

# **The Complete Financial History of Berkshire Hathaway**

**Second Edition**

A Chronological Analysis of  
Warren Buffett and Charlie Munger's  
Conglomerate Masterpiece

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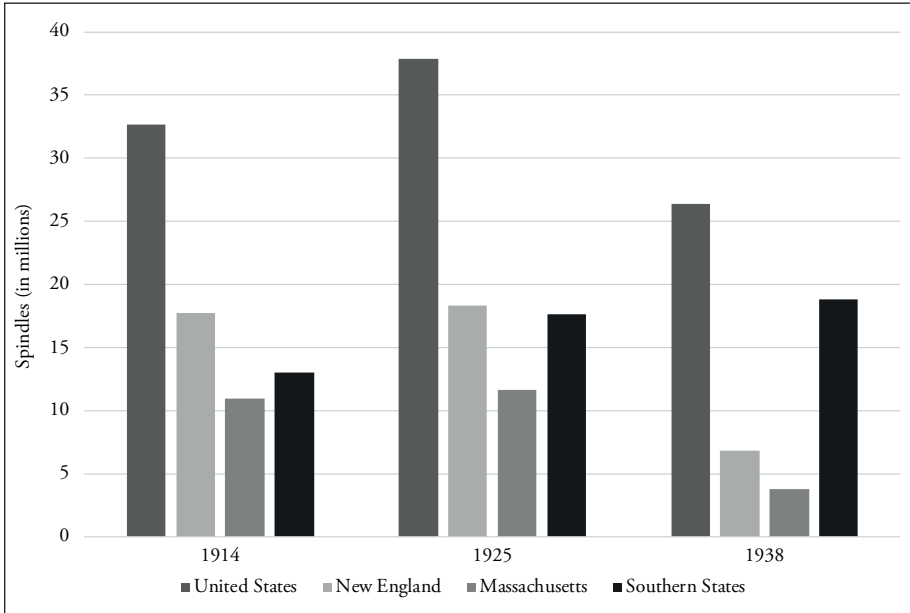
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Chapter 1  
**Textile Conglomerate**

**Figure 1.1: Millions of spindles in place by year and location.**



Source: *The Decline Of A Cotton Textile City* (Wolfbein p. 161).

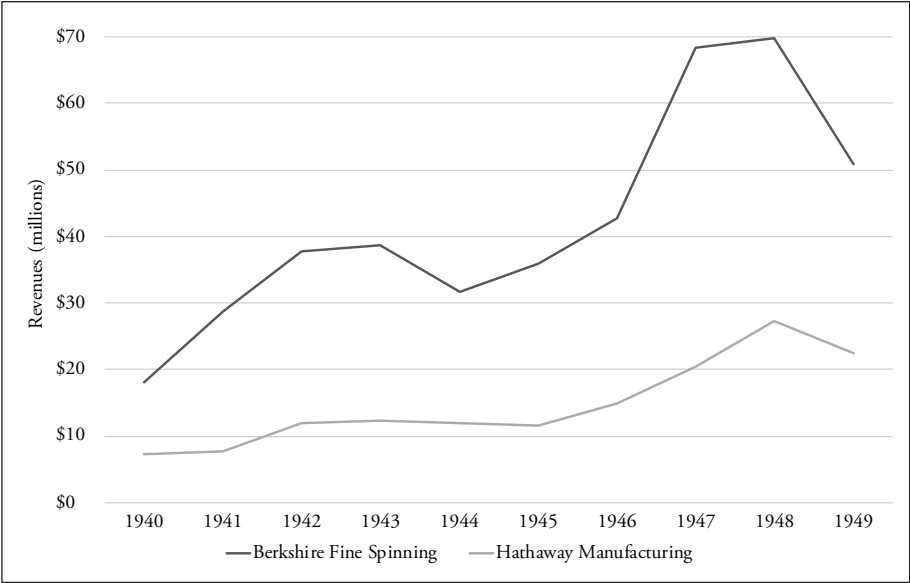
**Table 1.1: Comparative operational data for Berkshire Fine Spinning Associates and Hathaway Manufacturing.**

	Berkshire Fine Spinning	Hathaway Manufacturing
<b>1934</b>		
Net revenues (\$ millions)	\$16.3	\$3.9
Equity capital (\$ millions)	\$13.8	\$2.1
# spindles	900,000	79,000
# looms	20,000	3,200
<b>1939</b>		
Net revenues (\$ millions)	\$18.4	\$7.3
Equity capital (\$ millions)	\$13.1	\$2.2
# spindles	748,000	62,000
# looms	15,000	2,800
<b>1935–1939 (average)</b>		
Return on equity	0%	6.10%
Profit margin	1.40%	2.10%
Revenues/average equity <sup>1</sup>	\$1.34	\$3.15
Footnote: Revenues/average equity calculation is from 1936-39 because no data is available for 1935 for Hathaway Manufacturing.		

Note: No data on 1939 for BFS, but spindles/looms same in 1938 and 1940.

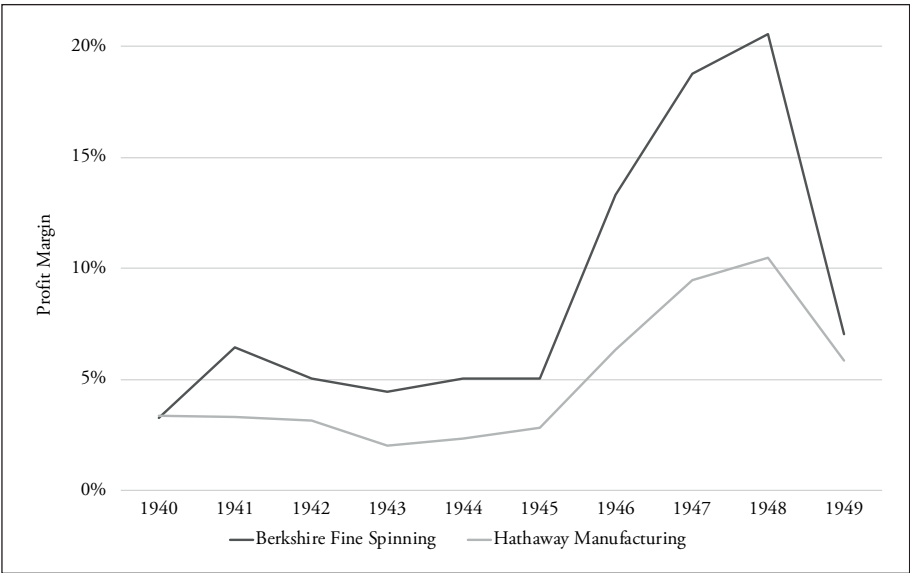
Sources: Moody's Industrial Manuals 1934-40 and author's calculations.

**Figure 1.2: Revenues at Berkshire Fine Spinning and Hathaway Manufacturing from 1940–1949.**



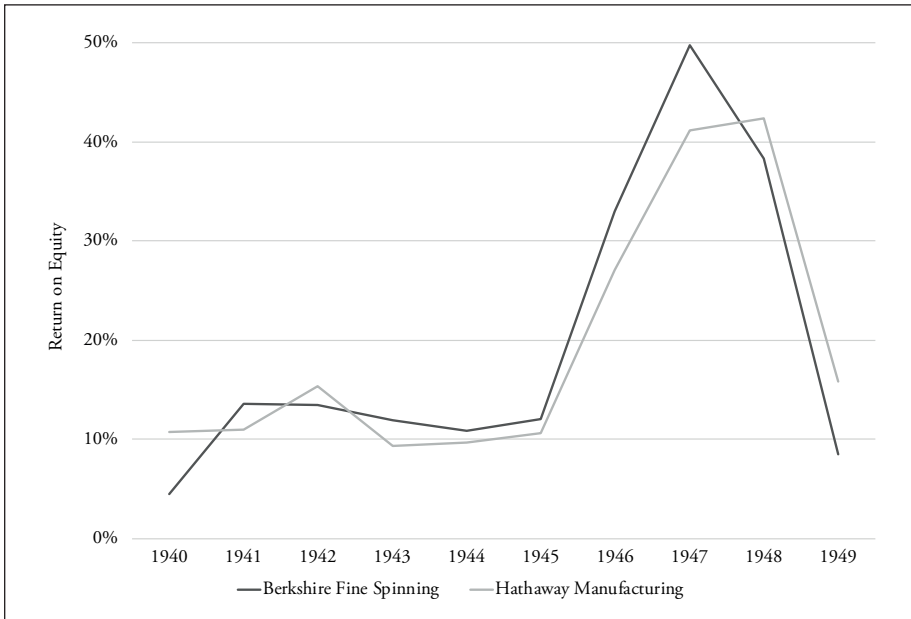
Sources: Moody's Industrial Reports and Berkshire Hathaway Annual Reports.

**Figure 1.3: Profit margins at Berkshire Fine Spinning and Hathaway Manufacturing from 1940–1949.**



Source: Moody's Industrial Reports and Berkshire Hathaway annual reports.

**Figure 1.4: Return on equity at Berkshire Fine Spinning and Hathaway Manufacturing from 1940–1949.**



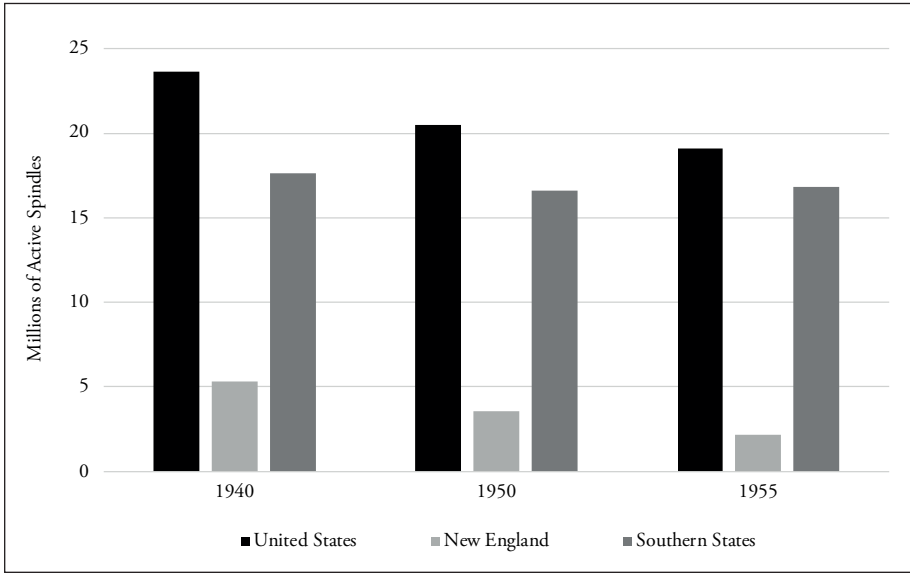
Sources: Moody's Industrial Reports and Berkshire Hathaway Annual Reports.

**Figure 1.5: Pro-Forma profit margin and return on equity for Berkshire Hathaway 1950–1955.**



Sources: Moody's Industrial Reports and Berkshire Hathaway Annual Reports.

