in the bob-around category. Now, however, expectations for media have moved toward the bob-around model. And, as our simplified example illustrates, valuations must change dramatically when expectations are revised.

We have a significant investment in media — both through our direct ownership of Buffalo News and our shareholdings in The Washington Post Company and Capital Cities/ABC — and the intrinsic value of this investment has declined materially because of the secular transformation that the industry is experiencing. (Cyclical factors have also hurt our current look-through earnings, but these factors do not reduce intrinsic value.) However, as our Business Principles on pages 2 - 3 note, one of the rules by which we run Berkshire is that we do not sell businesses — or investee holdings that we have classified as permanent — simply because we see ways to use the money more advantageously elsewhere. (We did sell certain other media holdings sometime back, but these were relatively small.)

The intrinsic value losses that we have suffered have been moderated because the Buffalo News, under Stan Lipsey's leadership, has done far better than most newspapers and because both Cap Cities and Washington Post are exceptionally well-managed. In particular, these companies stayed on the sidelines during the late 1980's period in which purchasers of media properties regularly paid irrational prices. Also, the debt of both Cap Cities and Washington Post is small and roughly offset by cash that they hold. As a result, the shrinkage in the value of their assets has not been accentuated by the effects of leverage. Among publicly-owned media companies, our two investees are about the only ones essentially free of debt. Most of the other companies, through a combination of the aggressive acquisition policies they pursued and shrinking earnings, find themselves with debt equal to five or more times their current net income.

The strong balance sheets and strong managements of Cap Cities and Washington Post leave us more comfortable with these investments than we would be with holdings in any other media companies. Moreover, most media properties continue to have far better economic characteristics than those possessed by the average American business. But gone are the days of bullet-proof franchises and cornucopian economics.

Twenty Years in a Candy Store

We've just passed a milestone: Twenty years ago, on January 3, 1972, Blue Chip Stamps (then an affiliate of Berkshire and later merged into it) bought control of See's Candy Shops, a West Coast manufacturer and retailer of boxed-chocolates. The nominal price that the sellers were asking — calculated on the 100% ownership we ultimately attained — was $40 million. But the company had $10 million of excess cash, and therefore the true offering price was $30 million. Charlie and I, not yet fully appreciative of the value of an economic franchise, looked at the company's mere $7 million of tangible net worth and said $25 million was as high as we would go (and we meant it). Fortunately, the sellers accepted our offer.

The sales of trading stamps by Blue Chip thereafter declined from $102.5 million in 1972 to $1.2 million in 1991. But See's candy sales in the same period increased from $29 million to $196 million. Moreover, profits at See's grew even faster than sales, from $4.2 million pre-tax in 1972 to $42.4 million last year.

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For an increase in profits to be evaluated properly, it must be compared with the incremental capital investment required to produce it. On this score, See's has been astounding: The company now operates comfortably with only $25 million of net worth, which means that our beginning base of $7 million has had to be supplemented by only $18 million of reinvested earnings. Meanwhile, See's remaining pre-tax profits of $410 million were distributed to Blue Chip/Berkshire during the 20 years for these companies to deploy (after payment of taxes) in whatever way made most sense.

In our See's purchase, Charlie and I had one important insight: We saw that the business had untapped pricing power. Otherwise, we were lucky twice over. First, the transaction was not derailed by our dumb insistence on a $25 million price. Second, we found Chuck Huggins, then See's executive vice-president, whom we instantly put in charge. Both our business and personal experiences with Chuck have been outstanding. One example: When the purchase was made, we shook hands with Chuck on a compensation arrangement — conceived in about five minutes and never reduced to a written contract — that remains unchanged to this day.

In 1991, See's sales volume, measured in dollars, matched that of 1990. In pounds, however, volume was down 4%. All of that slippage took place in the last two months of the year, a period that normally produces more than 80% of annual profits. Despite the weakness in sales, profits last year grew 7%, and our pre-tax profit margin was a record 21.6%.

Almost 80% of See's sales come from California and our business clearly was hurt by the recession, which hit the state with particular force late in the year. Another negative, however, was the mid-year initiation in California of a sales tax of 7%-8% (depending on the county involved) on "snack food" that was deemed applicable to our candy.

Shareholders who are students of epistemological shadings will enjoy California's classifications of "snack" and "non-snack" foods:

Taxable "Snack" Foods	Non-Taxable "Non-Snack" Foods
Ritz Crackers	Soda Crackers
Popped Popcorn	Unpopped Popcorn
Granola Bars	Granola Cereal
Slice of Pie (Wrapped)	Whole Pie
Milky Way Candy Bar	Milky Way Ice Cream Bar

What — you are sure to ask — is the tax status of a *melted* Milky Way ice cream bar? In that androgynous form, does it more resemble an ice cream bar or a candy bar that has been left in the sun? It's no wonder that Brad Sherman, Chairman of California's State Board of Equalization, who opposed the snack food bill but must now administer it, has said: "I came to this job as a specialist in tax law. Now I find my constituents should have elected Julia Child."

Charlie and I have many reasons to be thankful for our association with Chuck and See's. The obvious ones are that we've earned exceptional returns and had a good time in the process. Equally important, ownership of See's has taught us much about the evaluation of franchises. We've made significant money in certain common stocks because of the lessons we learned at See's.

H. H. Brown

We made a sizable acquisition in 1991 — the H. H. Brown Shoe Co. — and behind this business is an interesting history. In 1927 a 29-year-old businessman named Ray Heffernan purchased the company, then located in North Brookfield, Massachusetts, for $10,000 and began a 62-year career of running it. (He also found time for other pursuits: At age 90 he was still joining new golf clubs.) By Mr. Heffernan's retirement in early 1990 H. H. Brown had three plants in the United States and one in Canada; employed close to 2,000 people; and earned about $25 million annually before taxes.

Along the way, Frances Heffernan, one of Ray's daughters, married Frank Rooney, who was sternly advised by Mr. Heffernan before the wedding that he had better forget any ideas he might have about working for his father-in-law. That was one of Mr. Heffernan's few mistakes: Frank went on to become CEO of Melville Shoe (now Melville Corp.). During his 23 years as boss, from 1964 through 1986, Melville's earnings averaged more than 20% on equity and its stock (adjusted for splits) rose from $16 to $960. And a few years after Frank retired, Mr. Heffernan, who had fallen ill, asked him to run Brown.

After Mr. Heffernan died late in 1990, his family decided to sell the company — and here we got lucky. I had known Frank for a few years but not well enough for him to think of Berkshire as a possible buyer. He instead gave the assignment of selling Brown to a major investment banker, which failed also to think of us. But last spring Frank was playing golf in Florida with John Loomis, a long-time friend of mine as well as a Berkshire shareholder, who is always on the alert for something that might fit us. Hearing about the impending sale of Brown, John told Frank that the company should be right up Berkshire's alley, and Frank promptly gave me a call. I thought right away that we would make a deal and before long it was done.

Much of my enthusiasm for this purchase came from Frank's willingness to continue as CEO. Like most of our managers, he has no financial need to work but does so because he loves the game and likes to excel. Managers of this stripe cannot be "hired" in the normal sense of the word. What we must do is provide a concert hall in which business artists of this class will wish to perform.

Brown (which, by the way, has no connection to Brown Shoe of St. Louis) is the leading North American manufacturer of work shoes and boots, and it has a history of earning unusually fine margins on sales and assets. Shoes are a tough business — of the billion pairs purchased in the United States each year, about 85% are imported — and most manufacturers in the industry do poorly. The wide range of styles and sizes that producers offer causes inventories to be heavy; substantial capital is also tied up in receivables. In this kind of environment, only outstanding managers like Frank and the group developed by Mr. Heffernan can prosper.

A distinguishing characteristic of H. H. Brown is one of the most unusual compensation systems I've encountered — but one that warms my heart: A number of key managers are paid an annual salary of $7,800, to which is added a designated percentage of the profits of the company after these are reduced by a charge for capital employed. These managers therefore truly stand in the shoes of owners. In contrast, most managers talk the talk but don't walk the walk, choosing instead to employ compensation systems that are long on carrots but short on sticks (and that almost invariably treat equity capital as if it were cost-free). The arrangement at Brown, in any case, has served both the company and its managers exceptionally well, which should be no surprise: Managers eager to bet heavily on their abilities usually have plenty of ability to bet on.

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It's discouraging to note that though we have on four occasions made major purchases of companies whose sellers were represented by prominent investment banks, we were in only one of these instances contacted by the investment bank. In the other three cases, I myself or a friend initiated the transaction at some point after the investment bank had solicited its own list of prospects. We would love to see an intermediary earn its fee by thinking of us — and therefore repeat here what we're looking for:

(1) Large purchases (at least $10 million of after-tax earnings),
(2) Demonstrated consistent earning power (future projections are of little interest to us, nor are "turnaround" situations),
(3) Businesses earning good returns on equity while employing little or no debt,
(4) Management in place (we can't supply it),
(5) Simple businesses (if there's lots of technology, we won't understand it),
(6) An offering price (we don't want to waste our time or that of the seller by talking, even preliminarily, about a transaction when price is unknown).

We will not engage in unfriendly takeovers. We can promise complete confidentiality and a very fast answer — customarily within five minutes — as to whether we're interested. (With Brown, we didn't even need to take five.) We prefer to buy for cash, but will consider issuing stock when we receive as much in intrinsic business value as we give.

Our favorite form of purchase is one fitting the pattern through which we acquired Nebraska Furniture Mart, Fechheimer's and Borsheim's. In cases like these, the company's owner-managers wish to generate significant amounts of cash, sometimes for themselves, but often for their families or inactive shareholders. At the same time, these managers wish to remain significant owners who continue to run their companies just as they have in the past. We think we offer a particularly good fit for owners with such objectives and we invite potential sellers to check us out by contacting people with whom we have done business in the past.

Charlie and I frequently get approached about acquisitions that don't come close to meeting our tests: We've found that if you advertise an interest in buying collies, a lot of people will call hoping to sell you their cocker spaniels. A line from a country song expresses our feeling about new ventures, turnarounds, or auction-like sales: "When the phone don't ring, you'll know it's me."

Besides being interested in the purchase of businesses as described above, we are also interested in the negotiated purchase of large, but not controlling, blocks of stock comparable to those we hold in Capital Cities, Salomon, Gillette, USAir, Champion, and American Express. We are not interested, however, in receiving suggestions about purchases we might make in the general stock market.

Insurance Operations

Shown below is an updated version of our usual table presenting key figures for the property-casualty insurance industry:

	Yearly Change in Premiums Written (%)	*Combined Ratio After Policyholder Dividends*	*Yearly Change in Incurred Losses (%)*	*Inflation Rate Measured by GDP Deflator (%)*
1981	3.8	106.0	6.5	10.0
1982	3.7	109.6	8.4	6.2
1983	5.0	112.0	6.8	4.0
1984	8.5	118.0	16.9	4.5
1985	22.1	116.3	16.1	3.7
1986	22.2	108.0	13.5	2.7
1987	9.4	104.6	7.8	3.1
1988	4.4	105.4	5.5	3.9
1989	3.2	109.2	7.7	4.4
1990 (Revised)	4.4	109.6	4.8	4.1
1991 (Est.)	3.1	109.1	2.9	3.7

The combined ratio represents total insurance costs (losses incurred plus expenses) compared to revenue from premiums: A ratio below 100 indicates an underwriting profit, and one above 100 indicates a loss. The higher the ratio, the worse the year. When the investment income that an insurer earns from holding policyholders' funds ("the float") is taken into account, a combined ratio in the 107 - 111 range typically produces an overall break-even result, exclusive of earnings on the funds provided by shareholders.

For the reasons laid out in previous reports, we expect the industry's incurred losses to grow at close to 10% annually, even in periods when general inflation runs considerably lower. (Over the last 25 years, incurred losses have in reality grown at a still faster rate, 11%.) If premium growth meanwhile materially lags that 10% rate, underwriting losses will mount.

However, the industry's tendency to under-reserve when business turns bad may obscure the picture for a time — and that could well describe the situation last year. Though premiums did not come close to growing 10%, the combined ratio failed to deteriorate as I had expected but instead slightly improved. Loss-reserve data for the industry indicate that there is reason to be skeptical of that outcome, and it may turn out that 1991's ratio should have been worse than was reported. In the long run, of course, trouble awaits managements that paper over operating problems with accounting maneuvers. Eventually, managements of this kind achieve the same result as the seriously-ill patient who tells his doctor: "I can't afford the operation, but would you accept a small payment to touch up the x-rays?"

Berkshire's insurance business has changed in ways that make combined ratios, our own or the industry's, largely irrelevant to our performance. What counts with us is the "cost of funds developed from insurance," or in the vernacular, "the cost of float."

Float — which we generate in exceptional amounts — is the total of loss reserves, loss adjustment expense reserves and unearned premium reserves minus agents' balances, prepaid acquisition costs and deferred charges applicable to assumed reinsurance. And the cost of float is measured by our underwriting loss.

The table below shows our cost of float since we entered the business in 1967.

	(1) Underwriting Loss	(2) Average Float	Approximate Cost of Funds	Yearend Yield on Long-Term Govt. Bonds
	(In $ Millions)		(Ratio of 1 to 2)	
1967	profit	$17.3	less than zero	5.50%
1968	profit	19.9	less than zero	5.90%
1969	profit	23.4	less than zero	6.79%
1970	$0.37	32.4	1.14%	6.25%
1971	profit	52.5	less than zero	5.81%
1972	profit	69.5	less than zero	5.82%
1973	profit	73.3	less than zero	7.27%
1974	7.36	79.1	9.30%	8.13%
1975	11.35	87.6	12.96%	8.03%
1976	profit	102.6	less than zero	7.30%
1977	profit	139.0	less than zero	7.97%
1978	profit	190.4	less than zero	8.93%
1979	profit	227.3	less than zero	10.08%
1980	profit	237.0	less than zero	11.94%
1981	profit	228.4	less than zero	13.61%
1982	21.56	220.6	9.77%	10.64%
1983	33.87	231.3	14.64%	11.84%
1984	48.06	253.2	18.98%	11.58%
1985	44.23	390.2	11.34%	9.34%
1986	55.84	797.5	7.00%	7.60%
1987	55.43	1,266.7	4.38%	8.95%
1988	11.08	1,497.7	0.74%	9.00%
1989	24.40	1,541.3	1.58%	7.97%
1990	26.65	1,637.3	1.63%	8.24%
1991	119.6	1,895.0	6.31%	7.40%

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As you can see, our cost of funds in 1991 was well below the U.S. Government's cost on newly-issued long-term bonds. We have in fact beat the government's rate in 20 of the 25 years we have been in the insurance business, often by a wide margin. We have over that time also substantially increased the amount of funds we hold, which counts as a favorable development but only because the cost of funds has been satisfactory. Our float should continue to grow; the challenge will be to garner these funds at a reasonable cost.

Berkshire continues to be a very large writer — perhaps the largest in the world — of "super-cat" insurance, which is coverage that other insurance companies buy to protect themselves against major catastrophic losses. Profits in this business are enormously volatile. As I mentioned last year, $100 million in super-cat premiums, which is roughly our annual expectation, could deliver us anything from a $100 million profit (in a year with no big catastrophe) to a $200 million loss (in a year in which a couple of major hurricanes and/or earthquakes come along).