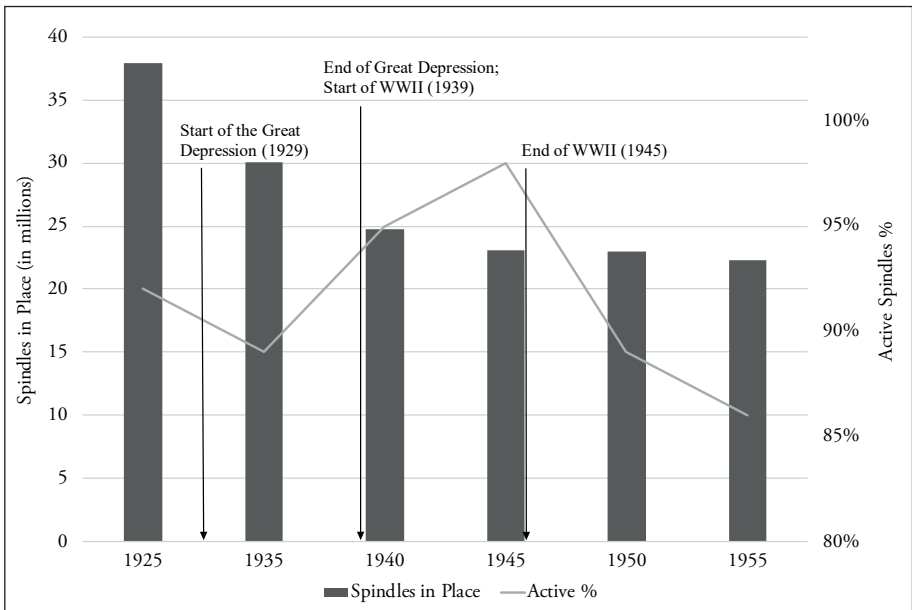
**Figure 1.6: Millions of active spindles by location 1940–1955**



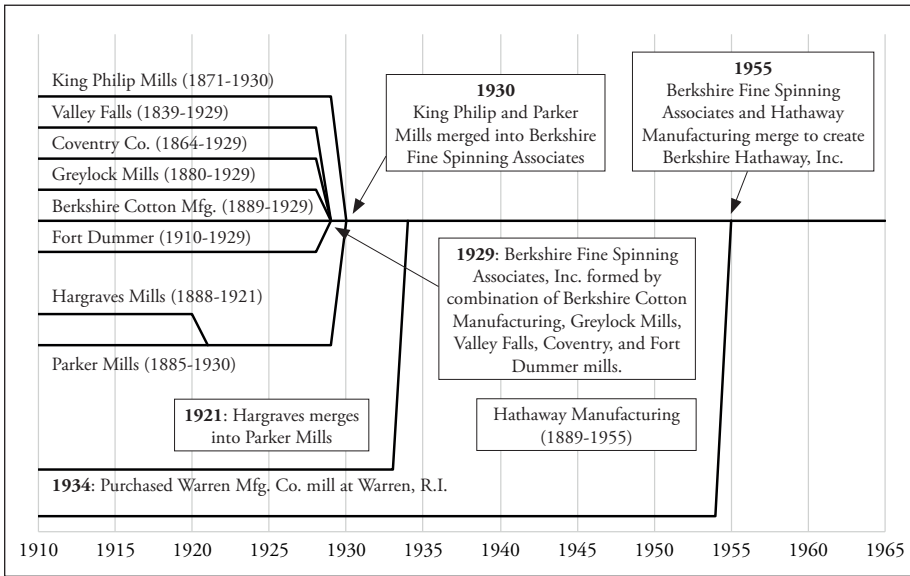
Note: Active spindles are different than spindles in place. The former is a measure of usage; the latter is a measure of capacity.

Source: *Changes in American Textile Industry*, Technical bulletin No. 1210. US Dept. Agriculture, Issued November 1959, p. 72, accessed via Google Books.

**Figure 1.7: Active spindles (usage) versus spindles in place (capacity), 1925–1955**



**Figure 1.8: The Beginnings of Today's Berkshire Hathaway, Inc.**



Sources: Moody's Manual reports and Massachusetts Corporate Card Files accessed via the Boston Public Library.

**Table 1.2: Berkshire Fine Spinning Associates and Hathaway Manufacturing Company, select data, 1945–1955**

<b>Berkshire Fine Spinning Associates</b>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>	<u>1949</u>	<u>1948</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>
Revenues ( <i>\$ thousands</i> )					\$60,987	\$63,466	\$50,912	\$69,890	\$68,445	\$42,861	\$36,043
Net income					3,141	4,099	3,570	14,358	12,842	5,690	1,814
Equity					45,193	44,262	41,691	42,530	32,444	19,187	15,294
<i>Key Ratios</i>											
Revenue growth					(3.9%)	24.7%	(27.2%)	2.1%	59.7%	18.9%	13.7%
Revenues / avg. equity capital					\$1.40	\$1.48	\$1.31	\$2.23	\$3.07	\$2.49	\$2.40
Return on revenues (net margin)					5.2%	6.5%	7.0%	20.5%	18.8%	13.3%	5.0%
Return on average equity					7.0%	9.5%	8.5%	38.3%	49.7%	33.0%	12.1%

<b>Hathaway Manufacturing Company</b>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>	<u>1949</u>	<u>1948</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>
Revenues ( <i>\$ thousands</i> )	\$21,227	\$27,463	\$19,749	\$30,862	\$26,158	\$22,446	\$27,288	\$20,538	\$14,997	\$11,622	
Net income	(373)	482	(80)	1,836	1,702	1,312	2,858	1,949	952	328	
Equity	11,012	11,490	11,608	10,968	9,732	8,629	7,892	5,597	3,867	3,166	
<i>Key Ratios</i>											
Revenue growth	(22.7%)	39.1%	(36.0%)	18.0%	16.5%	(17.7%)	32.9%	36.9%	29.0%	(3.5%)	
Revenues / equity capital	\$1.89	\$2.38	\$1.75	\$2.98	\$2.85	\$2.72	\$4.05	\$4.34	\$4.27	\$3.67	
Return on revenues (net margin)	(1.8%)	1.8%	(0.4%)	6.0%	6.5%	5.8%	10.5%	9.5%	6.3%	2.8%	
Return on average equity	(3.3%)	4.2%	(0.7%)	17.7%	18.5%	15.9%	42.4%	41.2%	27.1%	10.7%	

**Table 1.3: Berkshire Fine Spinning Associates and Hathaway Manufacturing Company, select data, 1934–1944**

<b>Berkshire Fine Spinning Associates</b>	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>	<u>1938</u>	<u>1937</u>	<u>1936</u>	<u>1935</u>	<u>1934</u>
Revenues ( <i>\$ thousands</i> )	\$31,696	\$38,679	\$37,772	\$28,747	\$18,163	\$18,442	\$14,351	\$19,389	\$18,951	\$16,031	\$16,335
Net income	1,602	1,724	1,907	1,852	592	284	(517)	1,418	73	(1,228)	209
Equity	14,766	14,638	14,311	14,035	13,173	13,098	13,094	13,611	13,629	12,635	13,825
<i>Key Ratios</i>											
Revenue growth	(18.1%)	2.4%	31.4%	58.3%	(1.5%)	28.5%	(26.0%)	2.3%	18.2%	(1.9%)	
Revenues / avg. equity capital	\$2.16	\$2.67	\$2.67	\$2.11	\$1.38	\$1.41	\$1.07	\$1.42	\$1.44	\$1.21	
Return on revenues (net margin)	5.1%	4.5%	5.0%	6.4%	3.3%	1.5%	(3.6%)	7.3%	0.4%	(7.7%)	
Return on average equity	10.9%	11.9%	13.5%	13.6%	4.5%	2.2%	(3.9%)	10.4%	0.6%	(9.3%)	

<b>Hathaway Manufacturing Company</b>	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>	<u>1938</u>	<u>1937</u>	<u>1936</u>	<u>1935</u>	<u>1934</u>
Revenues ( <i>\$ thousands</i> )	\$12,045	\$12,409	\$11,949	\$7,796	\$7,329	\$7,307	\$3,889	\$8,470	\$6,985	Unknown	\$3,937
Net income	278	250	378	259	246	230	(19)	177	253	(0)	54
Equity	2,988	2,766	2,572	2,356	2,350	2,219	2,059	2,193	2,118	1,953	2,072
<i>Key Ratios</i>											
Revenue growth	(2.9%)	3.8%	53.3%	6.4%	0.3%	87.9%	(54.1%)	21.3%			
Revenues / equity capital	\$4.19	\$4.65	\$4.85	\$3.31	\$3.21	\$3.42	\$1.83	\$3.93	\$3.43		
Return on revenues (net margin)	2.3%	2.0%	3.2%	3.3%	3.4%	3.1%	(0.5%)	2.1%	3.6%		
Return on average equity	9.7%	9.4%	15.4%	11.0%	10.8%	10.8%	(0.9%)	8.2%	12.4%	0.0%	

**Table 1.4: Berkshire Fine Spinning Associates and Hathaway Manufacturing Company, pro-forma combined, select data, 1945–1955**

	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>	<u>1949</u>	<u>1948</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>
Revenues ( <i>\$ thousands</i> )	\$65,498	\$66,929	\$86,414	\$68,293	\$91,849	\$89,625	\$73,358	\$97,177	\$88,982	\$57,858	\$47,665
Net income	301	660	2,921	99	6,175	7,008	5,031	17,722	16,193	6,868	2,142
Equity	51,400	53,354	55,153	54,990	57,524	55,359	51,670	51,756	38,868	24,878	18,459
<i>Key Ratios</i>											
Revenue growth	(2.1%)	(22.5%)	26.5%	(25.6%)	2.5%	22.2%	(24.5%)	9.2%	53.8%	21.4%	9.0%
Revenues / equity capital	\$1.27	\$1.25	\$1.57	\$1.24	\$1.60	\$1.62	\$1.42	\$1.88	\$2.29	\$2.33	\$2.58
Return on revenues (net margin)	0.5%	1.0%	3.4%	0.1%	6.7%	7.8%	6.9%	18.2%	18.2%	11.9%	4.5%
Return on average equity	0.6%	1.2%	5.3%	0.2%	10.9%	13.1%	9.7%	39.1%	50.8%	31.7%	11.8%

**Table 1.5: Berkshire Fine Spinning Associates and Hathaway Manufacturing Company, pro-forma combined, select data, 1934–1944**

	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>	<u>1938</u>	<u>1937</u>	<u>1936</u>	<u>1935</u>	<u>1934</u>
Revenues ( <i>\$ thousands</i> )	\$43,740	\$51,088	\$49,721	\$36,543	\$25,492	\$25,749	\$18,240	\$27,859	\$25,936		\$20,272
Net income	1,880	1,974	2,286	2,111	838	514	(536)	1,595	326	(1,229)	263
Equity	17,754	17,404	16,883	16,390	15,523	15,317	15,153	15,804	15,747	14,588	15,897
<i>Key Ratios</i>											
Revenue growth	(14.4%)	2.7%	36.1%	43.4%	(1.0%)	41.2%	(34.5%)	7.4%			
Revenues / equity capital	\$2.46	\$2.94	\$2.94	\$2.23	\$1.64	\$1.68	\$1.20	\$1.76			
Return on revenues (net margin)	4.3%	3.9%	4.6%	5.8%	3.3%	2.0%	(2.9%)	5.7%			
Return on average equity	10.7%	11.5%	13.7%	13.2%	5.4%	3.4%	(3.5%)	10.1%	2.2%	(8.1%)	

# Chapter 2

## 1955–1964

**Table 2.1: Decade snapshot: Pre-Buffett years**

	<u>1954*</u>	<u>1964</u>
Business:	Textile manufacturing	Textile manufacturing
Key managers:	Chairman: John H. McMahon; Vice Chairman: Seabury Stanton; President: Malcolm G. Chace, Jr.	Chairman: Malcolm G. Chace, Jr.; President: Seabury Stanton
Annual revenues:	\$66.9 million	\$50 million
Stockholder equity:	\$53.4 million	\$22.1 million
Book value per share:	\$23.25	\$19.46

\*Proforma for the combined Berkshire Fine Spinning Associates, Inc. and Hathaway Manufacturing Company, which merged on March 14, 1955 to form Berkshire Hathaway, Inc.

*Key capital allocation decisions:*

1. Purchased the stock of Bourne Mills for \$3.4 million (1956).
2. Closed unprofitable divisions and plants in response to ongoing losses.
3. Reduced investment in working capital by \$19.8 million (-58%).
4. Reduced net investment in property, plant, and equipment by \$9.7 million (-57%).
5. Returned \$22.3 million to shareholders in the form of dividends and buybacks.

*Noteworthy events:*

1. Warren Buffett begins buying shares for Buffett Partnership Limited in 1962.

**Table 2.2: Select information 1954–1964**

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
BRK book value per share - % change	(3.6%)	0.1%	(4.9%)	(11.1%)	6.0%	16.3%	(3.7%)	(10.3%)	(6.7%)	3.3%
US GDP Growth (real %)	7.1%	2.1%	2.1%	(0.7%)	6.9%	2.6%	2.6%	6.1%	4.4%	5.8%
10 year Treasury Note (year end %)	3.0%	3.6%	3.2%	3.9%	4.7%	3.8%	4.1%	3.9%	4.1%	4.2%
US inflation (%)	(0.3%)	1.5%	3.4%	2.7%	0.9%	1.5%	1.1%	1.2%	1.3%	1.3%
US unemployment (%)	4.4%	4.1%	4.3%	6.8%	5.5%	5.5%	6.7%	5.6%	5.6%	5.2%

Sources: Berkshire Hathaway Annual Reports 1955–1964 and Federal Reserve Bank of St. Louis.

**Table 2.3: Berkshire Hathaway balance sheet, 1954**

<i>(\$ thousands)</i>	<u>9/30/54</u>	%
<i>Current assets</i>		
Cash	\$4,977	9%
Marketable securities	2,963	5%
Accounts receivable, net	3,200	5%
Inventories	27,669	48%
Other current assets	<u>394</u>	1%
Total current assets	39,202	67%
Property, plant & equipment, net	17,249	30%
Other assets	<u>1,778</u>	3%
Total assets	<u>\$58,230</u>	100%
<i>Current liabilities</i>		
Notes payable	878	2%
Accounts payable	2,296	4%
Accruals & other	<u>1,702</u>	3%
Total current liabilities	4,875	8%
Long-term liabilities	0	0%
<i>Shares outstanding (000's)</i>		
Total stockholders' equity	<u>53,354</u>	92%
Total liabilities and stockholders' equity	<u>\$58,230</u>	100%

Note: Amounts are rounded from actual dollars which may cause totals to differ slightly.

Source: Berkshire Hathaway Annual Report 1955.

**Table 2.4: Select period data**

	<u>Sept. 27, 1958</u>	<u>Jan. 1, 1957</u>	<u>% Change</u>
Spindles	480,980	874,332	(45%)
Looms	12,610	19,214	(34%)
Plants	8	14	(43%)

Source: Berkshire Hathaway Annual Report 1958.

**Table 2.5: Select data from 1955 and 1964**

<i>(\$ thousands)</i>	1964	1955	<u>\$ Change</u>	<u>% Change</u>
Revenues	\$49,983	\$65,498	(15,515)	(24%)
Cash	920	4,169	(3,249)	(78%)
Working capital	14,502	33,022	(18,520)	(56%)
Plant, property, and equipment	7,571	16,655	(9,084)	(55%)
Debt	2,500	0	2,500	n/a
Shareholders' equity	22,139	51,400	(29,261)	(57%)

Sources: Berkshire Hathaway Annual Reports 1955 and 1964.

**Table 2.6: Reconciliation of shareholders' equity 1955–1964**

<i>(\$ thousands)</i>	<u>Change</u>	<u>% Change</u>
Beginning equity 1955	\$53,354	
Net income	(4,118)	13%
Asset write-downs	(5,900)	19%
Dividends	(9,174)	29%
Share repurchases	(13,090)	42%
Bourne Mill gain	887	(3%)
Tax adjustments	180	(1%)
Change in equity during period	(31,216)	100%
Ending equity 1964	<u>\$22,139</u>	

Sources: Berkshire Hathaway Annual Reports 1955–1964.

**Table 2.7: Property, plant, and equipment: 1954–1964**

<i>(\$ thousands)</i>	
Balance, end of 1954	\$17,249
Depreciation	(17,809)
Plant write-downs	(5,900)
Capital expenditures	14,031
Balance, end of 1964	<u>\$7,571</u>

Sources: Berkshire Hathaway Annual Reports 1955–1964.

**Table 2.8: Berkshire Hathaway, Inc. consolidated balance sheets, year end 1954–1964**

<i>(\$ thousands)</i>	10/03/64	09/28/63	09/29/62	09/30/61	10/01/60	10/03/59	09/27/58	09/30/57	09/30/56	09/30/55	09/30/54
<i>Current assets</i>											
Cash	\$920	\$660	\$1,445	\$939	\$1,535	\$1,987	\$2,473	\$2,003	\$2,554	\$4,169	\$4,977
Marketable securities	0	0	0	0	3,248	4,464	0	163	482	4,333	2,963
Accounts receivable, net	7,451	7,670	7,052	6,852	7,645	7,070	7,184	8,051	7,136	4,343	3,200
Inventories	11,689	18,011	19,281	20,880	14,920	15,655	22,411	24,066	30,842	22,977	27,669
Other current assets	191	237	321	275	495	433	0	875	0	1,000	394
Total current assets	20,250	26,579	28,099	28,947	27,843	29,608	32,068	35,157	41,015	36,822	39,202
Property, plant, and equipment, net	7,571	12,825	15,913	16,232	14,389	12,842	15,021	16,806	17,131	16,655	17,249
Other assets	65	43	77	100	162	211	939	1,696	1,812	1,722	1,778
Total assets	\$27,887	\$39,448	\$44,089	\$45,279	\$42,394	\$42,661	\$48,028	\$53,659	\$59,958	\$55,200	\$58,230
<i>Current liabilities</i>											
Notes payable	\$2,500	\$5,400	\$6,900	\$4,150	\$0	\$0	\$4,500	\$3,350	\$4,300	\$0	\$878
Accounts payable	2,097	2,415	3,316	3,371	2,583	2,424	2,267	3,836	2,185	2,334	2,296
Accruals & other	1,152	1,353	1,409	1,582	1,830	1,325	1,333	1,569	3,104	1,466	1,702
Total current liabilities	5,748	9,169	11,625	9,103	4,412	3,749	8,100	8,756	9,589	3,800	4,875
Long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
<i>Shares outstanding (000's)</i>											
Total stockholders' equity	1,138	1,607	1,607	1,607	1,626	1,936	2,106	2,106	2,246	2,295	2,295
Total liabilities and stockholders' equity	\$27,887	\$39,448	\$44,089	\$45,279	\$42,394	\$42,661	\$48,028	\$53,659	\$59,958	\$55,200	\$58,230

Note: Amounts are rounded from actual dollars which may cause totals to differ slightly.

Sources: Berkshire Hathaway Annual Reports, 1954–1964.

**Table 2.9: Berkshire Hathaway, Inc. consolidated income statements, 1954–1964**

(\$ thousands)	10/03/64	09/28/63	09/29/62	09/30/61	10/01/60	10/03/59	09/27/58	09/30/57	09/30/56	09/30/55	09/30/54
Net revenues	\$49,983	\$50,591	\$53,259	\$47,722	\$62,609	\$69,512	\$61,956	\$66,098	\$68,043	\$65,498	\$66,929
Expenses (excluding depreciation)	48,354	49,419	53,373	46,145	56,274	66,369	64,409	68,241	64,517	63,370	65,370
Depreciation	1,101	1,717	1,905	2,129	1,713	1,637	1,941	1,971	1,896	1,799	<i>See note</i>
Operating profit / (loss)	528	(545)	(2,019)	(551)	4,622	1,506	(4,394)	(4,114)	1,630	329	1,559
Other income / (expense)	(352)	(140)	(132)	86	2	(184)	(582)	(14)	160	384	(172)
Pre-tax income	176	(685)	(2,151)	(465)	4,624	1,322	(4,975)	(4,128)	1,790	713	1,386
Provision for taxes / (refund)	0	0	0	(72)	0	0	0	(870)	867	412	726
Net income / (loss)	\$176	(\$685)	(\$2,151)	(\$393)	\$4,624	\$1,322	(\$4,975)	(\$3,258)	\$923	\$301	\$660

Notes: Amounts are rounded from actual dollars which may cause totals to differ slightly. 1954: Depreciation included in expenses in line above.

Sources: Berkshire Hathaway Annual Reports, 1954–1964.

**Table 2.10: Berkshire Hathaway, Inc. consolidated reconciliation of shareholders' equity, 1955–1964**

(\$ thousands)	10/03/64	09/28/63	09/29/62	09/30/61	10/01/60	10/03/59	09/27/58	09/30/57	09/30/56	09/30/55
Prior year end equity	\$30,279	\$32,464	\$36,176	\$37,982	\$38,912	\$39,928	\$44,903	\$50,370	\$51,400	\$53,354
Current year net income / (loss)	176	(685)	(2,151)	(393)	4,624	1,322	(4,975)	(3,258)	923	301
Current year dividends	0	0	(161)	(1,206)	(1,715)	(464)	0	(1,108)	(2,276)	(2,245)
Change in common	0	(3,436)	0	0	0	0	0	0	0	(3)
Change in paid in capital	0	(2,738)	0	0	0	0	0	2	887	(7)
Treasury stock	(5,316)	7,766	0	(208)	(3,838)	(1,874)	0	(1,267)	(579)	0
Revenue agent net asset adjustment	0	0	0	0	0	0	0	0	15	0
Reduction in provision for prior years' taxes	0	0	0	0	0	0	0	165		
Estimated loss on properties to be sold	(3,000)	(1,500)	(1,400)	0	0	0	0	0	0	0
Retirement of treasury stock	0	(1,592)	0	0	0	0	0	0	0	0
Ending Equity	\$22,139	\$30,279	\$32,464	\$36,176	\$37,982	\$38,912	\$39,928	\$44,903	\$50,370	\$51,400

Note: Amounts are rounded from actual dollars which may cause totals to differ slightly.

Sources: Berkshire Hathaway Annual Reports, 1954–1964.

**Table 2.11: Berkshire Hathaway, Inc. selected data and ratios, 1954–1964**

	<u>10/03/64</u>	<u>09/28/63</u>	<u>09/29/62</u>	<u>09/30/61</u>	<u>10/01/60</u>	<u>10/03/59</u>	<u>09/27/58</u>	<u>09/30/57</u>	<u>09/30/56</u>	<u>09/30/55</u>	<u>09/30/54</u>
Working capital ( <i>\$ thousands</i> )	\$14,502	\$17,411	\$16,474	\$19,844	\$23,430	\$25,859	\$23,968	\$26,401	\$31,427	\$33,022	\$34,327
Current ratio	3.52:1	2.90:1	2.42:1	3.18:1	6.31:1	7.90:1	3.96:1	4.02:1	4.28:1	9.69:1	8.04:1
Operating margin	1.06%	(1.08%)	(3.79%)	(1.15%)	7.38%	2.17%	(7.09%)	(6.22%)	2.39%	0.50%	
Net margin	0.35%	(1.35%)	(4.04%)	(0.82%)	7.39%	1.90%	(8.03%)	(4.93%)	1.36%	0.46%	
Average invested capital <sup>1</sup> ( <i>\$ thousands</i> )	\$30,159	\$37,521	\$39,845	\$39,154	\$38,447	\$41,670	\$46,341	\$51,462	\$53,035	\$52,816	
Revenues / avg. invested capital	\$1.66	\$1.35	\$1.34	\$1.22	\$1.63	\$1.67	\$1.34	\$1.28	\$1.28	\$1.24	
Avg. invested capital / rev. (inverse of above)	\$0.60	\$0.74	\$0.75	\$0.82	\$0.61	\$0.60	\$0.75	\$0.78	\$0.78	\$0.81	
Debt-to-equity ratio	11.29%	17.83%	21.25%	11.47%	0.00%	0.00%	11.27%	7.46%	8.54%	0.00%	1.65%
Return on avg. invested capital	0.58%	(1.83%)	(5.40%)	(1.00%)	12.03%	3.17%	(10.74%)	(6.33%)	1.74%	0.57%	
Return on average equity	0.67%	(2.18%)	(6.27%)	(1.06%)	12.03%	3.35%	(11.73%)	(6.84%)	1.81%	0.59%	
Book value per share	\$19.46	\$18.84	\$20.20	\$22.51	\$23.37	\$20.10	\$18.96	\$21.32	\$22.43	\$22.40	\$23.25
Footnote:											
1. Average invested capital calculated based on the average of the sum of the prior and current year's equity and debt capital.											

Sources: Berkshire Hathaway Annual Reports, 1955–1964, and author calculations.