We price this business expecting to pay out, over the long term, about 90% of the premiums we receive. In any given year, however, we are likely to appear either enormously profitable or enormously *un*profitable. That is true in part because GAAP accounting does not allow us to set up reserves in the catastrophe-free years for losses that are certain to be experienced in other years. In effect, a one-year accounting cycle is ill-suited to the nature of this business — and that is a reality you should be aware of when you assess our annual results.

Last year there appears to have been, by our definition, one super-cat, but it will trigger payments from only about 25% of our policies. Therefore, we currently estimate the 1991 underwriting profit from our catastrophe business to have been about $11 million. (You may be surprised to learn the identity of the biggest catastrophe in 1991: It was neither the Oakland fire nor Hurricane Bob, but rather a September typhoon in Japan that caused the industry an insured loss now estimated at about $4-$5 billion. At the higher figure, the loss from the typhoon would surpass that from Hurricane Hugo, the previous record-holder.)

Insurers will always need huge amounts of reinsurance protection for marine and aviation disasters as well as for natural catastrophes. In the 1980's much of this reinsurance was supplied by "innocents" — that is, by insurers that did not understand the risks of the business — but they have now been financially burned beyond recognition. (Berkshire itself was an innocent all too often when I was personally running the insurance operation.) Insurers, though, like investors, eventually repeat their mistakes. At some point — probably after a few catastrophe-scarce years — innocents will reappear and prices for super-cat policies will plunge to silly levels.

As long as apparently-adequate rates prevail, however, we will be a major participant in super-cat coverages. In marketing this product, we enjoy a significant competitive advantage because of our premier financial strength. Thinking insurers know that when "the big one" comes, many reinsurers who found it easy to write policies will find it difficult to write checks. (Some reinsurers can say what Jackie Mason does: "I'm fixed for life — as long as I don't buy anything.") Berkshire's ability to fulfill all its commitments under conditions of even extreme adversity is unquestioned.

Overall, insurance offers Berkshire its greatest opportunities. Mike Goldberg has accomplished wonders with this operation since he took charge and it has become a very valuable asset, albeit one that can't be appraised with any precision.

Marketable Common Stocks

On the next page we list our common stock holdings having a value of over $100 million. A small portion of these investments belongs to subsidiaries of which Berkshire owns less than 100%.

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Shares	Company	12/31/91 Cost	Market
		(000s omitted)	
3,000,000	Capital Cities/ABC, Inc.	$ 517,500	$1,300,500
46,700,000	The Coca-Cola Company	1,023,920	3,747,675
2,495,200	Federal Home Loan Mortgage Corp.	77,245	343,090
6,850,000	GEICO Corp.	45,713	1,363,150
24,000,000	The Gillette Company	600,000	1,347,000
31,247,000	Guinness PLC	264,782	296,755
1,727,765	The Washington Post Company	9,731	336,050
5,000,000	Wells Fargo & Company	289,431	290,000

As usual the list reflects our Rip Van Winkle approach to investing. Guinness is a new position. But we held the other seven stocks a year ago (making allowance for the conversion of our Gillette position from preferred to common) and in six of those we hold an unchanged number of shares. The exception is Federal Home Loan Mortgage ("Freddie Mac"), in which our shareholdings increased slightly. Our stay-put behavior reflects our view that the stock market serves as a relocation center at which money is moved from the active to the patient. (With tongue only partly in check, I suggest that recent events indicate that the much-maligned "idle rich" have received a bad rap: They have maintained or increased their wealth while many of the "energetic rich" — aggressive real estate operators, corporate acquirers, oil drillers, etc. — have seen their fortunes disappear.)

Our Guinness holding represents Berkshire's first significant investment in a company domiciled outside the United States. Guinness, however, earns its money in much the same fashion as Coca-Cola and Gillette, U.S.-based companies that garner most of their profits from international operations. Indeed, in the sense of where they earn their profits — continent-by-continent — Coca-Cola and Guinness display strong similarities. (But you'll never get their drinks confused — and your Chairman remains unmovably in the Cherry Coke camp.)

We continually search for large businesses with understandable, enduring and mouth-watering economics that are run by able and shareholder-oriented managements. This focus doesn't guarantee results: We both have to buy at a sensible price and get business performance from our companies that validates our assessment. But this investment approach — searching for the superstars — offers us our only chance for real success. Charlie and I are simply not smart enough, considering the large sums we work with, to get great results by adroitly buying and selling portions of far-from-great businesses. Nor do we think many others can achieve long-term investment success by flitting from flower to flower. Indeed, we believe that according the name "investors" to institutions that trade actively is like calling someone who repeatedly engages in one-night stands a romantic.

If my universe of business possibilities was limited, say, to private companies in Omaha, I would, first, try to assess the long-term economic characteristics of each business; second, assess the quality of the people in charge of running it; and, third, try to buy into a few of the best operations at a sensible price. I certainly would not wish to own an equal part of every business in town. Why, then, should Berkshire take a different tack when dealing with the larger universe of public companies? And since finding great businesses and outstanding managers is so difficult, why should we discard proven products? (I was tempted to say "the real thing.") Our motto is: "If at first you do succeed, quit trying."

John Maynard Keynes, whose brilliance as a practicing investor matched his brilliance in thought, wrote a letter to a business associate, F. C. Scott, on August 15, 1934 that says it all: "As time goes on, I get more and more convinced that the right method in investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes. It is a mistake to think that one limits one's risk by spreading too much between enterprises about which one knows little and has no reason for special confidence. . . . One's knowledge and experience are definitely limited and there are seldom more than two or three enterprises at any given time in which I personally feel myself entitled to put *full* confidence."

Mistake Du Jour

In the 1989 annual report I wrote about "Mistakes of the First 25 Years" and promised you an update in 2015. My experiences in the first few years of this second "semester" indicate that my backlog of matters to be discussed will become unmanageable if I stick to my original plan. Therefore, I will occasionally unburden myself in these pages in the hope that public confession may deter further bumblings. (Post-mortems prove useful for hospitals and football teams; why not for businesses and investors?)

Typically, our most egregious mistakes fall in the omission, rather than the commission, category. That may spare Charlie and me some embarrassment, since you don't see these errors; but their invisibility does not reduce their cost. In this mea culpa, I am not talking about missing out on some company that depends upon an esoteric invention (such as Xerox), high-technology (Apple), or even brilliant merchandising (WalMart). We will never develop the competence to spot such businesses early. Instead I refer to business situations that Charlie and I can understand and that seem clearly attractive — but in which we nevertheless end up sucking our thumbs rather than buying.

Every writer knows it helps to use striking examples, but I wish the one I now present wasn't quite so dramatic: In early 1988, we decided to buy 30 million shares (adjusted for a subsequent split) of Federal National Mortgage Association (Fannie Mae), which would have been a $350-$400 million investment. We had owned the stock some years earlier and understood the company's business. Furthermore, it was clear to us that David Maxwell, Fannie Mae's CEO, had dealt superbly with some problems that he had inherited and had established the company as a financial powerhouse — with the best yet to come. I visited David in Washington and confirmed that he would not be uncomfortable if we were to take a large position.

After we bought about 7 million shares, the price began to climb. In frustration, I stopped buying (a mistake that, thankfully, I did not repeat when Coca-Cola stock rose similarly during our purchase program). In an even sillier move, I surrendered to my distaste for holding small positions and sold the 7 million shares we owned.

I wish I could give you a halfway rational explanation for my amateurish behavior vis-a-vis Fannie Mae. But there isn't one. What I *can* give you is an estimate as of yearend 1991 of the approximate gain that Berkshire *didn't* make because of your Chairman's mistake: about $1.4 billion.

Fixed-Income Securities

We made several significant changes in our fixed-income portfolio during 1991. As I noted earlier, our Gillette preferred was called for redemption, which forced us to convert to common stock; we eliminated our holdings of an RJR Nabisco issue that was subject to an exchange offer and subsequent call; and we purchased fixed-income securities of American Express and First Empire State Corp., a Buffalo-based bank holding company. We also added to a small position in ACF Industries that we had established in late 1990. Our largest holdings at yearend were:

	(000s omitted)	
Issuer	Cost of Preferreds and Amortized Value of Bonds	Market
ACF Industries	$ 93,918(2)	$118,683
American Express	300,000	263,265(1)(2)
Champion International	300,000(2)	300,000(1)
First Empire State	40,000	50,000(1)(2)
RJR Nabisco	222,148(2)	285,683
Salomon	700,000(2)	714,000(1)
USAir	358,000(2)	232,700(1)
Washington Public Power Systems	158,553(2)	203,071

(1) Fair value as determined by Charlie and me
(2) Carrying value in our financial statements

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Our $40 million of First Empire State preferred carries a 9% coupon, is non-callable until 1996 and is convertible at $78.91 per share. Normally I would think a purchase of this size too small for Berkshire, but I have enormous respect for Bob Wilmers, CEO of First Empire, and like being his partner on any scale.

Our American Express preferred is not a normal fixed-income security. Rather it is a "Perc," which carries a fixed dividend of 8.85% on our $300 million cost. Absent one exception mentioned later, our preferred must be converted three years after issuance, into a maximum of 12,244,898 shares. If necessary, a downward adjustment in the conversion ratio will be made in order to limit to $414 million the total value of the common we receive. Though there is thus a ceiling on the value of the common stock that we will receive upon conversion, there is no floor. The terms of the preferred, however, include a provision allowing us to extend the conversion date by one year if the common stock is below $24.50 on the third anniversary of our purchase.

Overall, our fixed-income investments have treated us well, both over the long term and recently. We have realized large capital gains from these holdings, including about $152 million in 1991. Additionally, our after-tax yields have considerably exceeded those earned by most fixed-income portfolios.

Nevertheless, we have had some surprises, none greater than the need for me to involve myself personally and intensely in the Salomon situation. As I write this letter, I am also writing a letter for inclusion in Salomon's annual report and I refer you to that report for an update on the company. (Write to: Corporate Secretary, Salomon Inc, Seven World Trade Center, New York, NY 10048.) Despite the company's travails, Charlie and I believe our Salomon preferred stock increased slightly in value during 1991. Lower interest rates and a higher price for Salomon's common produced this result.

Last year I told you that our USAir investment "should work out all right unless the industry is decimated during the next few years." Unfortunately 1991 was a decimating period for the industry, as Midway, Pan Am and America West all entered bankruptcy. (Stretch the period to 14 months and you can add Continental and TWA.)

The low valuation that we have given USAir in our table reflects the risk that the industry will remain unprofitable for virtually all participants in it, a risk that is far from negligible. The risk is heightened by the fact that the courts have been encouraging bankrupt carriers to continue operating. These carriers can temporarily charge fares that are below the industry's costs because the bankrupts don't incur the capital costs faced by their solvent brethren and because they can fund their losses — and thereby stave off shutdown — by selling off assets. This burn-the-furniture-to-provide-firewood approach to fare-setting by bankrupt carriers contributes to the toppling of previously-marginal carriers, creating a domino effect that is perfectly designed to bring the industry to its knees.

Seth Schofield, who became CEO of USAir in 1991, is making major adjustments in the airline's operations in order to improve its chances of being one of the few industry survivors. There is no tougher job in corporate America than running an airline: Despite the huge amounts of equity capital that have been injected into it, the industry, in aggregate, has posted a net loss since its birth after Kitty Hawk. Airline managers need brains, guts, and experience — and Seth possesses all three of these attributes.

Miscellaneous

About 97.7% of all eligible shares participated in Berkshire's 1991 shareholder-designated contributions program. Contributions made through the program were $6.8 million, and 2,630 charities were recipients.

We suggest that new shareholders read the description of our shareholder-designated contributions program that appears on pages 48 - 49. To participate in future programs, you must make sure your shares are registered in the name of the actual owner, not in the nominee name of a broker, bank or depository. Shares not so registered on August 31, 1992 will be ineligible for the 1992 program.

In addition to the shareholder-designated contributions that Berkshire distributes, managers of our operating businesses make contributions, including merchandise, averaging about $1.5 million annually. These contributions support local charities, such as The United Way, and produce roughly commensurate benefits for our businesses.

However, neither our operating managers nor officers of the parent company use Berkshire funds to make contributions to broad national programs or charitable activities of special personal interest to them, except to the extent they do so as shareholders. If your employees, including your CEO, wish to give to their alma maters or other institutions to which they feel a personal attachment, we believe they should use their own money, not yours.

* * * * * * * * * * * *

The faithful will notice that, for the first time in some years, Charlie's annual letter to Wesco shareholders is not reprinted in this report. Since his letter is relatively barebones this year, Charlie said he saw no point in including it in these pages; my own recommendation, however, is that you get a copy of the Wesco report. Simply write: Corporate Secretary, Wesco Financial Corporation, 315 East Colorado Boulevard, Pasadena, CA 91101.

* * * * * * * * * * * *

Malcolm G. Chace, Jr., now 88, has decided not to stand for election as a director this year. But the association of the Chace family with Berkshire will not end: Malcolm III (Kim), Malcolm's son, will be nominated to replace him.

In 1931, Malcolm went to work for Berkshire Fine Spinning Associates, which merged with Hathaway Manufacturing Co. in 1955 to form our present company. Two years later, Malcolm became Berkshire Hathaway's Chairman, a position he held as well in early 1965 when he made it possible for Buffett Partnership, Ltd. to buy a key block of Berkshire stock owned by some of his relatives. This purchase gave our partnership effective control of the company. Malcolm's immediate family meanwhile kept its Berkshire stock and for the last 27 years has had the second-largest holding in the company, trailing only the Buffett family. Malcolm has been a joy to work with and we are delighted that the long-running relationship between the Chace family and Berkshire is continuing to a new generation.

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The annual meeting this year will be held at the Orpheum Theater in downtown Omaha at 9:30 a.m. on Monday, April 27, 1992. Attendance last year grew to a record 1,550, but that still leaves plenty of room at the Orpheum.

We recommend that you get your hotel reservations early at one of these hotels: (1) The Radisson-Redick Tower, a small (88 rooms) but nice hotel across the street from the Orpheum; (2) the much larger Red Lion Hotel, located about a five-minute walk from the Orpheum; or (3) the Marriott, located in West Omaha about 100 yards from Borsheim's and a twenty minute drive from downtown. We will have buses at the Marriott that will leave at 8:30 and 8:45 for the meeting and return after it ends.

Charlie and I always enjoy the meeting, and we hope you can make it. The quality of our shareholders is reflected in the quality of the questions we get: We have never attended an annual meeting anywhere that features such a consistently high level of intelligent, owner-related questions.

An attachment to our proxy material explains how you can obtain the card you will need for admission to the meeting. With the admission card, we will enclose information about parking facilities located near the Orpheum. If you are driving, come a little early. Nearby lots fill up quickly and you may have to walk a few blocks.

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As usual, we will have buses to take you to Nebraska Furniture Mart and Borsheim's after the meeting and to take you from there to downtown hotels or the airport later. I hope that you will allow plenty of time to fully explore the attractions of both stores. Those of you arriving early can visit the Furniture Mart any day of the week; it is open from 10 a.m. to 5:30 p.m. on Saturdays and from noon to 5:30 p.m. on Sundays. While there, stop at the See's Candy Cart and find out for yourself why Americans ate 26 million pounds of See's products last year.