# Chapter 3

## 1965–1974

**Table 3.1: Decade snapshot: 1964–1974**

	<u>1964</u>	<u>1974</u>
Business:	Textile manufacturing	Textiles, insurance, banking, candy, publishing
Key managers:	Chairman: Malcolm G. Chace, Jr.; President: Seabury Stanton	Chairman & CEO: Warren E. Buffett; President: Kenneth V. Chase
Annual revenues:	\$50 million	\$101.5 million
Stockholders' equity:	\$22.1 million	\$88.2 million
Book value per share:	\$19.46	\$90.02
<i>Major Capital Allocation Decisions:</i>		
<ol style="list-style-type: none"> <li>1. Purchased National Indemnity Company and National Fire and Marine Company (collectively National Indemnity) for \$8.6 million (1967).</li> <li>2. Purchased The Illinois National Bank &amp; Trust Company of Rockford for \$17.7 million (1969).</li> <li>3. Contributed approximately \$25 million of additional equity capital to the Insurance Group to support its growth.</li> <li>4. Borrowed \$20 million in long-term debt to repay existing debt, provide capital for the Insurance Group, and maintain liquidity for future opportunities.</li> <li>5. Purchased a 26% interest in Blue Chip Stamps for approximately \$15 million (various).</li> <li>6. Reduced working capital and fixed assets in the Textile Group to maintain an appropriate level of capital investment in relation to sales.</li> <li>7. Allocated Insurance Group float into undervalued securities.</li> <li>8. Returned \$2.6 million to shareholders in the form of dividends (\$0.1 million) and share repurchases (\$2.5 million).</li> </ol>		
<i>Noteworthy Events:</i>		
<ol style="list-style-type: none"> <li>1. May 10, 1965: Warren Buffett gains control of Berkshire and is elected Chairman.</li> <li>2. Price controls instituted by the Nixon Administration (1970).</li> <li>3. United States abandons the gold standard (1971).</li> </ol>		

**Table 3.2: Select information 1965–1974**

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
BRK book value per share - % change	23.8%	20.3%	11.0%	19.0%	16.2%	12.0%	16.4%	21.7%	4.7%	5.5%
BRK market value per share - % change	49.5%	(3.4%)	13.3%	77.8%	19.4%	(4.6%)	80.5%	8.1%	(2.5%)	(48.7%)
S&P 500 total return	10.0%	(11.7%)	30.9%	11.0%	(8.4%)	3.9%	14.6%	18.9%	(14.8%)	(26.4%)
US GDP Growth (real %)	6.5%	6.6%	2.7%	4.9%	3.1%	0.2%	3.3%	5.3%	5.6%	(0.5%)
10 year Treasury Note (year end %)	4.6%	4.8%	5.7%	6.0%	7.7%	6.4%	5.9%	6.4%	6.7%	7.4%
US inflation (%)	1.6%	3.0%	2.8%	4.2%	5.4%	5.9%	4.2%	3.3%	6.3%	11.0%
US unemployment (%)	4.5%	3.8%	3.8%	3.6%	3.5%	5.0%	6.0%	5.6%	4.9%	5.6%

Sources: Berkshire Hathaway Annual Reports 2018, 2019 and Federal Reserve Bank of St. Louis.

### Equation 3.1

$$\textit{Combined ratio} = \textit{loss ratio} + \textit{expense ratio}$$

or

$$\textit{Combined ratio} = \frac{\textit{loss expenses}}{\textit{earned premiums}} + \frac{\textit{underwriting expenses}}{\textit{written premiums}}$$

**Table 3.3: Select Berkshire Hathaway insurance company data, 1968-69**

<i>(\$ millions)</i>	1969	1968	Change
Premiums written	\$28.8	\$22.7	27%
Premiums earned	25.3	22.6	12%
Premiums written to average equity	215%	197%	18pts
Loss ratio	64.8%	65.4%	-0.7pts
Expense ratio	31.4%	32.1%	-0.6pts
Combined ratio	96.2%	97.5%	-1.3pts

Sources: Berkshire Hathaway Annual Report 1969 and author's calculations.

**Table 3.4: The Illinois National Bank & Trust Co. of Rockford, acquisition analysis**

<i>(\$ millions)</i>	
1969 ending carrying value	\$18.9
Less: 1969 earnings	1.2
Berkshire purchase price	17.7
1968 Bank book value	16.8
Purchase multiple	1.05

Sources: Berkshire Hathaway Annual Report 1969 and author's calculations.

**Equation 3.2**

$$\text{Bank: } \underbrace{\frac{\text{operating income}}{\text{assets}}}_{\text{Return on assets}} \times \frac{\text{assets}}{\text{equity}} = \text{return on equity}$$

$$\text{Non bank: } \underbrace{\frac{\text{profit}}{\text{revenues}} \times \frac{\text{revenues}}{\text{total capital}}}_{\text{Return on capital}} \times \frac{\text{total capital}}{\text{equity}} = \text{return on equity}$$

**Table 3.5: Illinois National Bank, return on assets and return on equity calculation, 1970**

<i>(\$ thousands)</i>	
Operating income, after-tax	\$2,221
Average assets	119,758
Return on assets	1.9%
Average equity	17,704
Avg. assets / avg. equity	6.8
Return on equity	12.5%

Sources: Berkshire Hathaway Annual Report 1970 and author's calculations.

**Table 3.6: Textile division, select data, 1971**

<i>(\$ millions)</i>	<u>1971</u>	<u>1970</u>
Revenues	\$26.0	\$24.6
Operating profit	0.233	0.107
Capital employed	12.1	14.5
Return on capital, pre-tax	1.9%	0.7%

Source: Berkshire Hathaway Annual Reports 1970, 1972.

**Table 3.7: Textile division—select data**

<i>(\$ millions)</i>	<u>1972</u>	<u>1971</u>
Revenues	\$27.7	\$26.0
Operating profit	1.697	0.233
Capital employed	10.5	12.1
Return on capital, pre-tax	16.1%	1.9%
Inventories	6.8	6.0
Inventories as % revenues	25%	23%
Accounts receivable (AR)	4.1	5.1
AR as % revenues	15%	20%

Sources: Berkshire Hathaway Annual Report 1972 and author's calculations.

**Table 3.8: Insurance Group—select data**

<i>(\$ millions)</i>	<u>1972</u>	<u>1971</u>
Premiums written	\$58.0	\$66.5
Premiums earned	59.6	60.9
Pre-tax underwriting gain	4.3	1.4
Pre-tax net investment income	6.6	5.0
Return on average equity	22.2%	21.6%
Loss ratio	62.0%	67.0%
Expense ratio	31.7%	28.1%
Combined ratio	93.7%	95.1%

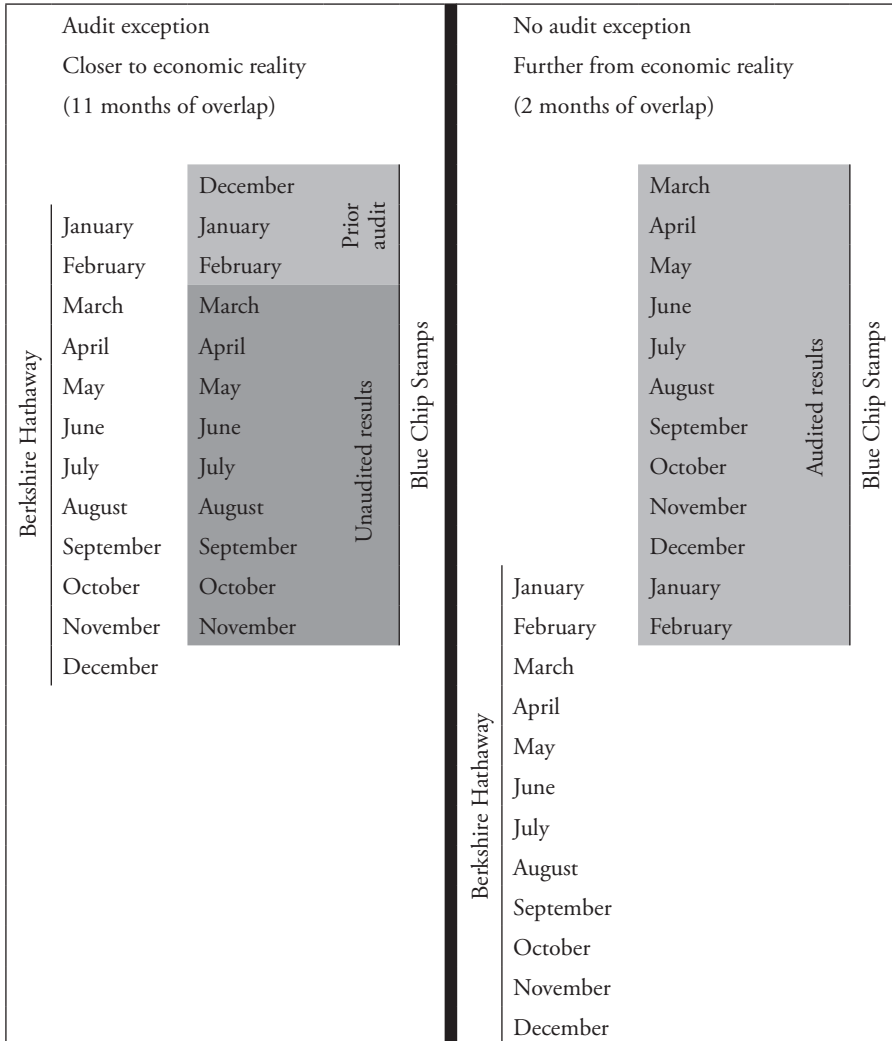
Sources: Berkshire Hathaway Annual Report 1972 and author's calculations.

**Table 3.9: Textile division, select data**

(\$ millions)	1973	1972	% Change
Revenues	\$33.4	\$27.7	21%
Operating profit	2.8	1.7	65%

Source: Berkshire Hathaway Annual Report, 1973 and author's calculations.

**Figure 3.1: Blue Chip's consolidation into Berkshire's financials**

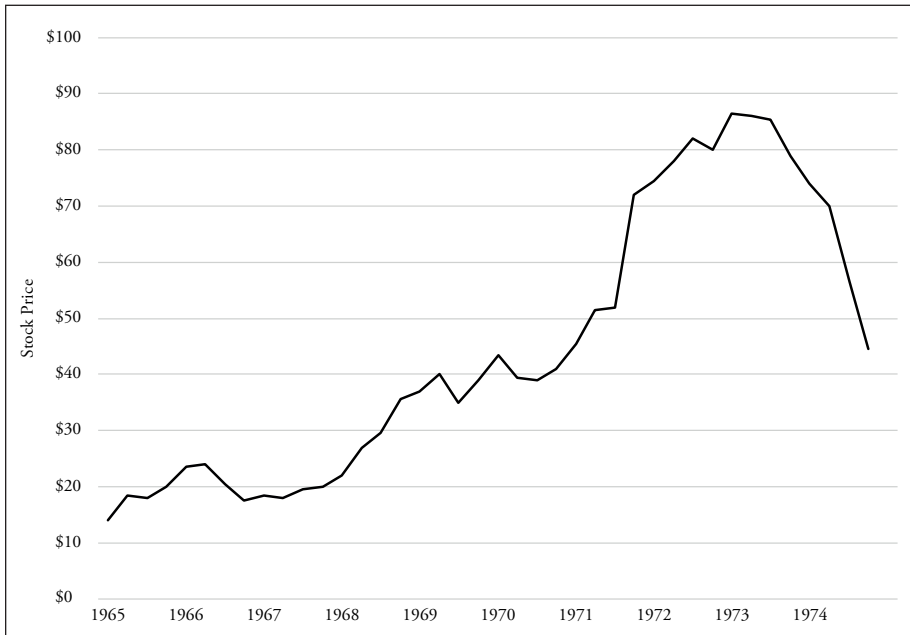


**Table 3.10: Reconciliation of statutory surplus to GAAP shareholders' equity, 1974**

(\$ thousands)	
Policyholder statutory surplus	\$37,202
Unrealized gains on equity securities (excluding Blue Chip Stamps)	16,450
Excess of carrying value in Blue Chip Stamps	9,176
Deferred policy acquisition costs	4,400
Excess statutory liability loss reserves	1,851
Net recoverable from unauthorized reinsurers	1,788
Sundry nonadmitted assets	1,043
Income tax effects and adjustments	(1,678)
Capital stock and surplus - GAAP	<u>\$70,231</u>

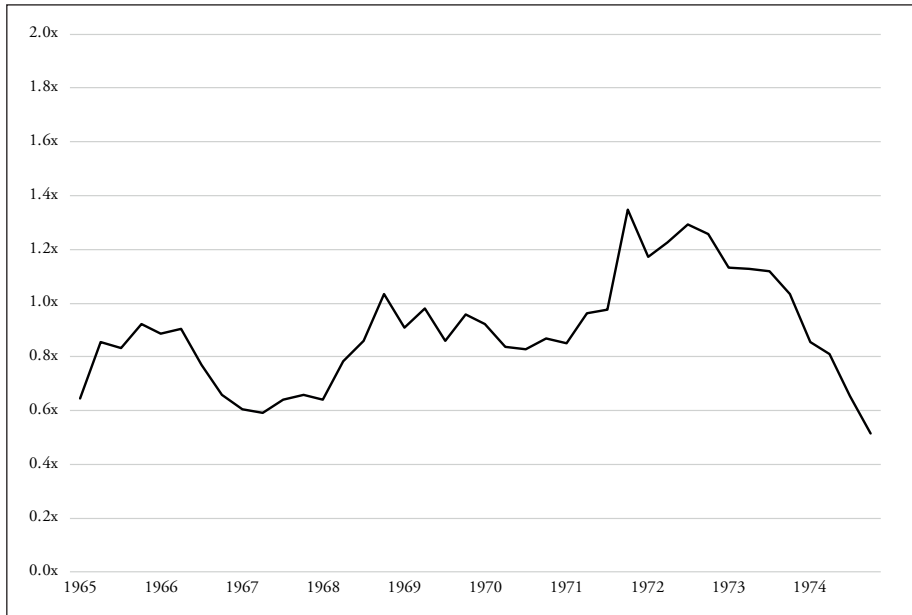
Source: Berkshire Hathaway Annual Report 1974.