Borsheim's normally is closed on Sunday, but we will be open for shareholders and their guests from noon to 6 p.m. on Sunday, April 26. Borsheim's will also have a special party the previous evening at which shareholders are welcome. (You must, however, write Mrs. Gladys Kaiser at our office for an invitation.) On display that evening will be a 150-year retrospective of the most exceptional timepieces made by Patek Philippe, including watches once owned by Queen Victoria, Pope Pius IX, Rudyard Kipling, Madame Curie and Albert Einstein. The centerpiece of the exhibition will be a $5 million watch whose design and manufacture required nine years of labor by Patek Philippe craftsmen. Along with the rest of the collection, this watch will be on display at the store on Sunday — unless Charlie has by then impulsively bought it.

Nicholas Kenner nailed me — again — at last year's meeting, pointing out that I had said in the 1990 annual report that he was 11 in May 1990, when actually he was 9. So, asked Nicholas rather caustically: "If you can't get that straight, how do I know the numbers in the back [the financials] are correct?" I'm still searching for a snappy response. Nicholas will be at this year's meeting — he spurned my offer of a trip to Disney World on that day — so join us to watch a continuation of this lop-sided battle of wits.

February 28, 1992

Warren E. Buffett
Chairman of the Board

Deloitte &
Touche

2000 First National Center
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Berkshire Hathaway Inc.

We have audited the accompanying consolidated balance sheets of Berkshire Hathaway Inc. and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Berkshire Hathaway Inc. and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

Deloitte & Touche

DELOITTE & TOUCHE

March 9, 1992

Member
DRT International

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(dollars in thousands except per share amounts)

	December 31, 1991	December 31, 1990
ASSETS		
Cash and cash equivalents	$ 762,000	$ 247,024
Investments:		
Obligations with fixed maturities	2,337,954	3,084,802
Marketable equity securities	9,182,524	5,685,983
Loans and accounts receivable	904,471	681,922
Inventories	256,473	203,795
Properties and equipment	222,139	209,870
Other assets	796,341	557,027
	$14,461,902	$10,670,423
LIABILITIES AND SHAREHOLDERS' EQUITY		
Losses and loss adjustment expenses	$ 2,849,089	$ 2,050,305
Unearned premiums	152,490	126,381
Savings accounts	286,904	286,093
Accounts payable, accruals and other liabilities	492,177	475,873
Income taxes	1,929,074	1,111,783
Term debt and other borrowings	1,255,068	1,239,358
	6,964,802	5,289,793
Minority shareholders' interests	117,182	93,176
Shareholders' equity:		
Common stock of $5 par value. Authorized 1,500,000 shares; issued 1,375,202 shares, including shares held in treasury	6,876	6,876
Capital in excess of par value	157,377	157,377
Unrealized appreciation of marketable equity securities, net	3,962,989	2,310,433
Retained earnings	3,294,969	2,855,061
	7,422,211	5,329,747
Less common stock in treasury, at cost (228,761 shares)	42,293	42,293
Total shareholders' equity	7,379,918	5,287,454
	$14,461,902	$10,670,423

See accompanying Notes to Consolidated Financial Statements

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BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS
(dollars in thousands except per share amounts)

	Year Ended December 31,		
	1991	1990	1989
Revenues:			
Sales and service revenues	$1,651,134	$1,580,074	$1,526,459
Insurance premiums earned	776,413	591,540	394,279
Interest and dividend income	481,793	450,295	331,452
Realized investment gain	192,478	33,989	223,810
Sundry income	4,178	3,574	7,892
	3,105,996	2,659,472	2,483,892
Cost and expenses:			
Cost of products and services sold	939,011	871,073	844,056
Insurance losses and loss adjustment expenses	827,169	534,261	309,391
Insurance underwriting expenses	68,837	83,926	109,288
Selling, general and administrative expenses	556,146	541,054	526,359
Interest expense	121,847	112,692	77,574
	2,513,010	2,143,006	1,866,668
Earnings before income taxes	592,986	516,466	617,224
Income taxes	142,058	112,047	159,287
	450,928	404,419	457,937
Minority interest	11,020	10,326	10,460
Net earnings	$ 439,908	$ 394,093	$ 447,477
Net earnings per share	$384	$344	$390

See accompanying Notes to Consolidated Financial Statements

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31,		
	1991	**1990**	**1989**
Cash flows from operating activities:			
Net income	$ 439,908	$ 394,093	$ 447,477
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	37,175	34,083	32,107
Realized investment gain	(192,478)	(33,989)	(223,810)
Investment purchase price discount accretion less premium amortization	(26,931)	(58,648)	(3,663)
Accretion of issue discount on zero coupon notes	23,881	22,618	5,683
Minority interests	11,020	10,326	10,460
Increase in liability for losses and loss adjustment expenses	798,784	613,994	29,122
Increase in deferred charges re reinsurance assumed	(178,328)	(350,787)	—
Increase (decrease) in unearned premiums	26,109	(17,250)	(98,187)
(Increase) decrease in accounts receivable	(177,043)	(133,809)	8,923
Increase (decrease) in accounts payable, accruals and other liabilities	(6,067)	32,271	118,088
Increase (decrease) in income taxes currently payable	(31,173)	12,766	(9,852)
Other	(15,684)	(3,100)	13,858
Net cash flows from operating activities	709,173	522,568	330,206
Cash flows from investing activities:			
Purchases of fixed maturity investments	(377,332)	(287,700)	(1,468,157)
Purchases of marketable equity securities	(809,633)	(729,352)	(739,932)
Proceeds from sales of fixed maturity investments	292,010	61,035	519,470
Proceeds from redemptions and maturities of fixed maturity investments	399,120	21,457	28,985
Proceeds from sales of marketable equity securities	522,701	261,923	821,656
Acquisition of businesses	(161,043)	—	—
Loans originated in finance businesses	(163,803)	(132,313)	(133,546)
Principal collection on loans	124,760	110,415	109,830
Other	(11,266)	11,762	(57,174)
Net cash flows from investing activities	(184,486)	(682,773)	(918,868)
Cash flows from financing activities:			
Proceeds from borrowings	455,972	785,818	1,172,356
Repayments of borrowings	(464,913)	(576,634)	(650,019)
Other	(770)	(7,082)	6,371
Net cash flows from financing activities	(9,711)	202,102	528,708
Increase (decrease) in cash and cash equivalents	514,976	41,897	(59,954)
Cash and cash equivalents at beginning of year	247,024	205,127	265,081
Cash and cash equivalents at end of year	$ 762,000	$ 247,024	$ 205,127
Other cash flow information:			
Income taxes paid	$ 183,097	$ 113,860	$ 181,468
Interest paid	93,951	79,857	70,191

See accompanying Notes to Consolidated Financial Statements

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BERKSHIRE HATHAWAY INC.
and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1991

(1) Significant accounting policies and practices

(a) *Basis of consolidation*
The accompanying Consolidated Financial Statements include the accounts of Berkshire Hathaway Inc. (the "Company" or "Berkshire") consolidated with accounts of all its subsidiaries. Intercompany accounts and transactions have been eliminated.

(b) *Cash equivalents*
Cash equivalents consist of funds invested in money market accounts and in investments with a maturity of three months or less when purchased.

(c) *Investments*
Investments in obligations with fixed maturities are carried at cost. Marketable equity securities held by members of the Berkshire Hathaway Insurance Group are carried at market value, marketable equity securities held by the Company and by non-insurance subsidiaries are carried at the lower of aggregate cost or market.

(d) *Cost of investments sold*
Cost of investments sold is usually determined on a first-in, first-out basis. Occasionally, when specific identification results in lower applicable income taxes, identified cost is used.

(e) *Goodwill and negative goodwill of acquired businesses*
The difference between purchase cost and the fair value of the net assets of acquired businesses is amortized on a straight line basis over forty years. The net unamortized balance is carried in other assets.

(f) *Insurance premium acquisition costs*
For financial reporting purposes, certain costs of acquiring insurance premiums are deferred, subject to ultimate recoverability, and charged to income as the premiums are earned. With respect to premiums received under major quota-share reinsurance contracts, the computation of ultimate recoverability of the directly related acquisition cost takes into account investment income anticipated to be earned on funds held subject to the contracts. Otherwise, ultimate recoverability of premium acquisition costs is determined without regard to investment income.

(g) *Deferred charges re reinsurance assumed*
The excess of estimated liabilities for claims and claim costs ultimately payable by the Insurance Group over consideration received with respect to retroactive property/casualty reinsurance contracts that provide for indemnification of insurance risk, other than structured settlements, is established as a deferred charge at inception of such contracts. The deferred charges are subsequently amortized using the interest method over the periods that the liabilities for the claims and claim costs are expected to be outstanding. At December 31, 1991 and 1990, deferred charges re reinsurance assumed in the amounts of $529,115,000 and $350,787,000 are included in other assets.

(h) *Losses and loss adjustment expense*
Liability for losses and loss adjustment expenses represents the aggregate of such obligations of members of the Insurance Group with respect to: (a) prospective property/casualty insurance and reinsurance contracts, (b) retroactive property/casualty reinsurance contracts that provide for indemnification of insurance risk, other than structured settlements, and (c) contracts providing for periodic payments with respect to settled claims ("structured settlements"). Except for structured settlement liabilities which are stated at discounted present values, the liability for losses and loss adjustment expenses is at the aggregate of estimated ultimate payment amounts less amounts recoverable on account of reinsurance.

Ultimate payment amounts with respect to prospective contracts are determined from (i) individual case estimates, (ii) estimates of incurred but not reported losses, based on past experience, and (iii) reports of losses from ceding insurers.

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(1) Significant accounting policies and practices *(Continued)*

(h) Losses and loss adjustment expense (continued)

Ultimate payment amounts with respect to retroactive reinsurance contracts that provide for indemnification of insurance risk, other than structured settlements, are established for financial reporting purposes at maximum limits of indemnification under the contracts. This liability at December 31, 1991 was $1,296,875,000 and at December 31, 1990 was $737,524,000 of which, respectively $529,115,000 and $350,787,000 were established for financial reporting purposes as deferred charges re reinsurance. See also 1(g) above. For statutory reporting purposes, liabilities under these contracts are established, not at worst-case maximum loss limits, but at best estimates of claims and claim costs ultimately payable thereunder. These "best estimates" yielded respectively as of December 31, 1991 and December 31, 1990 liabilities of $911,829,000 and $425,595,000. Underwriting losses reported with respect to these contracts in the accompanying financial statements were $26 million for 1991 (representing in its entirety, amortization of the related deferred charge re reinsurance) and zero for 1990, whereas for statutory reporting purposes the corresponding figures were $184 million and $68 million.

Liabilities under structured settlement contracts are established on a contract-by-contract basis when the contracts are entered into, at the then present value of the actuarially determined ultimate payment amount discounted at the market interest rate. Thereafter, annual accretions to the liabilities are charged to losses incurred. The aggregate of these liabilities for financial reporting purposes at December 31, 1991 was $276,996,000. For statutory and tax reporting purposes, where the liabilities are determined using discount rates mandated by Insurance Regulatory authorities (5% for contracts incepting after 1986 and 7% with respect to contracts dated prior to 1987), the aggregate of structured settlement liabilities was $361,116,000.

(j) Insurance premiums

Insurance premiums for prospective insurance and reinsurance policies are recognized as revenues ratably over their terms with unearned premiums computed on a monthly or daily pro rata basis. Consideration received for indemnification of risk under retroactive reinsurance contracts, including structured settlements, are accounted for as premiums earned at the inception of the contracts. Both earned and unearned premiums are stated net of amounts ceded to reinsurers.

(k) Income taxes

Certain items of income and deductions are recognized in the financial statements in time periods that differ from those in which they are recognized in the Company's consolidated Federal income tax returns, giving rise to recognition in the financial statements to deferred and prepaid income taxes.

The liability for income taxes in the Consolidated Balance Sheets includes deferred taxes deemed applicable to unrealized appreciation included in carrying value of marketable equity securities. Such taxes were accrued at a rate of 34% relative to increases in unrealized appreciation that arose subsequent to 1986 and at the rate of 28% relative to appreciation that arose in years prior to 1987.

In February, 1992 the Financial Accounting Standards Board ("FASB") issued Statement No. 109 "Accounting for Income Taxes". The statement requires the "liability method" of accounting for income taxes with a balance sheet focus superseding requirements for the "deferred method" with an earnings statement focus. Implementation of the statement is now required in financial statements for years beginning after December 15, 1992. The Company has not yet implemented the statement's provisions. If the current provisions of Statement No. 109 were to be given effect in Berkshire's consolidated balance sheet as of December 31, 1991, a reduction to shareholders' equity of no more than $70 million would result. The precise amount of the reduction is dependent upon Berkshire's selection between alternative means of implementation.

(m) Postretirement benefits other than pensions

In December, 1990, the FASB issued Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement alters generally accepted accounting principles with respect to employers' costs of providing retiree healthcare and other postretirement benefits other than pensions. The Company believes that the provisions of this statement will not have a material effect on Berkshire's financial position or results of operations.

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Notes to Consolidated Financial Statements *(Continued)*

(2) Investments in obligations with fixed maturities

The amortized cost and estimated market value as of December 31, 1991 and 1990 of investments in obligations with fixed maturities are as follows:

December 31, 1991

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Bonds:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 2,429,000	$ 66,000	$ —	$ 2,495,000
Obligations of states, municipalities and political subdivisions	531,418,000	90,664,000	(412,000)	621,670,000
Corporate bonds	316,070,000	88,301,000	—	404,371,000
Redeemable preferred stocks	1,358,527,000	14,273,000	(125,300,000)	1,247,500,000
Mortgage-backed securities	129,510,000	2,669,000	—	132,179,000
	$2,337,954,000	$195,973,000	$(125,712,000)	$2,408,215,000

December 31, 1990

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Bonds:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 6,665,000	$ 84,000	$ —	$ 6,749,000
Obligations of states, municipalities and political subdivisions	576,588,000	87,622,000	(551,000)	663,659,000
Corporate bonds	514,547,000	13,787,000	(11,888,000)	516,446,000
Redeemable preferred stocks	1,963,275,000	120,141,000	(143,307,000)	1,940,109,000
Mortgage-backed securities	23,727,000	890,000	—	24,617,000
	$3,084,802,000	$222,524,000	$(155,746,000)	$3,151,580,000

Shown below are the amortized cost and estimated market values of the above obligations at December 31, 1991, by contractual maturity dates. Actual maturities will differ from contractual maturities because issuers of certain of the obligations retain early call or prepayment rights.

	Amortized Cost	Estimated Market Value
Due in one year or less	$ 134,102,000	$ 154,327,000
Due after one year through five years	572,871,000	645,362,000
Due after five years through ten years	1,466,214,000	1,433,299,000
Due after ten years	35,257,000	43,048,000
	2,208,444,000	2,276,036,000
Mortgage-backed securities	129,510,000	132,179,000
	$2,337,954,000	$2,408,215,000

During 1991 gross gains of $139,700,000 were realized and during 1990, gross gains of $3,098,000 and gross losses of $1,468,000 were realized on sales and redemptions of obligations with fixed maturities.

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(3) Investments in marketable equity securities

Aggregate data with respect to the consolidated investment in marketable equity securities is shown below as of the dates indicated. See Note 1(c) as to methods applied to determine carrying value of these securities.

December 31, 1991

	Cost	*Unrealized Gain*	*Market*	*Carrying Value*
Common stock of:				
Capital Cities/ABC, Inc. [(a)]	$ 517,500,000	$ 783,000,000	$1,300,500,000	$1,287,450,000
The Coca-Cola Company	1,023,919,000	2,723,756,000	3,747,675,000	3,740,888,000
GEICO Corporation [(b)]	45,713,000	1,317,437,000	1,363,150,000	1,363,150,000
The Gillette Company [(c)]	600,000,000	747,000,000	1,347,000,000	1,347,000,000
All other marketable equity securities	1,067,842,000	634,317,000[(d)]	1,702,159,000	1,444,036,000
	$3,254,974,000	$6,205,510,000	$9,460,484,000	$9,182,524,000

December 31, 1990

	Cost	*Unrealized Gain*	*Market*	*Carrying Value*
Common stock of:				
Capital Cities/ABC, Inc.	$ 517,500,000	$ 859,875,000	$1,377,375,000	$1,363,044,000
The Coca-Cola Company	1,023,919,000	1,147,631,000	2,171,550,000	2,168,812,000
GEICO Corporation	45,713,000	1,064,843,000	1,110,556,000	1,110,556,000
All other marketable equity securities	697,548,000	402,192,000[(e)]	1,099,740,000	1,043,571,000
	$2,284,680,000	$3,474,541,000	$5,759,221,000	$5,685,983,000

(a) *Common shares of Capital Cities/ABC, Inc. ("Capital Cities") owned by Berkshire subsidiaries possessed approximately 18% of the voting rights of all Capital Cities shares outstanding at December 31, 1991. The shares are held subject to an Agreement, the terms of which grant to Capital Cities a right of first refusal to purchase the shares and otherwise govern until January 3, 1997 the manner by which the shares may be sold or transferred. Also, Berkshire and its subsidiaries have delivered to Capital Cities irrevocable proxies with respect to these shares in favor of Thomas S. Murphy or Daniel B. Burke, so long as either shall be the chief executive officer of Capital Cities, to vote the shares at any and all meetings of shareholders of Capital Cities. The proxies expire on January 2, 1997 or at the earlier date when neither of such persons is chief executive officer of Capital Cities.*

(b) *Subsidiaries of Berkshire, at both December 31, 1991 and at December 31, 1990, owned 6,850,000 shares of common stock of GEICO Corporation. The shares possessed approximately 48% of the voting rights of all GEICO shares outstanding at December 31, 1991, but Berkshire maintains an independent proxy arrangement for voting of the shares as required by Order of GEICO's domiciliary insurance supervisory authority. The Order, dating from Berkshire subsidiaries' major purchase of the shares in 1976, prohibits Berkshire from seeking or causing to change the independent proxy. Also, under the Order, no officer or director of Berkshire or of any affiliate or subsidiary of Berkshire is permitted to serve as a director of GEICO. Because the Order divests Berkshire of its voting rights with respect to the shares, Berkshire does not use the equity method of accounting for its investment in GEICO.*

(c) *Common shares of The Gillette Company were acquired April 1, 1991 through conversion of the previously-held issue of Gillette convertible preferred shares.*

(d) *Represents gross unrealized gains $673,177,000, less gross unrealized losses $38,860,000.*

(e) *Represents gross unrealized gains $413,255,000, less gross unrealized losses $11,063,000.*

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Notes to Consolidated Financial Statements *(Continued)*

(4) Income taxes

The liability for income taxes as reflected in the accompanying Consolidated Balance Sheets represent estimates of liabilities as follows:

	Dec. 31, 1991	Dec. 31, 1990
Payable currently	$ 18,499,000	$ 49,672,000
Deferred, relating to unrealized appreciation of marketable equity securities	1,944,311,000	1,085,342,000
Net prepaid arising from timing differences	(33,736,000)	(23,231,000)
	$1,929,074,000	$1,111,783,000

The Consolidated Statements of Earnings reflect charges for income taxes as shown below:

	1991	1990	1989
Federal	$120,121,000	$ 94,713,000	$142,996,000
State	20,281,000	16,779,000	15,514,000
Foreign	1,656,000	555,000	777,000
	$142,058,000	$112,047,000	$159,287,000
Current provision	$152,563,000	$126,626,000	$171,616,000
Increase in prepaid taxes	(10,505,000)	(14,579,000)	(12,329,000)
	$142,058,000	$112,047,000	$159,287,000

The increase in prepaid taxes represents the tax effects of timing differences as follows:

Applicable to:	1991	1990	1989
Deferred insurance premium acquisition costs	$ 3,392,000	$ (549,000)	$ (10,363,000)
Losses and loss adjustment expenses, net	(4,940,000)	(5,719,000)	2,019,000
Unearned premiums	(5,414,000)	(3,679,000)	1,913,000
Deferred gross profit on installment receivables	—	(9,598,000)	(7,752,000)
Other, net	(3,543,000)	4,966,000	1,854,000
	$ (10,505,000)	$ (14,579,000)	$ (12,329,000)

Charges for income taxes are reconciled, in the table which follows, to hypothetical amounts computed at the Federal statutory rate:

	1991	1990	1989
Net earnings before income taxes	$592,986,000	$516,466,000	$617,224,000
Hypothetical amounts applicable to above computed at the Federal statutory rate	$201,615,000	$175,598,000	$209,856,000
Decreases, resulting from:			
Tax-exempt interest income	(18,637,000)	(19,744,000)	(26,735,000)
Dividends received deduction	(54,923,000)	(53,901,000)	(36,065,000)
State income taxes, less Federal income tax benefit	13,385,000	11,073,000	10,240,000
Net other differences	618,000	(979,000)	1,991,000
Total income taxes	$142,058,000	$112,047,000	$159,287,000

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(5) Term debt and other borrowings

Liabilities reflected for this balance sheet captions are as follows:

	Dec. 31, 1991	Dec. 31, 1990
Term debt	$ 861,153,000	$ 914,557,000
Borrowings under investment agreements	393,915,000	324,801,000
	$1,255,068,000	$1,239,358,000

Giving effect to planned issuer-optional redemptions of term debt in 1992, payments in redemption of amounts outstanding at December 31, 1991 are expected to be required no earlier than as follows:

	Term debt	Borrowings under investment agreements	Total
1992	$161,439,000	$100,415,000	$261,854,000
1993	1,924,000	3,976,000	5,900,000
1994	18,049,000	7,708,000	25,757,000
1995	872,000	9,203,000	10,075,000
1996	120,025,000	10,482,000	130,507,000
After 1996	558,844,000	262,131,000	820,975,000

Borrowings under investment agreements

These borrowings, made pursuant to contracts with terms ranging from three months to forty years and calling for interest payable, normally semiannually, at rates ranging from 3 1/2% to 9% per annum, are senior unsecured debt obligations of the Company.

Term debt

	Dec. 31, 1991	Dec. 31, 1990
Company		
Zero Coupon Convertible Subordinated Notes Due 2004	$ 452,182,000	$ 428,301,000
10% Debentures, of which $150,000,000 was issued in 1988. The issue was redeemed at the company's option - $50,000,000 at the end of 1991 and $100,000,000 in February 1992	100,000,000	150,000,000
9 3/4% Debentures, of which $100,000,000 was issued in 1988. $22,000,000 of the issue was repurchased in 1991 and in February 1992, an additional $13,000,000 was optionally redeemed	78,000,000	100,000,000
Other notes, payable through 1993	5,554,000	7,475,000
	635,736,000	685,776,000
Subsidiaries		
8.125% Notes, payable in 1996	120,000,000	120,000,000
10% Notes, for which redemption in 1992 is planned	18,500,000	21,125,000
9 1/2% Notes, for which redemption in 1992 is planned	17,500,000	20,000,000
8 7/8% Notes, payable in 1999	30,000,000	30,000,000
Federal Home Loan Bank advance, due August 1994, bearing interest at 8.73%	16,900,000	16,900,000
Other notes maturing through 2014	22,517,000	20,756,000
Total term debt	$ 861,153,000	$ 914,557,000

The Zero Coupon Convertible Subordinated Notes Due 2004 were issued on September 28, 1989 at 44.314% of their face value which totaled $902,640,000. The issue price reflected an original issue discount rate and yield to maturity of 5.5% per annum; there are no periodic payments of interest. Each $10,000 face amount note may be converted at any time prior to redemption into 0.4515 shares of common stock. A holder otherwise entitled upon conversion to a fractional share of common stock shall receive cash in lieu thereof. The Company may redeem the notes for cash at any time after September 28, 1992. A holder may require the Company to purchase any of its holdings on September 28, 1994 and again on September 28, 1999. The price at which notes will be purchased or redeemed will be issue price plus accrued original issue discount to the date of purchase or redemption.

No materially restrictive covenants are included in any of the various debt agreements.

Notes to Consolidated Financial Statements *(Continued)*

(6) Shareholders' equity accounts

Changes in Shareholders' Equity accounts during the most recent three years were as follows:

	Net Unrealized Appreciation	*Retained Earnings*
Balance at December 31, 1988	$1,274,657,000	$2,013,491,000
Increase during 1989 in unrealized appreciation included in carrying value of marketable equity securities	1,623,462,000	
Change during 1989 in deemed applicable income taxes	(552,314,000)	
Increase in minority shareholders' interest in unrealized appreciation	(3,607,000)	
Net earnings 1989		447,477,000
Balance December 31, 1989	2,342,198,000	2,460,968,000
Decrease during 1990 in unrealized appreciation included in carrying value of marketable equity securities	(45,636,000)	
Change during 1990 in deemed applicable income taxes	15,441,000	
Increase in minority shareholders' interest in unrealized appreciation	(1,570,000)	
Net earnings 1990		394,093,000
Balance December 31, 1990	2,310,433,000	2,855,061,000
Increase during 1991 in unrealized appreciation included in carrying value of marketable equity securities	2,526,248,000	
Change during 1991 in deemed applicable income taxes	(858,969,000)	
Increase in minority shareholders' interest in unrealized appreciation	(14,723,000)	
Net earnings 1991		439,908,000
Balance December 31, 1991	$3,962,989,000	$3,294,969,000

(7) Interest and dividend income

Interest and dividend income for each of the past three years were comprised of the following:

	1991	*1990*	*1989*
Interest earned with respect to:			
Investment securities	$164,894,000	$132,694,000	$114,928,000
Loans and financed receivables	56,398,000	53,985,000	50,904,000
Dividends with respect to:			
Fixed maturity preferred stocks	138,900,000	176,742,000	102,181,000
Marketable equity securities	121,601,000	86,874,000	63,439,000
	$481,793,000	$450,295,000	$331,452,000

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(8) Interest expense

Interest expense is comprised of interest on savings accounts of Mutual Savings and Loan Association ("Mutual") plus interest on debt and other borrowings as follows:

	1991	*1990*	*1989*
Savings accounts of Mutual	$ 18,311,000	$ 21,975,000	$ 21,261,000
Debt of Mutual	1,475,000	1,475,000	599,000
Debt of Scott Fetzer Financial Group	12,811,000	12,868,000	13,325,000
Other debt and borrowings	89,250,000*	76,374,000	42,389,000
	$121,847,000	$112,692,000	$ 77,574,000

* *Includes redemption premiums of $5,661,000 — see note 5.*

(9) Dividend Restrictions - Insurance Subsidiaries

Payments of dividends by Insurance Group members are restricted by insurance statutes and regulations. Without prior regulatory approval in 1992, Berkshire can receive up to approximately $292,000,000 as dividends from insurance subsidiaries.

Combined shareholders' equity of insurance subsidiaries determined pursuant to statutory accounting rules (Statutory Surplus as Regards Policyholders) was approximately $8,700,000,000 at December 31, 1991. This amount exceeded by approximately $1,400,000,000 the corresponding amount determined on the basis of generally accepted accounting principles; the difference is principally represented by deferred income tax liabilities recognized for financial reporting purposes but not for statutory reporting purposes.

(10) Quarterly data

A summary of revenues and earnings by quarter for each of the last two years is presented in the following table. This information is unaudited. Dollars are in thousands, except per share amounts.

	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER	
	1991	1990	1991	1990	1991	1990	1991	1990
Revenues	$694,419	$590,776	$673,781	$545,310	$662,006	$525,965	$1,075,790	$997,421
Earnings excluding realized investment gain	$ 85,668	$ 84,151	$ 71,609	$ 82,917	$ 75,182	$ 81,712	$ 83,294	$121,965
- per share	74.72	73.40	62.46	72.32	65.58	71.27	72.65	106.39
Realized investment gain	$ 59,336	$ 325	$ 46,015	$ 11,041	$ 18,062	$ 8,502	$ 742	$ 3,480
- per share	51.76	0.29	40.14	9.63	15.75	7.42	0.65	3.03
Net earnings	$145,004	$ 84,476	$117,624	$ 93,958	$ 93,244	$ 90,214	$ 84,036	$125,445
- per share	126.48	73.69	102.60	81.95	81.33	78.69	73.30	109.42

In varying degree from year to year, revenues and earnings from marketing of World Book products are concentrated in the first quarter. See's Candy sales peak at Easter and more notably so in the fourth quarter when more than one-half of annual revenues for that business are normally recorded. A non-seasonal factor that may influence Berkshire's interim consolidated financial statements is that estimation error, inherent to the process of determining liabilities for unpaid losses of insurance subsidiaries, can be relatively more significant to results of interim periods than to results for a full year. Variations in amount and timing of realized securities gains or losses cause significant variations in periodic net earnings.

(11) Business segment data

See pages 33 - 35.