**Figure 3.2: Berkshire Hathaway stock price, 1965–1974.**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 1965–1974, and author's calculations.

**Figure 3.3: Berkshire Hathaway price to book ratio, 1965–1974.**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 1965–1974, and author's calculations.

**Table 3.11: Reconciliation of shareholders' equity 1965–1974**

<i>(\$ millions)</i>	<u>Amount</u>	<u>% Change</u>
Net income - operations	\$57	86%
Net income - realized gains	7	11%
Unrealized appreciation of investments	0	0%
Mergers/divestitures	0	0%
Dividends/treasury stock	(3)	(4%)
Other/misc.	4	7%
Change in equity during period	<u>66</u>	<u>100%</u>
Beginning of period shareholders' equity	<u>22</u>	
End of period shareholders' equity	<u>\$88</u>	

Sources: Berkshire Hathaway Annual Reports 1965–1974 and author's calculations.

**Table 3.12: Insurance Group, select information 1969–1974**

<i>(\$ thousands)</i>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>
Premiums written							
Specialized auto and general liability	\$36,738	\$28,617	\$35,354	\$47,794	\$37,820	\$26,034	\$22,620
Reinsurance	12,204	10,184	11,436	14,953	7,017	2,742	
Urban Auto <sup>1</sup>	6,613	6,571	6,874	2,040			
Home State companies	5,442	5,000	4,286	1,668	249		
Premiums written	60,997	50,372	57,950	66,455	45,086	28,776	22,620
<i>Underwriting gain/(loss)</i>							
Specialized auto and general liability	(1,939)	4,409	4,329				
Reinsurance	(2,068)	353	561				
Urban Auto	(2,183)	(878)	62				
Home State companies	(702)	(565)	(667)				
Underwriting gain(loss)	(\$6,892)	\$3,319	\$4,285	\$1,409	(\$330)	(\$153)	\$568
Combined ratio (statutory)	111.1%	95.3%	93.7%	95.1%	96.6%	96.2%	97.5%
Footnote:							
1. Urban Auto from September 30, 1971, the date of acquisition. The full year results for the entity acquired were \$7,669.							

Source: Berkshire Hathaway Annual Reports 1973, 1974.

**Table 3.13: Textile division, select data**

<i>(\$ millions)</i>	<u>1974</u>	<u>1964</u>
Cash <sup>1</sup>	\$0.8	\$0.9
Accounts receivable	4.4	7.5
Inventories	6.0	11.7
Plant, property & equipment	2.3	7.6
Less: current liabilities <sup>2</sup>	(3.1)	(3.2)
Capital employed in textile division	\$10.4	\$24.4
Textile revenues	\$32.6	\$50.0
Revenues / capital	\$3.13	\$2.05
Footnotes:		
1. 1974 cash estimated at 2.5% of revenues.		
2. 1974 current liabilities estimated by deducting Insurance Group from the consolidated financial statements.		

Sources: Berkshire Hathaway Annual Reports 1964, 1974 and author's calculations.

**Table 3.14: Sources of Net Income table from the 1974 Berkshire Hathaway Annual Report**

<i>(\$ thousands)</i>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
Insurance	\$892	\$10,249	\$10,701	\$6,372	\$2,639
Textile	2,660	2,837	1,697	233	104
Unconsolidated bank subsidiary	4,093	2,782	2,700	2,192	2,973
Blue Chip Stamps	1,164	1,124	142	68	0
Interest and corporate administrative expenses	(2,324)	(1,966)	(770)	(648)	(581)
Pre-tax operating earnings	6,485	15,026	14,470	8,217	5,135
Realized investment gain (loss)	(1,908)	1,331	1,359	1,028	(301)
Extraordinary item	0	0	0	0	282
Total pre-tax income	4,577	16,357	15,829	9,245	5,116
Less: Total income taxes (credit)	(2,466)	3,497	3,703	1,559	551
Net Earnings	\$7,043	\$12,860	\$12,126	\$7,686	\$4,565

Notes:

1. Years rearranged for consistency of presentation.
2. Operating earnings line added.

Source: Berkshire Hathaway Annual Report 1974.



... Continued from prior page.

<i>Current liabilities</i>											
Losses and loss adjustment expenses	\$72,761	\$61,676	\$60,275								
Unearned premiums	21,705	21,282	23,839								
Funds held under reinsurance treaties	2,857	1,318	958								
Amounts due for purchase of securities	294	460	674								
Accounts payable & accrued expenses	4,435	4,727	4,384	3,305	2,015	3,804	4,257	5,434	2,979	3,260	2,883
Income taxes, current	164	262	3,576	174	248	1,443	637	323	423	442	365
Income taxes, deferred	3,044	3,297	3,214								
Current portion of long-term debt	0	0	0	0	1,500	1,500	0	0	0	0	0
7.50% debentures due 1987	556	599	641	641	641	641	641	641	0	0	0
Notes payable to banks	0	0	9,000	9,000	3,750	5,250	2,000	2,000	0	0	2,500
8.00% senior notes due 1993	20,000	20,000	0	0	0	0	0	0	0	0	0
8.00% promissory note due 1988	1,274		0	0	0	0	0	0	0	0	0
Total financial debt	21,830	20,599	9,641	9,641	5,891	7,391	2,641	2,641	0	0	2,500
Other	924	1,356	1,253	0	0	0	0	0	0	0	0
Total liabilities	128,015	114,976	107,815	13,121	8,154	12,638	7,535	8,398	3,401	3,702	5,748
<i>Shares outstanding (000's)</i>	980	980	980	980	980	980	985	985	1,018	1,018	1,138
Total stockholders' equity	88,199	81,155	68,295	56,169	48,483	43,918	36,205	31,543	29,495	24,520	22,139
Total liabilities and stockholders' equity	\$216,214	\$196,132	\$176,110	\$69,290	\$56,637	\$56,557	\$43,740	\$39,941	\$32,896	\$28,222	\$27,887

Sources: Berkshire Hathaway Annual Reports 1964–1974.

**Table 3.16: Berkshire Hathaway consolidated income statements, 1964–1974**

<i>(\$ thousands)</i>	<u>12/28/74</u>	<u>12/29/73</u>	<u>12/30/72</u>	<u>12/31/71</u>	<u>12/31/70</u>	<u>01/03/70</u>	<u>12/28/68</u>	<u>09/30/67</u>	<u>10/01/66</u>	<u>10/02/65</u>	<u>10/03/64</u>
Insurance premiums earned	\$60,574	\$52,929	\$59,627								
Insurance losses and loss adjustment expenses	47,120	32,836	36,987								
Insurance underwriting expenses	20,346	16,774	18,356								
Net underwriting gain/(loss), insurance	(6,892)	3,319	4,284								
Insurance investment income (excl. gain/loss)	7,880	7,283	6,644								
Textile revenues	32,592	33,411	27,742	26,011	24,569	40,427	46,002	39,056	49,372	49,301	49,983
Operating profit/(loss), textiles	2,660	2,837	1,697	233	107	1,455	1,567	56	4,849	4,687	528
Realized investment gains, net of tax	(1,340)	930	929	745	58	3,718	2,174	100	0	0	0
Equity in earnings of insurance subsidiaries				5,222	2,052	2,278	1,789	792			
Equity in earnings of Banking Subsidiary	4,093	2,782	2,700	2,167	2,614	1,537	0	0	0	0	0
Equity in earnings of Blue Chip Stamps	1,052	1,008	111								
Net interest, taxes, and other expense	(409)	(5,298)	(4,239)	(681)	(266)	(1,035)	(868)	160	(2,086)	(2,407)	(352)
Net income	\$7,043	\$12,860	\$12,126	\$7,686	\$4,565	\$7,953	\$4,662	\$1,107	\$2,763	\$2,279	\$176

Sources: Berkshire Hathaway Annual Reports 1964–1974.

**Table 3.17: Berkshire Hathaway consolidated reconciliation of shareholders' equity, 1964–1974**

(\$ thousands)	12/28/74	12/29/73	12/30/72	12/31/71	12/31/70	01/03/70	12/28/68	12/30/67	10/01/66	10/02/65	10/03/64
Prior year equity	\$81,155	\$68,295	\$56,169	\$48,483	\$43,918	\$36,205	\$31,543	\$29,495	\$24,520	\$22,139	\$30,279
Current year net income/(loss)	7,043	12,860	12,126	7,686	4,565	7,953	4,662	1,107	2,763	2,279	176
Current year dividends	0	0	0	0	0	0	0	(102)	0	0	0
Change in common	0	(190)	0	0	0	0	0	0	(601)	(2,348)	0
Change in paid in capital	0	0	0	0	0	0	0	0	0	0	0
Treasury stock	0	817	0	0	(0)	(240)	0	(577)	1,638	3,678	(5,316)
Reduction in provision for prior years' taxes	0	0	0	0	0	0	0	226	0	0	0
Estimated loss on properties to be sold	0	0	0	0	0	0	0	0	0	(300)	(3,000)
Retirement of treasury stock	0	0	0	0	0	0	0	0	(1,037)	(2,968)	0
Credit from charge equivalent to federal income tax	0	0	0	0	0	0	0	0	2,212	2,040	0
Net earnings - 3 months ending 12/30/67	0	0	0	0	0	0	0	1,393	0	0	0
Excess of cost over par value of treasury stock	0	(627)	0	0	0	0	0	0	0	0	0
Ending equity	\$88,199	\$81,155	\$68,295	\$56,169	\$48,483	\$43,918	\$36,205	\$31,543	\$29,495	\$24,520	\$22,139

Sources: Berkshire Hathaway Annual Reports 1964–1974.

**Table 3.18: Berkshire Hathaway, select data and ratios, 1964–1974**

	<u>12/28/74</u>	<u>12/29/73</u>	<u>12/30/72</u>	<u>12/31/71</u>	<u>12/31/70</u>	<u>01/03/70</u>	<u>12/28/68</u>	<u>12/30/67</u>	<u>10/01/66</u>	<u>10/02/65</u>	<u>10/03/64</u>
Return on average equity	8.32%	17.21%	19.49%	14.69%	9.88%	19.85%	13.76%	3.63%	10.23%	9.77%	0.79%
Operating earnings (\$ thousands)	\$8,384	\$11,931	\$11,198	\$6,941	\$4,508	\$4,235	\$2,488	\$1,007	\$2,763	\$2,279	\$176
Stockholders' equity per share	\$90.04	\$82.85	\$69.72	\$57.34	\$49.49	\$44.83	\$36.74	\$32.01	\$28.99	\$24.10	\$19.46
Change in textile revenues	(2.5%)	20.4%	6.7%	5.9%	(39.2%)	(12.1%)	17.8%	(20.9%)	0.1%	(1.4%)	0.0%
Change in textile operating income	(6.2%)	67.2%	627.3%	117.5%	(92.6%)	(7.1%)	2722.2%	(98.9%)	3.5%	788.2%	NM
Receivables to textile revenues	13.4%	15.4%	14.6%	19.6%	15.9%	15.8%	16.4%	19.4%	16.4%	15.1%	14.9%
Inventories to textile revenues	18.4%	21.4%	24.6%	23.2%	34.5%	22.9%	26.8%	29.7%	24.8%	20.8%	23.4%
Textile working capital <sup>1</sup> (\$ thousands)			\$7,646	\$7,825	\$10,373	\$11,862	\$15,640	\$13,724	\$17,375	\$14,440	\$16,257
Textile "core" working capital to revenues			27.6%	30.1%	42.2%	29.3%	34.0%	35.1%	35.2%	29.3%	32.5%
Footnote:											
1: Accounts receivables plus inventory less accounts payable.											