Selected Financial Data for the Past Five Years
(dollars in thousands, except per share data)

	1987	1988	1989	1990	1991
Revenues:					
Sales and service revenues	$1,326,829	$1,407,642	$1,526,459	$ 1,580,074	$ 1,651,134
Insurance premiums earned	824,895	584,235	394,279	591,540	776,413
Interest and dividend income	237,319	314,251	331,452	450,295	481,793
Realized investment gain	28,838	131,671	223,810	33,989	192,478
Sundry	13,901	27,094	7,892	3,574	4,178
Total revenues	$2,431,782	$2,464,893	$2,483,892	$ 2,659,472	$ 3,105,996
Earnings:					
Before realized investment gain	$ 214,746	$ 313,441	$ 299,902	$ 370,745	$ 315,753
Realized investment gain	19,806	85,829	147,575	23,348	124,155
Net earnings	$ 234,552	$ 399,270	$ 447,477	$ 394,093	$ 439,908
Earnings per share:					
Before realized investment gain	$ 187.24	$ 273.37	$ 262.46	$ 323.39	$ 275.42
Realized investment gain	17.27	74.86	127.55	20.36	108.30
Net earnings	$ 204.51	$ 348.23	$ 390.01	$ 343.75	$ 383.72
Year-end data:					
Total assets	$5,863,235	$6,816,848	$9,459,594	$10,670,423	$14,461,902
Term debt and other borrowings	289,886	480,009	1,007,516	1,239,358	1,255,068
Shareholders' equity	2,841,659	3,410,108	4,925,126	5,287,454	7,379,918
Common shares outstanding, in thousands	1,147	1,146	1,146	1,146	1,146
Shareholders' equity per outstanding share	$ 2,477	$ 2,975	$ 4,296	$ 4,612	$ 6,437

BERKSHIRE HATHAWAY INC.
Business Segment Data

Berkshire identified eight business segments for purposes of 1991 reporting, pursuant to Financial Accounting Standards Board Statement No. 14. These include the property and casualty insurance and reinsurance business (The Insurance Segment) plus seven separately conducted non-insurance businesses as follows:

Business identity and headquarters	Product	Activity
See's Candies South San Francisco, CA	Candy	Manufacture and distribution at retail and by catalog solicitation
Buffalo News Buffalo, NY	Newspaper	Publication of a daily and Sunday newspaper.
Nebraska Furniture Mart Omaha, NE	Home furnishings	Retailing
World Book Chicago, IL	Encyclopedias and other reference materials	Publication and marketing, principally by the direct sales method.
Kirby and Douglas Products Divisions of The Scott Fetzer Company Cleveland, OH	Home cleaning systems	Manufacture and sale principally to distributors
Fechheimer Bros. Co. Cincinnati, OH	Uniforms	Manufacture and distribution at wholesale and retail.
H. H. Brown Shoe Co. Greenwich, CT	Shoes	Manufacture, importing and wholesale distribution.

The business segments identified above were responsible in 1991 for more than 78% of Berkshire's consolidated revenues and more than 84% of Berkshire's consolidated operating profits before taxes.

Other businesses activities that contributed for 1991, in the aggregate, 17% of Berkshire's consolidated revenues and 8% of Berkshire's consolidated operating profits before taxes, were as follows:

Business identity	Product/Service/Activity
Adalet	Conduit fittings, explosion proof fittings, junction boxes
BHR	Real estate management
Blue Chip Stamps	Marketing motivational services
Borsheim's	Retailing fine jewelry
Campbell Hausfeld	Air compressors and accessories, painting systems
Carefree	Roll-up awnings, other RV accessories
France	Appliance controls, ignition and sign transformers
Halex	Zinc and aluminum die cast fittings
K&W Products	Automotive compounds
Meriam	Pressure and flow measurement devices
Mutual Savings	Savings & loan association
New America Electric	Electrical equipment
Northland	Fractional horsepower motors
Powerwinch	Boat winches, windlasses
Precision	Steel service center
Quikut	Varieties of cutlery
Scott Fetzer Financial Group	Consumer finance companies
Scot Labs	Cleaning and maintenance chemicals
Stahl	Custom steel services bodies and tool boxes for trucks
Wayne Home Equipment	Furnace burners; sump, utility and sewage pumps
Wesco Financial	Real estate management
Western Enterprises	Compressed gas fittings and regulators
Western Plastics	Molded plastic components

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Business Segment Data (Continued)

A disaggregation of Berkshire's consolidated data for each of the three most recent years is presented in the tables which follow on this and the following page. Amounts are in thousands.

	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Identified Segments:						
Insurance	$1,230,608	$ 943,277	$ 865,026	$ 323,006	$316,207	$439,223
Non-insurance businesses	1,204,755	1,120,755	1,069,748	176,134	170,640	158,751
	2,435,363	2,064,032	1,934,774	499,140	486,847	597,974
Other than identified segments	670,633	595,440	549,118	183,096	105,993	61,639
Interest expense *				(89,250)	(76,374)	(42,389)
Aggregate consolidated total	$3,105,996	$2,659,472	$2,483,892	$ 592,986	$516,466	$617,224

* *Amounts of interest expense represent those for term debt and other borrowings exclusive of that of Scott Fetzer Financial Group and of Mutual Savings. See note 8 to Consolidated Financial Statements.*

Insurance Segment	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Premiums earned:						
Primary or direct	$ 141,014	$ 154,015	$ 188,920			
Reinsurance assumed	635,399	437,525	205,359			
Underwriting (loss)				$(119,593)	$ (26,647)	$ (24,400)
Investment income	343,442	335,930	250,723	331,846	327,047	243,599
Realized investment gain	110,753	15,807	220,024	110,753	15,807	220,024
	$1,230,608	$ 943,277	$ 865,026	$ 323,006	$316,207	$439,223

Non-Insurance Business Segments	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Candy	$ 195,978	$ 196,119	$ 186,053	$ 41,416	$ 38,605	$ 33,260
Newspaper	130,259	135,211	135,647	36,527	43,382	45,448
Home furnishings	171,002	163,709	156,762	13,939	16,802	16,624
Encyclopedias, other reference material	311,509	342,870	338,397	22,232	31,645	25,332
Home cleaning systems	192,001	188,292	158,959	37,332	28,479	26,188
Uniforms	99,961	94,554	93,930	12,224	11,727	11,899
Shoes	104,045	—	—	12,464	—	—
	$1,204,755	$1,120,755	$1,069,748	$ 176,134	$170,640	$158,751

Other Than Identified Segments	Revenues			Operating profit before taxes		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Other businesses	$ 524,395	$ 535,941	$ 531,714	$ 49,355	$ 56,404	$ 53,386
Not identified with specific businesses:						
Interest and dividend income	63,686	40,907	11,616	63,686	40,907	11,616
Realized investment gain	81,725	18,182	3,786	81,725	18,182	3,786
All other except interest expense	827	410	2,002	(11,670)	(9,500)	(7,149)
	$ 670,633	$ 595,440	$ 549,118	$ 183,096	$105,993	$ 61,639

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Business Segment Data (Continued)

	Capital expenditures *			Deprec. & amort. of tangible assets		
	1991	*1990*	*1989*	*1991*	*1990*	*1989*
Insurance	$ 1,437	$ 601	$ 525	$ 992	$ 708	$ 918
Candy	4,687	6,970	3,882	3,882	3,752	3,574
Newspaper	817	2,229	971	2,949	2,909	2,757
Home furnishings	2,552	1,397	2,247	1,613	1,792	1,745
Encyclopedias, other reference material	3,107	7,705	3,552	1,449	1,124	749
Home cleaning systems	1,104	3,859	11,191	5,092	5,285	3,274
Uniforms	1,482	1,330	2,272	1,411	1,736	2,115
Shoes	1,050	—	—	1,580	—	—
Other	13,648	9,832	17,897	14,094	13,236	13,589
	$29,884	$33,923	$42,537	$33,062	$30,542	$28,721

* *Expenditures which were part of business acquisitions are excluded.*

	Identifiable assets at year-end		
	1991	*1990*	*1989*
Insurance	$12,406,654	$ 8,884,393	$7,871,097
Candy	68,300	69,833	66,278
Newspaper	44,061	48,286	48,917
Home furnishings	76,396	75,714	71,107
Encyclopedias, other reference material	94,927	107,913	103,159
Home cleaning systems	51,929	66,388	60,147
Uniforms	74,190	71,572	70,597
Shoes	157,902	—	—
Other	1,487,543	1,346,324	1,168,292
	$14,461,902	$10,670,423	$9,459,594

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BERKSHIRE HATHAWAY INC.
Management's Discussion and Analysis of
Financial Condition and Results of Operation

Results of Operations

Net earnings for each of the past three years are disaggregated in the table that follows. Amounts are after deducting minority interests and taxes.

Activity or Item	Contribution to Net Earnings					
	1991		1990		1989	
	Millions of Dollars	Dollars per Share	Millions of Dollars	Dollars per Share	Millions of Dollars	Dollars per Share
Insurance Segment:						
Underwriting	$ (77.2)	$ (67)	$ (14.9)	$ (13)	$ (12.3)	$ (11)
Investment income	285.1	249	282.6	247	213.6	186
Realized investment gain	73.8	64	11.8	10	145.5	127
Total - Insurance Segment	281.7	246	279.5	244	346.8	302
Non-Insurance business segments	104.2	91	100.1	87	93.4	81
Other businesses	27.6	24	31.9	28	30.6	27
Interest and dividend income not included above	40.9	36	27.8	24	7.1	6
Realized investment gain not included above	50.3	44	11.5	10	2.1	2
All other except interest expense	(7.6)	(7)	(7.0)	(6)	(5.4)	(5)
Interest expense	(57.2)	(50)	(49.7)	(43)	(27.1)	(23)
Net earnings	$439.9	$384	$394.1	$344	$447.5	$390

In the above table, interest expense incurred by Consumer Finance companies and by Mutual Savings and Loan Association is not reflected as "Interest expense" but instead is reflected in amounts shown for "Other businesses".

The business segment data on the preceding pages of this report should be read in conjunction with this discussion.

Insurance Underwriting

The after-tax figures shown above for Insurance underwriting derive from the following:

	(dollars in millions)		
	1991	1990	1989
Underwriting gain (loss):			
Primary or Direct Insurance	$ (2.5)	$ 0.5	$ 4.2
Reinsurance Assumed	(117.1)	(27.2)	(28.6)
Underwriting loss — pre-tax	(119.6)	(26.7)	(24.4)
Applicable income tax credit	42.2	11.6	11.8
Applicable minority interest	0.2	0.2	0.3
After-tax underwriting loss	$ (77.2)	$(14.9)	$(12.3)

The Berkshire Hathaway Insurance Group engages in both insurance and reinsurance of property/casualty risks. In its insurance activities, as distinguished from its reinsurance activities, its members assume risks of loss from persons primarily and directly subject to the risks. In its reinsurance activities, the members assume defined portions of similar or dissimilar risks to which other insurers and reinsurers have subjected themselves in their own insuring activities.

In each of the past two years, the premiums that the Berkshire Hathaway Insurance Group earned in its reinsurance business have increased significantly from the preceding year, while premiums earned in its primary or direct business have shown year-to-year decreases for each of the past 5 years.

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Insurance Underwriting (continued)

A significant marketing strategy followed by all Insurance Group members is the maintenance of above average capital strength. Statutory surplus as regards policyholders of the Berkshire Hathaway Insurance Group increased to approximately $8.7 billion at year-end 1991. This unique capital strength creates opportunities for Berkshire Group members to negotiate and enter into contracts of insurance specially designed to meet unique needs of sophisticated insurance and reinsurance buyers.

Reinsurance Assumed

Underwriting results, stated on the basis of generally accepted accounting principles ("GAAP"), with respect to the reinsurance assumed business for the past three years are summarized in the following table.

	(dollars in millions)					
	1991		1990		1989	
	Amount	%	Amount	%	Amount	%
Premiums written	$ 667.0		$ 435.2		$ 126.4	
Premiums earned	$ 635.4	100.0	$ 437.5	100.0	$ 205.4	100.0
Losses and loss expenses	731.9	115.2	432.2	98.8	183.5	89.4
Underwriting expenses	20.6	3.2	32.5	7.4	50.5	24.5
Total losses and expenses	752.5	118.4	464.7	106.2	234.0	113.9
Underwriting (loss) — pre-tax	$(117.1)		$ (27.2)		$ (28.6)	

Disaggregated data follows for these activities.

	(dollars in millions)								
	Premiums Earned			Underwriting Gain (Loss)			Year-End Reserves*		
	1991	1990	1989	1991	1990	1989	1991	1990	1989
Retroactive reinsurance and structured settlements	$ 363.2	$423.7	$ 57.4	$ (49.0)	$(21.7)	$(16.1)	$1,573.9	$1,002.2	$246.4
Major quota share reinsurance	—	—	130.6	30.6	—	(9.0)	248.1	332.6	411.9
Other reinsurance	272.2	13.8	17.4	(98.7)	(5.5)	(3.5)	460.2	128.9	138.9
	$ 635.4	$437.5	$205.4	$(117.1)	$(27.2)	$(28.6)	$2,282.2	$1,463.7	$797.2

**Unpaid losses and loss adjustment expenses*

Premiums Earned

As shown, premiums earned from reinsurance assumed activities grew significantly from 1989 to 1990 and again from 1990 to 1991. The growth from 1989 to 1990 came from premiums earned in 1990 amounting to $370 million with respect to retroactive reinsurance — coverages for past loss events. A relatively insignificant amount of premiums were received for such business prior to 1990. Premiums earned in 1991 for such coverages amounted to $362 million. The increase in "other reinsurance" premiums earned from 1990 to 1991 came from (i) finite-risk type coverages, for which 1991 earned premium amounted to $197 million, plus (ii) premiums earned in 1991 from significantly increased issuances of catastrophe excess-of-loss coverages to other insurers and reinsurers.

Underwriting Gain (Loss)

The 1991 underwriting loss from retroactive reinsurance was $26.2 million, representing amortization of deferred charges re reinsurance, an account first established at the end of 1990. See Note 1(h) to the Consolidated Financial Statements for information with respect to this charge. The underwriting loss with respect to structured settlement liabilities was $22.8 million for 1991, $21.7 million for 1990 and $16.1 million for 1989. Such amounts represent accretion of liabilities with respect to all structured settlement contracts.

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Management's Discussion *(continued)*

Insurance Underwriting (continued)

Reinsurance Assumed (continued)

Favorable development in the amount of $30.6 million was recorded in 1991 with respect to liabilities under pre-1990 major quota share reinsurance contracts. No development with respect to those contracts was recorded in 1990. For 1989, losses under the contracts were estimated in an amount that exceeded by $9 million the premiums earned with respect thereto. It should be noted that estimated unpaid losses and loss adjustment expenses with respect to these contracts amounted to $248.1 million at December 31, 1991 and there will be additional development — which may be either favorable or unfavorable — recorded in future years as these contracts are run-off.

Gross losses and expenses of approximately $295 million were recorded for 1991 with respect to the finite-risk type contracts referred to in the third preceding paragraph. That amount exceeded by $98 million the related premiums earned, and that difference comprised virtually all of the 1991 underwriting loss from the category of "other reinsurance" shown in the disaggregated data above. These contracts provide casualty-type coverages of sizeable but limited amounts per contract.

The concept of the time-value-of-money is taken into account in pricing of virtually all insurance products, but the concept is a more important consideration in the pricing of reinsurance products than in the pricing of direct business due to the more extended claims payment period — or "tail" — attached to reinsurance business. Thus, the premium charged per dollar of expected loss and expense for reinsurance coverage is normally less than for direct coverage in the same line of business. Further, the concept of the time-value-of-money is a more important consideration in pricing of certain lines, e.g., workers' compensation and general liability, than for other lines, e.g., auto physical damage, whether it be direct insurance or reinsurance. Recognition of the concept, through discounting liabilities for unpaid losses to present value, is permitted by insurance regulatory authorities of a few states, usually only for some lines of insurance and reinsurance. Nebraska, the state of domicile for National Indemnity Company and several other members of the Berkshire Hathaway Insurance Group, permits discounting only for structured settlement liabilities. The extreme difficulty in estimating the amount of unpaid losses plus the added difficulty of projecting the time of their payment may justify the mandated, conservative approach that treats all liabilities as equal for accounting purposes, irrespective of differences in their projected payment date.

Discounting is not permitted with respect to the Group's unpaid losses and loss expenses in the category of "other reinsurance," and a large portion of this business is in long-tail lines. Thus, a large portion of the $272 million premiums earned for this category in 1991 was priced based in significant part on time-discounting of expected losses where the effects of such discounting are very meaningful. However, the related losses and loss expenses charged against those premiums in the Statement of Earnings are stated on an undiscounted basis. The resulting substantial underwriting loss does not reflect management's view of the economics of the underlying arrangements.

The (i) deferred charge and its amortization that arise from the accounting treatment afforded to retrospective reinsurance, as well as (ii) the periodic accretion of structured settlement liabilities, are accounting procedures that apply the concept of the time-value-of-money. However, the amortization and accretion are charged as losses incurred in periods subsequent to the periods when related premiums are earned, and thus reflect themselves as underwriting losses in the subsequent periods. Accretion and amortization charges referred to in this paragraph, charged as loss costs in periods when there is no directly related credit for premium income, amounted to $49 million for 1991 and are expected to approximate $70 million for 1992.

Berkshire's management is not recommending a changed accounting model for insurance companies. These comments, regarding the mismatch in the Statement of Earnings of premiums earned and related loss costs, are instead intended as an aid to shareholders' and others' understanding of the data reported above.

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Insurance Underwriting (continued)

Primary or Direct Insurance Underwriting

A summary follows of the combined underwriting results, stated on a GAAP basis, of the Berkshire Hathaway Insurance Group's primary or direct insurance operations.

	(dollars are in millions)					
	1991		1990		1989	
	Amount	%	Amount	%	Amount	%
Premiums written	$ 135.5		$ 139.1		$ 169.7	
Premiums earned	$ 141.0	100.0	$ 154.0	100.0	$ 188.9	100.0
Losses and loss expenses	95.2	67.5	102.0	66.2	125.9	66.6
Underwriting expenses	48.3	34.3	51.5	33.4	58.8	31.1
Total losses and expenses	143.5	101.8	153.5	99.6	184.7	97.7
Underwriting gain (loss) — pre-tax	$ (2.5)		$ 0.5		$ 4.2	

Favorable development, discussed on the following page, of beginning-of-the-year loss reserves represented respectively, 16.9%, 11.9%, and 10.6% of premiums earned in 1991, 1990 and 1989. Without such credits, total losses and expenses as a percentage of premiums earned were: 1991 — 118.7%, 1990 — 111.5%, and 1989 — 108.3%.

The number of risks accepted in Berkshire's primary or direct insurance operations peaked in 1986 and has declined each succeeding year. The declines have been shared by each of the underwriting units that produce the Group's direct business, as reflected in the following table of premiums earned for the past five years:

	(dollars in millions)				
Underwriting Unit	1991	1990	1989	1988	1987
Traditional motor vehicle/general liability operations	$ 89	$ 94	$113	$168	$268
N.Y. commercial casualty/professional liability/specialty risk operations	14	18	20	54	93
Homestate companies/Cypress Insurance Co.	38	42	56	70	80
Total premiums earned	$141	$154	$189	$292	$441

The "traditional" business, written through general agents located nationwide directed from National Indemnity's Omaha offices, represents principally casualty coverages for commercial accounts. The operations are termed internally as those of the "National Indemnity primary group." Historically from the founding of National Indemnity Company fifty years ago, the volume of business written by this group varied significantly from year to year, increasing during periods of limited industry insuring capacity and decreasing when industry capacity expanded. When capacity was adequate, much of the business was written by competing insurers (i) charging prices lower than those acceptable to National Indemnity, and/or (ii) applying less stringent underwriting guidelines than those applied by National Indemnity. Those lower prices continued until the resulting unacceptable losses caused voluntary or involuntary exits from the market. At such point in the cycle, offerings increased to National Indemnity Company and its affiliated Insurance Group members at prices they believed to be adequate. In recent years, the group has experienced the down-side of this cycle. The upside, evidenced by increased offerings meeting the Group's acceptance standards, has not yet been observed.

Disciplined underwriting is also practiced by the Group's New York City underwriting units that commenced operations in 1985. Earned premiums from policies underwritten from these offices peaked at $93 million in 1987 and then declined each year, totalling $18 million in 1990 and $14 million in 1991. The commercial casualty/professional liability and special risks underwriting units enter into "tailored" insurance contracts for insureds presenting risks unusual in nature and/or unusually large. Many standard carriers decline to provide such coverages when their capacity can be fully employed in providing standard coverages for standard risks, i.e., in tight markets such as those of 1985 and 1986, but they have increasingly competed for, and written much of this business in the 1988-1991 period.

Management's Discussion *(continued)*

Insurance Underwriting (continued)

Primary or Direct Insurance Underwriting (continued)

The Homestate companies of the Berkshire Hathaway Insurance Group — in Colorado, Kansas and Nebraska — reduced their premium writings in each of the past three years. Their disciplined underwriting approach in a soft market environment resulted in loss of market share. Cypress Insurance Company underwrites primarily workers' compensation risks in a highly competitive market environment in California.

The preceding discussion is given to explain the downward trend in dollar amount of premiums. It should be understood that no management judgments with respect to the Insurance Group's operations are based on volume of business done. Instead, members are encouraged to reject underpriced risks without regard to volume.

Summarized below is loss and loss expense data from primary or direct insurance underwriting:

	(dollars in millions)		
	1991	1990	1989
Unpaid losses and loss expenses at beginning of year	$586.6	$639.2	$667.6
Incurred losses recorded:			
Current year occurrences	119.0	120.3	145.9
All prior years' occurrences	(23.8)	(18.3)	(20.0)
	95.2	102.0	125.9
Payments with respect to:			
Current year occurrences	23.3	21.7	27.6
All prior years' occurrences	91.6	132.9	126.7
	114.9	154.6	154.3
Unpaid losses and loss expenses at end of year	$566.9	$586.6	$639.2

Credits against incurred losses were recorded in each of the last three years for "all prior years' occurrences." They are corrections of estimation error that are credited or charged to earnings in the year made. Relating these credits for each year to the related estimated unpaid amounts at the beginning of the respective year, the "savings" were: 1991 — 4.1%, 1990 — 2.9%, and 1989 — 3.0%. 1991 was the fifth consecutive year of favorable development, which might be viewed as somewhat comforting. But additional cases of an unknowable number and magnitude for pre-1992 losses are certain to be reported. A provision for late reported cases is, of course, included in the $566.9 million 1991 year-end provision for unpaids. But, that total amount is subject to the favorable or unfavorable development that will be recorded in future years.

The favorable development recorded in each of the most recent three years related principally to the traditional commercial automobile business of the primary group.

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Insurance Segment Investment Income

Following is a summary of Insurance Group net investment income for the past three years.

	(dollars in millions)			
	Investment Income Before Taxes	Applicable Income Taxes	Applicable Minority Interest	Investment Income After Taxes and Minority Int.
1991	$331.8	$ 43.8	$ 2.9	$285.1
1990	327.0	41.2	3.2	282.6
1989	243.6	26.8	3.2	213.6

Invested assets increased in each of the past three years. In the three-year period, Berkshire contributed approximately $625 million additional capital to the Group, and reinvested earnings of the Group for that period amounted to approximately $800 million. Contributing to a further increase in invested assets was about $525 million increase during the past two year period in the amount of "float" from policyholder funds. That term denotes the sum of unpaid losses, unpaid loss adjustment expenses and unearned premiums, less the aggregate of agents' balances receivable, amounts recoverable as reinsurance on paid losses, deferred policy acquisition costs and deferred charges re reinsurance. The net amount of float was approximately $1.54 billion at the end of 1989 — unchanged during that year, $1.63 billion at the end of 1990, and $2.07 billion at the end of 1991.

The Insurance Group received dividends in the prior year of $52.5 million with respect to the Group's investment in Gillette convertible preferred stock that was converted on April 1, 1991 into common stock. 1991 dividends received from Gillette with respect to such common stock plus the 1st quarter dividend on the preferred totalled $24.3 million. The comparative decrease is one reason why the increase in 1991 investment income over 1990 was less than the 1990 increase over 1989. Another is that the timing of Berkshire capital contributions to the Group influenced the year-to-year comparison more in 1990 than in 1991.

Non-Insurance Business Segments

A summary follows of results to Berkshire from these identified business segments for the past three years.

	(dollars in millions)			
			Net after-tax earnings	
	Revenues	Operating profit before taxes	Minority share	Berkshire share
1991	$ 1,204.8	$ 176.1	$ 2.9	$ 104.2
1990	1,120.8	170.6	3.2	100.1
1989	1,069.7	158.8	3.2	93.4

The businesses that produced the above results numbered seven in 1991, versus six in both 1990 and 1989.

On July 1, 1991, Berkshire purchased for cash all of the capital stock of H. H. Brown Shoe Co. ("Brown"), the business of which is the manufacturing, importing and marketing of work, safety, outdoor, western and casual footwear. Its operations for the last six months of 1991 accounted for approximately $7.5 million of Berkshire's 1991 after-tax earnings, and that figure more than accounts for the $4.1 million increase, 1991 vs 1990, in Berkshire's aggregate net earnings from these business segments.

Operations of each of the non-insurance business segments are dealt with in the following paragraphs.

Management's Discussion *(continued)*

Non-Insurance Business Segments (continued)

Candy — See's Candies

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 196.0	$ 41.4	$ 24.6
1990	196.1	38.6	22.9
1989	186.0	33.3	19.7

1991 vs 1990

In 1991, unit sales of See's candies at retail — stated on the basis of an equivalent number of shops — decreased from 1990 by about 5%, and the physical volume of shipments in response to quantity orders was approximately 3% lower than in the previous year. Virtually all of the year-to-year decrease was experienced in the last two months — the critical selling season for See's. Price increases that were initiated on January 1 permitted 1991 sales revenues to equal those of 1990, a year when See's highest-ever revenues were recorded. Fortunately, 1991 cost and expense increases — at a rate of just over 2% on a per-pound sold basis — were lower than anticipated by the price increase. The 1991 raw material component of cost was actually less than in 1990, and See's after-tax profits for 1991 were higher by approximately $1.7 million than for the preceding year.

See's management believes that two factors were largely responsible for its decreased unit sales volume in 1991. First, as of July 15, 1991, the State of California imposed a sales tax on "candy and snack foods". The rate of tax is 8.5% in most metropolitan areas and because of See's heavy presence in California it applies to about 80% of See's sales. A second factor in management's view was the major decline in consumer confidence that commenced in mid-1990 and then intensified through the last quarter of 1991. Those factors may continue to adversely affect the business in 1992.

1990 vs 1989

Physical volume in 1990 was up over 1989, but by less than 1%. An increase of approximately 4.5% in pounds sold in response to quantity orders was largely offset by a decrease of about 2% in pounds sold from the retail stores. A slowing in 1990 retail store volume was particularly notable in the last quarter of the year when West Coast mall stores of all types saw less traffic. A selling price increase of about 5%, initiated at the beginning of the year, together with the slight increase in physical volume of sales, resulted in a $10.1 million, 5.4% increase in sales revenue and a $3.2 million, 16% year-to-year increase in after-tax profits.

Home Furnishings — Nebraska Furniture Mart

	(dollars in millions)			
			Net after-tax earnings	
	Revenues	Operating profit before taxes	Minority share	Berkshire share
1991	$ 171.0	$ 13.9	$ 1.7	$ 6.5
1990	163.7	16.8	2.1	8.1
1989	156.8	16.6	2.1	8.0

The Nebraska Furniture Mart's sales and other revenues increased from the preceding year by just over 4% in both 1991 and 1990. The 1991 increases over 1990 were achieved in a retailing economy that was sluggish for the entire year, and in the face of some heightened competition. In 1990, the influence of a slowing economy revealed itself in the fourth quarter, when sales increases over the 1989 fourth

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Non-Insurance Business Segments (continued)

Home Furnishings — Nebraska Furniture Mart (continued)

quarter, at about 1%, were below the average increase for the year. The percentage increase in sales revenues for 1991 over 1990 came from increased sales of furniture, appliances, electronics and carpet. On the other hand, the increased 1990 sales over 1989 came primarily from electronics and appliances.

In 1991, in order to protect and reinforce its image as a low-cost supplier and to fulfil its customers' low-price expectations, the Mart's management priced its goods at levels that resulted in lower gross margins on sales. In addition to accepting lower gross margins in 1991, the Mart also increased expenditures for advertising. In both 1991 and 1990, additional payroll costs were incurred for added point-of-sale personnel.

The Mart added personal computers and 35mm cameras to its product line in the last half of 1991 and devoted space to a "new life style furniture" facility called Trends. To enlarge its position as a provider of commercial carpet, in the fourth quarter of 1991, the Nebraska Furniture Mart purchased a small business located 50 miles away in Lincoln, Nebraska, that is engaged in that line of business.

Management at the Mart are hopeful that some increase in sales can be achieved in 1992, but expect it to be at a continuing cost of lower profit margins. Lower advertising costs may offset those cost pressures and permit modestly improved earnings for 1992.

Newspaper — The Buffalo News

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 130.3	$ 36.6	$ 21.3
1990	135.2	43.4	25.4
1989	135.6	45.4	27.2

1991 vs 1990

During the first nine months of 1991, newspaper revenues and profits continued the decline that started in the last quarter of 1990, as the demand for print advertising declined dramatically. Revenues at the News stabilized in the fourth quarter of 1991 and were at approximately the same level as for the fourth quarter of 1990. However, pre-tax profits continued to slide and for the quarter were about 5% lower than for the fourth quarter of the prior year. For the full year 1991, newspaper revenues of $130.3 million were 3.7% less than for the full year 1990, and after-tax earnings of $21.3 million were 16.4% less than for the preceding year.

1990 vs 1989

A marked decline occurred in virtually every category of advertising lineage and revenue in the fourth quarter of 1990. Largely as a result, newspaper revenues for the year declined slightly from their 1989 level and after-tax earnings declined about 6%.

1992 prospects

Downward pressure on newspaper profitability from two trends is expected to continue. They are (i) increasing competition from direct mail, and (ii) an increasing tendency on the part of the retailing sector to rely less on newspaper advertising. Also, the trend in cost of newsprint is likely to reverse in the near term from its downward direction of the past three years. A buy-out offer made to printers and pressmen in early 1992 will result in at least $2 million of additional expense for the News. Thus, some further decline in earnings from the News may be in prospect for 1992.

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Management's Discussion *(continued)*

Non-Insurance Business Segments (continued)

Encyclopedias, Other Reference Materials — World Book

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 311.5	$ 22.2	$ 15.2
1990	342.9	31.6	20.1
1989	338.4	25.3	16.2

1991 vs 1990

Revenues for this segment in 1991 were below 1990's all time record high level by $31.4 million. The 9% decline resulted largely from a disappointing 15% drop in unit sales in the Parent & Teacher market for World Book encyclopedias, Childcraft and Early World of Learning products. A part of the decline in revenues in 1991 is believed to reflect recessionary pressures in the domestic economy; a larger part may reflect some internal inefficiencies resulting from changes made during the year in the World Book marketing organization. World Book's marketing effort is accomplished by a geographically dispersed, very sizeable group of persons. While reorganizational steps taken to date are believed to have adversely affected the immediate selling effort, management believes that after related additional planned steps are accomplished, the restructuring's influence upon longer term results will be favorable. Improved capability to serve what is believed to be an increasing market for World Book products may be demonstrated in 1993 and beyond, but meaningful improvement in 1992 financial results over 1991 is not anticipated.