Sources: Berkshire Hathaway Annual Reports 1964–1974.

**Table 3.19: Berkshire Hathaway Insurance Group balance sheets, 1967–1974**

<i>(\$ thousands)</i>	<u>12/28/74</u>	<u>12/29/73</u>	<u>12/30/72</u>	<u>12/31/71</u>	<u>12/31/70</u>	<u>01/03/70</u>	<u>12/28/68</u>	<u>12/30/67</u>
Cash	\$10,652	\$2,866	\$3,044	\$4,563	\$812	\$788	\$598	
Bonds, at amortized cost	71,531	74,474	88,148	84,079	51,609	31,835	30,201	
Preferred stocks	2,855	2,298	2,942	999	1,041	1,647	33	
Common stocks	50,670	49,757	17,412	11,676	10,254	8,607	9,151	
Total cash & investments	135,708	129,395	111,547	101,317	63,717	42,876	39,982	
Investment in Blue Chip Stamps	14,371	13,717	11,287	4,128	0			
Property, plant and equipment, net	1,581	1,605	1,674	1,313	1,191	1,191		
Other assets	20,679	13,121	14,976	16,556	9,338	6,344		
Total assets	172,338	157,839	139,484	123,314	74,246	50,412	44,692	
Losses and loss adjustment expenses	72,761	61,676	60,275	52,991	29,759			
Unearned premiums	21,705	21,282	23,839	25,516	17,483			
Other liabilities	7,641	7,179	9,789	9,564	7,170			
Total liabilities	102,107	90,137	93,903	88,071	54,412			
Stockholders' equity	70,231	67,702	45,581	35,243	19,834	13,338	13,453	9,524
Total liabilities and stockholders' equity	\$172,338	\$157,839	\$139,484	\$123,314	\$74,246	\$50,412	\$44,692	
Average float (rounded)	\$79,100	\$73,300	\$69,500	\$52,500	\$32,400	\$23,400	\$19,900	\$17,300

Sources: Berkshire Hathaway Annual Reports 1968–1974 and 1992 (float data).

**Table 3.20: Berkshire Hathaway Insurance Group income statements, 1968–1974**

<i>(\$ thousands)</i>	<u>12/28/74</u>	<u>12/29/73</u>	<u>12/30/72</u>	<u>12/31/71</u>	<u>12/31/70</u>	<u>01/03/70</u>	<u>12/28/68</u>
Premiums written, net	\$60,997	\$50,372	\$57,950	\$66,456	\$45,086	\$28,776	\$22,620
Premiums earned	60,574	52,929	59,627	60,867	39,173	25,258	22,617
Losses and loss expenses incurred	47,120	32,836	36,987	40,783	26,858	16,361	14,798
Underwriting expenses	20,346	16,774	18,356	18,675	12,645	9,050	7,251
Total losses and expenses	67,466	49,610	55,343	59,458	39,503	25,411	22,049
Pre-tax underwriting gain/(loss)	(6,892)	3,319	4,284	1,409	(330)	(153)	568
Pre-tax net investment income	7,880	7,283	6,644	4,974	2,870	2,025	1,612
Realized gain/(loss) on investments, net of tax	(1,340)	930	929	719	(301)	282	707
Equity in earnings of Blue Chip Stamps	792	1,008	111	0	0	0	0
Net income	\$2,529	\$9,871	\$8,984	\$5,944	\$1,806	\$2,115	\$2,497

Sources: Berkshire Hathaway Annual Reports 1969–1974.

**Table 3.21: Berkshire Hathaway Insurance Group reconciliation of stockholders' equity, 1967–1974**

<i>(\$ thousands)</i>	<u>12/28/74</u>	<u>12/29/73</u>	<u>12/30/72</u>	<u>12/31/71</u>	<u>12/31/70</u>	<u>01/03/70</u>	<u>12/28/68</u>	<u>12/30/67</u>
Beginning stockholders' equity	\$67,702	\$45,581	\$35,243	\$19,834	\$13,338	\$13,453	\$9,524	
Contribution from parent	0	9,750	1,500	0	0	0	0	
Excess of proceeds over par value of capital stock issued	0	1,000	500	6,000	1,500	0	0	
Net income	2,529	9,871	8,984	5,944	1,806	2,115	2,497	
Change in common stock - National Indemnity Company	0	1,500	0	1,500	500	0	0	
Change in common stock - National Fire & Marine	0	0	500	1,000	0	500	0	
Excess of market value over cost on stocks	0	0	(1,146)	965	1,373	(2,538)	1,833	
Increase in beginning unassigned surplus	0	0	0	0	1,317	0	0	
Decrease in liability for unauthorized reinsurance	0	0	0	0	0	32	13	
Change in excess reserves	0	0	0	0	0	331	200	
Increase in non-admitted assets	0	0	0	0	0	(55)	(13)	
Stock dividend	0	0	0	0	0	(500)	(600)	
Ending stockholders' equity	<u>\$70,231</u>	<u>\$67,702</u>	<u>\$45,581</u>	<u>\$35,243</u>	<u>\$19,834</u>	<u>\$13,338</u>	<u>\$13,453</u>	<u>\$9,524</u>

Sources: Berkshire Hathaway Annual Reports 1969–1974.

**Table 3.22: Berkshire Hathaway Insurance Group key ratios and figures, 1968–1974**

	<u>12/28/74</u>	<u>12/29/73</u>	<u>12/30/72</u>	<u>12/31/71</u>	<u>12/31/70</u>	<u>01/03/70</u>	<u>12/28/68</u>
Net premiums written to average equity	88%	89%	143%	241%	272%	215%	197%
Loss Ratio	77.8%	62.0%	62.0%	67.0%	68.6%	64.8%	65.4%
Expense Ratio	33.4%	33.3%	31.7%	28.1%	28.0%	31.4%	32.1%
Combined Ratio	111.1%	95.3%	93.7%	95.1%	96.6%	96.2%	97.5%
Return on average equity	3.7%	17.4%	22.2%	21.6%	10.9%	15.8%	
Growth in premiums written, net	21.1%	(13.1%)	(12.8%)	47.4%	56.7%	27.2%	
Growth in premiums earned	14.4%	(11.2%)	(2.0%)	55.4%	55.1%	11.7%	

Sources: Berkshire Hathaway Annual Reports 1969–1974.

**Table 3.23: Illinois National Bank & Trust Co. of Rockford, balance sheets, 1968–1974**

<i>(\$ thousands)</i>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>
Cash and due from banks	\$21,544	\$26,684	\$22,111	\$17,833	\$15,157	\$19,918
US Government Bonds	10,615	11,355	10,615	12,633	15,129	11,228
Obligations of states and political subdivisions	45,858	47,713	50,163	42,884	36,627	36,005
Other securities	3,846	3,358	7,779	5,865	210	210
Subtotal investments	60,319	62,426	68,556	61,382	51,966	47,443
Federal funds sold	5,000					
Loans	70,854	66,022	59,618	54,032	50,841	47,963
Bank premises and equipment	1,009	1,117	1,361	1,523	1,624	1,825
Accrued interest receivable and other assets	2,857	2,156	1,750	1,252	1,739	1,040
Total assets	161,581	158,404	153,397	136,021	121,326	118,189
Demand deposits	53,178	55,716	55,130	51,208	52,478	58,237
Time deposits	85,519	81,450	77,558	64,640	49,095	41,317
Total deposits	138,697	137,166	132,688	115,848	101,573	99,555
Accrued taxes and other expenses	1,005	835	887	814	679	638
Total liabilities	139,702	138,002	133,575	116,662	102,252	100,193
Reserve for loan losses	1,251	1,164	1,025	855	860	800
Total capital accounts	20,628	19,239	18,797	18,505	18,213	17,196
Total liabilities and capital	\$161,581	\$158,404	\$153,397	\$136,021	\$121,326	\$118,189

Sources: Berkshire Hathaway Annual Reports 1969–1974.

**Table 3.24: Illinois National Bank & Trust Co. of Rockford, income statements, 1968–1974**

<i>(\$ thousands)</i>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>
Interest and fees on loans	\$6,608	\$5,316	\$4,134	\$4,006	\$4,130	\$3,820
Income on federal funds sold	361	237	110	109	317	392
Interest and dividends on:						
United States Government Obligation	942	632	598	708	569	1,003
Obligations of states and political subdivisions	2,798	2,796	2,677	2,094	1,717	1,155
Other Securities	284	343	524	228	13	0
Trust department	434	451	385	336	280	343
Service charges on deposit accounts	139	130	127	137	152	220
Other	560	500	411	307	354	248
Total operating income	12,126	10,403	8,968	7,925	7,531	7,181
<i>Operating expenses:</i>						
Salaries	1,552	1,503	1,367	1,352	1,298	1,159
Pensions, profit sharing, and other employee benefits	247	263	239	138	151	114
Interest on deposits	4,954	4,295	3,419	2,733	2,029	1,695
Interest on federal funds purchased	14	55	3	2	4	13
Net occupancy expense of bank premises	257	418	314	359	358	302
Equipment rentals, depreciation, and maintenance	248	253	264	289	272	260
Provision for loan losses	19	16	37	36	52	62
Other	592	767	645	681	661	558
Total Operating expenses	7,884	7,570	6,288	5,588	4,826	4,161
<i>Continued...</i>						

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Income before income taxes and securities gains / losses	4,242	2,833	2,680	2,337	2,705	3,020
<i>Applicable income taxes:</i>						
Current			1	121	454	1,061
Deferred			(2)	(12)	30	(22)
Total applicable income taxes	220	61	(0)	109	484	1,039
Income before securities gains or (losses)	4,022	2,772	2,680	2,228	2,221	1,981
Securities gains or (losses)	175	67	156	35	367	(789)
Applicable income taxes	(7)	(34)	(72)	(9)	(179)	417
Securities gains or (losses) net of applicable income taxes	168	33	84	26	189	(372)
Gain on sale of real estate, net of taxes	0	43				
Net income	\$4,190	\$2,848	\$2,764	\$2,254	\$2,410	\$1,608

Sources: Berkshire Hathaway Annual Reports 1969–1974.

**Table 3.25: Illinois National Bank & Trust Co. of Rockford, key ratios and figures, 1969–1974**

	1974	1973	1972	1971	1970	1969
Average loans ( <i>\$ thousands</i> )	\$68,438	\$62,820	\$56,825	\$52,436	\$49,402	\$47,479
Average assets ( <i>\$ thousands</i> )	\$159,993	\$155,901	\$144,709	\$128,674	\$119,758	\$117,749
Average total deposits ( <i>\$ thousands</i> )	\$137,932	\$134,927	\$124,268	\$108,711	\$100,564	\$99,320
Average equity ( <i>\$ thousands</i> )	\$19,933	\$19,018	\$18,651	\$18,359	\$17,704	\$17,018
Average loans to average assets	42.8%	40.3%	39.3%	40.8%	41.3%	40.3%
Average assets to average equity	8.03	8.20	7.76	7.01	6.76	6.92
Average capital ratio	12.5%	12.2%	12.9%	14.3%	14.8%	14.5%
Pre-tax operating return on average assets	2.51%	1.78%	1.85%	1.73%	1.85%	1.68%
Pre-tax operating return on average deposits	2.92%	2.05%	2.16%	2.05%	2.21%	1.99%
Pre-tax operating income / average equity	21.3%	14.9%	14.4%	12.7%	15.3%	17.7%
After-tax operating income / average equity	20.2%	14.6%	14.4%	12.1%	12.5%	11.6%
Efficiency ratio	41%	53%	52%	55%	51%	45%
Interest income / average assets	6.87%	5.98%	5.56%	5.55%	5.63%	5.41%
Interest expense / average deposits	3.60%	3.22%	2.75%	2.52%	2.02%	1.72%
Net interest margin	3.27%	2.76%	2.80%	3.04%	3.61%	3.69%
Average loans to average deposits	49.6%	46.6%	45.7%	48.2%	49.1%	47.8%
Provision for loan losses / avg. loans	0.03%	0.03%	0.06%	0.07%	0.10%	0.13%

Sources: Berkshire Hathaway Annual Reports 1969–1974.

# Chapter 4

## 1975–1984

**Table 4.1: Decade snapshot: 1974–1984**

	<u>1974</u>	<u>1984</u>
Business:	Textiles, Insurance, Banking, Candy, Publishing	Insurance, Newspapers, Furniture Retailing, Candy, Banking, Textiles
Key managers:	Chairman & CEO: Warren E. Buffett; President: Kenneth V. Chase	Chairman & CEO: Warren E. Buffett; Vice Chair: Charles T. Munger
Annual revenues:	\$101.5 million	\$729 million
Stockholders' equity:	\$88.2 million	\$1.27 billion
Book value per share:	\$90.02	\$1,108.77
Float (average):	\$79 million	\$253 million
<i>Major Capital Allocation Decisions:</i>		
1. Purchased Waumbec Mills in Manchester, NH for \$1.7 million (1975).		
2. Purchased Buffalo News for \$35.5 million (1977).		
3. Merged Diversified Retailing into Berkshire (1978).		
4. Divested Illinois National Bank and Trust (1980).		
5. Merged Blue Chip Stamps into Berkshire (1983).		
6. Purchased Nebraska Furniture Mart for \$60 million (1983).		
7. Allocated 75% of \$1.3 billion common equity portfolio into stock of GEICO, General Foods, Exxon, Washington Post.		
<i>Noteworthy Events:</i>		
1. Inflation averages 7.8% per year and peaks at 12.4% in 1980.		

**Table 4.2: Berkshire Hathaway earnings<sup>1</sup>**

(\$ thousands)	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Insurance Group:											
Underwriting	(\$48,060)	(\$33,872)	(\$21,558)	\$1,478	\$6,737	\$3,741	\$3,000	\$5,802			
Net investment income	68,903	43,810	41,620	38,823	30,927	24,216	19,691	12,804			
Buffalo News	27,328	16,547	(724)	(725)	(1,655)	(2,744)	(1,637)	389			
Nebraska Furniture Mart <sup>2</sup>	11,609	3,049									
See's Candies	26,644	24,526	14,235	12,493	9,223	7,598	7,013	6,598			
Associated Retail Stores	(1,072)	697	914	1,763	2,440	2,775	2,757	2,775			
Blue Chip Stamps - parent <sup>3</sup>	(1,843)	(1,876)	2,492	2,171	4,588	1,425	1,198	566			
Mutual Savings and Loan	1,166	(467)	(2)	766	2,775	4,751	4,638	2,747			
Precision Steel	3,278	2,102	493	1,648	1,352	1,480					
Textiles	418	(100)	(1,545)	(2,669)	(508)	1,723	2,916	(620)			
Wesco Financial - parent	7,831	4,844	2,937	2,145	1,392	1,098	777	813			
Illinois National Bank <sup>4</sup>					5,200	5,614	4,710	3,706			
Amortization of goodwill <sup>5</sup>	(1,434)	(563)	90								
Interest on debt	(14,097)	(13,844)	(12,977)	(12,649)	(9,390)	(5,860)	(4,546)	(4,255)			
Shareholder-designated contributions	(3,179)	(3,066)	(891)								
Other	4,529	9,623	2,658	1,992	1,308	996	438	102			
<b>Operating earnings, pre-tax</b>	<b>82,021</b>	<b>51,410</b>	<b>27,742</b>	<b>47,236</b>	<b>54,389</b>	<b>46,813</b>	<b>40,955</b>	<b>31,427</b>			
Special GEICO distribution		19,575									
Special General Foods distribution	7,896										
Sales of securities and unusual sales of assets	101,376	65,089	21,875	33,150	15,757	9,614	13,395	10,807			
Total earnings - all entities (pre-tax)	191,293	136,074	49,617	80,386	70,146	56,427	54,350	42,234			
Income tax and minority interest	(42,397)	(23,908)	(3,243)	(17,782)	(17,024)	(13,610)	(15,108)	(11,841)			
Total earnings - all entities (after tax) <sup>7</sup>	\$148,896	\$112,166	\$46,374	\$62,604	\$53,122	\$42,817	\$39,242	\$30,393	\$24,966	\$6,121	\$8,163

See note 6 below.

Notes:

1. This table presents Berkshire Hathaway's share of earnings, as adjusted for Berkshire's ownership interest in each company.
2. 1983 figures are those for October through December.
3. 1982 and 1983 are not comparable; major assets were transferred in the mid-year 1983 merger of Blue Chip Stamps.
4. The Illinois National Bank was divested as of December 31, 1980.
5. Amortization of goodwill is included in Other for years prior to 1982.
6. Buffett began including a table entitled Sources of Earnings in his 1978 Chairman's letter, which included a comparison to 1977. Since comparable data was not available for these years, I left them blank.
7. The figures for 1974-1976 were taken from the 1978 report, which differ slightly from the amounts reported in these years.

Sources: Berkshire Hathaway Annual Reports 1978-1984.

**Table 4.3: Select information 1974–1984**

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
BRK book value per share - % change	21.9%	59.3%	31.9%	24.0%	35.7%	19.3%	31.4%	40.0%	32.3%	13.6%
BRK market value per share - % change	2.5%	129.3%	46.8%	14.5%	102.5%	32.8%	31.8%	38.4%	69.0%	(2.7%)
S&P 500 total return	37.2%	23.6%	(7.4%)	6.4%	18.2%	32.3%	(5.0%)	21.4%	22.4%	6.1%
US GDP Growth (real %)	(0.2%)	5.4%	4.6%	5.5%	3.2%	(0.3%)	2.5%	(1.8%)	4.6%	7.2%
10 year Treasury Note (year end %)	8.0%	6.9%	7.7%	9.0%	10.4%	12.8%	13.7%	10.5%	11.8%	11.5%
US inflation (%)	9.1%	5.8%	6.5%	7.6%	11.3%	13.5%	10.4%	6.2%	3.2%	4.4%
US unemployment (%)	8.5%	7.7%	7.1%	6.1%	5.9%	7.2%	7.6%	9.7%	9.6%	7.5%

Sources: Berkshire Hathaway Annual Reports 2018, 2019 and Federal Reserve Bank of St. Louis.

**Table 4.4: Textile Division—select data**

<i>(\$ millions)</i>	<u>1975</u>	<u>1974</u>	<u>% Change</u>
Revenues	\$32.8	\$32.6	1%
Revenues (with Waumbec)	36.0	45.9	(22%)

Sources: Berkshire Hathaway Annual Report, 1975.

**Table 4.5: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1975</u>
Premiums written, net	\$58,975
<i>Premiums earned</i>	
Specialized auto and general liability	38,513
Workers' compensation	3,632
Reinsurance	12,407
Home state multiple lines	6,670
	<hr/> 61,222
<i>Underwriting gain (loss), pre-tax</i>	
Specialized auto and general liability	(7,450)
Workers' Compensation <sup>1</sup>	(342)
Reinsurance	(2,651)
Home State multiple lines	(907)
	<hr/> (\$11,350)
Combined ratio (statutory)	117.8%
Footnote:	
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.	

Note: The data in this table was taken from the segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods. I've chosen to use the data from the 1979 report as it is more consistent. Comparative data for prior years is available, but due to inconsistencies it was thought best to omit it here.

Source: Berkshire Hathaway Annual Report 1979.

**Table 4.6: Berkshire Hathaway share repurchases, 1976**

Cost	\$432,055
Shares repurchased	6,647
Average cost per share	\$65.00
Average shares outstanding	976,246
Implied valuation	\$63,455,990
Average book value	\$104,091,663
Price / book value	0.61

Sources: Berkshire Hathaway Annual Report 1976 and author calculations.

**Table 4.7: Combined ratio, selected groups**

	<u>1976</u>	<u>1975</u>
Stockholder-owned property/casualty	103.0%	108.3%
Stockholder-owned auto lines	107.4%	113.5%
Berkshire Hathaway	94.6%	117.8%

Note: The Berkshire Hathaway figures differ slightly from those presented by Buffett in his letter (1976: 98.7%; 1975: 115.4%). Buffett used the statutory figures which immediately expensed deferred premium acquisition costs.

Sources: Berkshire Hathaway Chairman's Letter 1976 and author's calculations.

**Table 4.8: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1976</u>	<u>1975</u>
Premiums written, net	\$94,773	\$58,975
<i>Premiums earned</i>		
Specialized auto and general liability	50,778	38,513
Workers' Compensation	5,815	3,632
Reinsurance	17,220	12,407
Home State multiple lines	11,058	6,670
	<hr/> 84,871	<hr/> 61,222
<i>Underwriting gain (loss), pre-tax</i>		
Specialized auto and general liability	4,768	(7,450)
Workers' compensation <sup>1</sup>	(1,093)	(342)
Reinsurance	(2,879)	(2,651)
Home State multiple lines	(548)	(907)
	<hr/> \$248	<hr/> (\$11,350)
Combined ratio (statutory)	94.6%	117.8%
Footnote:		
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.		

Note: The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Source: Berkshire Hathaway Annual Report 1979.

**Table 4.9: Berkshire Hathaway share repurchases, 1977**

Cost	\$229,162
Shares repurchased	2,244
Average cost per share	\$102.12
Average shares outstanding	971,800
Implied valuation	\$99,242,260
Average book value	\$128,540,768
Price / book value	0.77

Sources: Berkshire Hathaway Annual Report 1977 and author calculations.

**Table 4.10: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1977</u>	<u>1976</u>	<u>1975</u>
Premiums written, net	\$158,704	\$94,773	\$58,975
<i>Premiums earned</i>			
Specialized auto and general liability	80,690	50,778	38,513
Workers' Compensation	18,916	5,815	3,632
Reinsurance	24,100	17,220	12,407
Home State multiple lines	19,382	11,058	6,670
	143,088	84,871	61,222
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	7,800	4,768	(7,450)
Workers' Compensation <sup>1</sup>	(1,644)	(1,093)	(342)
Reinsurance	(1,251)	(2,879)	(2,651)
Home State multiple lines	896	(548)	(907)
	\$5,801	\$248	(\$11,350)
Combined ratio (statutory)	93.2%	94.6%	117.8%
Footnote:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			

Note: The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Source: Berkshire Hathaway Annual Report 1979.

**Table 4.11: Berkshire Hathaway equity portfolio, 1977 (Insurance Group)**

<u>Shares</u>	<u>Company</u>	<u>Market Value</u> <u>(\$ thousands)</u>	<u>% Total</u>
934,300	The Washington Post Company Class B	\$33,401	18%
1,986,953	GEICO - Convertible Preferred	33,033	18%
592,650	The Interpublic Group of Companies, Inc.	17,187	9%
220,000	Capital Cities Communications, Inc.	13,228	7%
1,294,308	GEICO - Common	10,516	6%
324,580	Kaiser Aluminum & Chemical Corporation	9,981	6%
226,900	Knight-Ridder Newspapers, Inc.	8,736	5%
170,800	Ogilvy & Mather International, Inc.	6,960	4%
1,305,800	Kaiser Industries, Inc.	6,039	3%
	Others	41,992	23%
	Total Equities	\$181,073	100%

Note: Percentages are rounded and don't add exactly to 100%.

Sources: Berkshire Hathaway Chairman's Letter 1977 and author's calculations.

**Table 4.12: Berkshire Hathaway, select financial information**

<i>(\$ millions)</i>	<u>(Original) 1977</u>	<u>(Restated) 1977</u>	<u>Change</u>
Total assets	\$379	\$572	\$193
Total liabilities	237	370	133
Minority interest	0	48	48
Equity	\$141.8	\$154.6	\$12.8
Revenues	\$198	\$363	\$165
Total expenses	182	333	151
Minority interests	0.0	1.9	1.9
Net earnings	\$26.7	\$30.4	\$3.7

Sources: Berkshire Hathaway Annual Reports 1977, 1978; and author's calculations.