The decrease in earnings in 1991 from the prior year is attributable to the lower 1991 revenues.

1990 vs 1989

Revenues were about 1% higher for 1990 than for 1989. International sales increased as did domestic sales of publications other than encyclopedias. Revenues from domestic sales of the latter declined. Response to domestic special promotions of the encyclopedias was disappointing in 1990, believed to relate to earlier inadequate recruitment of sales representatives.

Profits of the segment in 1990 increased over 1989 as shown above. Among other factors contributing to this increase were lower costs in 1990 than in 1989 relating to relocating activities of the segment away from Chicago's Merchandise Mart to suburban and other locations. Such costs incurred were $6.9 million in 1989 versus $1.5 million in 1990. Also, foreign currency exchange gains of approximately $700,000 were recorded for the segment in 1990 contrasted to foreign exchange losses of approximately $550,000 in 1989.

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Non-Insurance Business Segments (continued)

Home Cleaning Systems

	Revenues	Operating profit before taxes	Net after-tax earnings
	(dollars in millions)		
1991	$ 192.0	$ 37.3	$ 23.0
1990	188.3	28.5	17.7
1989	159.0	26.2	16.3

Revenues of this segment derive from sales to distributors of *Kirby* home cleaning systems and accessories, sales to retailers or others of specialty vacuum cleaners such as electric as well as cordless hand-held vacuum cleaners, and sales of vacuum cleaner brushes to other manufacturers.

1991 revenues were $3.7 million more than in 1990. 77% of that increase, $2.8 million, represents the year-to-year increase in sales revenues from Kirby cleaners. The remainder of the increase came from higher sales in 1991 of handheld brush vacuums, essentially resulting from a single large quantity order from a buyer that used the product as a promotional item. Kirby's new Generation III model cleaner, introduced in late 1989 as a replacement for its Legend II, represented about 99% of domestic unit sales in 1991, versus about 82% in 1990. The newer cleaner, with its power drive, is larger, is somewhat more costly to produce, commands a higher unit selling price and yields a somewhat higher profit margin than the Legend II.

In 1990, the first full introductory year for the Generation III, unit sales of Kirby cleaners increased 8% domestically and 20% internationally over 1989. In 1991, unit sales declined slightly from the prior year, both in the domestic and international market. (International sales comprised about one-third of Kirby sales in both 1991 and 1990).

The higher sales revenues mentioned above, and somewhat higher profit margin realized on sales, in both 1991 and in 1990, each as compared to the immediately preceding year, contributed largely to the earnings increases shown above. In addition, the Kirby operation was burdened with somewhat less start-up costs in 1991 than in 1990 with respect to the new product.

Uniforms — Fechheimer Bros. Co.

	Revenues	Operating profit before taxes	Net after-tax earnings: Minority share	Net after-tax earnings: Berkshire share
	(dollars in millions)			
1991	$100.0	$ 12.2	$ 1.2	$ 6.1
1990	94.6	11.7	1.1	5.9
1989	93.9	12.0	1.1	6.0

This operation achieved a 6% increase in revenues in 1991 over 1990, greater than the 1% increase in the prior year over 1989. The current year's increase came largely from growth in retail operations and in part from its new fire-protective clothing line. Sales of marching band uniforms were also higher in 1991 than in 1990.

Levels of profitability of this segment gradually improved in 1991 as problems gradually decreased in integrating into its operations store acquisitions and start-ups from the late 1980's as well as a manufacturing facility acquired in 1989. 1992 is Fechheimer's 150th anniversary, and its managers are cautiously optimistic that earnings results for the year can somewhat exceed the level of recent years.

Management's Discussion *(continued)*

Non-Insurance Business Segments (continued)

Shoes — H. H. Brown

	(dollars in millions)		
	Revenues	Operating profit before taxes	Net after-tax earnings
1991	$ 104.0	$ 12.5	$ 7.5

H. H. Brown Shoe Co. (unrelated to another Brown Shoe operation in St. Louis) was purchased for cash by Berkshire as of July 1, 1991, and the results of its operations after that date, above, are included in Berkshire's consolidated results. The business manufactures, imports and markets work, safety, outdoor, western and casual footwear.

Brown's profit results for the last six months of the year were better than might have been projected earlier. In the domestic leather market where Brown's purchases its major raw material, prices were lower than at any time in the past seven years. Pairs of shoes and boots from this operation sold in the last six months of 1991 were somewhat fewer than in the corresponding period of 1990, when it was under previous ownership, but increased sales of western boots, combined with other changes in product mix and some increase in prices resulted in a higher dollar volume of sales from the operation than for the corresponding six month period of the prior year. That, combined with a decrease in raw material cost for manufactured products and lower promotional costs, resulted in earnings at a very respectable level for the six month 1991 period of Berkshire ownership.

The good start under Berkshire ownership means that a comparable or a better level of results should not be anticipated for 1992, particularly in view of the now-firming leather market.

Businesses Other Than Identified Segments

	(dollars in millions)			
			Net after-tax earnings	
	Revenues	Operating profit before taxes	Minority share	Berkshire share
1991	$524.4	$ 49.3	$ 2.4	$ 27.6
1990	535.9	56.4	2.9	31.9
1989	531.7	53.4	2.5	30.6

The above represent aggregate data for businesses that numbered 23 in 1991. Berkshire management believes that narrative discussion of the results of the constituent businesses would not yield significant benefit to investors or others, particularly in view of the relative consistency of the year-to-year aggregate data.

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Interest Expense

Interest expense was higher in 1991 than in 1990 partly because the average amount of Berkshire's borrowings under investment agreements was higher in 1991 than in 1990. Also, in 1991, debt of $72 million was redeemed prior to scheduled maturity (in 2018) and the early redemption premium amounting to $5.7 million that was incurred in the redemption transactions was charged to 1991 interest expense.

Interest expense was higher in 1990 than in 1989 partly because accretion for all of 1990 amounting to $22.6 million with respect to Berkshire's zero coupon convertible subordinated notes was greater than the $5.7 million charge with respect thereto for the last quarter of 1989 following their issue. Also in 1990, borrowings by Berkshire under investment agreements were more than in 1989.

Realized Investment Gain

Realized investment gain has been a recurring element in Berkshire's net earnings for many years. The amount — recorded when appreciated securities are sold — tends to fluctuate significantly from period to period, with a meaningful effect upon Berkshire's consolidated net earnings. But, the amount of realized investment gain for any given period has no predictive value, and variations in amount from period to period have no practical analytical value, particularly in view of the billions of dollars now reflected for unrealized price appreciation in Berkshire's consolidated investment portfolio.

Liquidity and Capital Resources

Berkshire's Consolidated Balance Sheet as of December 31, 1991, reflects continuing capital strength. In the past three years, Berkshire shareholders' equity has more than doubled from approximately $3.41 billion at December 31, 1988 to approximately $7.38 billion at December 31, 1991. In that three-year period, realized and unrealized securities gains increased equity capital by approximately $3 billion, and reinvested earnings, other than realized securities gains, were nearly $1 billion. The rate of increase in net worth is certain to decline in future years because of its current magnitude. But, creditors and customers can continue to benefit from Berkshire's capital adequacy.

BERKSHIRE HATHAWAY INC.

SHAREHOLDER-DESIGNATED CONTRIBUTIONS

The Company has conducted this program of corporate giving during each of the past eleven years. On October 14, 1981, the Chairman sent to the shareholders a letter* explaining the program. Portions of that letter follow:

"On September 30, 1981 Berkshire received a tax ruling from the U.S. Treasury Department that, in most years, should produce a significant benefit for charities of your choice.

"Each Berkshire shareholder — on a basis proportional to the number of shares of Berkshire that he owns — will be able to designate recipients of charitable contributions by our company. You'll name the charity; Berkshire will write the check. The ruling states that there will be no personal tax consequences to our shareholders from making such designations.

"Thus, our approximately 1500 owners now can exercise a perquisite that, although routinely exercised by the owners in closely-held businesses, is almost exclusively exercised by the managers in more widely-held businesses.

"In a widely-held corporation the executives ordinarily arrange all charitable donations, with no input at all from shareholders, in two main categories:

(1) Donations considered to benefit the corporation directly in an amount roughly commensurate with the cost of the donation; and
(2) Donations considered to benefit the corporation indirectly through hard-to-measure, long-delayed feedback effects of various kinds.

"I and other Berkshire executives have arranged in the past, as we will arrange in the future, all charitable donations in the first category. However, the aggregate level of giving in such category has been quite low, and very likely will remain quite low, because not many gifts can be shown to produce roughly commensurate direct benefits to Berkshire.

"In the second category, Berkshire's charitable gifts have been virtually nil, because I am not comfortable with ordinary corporate practice and had no better practice to substitute. What bothers me about ordinary corporate practice is the way gifts tend to be made based more on who does the asking and how corporate peers are responding than on an objective evaluation of the donee's activities. Conventionality often overpowers rationality.

"A common result is the use of the stockholder's money to implement the charitable inclinations of the corporate manager, who usually is heavily influenced by specific social pressures on him. Frequently there is an added incongruity; many corporate managers deplore governmental allocation of the taxpayer's dollar but embrace enthusiastically their own allocation of the shareholder's dollar.

"For Berkshire, a different model seems appropriate. Just as I wouldn't want you to implement your personal judgments by writing checks on my bank account for charities of your choice, I feel it inappropriate to write checks on your corporate "bank account" for charities of my choice. Your charitable preferences are as good as mine and, for both you and me, funds available to foster charitable interests in a tax-deductible manner reside largely at the corporate level rather than in our own hands.

"Under such circumstances, I believe Berkshire should imitate more closely-held companies, not larger public companies. If you and I each own 50% of a corporation, our charitable decision making would be simple. Charities very directly related to the operations of the business would have first claim on our available charitable funds. Any balance available after the "operations-related" contributions would be divided among various charitable interests of the two of us, on a basis roughly proportional to our ownership interest. If the manager of our company had some suggestions, we would listen carefully — but the final decision would be ours. Despite our corporate form, in this aspect of the business we probably would behave as if we were a partnership.

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"Wherever feasible, I believe in maintaining such a partnership frame of mind, even though we operate through a large, fairly widely-held corporation. Our Treasury ruling will allow such partnership-like behavior in this area . . .

"I am pleased that Berkshire donations can become owner-directed. It is ironic, but understandable, that a large and growing number of major corporations have charitable policies pursuant to which they will match gifts made by their employees (and — brace yourself for this one — many even match gifts made by directors) but none, to my knowledge, has a plan matching charitable gifts by owners. I say "understandable" because much of the stock of many large corporations is owned on a "revolving door" basis by institutions that have short-term investment horizons, and that lack a long-term owner's perspective . . .

"Our own shareholders are a different breed. As I mentioned in the 1979 annual report, at the end of each year more than 98% of our shares are owned by people who were shareholders at the beginning of the year. This long-term commitment to the business reflects an owner mentality which, as your manager, I intend to acknowledge in all feasible ways. The designated contributions policy is an example of that intent."

* * *

The history of contributions made pursuant to this program since its inception follows:

Year	*Specified Amount per share*	*Percent of Eligible* Shares Participating*	*Amount Contributed*	*No. of Charities*
1981	$2	95.6%	$1,783,655	675
1982	$1	95.8%	$ 890,948	704
1983	$3	96.4%	$3,066,501	1,353
1984	$3	97.2%	$3,179,049	1,519
1985	$4	96.8%	$4,006,260	1,724
1986	$4	97.1%	$3,996,820	1,934
1987	$5	97.2%	$4,937,574	2,050
1988	$5	97.4%	$4,965,665	2,319
1989	$6	96.9%	$5,867,254	2,550
1990	$6	97.3%	$5,823,672	2,600
1991	$7	97.7%	$6,772,024	2,630

* *Shares registered in street name are not eligible to participate.*

In addition to the shareholder-designated contributions summarized above, Berkshire and its subsidiaries have made certain contributions pursuant to local level decisions of operating managers of the businesses.

* * *

The program may not be conducted in the occasional year, if any, when the contributions would produce substandard or no tax deductions. In other years Berkshire expects to inform shareholders of the amount per share that may be designated, and a reply form will accompany the notice allowing shareholders to respond with their designations. If the program is conducted in 1992, the notice will be mailed on or about September 15 **to shareholders of record reflected in our Registrar's records as of the close of business August 31, 1992,** and shareholders will be given until **November 15** to respond.

Shareholders should note the fact that shares held in street name are not eligible to participate in the program. To qualify, shares must be registered on August 31 in the owner's individual name(s) or the name of an owning trust, corporation, partnership or estate, as applicable.

Berkshire's consolidated data is rearranged in the presentations on the following seven pages into four categories, corresponding to the way Mr. Buffett and Mr. Munger think about Berkshire's businesses. The presentations may be helpful to readers in making estimates of Berkshire's intrinsic value.

The presentations in this section do not conform in all respects to generally accepted accounting principles. Principle departures from GAAP relate to accounting treatment for assets acquired in business acquisitions, although students and practitioners of accounting will recognize others.

Opinions of Berkshire's independent auditors were not solicited for this data. The four-category presentations in no way fell within their purview.

BERKSHIRE HATHAWAY INC.

INSURANCE GROUP

Berkshire's insurance business is conducted by 12 separate subsidiaries, headed by National Indemnity Company headquartered in Omaha, Nebraska. The members underwrite multiple lines of principally casualty coverages for primarily commercial accounts, providing, for example, liability coverages for truck and bus operators, and casualty coverages for especially large or unusual risks. The Commercial Casualty Division and the Professional Liability and Special Risk Division, each with offices in New York City, solicit and underwrite the special large risks. Member companies domiciled in the states of Colorado, Kansas and Nebraska provide standard multiple-line property/casualty insurance to "homestate" residents. A California domiciled member provides principally workers' compensation insurance to employers in that state.

A Reinsurance Division in New York City provides treaty reinsurance to other property/casualty insurers and reinsurers. This division is currently one of the leading providers in the world of finite-risk reinsurance and property/catastrophe retrocessional protection (i.e., reinsurance for reinsurers).

The Berkshire Hathaway Insurance Group maintains capital strength at unparalleled high levels, significantly higher than normal in the industry. This strength differentiates Group members from their competitors. For example, the Group's net premiums written in 1991 were approximately 10% of the Group's year-end statutory surplus. That compares to an industry average premiums-to-surplus ratio of about 157% (for 1990). The obvious margins of safety thus provided to insureds of the Group are particularly persuasive in marketing of individually negotiated insurance and reinsurance contracts.

Combined financial statements of the Berkshire Hathaway Inc. Insurance Group — unaudited and not fully adjusted to conform to Generally Accepted Accounting Principles — are presented on the following two pages.

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BERKSHIRE HATHAWAY INC.

INSURANCE GROUP

Balance Sheets
(dollars in millions)

	December 31, 1991	December 31, 1990
Assets		
Investments:		
Fixed maturities at amortized cost:		
Bonds:		
RJR Nabisco	$ 98.9	$ 187.7
Wash. Pub. Power Supply System	158.6	188.9
Other	367.0	377.4
Preferred stocks:		
Champion International	279.0	279.0
Salomon Inc.	650.0	637.0
USAir	348.0	348.0
Other	0.5	0.7
Equity Securities at market:		
Common stocks:		
Capital Cities/ABC, Inc.	1,278.8	1,354.4
Coca-Cola Company	3,738.0	2,166.0
GEICO	1,363.2	1,110.6
Gillette	1,347.0	600.0
Guinness PLC	296.8	—
Washington Post	336.0	342.1
Wells Fargo Company	279.3	278.7
Other	91.9	232.9
Preferred stocks:		
American Express Company	247.5	—
First Empire State Corp.	50.0	—
Other	44.2	72.6
	10,974.7	8,176.0
Cash and cash equivalents	458.5	115.6
Receivables	414.1	222.2
Deferred costs	552.5	364.2
Other	2.8	2.3
	$12,402.6	$8,880.3
Liabilities		
Loss and loss adjustment expenses	$ 2,849.1	$2,050.3
Unearned premiums	152.5	126.4
Accounts payable, accruals and other	222.1	226.0
Income taxes, principally deferred	1,908.2	1,099.0
	$ 5,131.9	3,501.7
Equity		
Minority shareholders'	56.5	39.8
Berkshire shareholders'	7,214.2	5,338.8
	7,270.7	5,378.6
	$12,402.6	$8,880.3

These statements do not conform to GAAP in all respects
These statements are unaudited

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BERKSHIRE HATHAWAY INC.

INSURANCE GROUP

Statements of Earnings
(dollars in millions)

	1991	1990	1989
Premiums written	$ 802.5	$ 574.3	$ 296.1
Premiums earned	$ 776.4	$ 591.5	$ 394.3
Losses and loss expenses	827.2	534.2	309.4
Underwriting expenses	68.8	83.9	109.3
Total losses and expenses	896.0	618.1	418.7
Underwriting loss - pre-tax	(119.6)	(26.6)	(24.4)
Net investment income	331.8	327.0	243.9
Realized investment gain	110.8	15.8	220.6
Earnings from operations before income taxes	323.0	316.2	440.1
Income tax expense	(38.4)	(34.1)	(88.9)
	284.6	282.1	351.2
Minority interest	2.8	3.0	4.0
Net earnings	$ 281.8	$ 279.1	$ 347.2

Statements of Net Investment Income
(dollars in millions)

	1991	1990	1989
Interest:			
Substantially exempt from Federal income taxes:			
Wash. Pub. Power Supply System	$ 25.0	$ 27.1	$ 27.3
Other	29.6	30.5	51.6
Taxable:			
RJR Nabisco	21.7	27.0	3.4
Other	22.4	6.6	18.5
	98.7	91.2	100.8
Dividends:			
American Express Company	9.2	—	—
Capital Cities/ABC, Inc	0.6	0.6	0.6
Champion International	25.8	25.8	1.9
Coca-Cola Company	44.7	37.3	31.3
First Empire State Corp.	2.9	—	—
GEICO	15.6	13.7	12.3
Gillette	24.3	52.5	23.5
Guinness PLC	1.2	—	—
Salomon Inc.	58.1	56.1	56.1
USAir	32.2	32.2	12.9
Washington Post	7.3	6.9	3.2
Wells Fargo Company	16.8	10.8	2.0
Other	6.0	8.8	6.1
	343.4	335.9	250.7
Investment expenses	(11.6)	(8.9)	(6.8)
Net investment income	$ 331.8	$ 327.0	$ 243.9

These statements do not conform to GAAP in all respects
These statements are unaudited

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BERKSHIRE HATHAWAY INC.

MANUFACTURING, PUBLISHING AND RETAILING BUSINESSES

Combined financial statements of Berkshire's Manufacturing, Publishing and Retailing businesses - unaudited and not fully adjusted to conform to Generally Accepted Accounting Principles - are presented on the following page. The operations whose data have been combined in these presentations include the following:

Operation	*Product/Service/Activity*
Adalet	Conduit fittings, explosion proof fittings, junction boxes
Blue Chip Stamps	Marketing motivational services
Borsheim's	Retailing fine jewelry
Buffalo News	Daily and Sunday newspaper
Campbell Hausfeld	Air compressors and accessories, painting systems
Carefree	Roll-up awnings, other RV accessories
Cleveland Wood Products	Vacuum cleaner brushes
Douglas Products	Hand-held electric and cordless vacuum cleaners
Fechheimer Bros. Co.	Uniforms and accessories
France	Appliance controls, ignition and sign transformers
H. H. Brown Shoe Co.	Work shoes, boots and casual footwear
Halex	Zinc and aluminum die cast fittings
K&W Products	Automotive compounds
Kirby	Home cleaning systems
Meriam	Pressure and flow measurement devices
Nebraska Furniture Mart	Retailing home furnishings
New America Electric	Electrical equipment
Northland	Fractional horsepower motors
Powerwinch	Boat winches, windlasses
Precision Steel Products	Steel service center
Quikut	Varieties of cutlery
See's Candies	Boxed chocolates and other confectionery products
Scot Labs	Cleaning and maintenance chemicals
Stahl	Custom steel services bodies and tool boxes for trucks
Wayne Home Equipment	Furnace burners; sump, utility and sewage pumps
Western Enterprises	Compressed gas fittings and regulators
Western Plastics	Molded plastic components
World Book	Encyclopedias and other reference materials

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BERKSHIRE HATHAWAY INC.

MANUFACTURING, PUBLISHING and RETAILING BUSINESSES

Balance Sheets
(dollars in millions)

	December 31, 1991	December 31, 1990
Assets		
Cash and cash equivalents	$ 67.3	$ 28.9
Accounts receivable	211.3	184.0
Inventories	227.0	174.1
Properties and equipment	154.7	149.1
Other	18.7	19.7
	$ 679.0	$ 555.8
Liabilities		
Accounts payable, accruals and other	$ 211.2	$ 198.0
Income taxes	37.0	38.4
Term debt and other borrowings	40.9	36.1
	289.1	272.5
Equity		
Minority shareholders'	31.1	28.2
Berkshire shareholders'	358.8	255.1
	389.9	283.3
	$ 679.0	$ 555.8

Statements of Earnings
(dollars in millions)

	1991	1990	1989
Revenues:			
Sales and service revenues	$ 1,651.1	$1,580.1	$1,526.4
Interest income	8.5	6.7	8.4
Sundry income	2.1	1.4	2.6
	1,661.7	1,588.2	1,537.4
Costs and expenses:			
Costs of products and services sold	933.7	865.6	838.7
Selling, general and administrative	508.6	499.3	487.7
Interest on debt	4.9	6.5	6.2
	1,447.2	1,371.4	1,332.6
Earnings from operations before income taxes	214.5	216.8	204.8
Income tax expense	82.3	83.9	78.9
	132.2	132.9	125.9
Minority interest	4.6	5.4	5.0
Net earnings	$ 127.6	$ 127.5	$ 120.9

Purchase price accounting adjustments, including goodwill, arising from Berkshire's business acquisitions are not reflected in these statements, but instead are reflected in the statements of non-operating activities at page 58.

These statements do not conform to GAAP in all respects
These statements are unaudited

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BERKSHIRE HATHAWAY INC.

FINANCE-TYPE BUSINESSES

Mutual Savings and Loan Association and its subsidiary and *Scott Fetzer Financial Group, Inc.* and its subsidiaries make up Berkshire's finance-type operations.

Balance Sheets
(dollars in millions)

	December 31, 1991	December 31, 1990
Assets		
Cash and cash equivalents	$ 32.7	$ 72.9
Investments at cost:		
Fixed maturities:		
Bonds	14.2	17.0
Mortgage-backed securities	129.5	23.7
Preferred stocks	—	17.5
Equity securities:		
FHLMC common stock	71.7	71.7
Preferred stocks	—	36.8
Collateralized loans receivable	100.9	107.4
Installment and other receivables	177.7	169.7
Prepaid income taxes	7.3	11.1
Other	28.9	21.2
	$ 562.9	$ 549.0
Liabilities		
Savings accounts	$ 289.0	$ 286.4
Accounts payable, accruals and other	26.2	22.2
Income taxes	1.5	1.3
Term debt and other borrowings	154.6	157.1
	471.3	467.0
Equity		
Minority shareholders'	11.8	10.1
Berkshire shareholders'	79.8	71.9
	91.6	82.0
	$ 562.9	$ 549.0

Statements of Earnings
(dollars in millions)

	1991	1990	1989
Revenues:			
Interest and fees on loans and financed receivables	$ 53.2	$ 51.9	$ 49.4
Interest and dividends on investment securities	18.3	18.3	19.2
Sundry income	1.3	0.3	0.3
	72.8	70.5	68.9
Expenses:			
Interest on savings accounts	18.3	22.0	21.5
Interest on debt	14.3	14.3	13.9
General and administrative	20.7	20.7	20.8
	53.3	57.0	56.2
Earnings from operations before income taxes	19.5	13.5	12.7
Income tax expense	4.6	1.7	1.2
	14.9	11.8	11.5
Minority interest	0.9	0.8	0.8
Earnings before realized investment gain	14.0	11.0	10.7
Realized investment gain — mandated divest. of pref. stocks	4.5	—	—
Net earnings	$ 18.5	$ 11.0	$ 10.7

These statements do not conform to GAAP in all respects
These statements are unaudited

BERKSHIRE HATHAWAY INC.

NON-OPERATING ACTIVITIES

These statements reflect the consolidated financial statement values for assets, liabilities, shareholders' equity, revenues and expenses that were not assigned to any Berkshire operating group in the unaudited, and not fully GAAP-adjusted group financial statements heretofore presented (pages 51 to 57).

Statements of Net Assets
(dollars in millions)

	December 31, 1991	December 31, 1990
Assets		
Cash and cash equivalents	$ 205.6	$ 29.9
Investments:		
Fixed maturities:		
Bonds:		
RJR Nabisco	123.3	252.6
ACF Industries	87.9	58.0
Other	—	16.3
Preferred stocks	81.0	81.0
Equity securities	38.1	20.1
Property account adjustments *	78.2	73.6
Unamortized goodwill *	179.0	136.5
Prepaid income taxes	7.0	8.0
Other	40.9	32.8
	$ 841.0	$ 708.8
Liabilities		
Accounts payable, accruals and other	$ 34.5	$ 33.8
Income taxes	(3.3)	(7.8)
Term debt and other borrowings	1,065.0	1,046.2
	1,096.2	1,072.2
Equity		
Minority shareholders'	17.7	15.0
Berkshire shareholders'	(272.9)	(378.4)
	(255.2)	(363.4)
	$ 841.0	$ 708.8

Statements of Earnings
(dollars in millions)

	1991	1990	1989
Revenues:			
Interest and dividend income	$ 60.1	$ 41.1	$ 7.2
Realized investment gain	69.5	18.2	3.8
Sundry income	4.4	2.0	5.5
	134.0	61.3	16.5
Expenses:			
Corporate administration	5.6	4.1	3.4
Shareholder designated contributions	6.8	5.8	5.9
Amortization of goodwill *	4.0	3.5	3.4
Property account adjustments *	6.0	6.0	6.0
Interest on debt	84.5	71.3	37.3
Other costs and expenses	0.9	0.6	0.9
	107.8	91.3	56.9
Earnings (loss) before income taxes	26.2	(30.0)	(40.4)
Income tax credit (expense)	(12.7)	7.6	9.8
	13.5	(22.4)	(30.6)
Minority interest	1.5	1.1	0.6
Net earnings (loss)	$ 12.0	$ (23.5)	$ (31.2)

* *"Property account adjustments" and goodwill arose in accounting for business acquisitions.*

These statements do not conform to GAAP in all respects
These statements are unaudited

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COMMON STOCK

Stock Transfer Agent

The Bank of Boston Shareholder Services Division, P.O. Box 644, Boston, MA 02102 serves as Transfer Agent and Registrar for the Company's common stock. Correspondence with the Division may be directed to Customer Service Section, Mail Stop 45-02-09. Certificates for re-issue or transfer should be directed to the Transfer Processing Section, Mail Stop 45-01-05. **Certificates should not be mailed to the Company.**

Shareholders

The Company had approximately 6,900 record holders of its common stock at March 2, 1992. Record owners included nominees holding at least 170,000 shares on behalf of beneficial-but-not-of-record owners. Management believes that the Company has more than 15,000 beneficial owners.

Price Range of Common Stock

The Company's Common Stock is listed for trading on the New York Stock Exchange, trading symbol: BRK. The following table sets forth the high and low sales prices per share, as reported on the New York Stock Exchange Composite List during the periods indicated:

1991	High	Low	1990	High	Low
First Quarter	$8,275	$6,550	First Quarter	$8,725	$6,675
Second Quarter	8,750	7,760	Second Quarter	7,675	6,600
Third Quarter	9,000	8,325	Third Quarter	7,325	5,550
Fourth Quarter	9,125	8,150	Fourth Quarter	6,900	5,500

Dividends

Berkshire has not declared a cash dividend since 1967.

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IKE FRIEDMAN
1924-1991

My friend and partner, Ike Friedman, CEO of Borsheim's, died last September. Ike was a business genius and showman, and these qualities enabled him to take a hole-in-the-wall store that his family purchased in 1948 and from it build a retailing phenomenon of national renown. His most outstanding attribute, however, was a big, warm heart that will forever be remembered by all who knew him.

BERKSHIRE HATHAWAY INC.

DIRECTORS

WARREN E. BUFFETT, *Chairman*
Chief Executive Officer of Berkshire

CHARLES T. MUNGER, *Vice Chairman of Berkshire*

SUSAN T. BUFFETT

MALCOLM G. CHACE, JR.
Retired, Former Chairman of Berkshire's Board

J. VERNE McKENZIE
Chief Financial Officer of Berkshire

WALTER SCOTT, JR.
Chairman and Chief Executive Officer of Peter Kiewit Sons', Inc., engaged worldwide in construction, mining, packaging and timberlands.

OFFICERS

WARREN E. BUFFETT, *Chairman and CEO*

CHARLES T. MUNGER, *Vice Chairman*

ROBERT H. BIRD, *Vice President*

MICHAEL A. GOLDBERG, *Vice President*

STANFORD LIPSEY, *Vice President*

J. VERNE McKENZIE, *Vice President, Secretary*

MARC D. HAMBURG, *Treasurer*

DANIEL J. JAKSICH, *Controller*

ROBERT M. FITZSIMMONS,
Director of Internal Auditing

JERRY W. HUFTON,
Director of Taxes

J. WILLIAM SCOTT,
Director of Financial Assets

Two compilations of letters from earlier Annual Reports are available upon request. One is from reports for 1977 through 1986, the other, from reports for 1987 through 1990. Single copies are furnished without charge in response to requests received by the Company at 3555 Farnam St., Suite 1440, Omaha, NE 68131.

BERKSHIRE HATHAWAY INC.
Executive Offices — 1440 Kiewit Plaza, Omaha, Nebraska 68131

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