**Table 4.13: Berkshire Hathaway, select parent-level information**

<i>(\$ millions)</i>	<u>1977 Original</u>	<u>1977 Restated</u>
Cash	\$4.9	\$14.0
Investments	252.8	332.0
Total assets	379.2	572.1
Total liabilities	237.5	417.6
Shareholders' equity	141.8	154.6
Total revenues	\$197.9	\$363.6
Net income	26.7	30.4

Sources: Berkshire Hathaway Annual Reports 1977 and 1978.

**Table 4.14: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1978</u>	<u>1977</u>	<u>1976</u>
Premiums written, net	\$198,313	\$158,704	\$94,773
<i>Premiums earned</i>			
Specialized auto and general liability	96,126	80,690	50,778
Workers' Compensation	29,893	18,916	5,815
Reinsurance	30,160	24,100	17,220
Home State multiple lines	29,894	19,382	11,058
	186,073	143,088	84,871
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	11,543	7,800	4,768
Workers' Compensation <sup>1</sup>	(3,944)	(1,644)	(1,093)
Reinsurance	(2,443)	(1,251)	(2,879)
Home State multiple lines	(2,155)	896	(548)
	\$3,001	\$5,801	\$248
Combined ratio (statutory)	96.7%	93.2%	94.6%
Footnote:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			

Note: The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Source: Berkshire Hathaway Annual Report 1979.

**Table 4.15: Berkshire Hathaway history with Blue Chip Stamps**

<b>1971:</b> Berkshire owns 6% of Blue Chip at year end
<b>1972:</b> Berkshire increases its interest to approximately 17%
<b>1973:</b> Blue Chip first mentioned in Chairman's letter; additional disclosure made in Berkshire's footnotes
<b>1974:</b> Berkshire's interest increased to 25.5%; separate section on Blue Chip added the Chairman's letter
<b>1975:</b> Blue Chip mentioned in opening section of Chairman's letter; interest increased to 31.5%
<b>1976:</b> Ownership interest increased to 33%
<b>1977:</b> Ownership interest increased to 36.5%
<b>1978:</b> Merger with Diversified Retailing causes ownership interest to increase to 58%. Blue Chip now fully-consolidated with Berkshire's financials

Sources: Berkshire Hathaway Annual Reports 1971–1978.

**Table 4.16: Blue Chip Stamps, select financial information**

(\$ thousands)	<i>Fiscal year end:</i>	
	<u>12/30/1978</u>	<u>02/27/1971</u>
<i>Balance sheet items:</i>		
Cash	\$3,357	\$531
Marketable securities & short-term investments	76,494	113,168
Fixed assets, net	40,603	4,213
Investment in Wesco Financial	49,370	0
Total assets	216,872	142,138
Liability for unredeemed trading stamps	66,832	87,429
Long-term debt	18,247	10,840
Shareholders' equity	\$114,325	\$43,296
<i>Income statement items:</i>		
Stamp service income	\$16,531	\$118,374
Merchandise promotions and motivation business	3,791	1,719
Candy revenues	73,653	0
Newspaper	44,674	0
Total revenues	143,586	127,567
Net income	\$14,280	\$8,584

Sources: Blue Chip Stamps 10K Reports 1971, 1975, 1978.

**Table 4.17: See's Candy Shops, Inc., select data**

<i>(\$ millions)</i>	<u>1972</u>
Revenues	\$29.0
Pre-tax earnings	4.2
Tangible capital base	8.0
Revenues/capital	\$3.63
Pre-tax margin	14.5%
Return on capital - pre-tax	52.5%
Purchase price	\$34.7
Excess cash	(10.0)
Effective purchase price	\$24.7
Purchase price/tangible capital	3.1x
Blue Chip Stamps earnings yield <sup>1</sup>	17.0%
Footnote:	
1. Blue Chip Stamps' earnings yield represents See's pre-tax return on capital divided by the multiple Blue Chip paid for See's tangible capital. (An alternative method to calculate this would be to divide the pre-tax earnings of See's into the Blue Chip Stamps purchase price.)	

Sources: Blue Chip Stamps Annual Report 1973, Berkshire Hathaway Chairman's Letter 1991 and author's calculations.

**Table 4.18: Wesco Financial Corporation, select data**

<i>(\$ thousands)</i>	
Blue Chip 1973 investment	\$8,099
Percentage of company owned	21.9%
Implied market value	\$36,982
Wesco 1973 average shareholders' equity	\$65,785
Price / book	0.56x
Pre-tax earnings, 1972	\$8,436
Blue Chip going-in return	22.8%
Return on assets (pre-tax, avg. 5 years)	1.64%

Sources: Blue Chip Stamps Annual Report 1973; Wesco Annual Reports 1970, 1973.

**Table 4.19: Blue Chip Stamps' investment and equity in earnings of Wesco Financial Corporation.**

	<i>Fiscal year end:</i>						
	<u>12/30/1978</u>	<u>12/31/1977</u>	<u>01/01/1977</u>	<u>02/28/1976</u>	<u>03/01/1975</u>	<u>03/02/1974</u>	<u>03/03/1973</u>
<i>Ownership (# shares)</i>							
Beginning balance	5,703,087	1,840,863	1,527,299	1,527,299	1,058,042	518,860	0
Purchases	0	180,498	313,564	0	469,257	539,182	518,860
3:1 stock split	0	3,681,726	0	0	0	0	0
Ending balance	<u>5,703,087</u>	<u>5,703,087</u>	<u>1,840,863</u>	<u>1,527,299</u>	<u>1,527,299</u>	<u>1,058,042</u>	<u>518,860</u>
Ownership amount	80.1%	80.1%	77.6%	64.4%	64.4%	44.6%	21.9%
<i>Ownership (\$ thousands)</i>							
Beginning balance	\$43,892	\$38,661	\$28,588	\$26,307	\$17,446	\$8,099	\$0
Purchases	0	1,208	6,306	0	7,025	8,125	8,099
Interim period adjustment <sup>1</sup>	0	0	185	0	0	0	0
Equity in earnings <sup>2</sup>	7,417	5,715	4,459	3,092	2,189	1,455	0
Other <sup>3</sup>	0	0	116	76	457	218	0
Distributions	(1,939)	(1,692)	(993)	(887)	(810)	(451)	0
Ending balance	<u>\$49,370</u>	<u>\$43,892</u>	<u>\$38,661</u>	<u>\$28,588</u>	<u>\$26,307</u>	<u>\$17,446</u>	<u>\$8,099</u>
Footnotes:							
1. Blue Chip Stamps changed its fiscal year from approximately February 28 to approximately December 31.							
2. Net of tax on undistributed portion.							
3. Amortization of excess of equity in net assets over cost.							

Sources: Blue Chip Stamps Annual Reports 1973–1978.

**Table 4.20: The Buffalo Evening News—acquisition analysis**

<i>(\$ thousands)</i>	
Cash consideration	\$34,000
Pension liabilities assumed	1,433
Total purchase price	\$35,433
Underlying net assets	\$34,679
Excess of purchase price	\$754
Price/book	1.02x

Source: Blue Chip Stamps Annual Report 1977.

\* The paper had been offered to *The Washington Post* first, which had turned it down (*The Snowball*, p. 463).

\*\* The purchase was technically structured as an asset purchase, whereby Blue Chip Stamps organized a new subsidiary of essentially the same name (The Buffalo Evening News, Inc.) which in turn purchased the papers' assets and assumed certain of its liabilities.

\*\*\* The News had labor unions which Buffett and Munger knew could put it out of business if they went on strike for any meaningful amount of time. The pair told the unions as much and were successful in avoiding a strike.

## Equation 4.1

### *Operating performance*

$$= \frac{\text{Operating earnings (prior to securities gains or losses)}}{\text{prior years' ending equity (securities valued at cost)}}$$

**Table 4.21: Berkshire Hathaway summary sources of operating earnings 10% or more, 1979**

Insurance underwriting	8.0%
Insurance net investment income	51.7%
Total insurance	59.7%
See's Candies	16.2%
Illinois National Bank	12.0%
Mutual Savings and Loan	10.1%
All others, combined	14.4%
Interest on debt	(12.5%)
Total	100.0%

Note: Totals do not add up to 100% due to rounding.

Sources: Berkshire Hathaway Chairman's Letter 1979 and author's calculations.

**Table 4.22: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1979</u>	<u>1978</u>	<u>1977</u>
Premiums written, net	\$186,185	\$198,313	\$158,704
<i>Premiums earned</i>			
Specialized auto and general liability	90,646	96,126	80,690
Workers' compensation	19,350	29,893	18,916
Reinsurance	30,864	30,160	24,100
Home State multiple lines	41,089	29,894	19,382
	181,949	186,073	143,088
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	7,845	11,543	7,800
Workers' compensation <sup>1</sup>	5,130	(3,944)	(1,644)
Reinsurance	(4,338)	(2,443)	(1,251)
Home State multiple lines	(4,895)	(2,155)	896
	\$3,742	\$3,001	\$5,801
Combined ratio (statutory)	97.2%	96.7%	93.2%
Footnote:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			

The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Source: Berkshire Hathaway Annual Report 1979.

**Table 4.23: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Premiums written, net	\$184,864	\$186,185	\$198,313
<i>Premiums earned</i>			
Specialized auto and general liability	88,404	90,646	96,126
Workers' compensation	19,890	19,350	29,893
Reinsurance	33,804	30,864	30,160
Home State multiple lines	43,089	41,089	29,894
	<u>185,187</u>	<u>181,949</u>	<u>186,073</u>
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	7,395	7,845	11,543
Workers' compensation <sup>1</sup>	4,870	5,130	(3,944)
Reinsurance	(233)	(4,338)	(2,443)
Home State multiple lines	(5,294)	(4,895)	(2,155)
	<u>\$6,738</u>	<u>\$3,742</u>	<u>\$3,001</u>
Combined ratio (statutory)	96.4%	97.2%	96.7%
Footnote:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			

The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Sources: Berkshire Hathaway Annual Reports 1979, 1982.

**Table 4.24: Berkshire Hathaway summary sources of operating earnings 10% or more, 1981**

Insurance underwriting	3.1%
Insurance net investment income	82.2%
Total insurance	85.3%
See's Candies	26.4%
All others, combined	15.0%
Interest on debt	(26.8%)
Total	100.0%

Note: Totals do not add up to 100% due to rounding.

Sources: Berkshire Hathaway Chairman's Letter 1981 and author's calculations.

**Table 4.25: See's Candies, select data**

<i>(\$ and pounds in millions)</i>	<u>1981</u>	<u>1972</u>	<u>% Change</u>	<u>% / Yr.</u>
Pounds sold	24	17	41%	3.9%
Revenues	\$113	\$31	260%	15.3%
After-tax profits	\$11	\$2	450%	20.9%

Sources: Blue Chip Stamps Chairman's Letter 1981 and author's calculations.

**Table 4.26: Select insurance industry data**

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Growth in written premiums	3.6%	6.0%	10.3%
Growth in earned premiums	4.1%	7.8%	10.4%
Combined ratio	105.7%	103.1%	100.6%

Source: Best's Aggregates and Averages, as quoted in the 1981 Berkshire Hathaway Annual Report.

**Table 4.27: Insurance Group, select information**

<i>(\$ thousands)</i>	1981	1980	1979
Premiums written, net	\$148,000	\$184,864	\$186,185
<i>Premiums earned</i>			
Specialized auto and general liability	73,177	88,404	90,646
Workers' compensation	18,193	19,890	19,350
Reinsurance	29,446	33,804	30,864
Home State multiple lines	38,197	43,089	41,089
	159,013	185,187	181,949
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	3,020	7,395	7,845
Workers' compensation <sup>1</sup>	2,822	4,870	5,130
Reinsurance	(3,720)	(233)	(4,338)
Home State multiple lines	(644)	(5,294)	(4,895)
	\$1,478	\$6,738	\$3,742
Combined ratio (statutory) <sup>2</sup>	101.6%	96.4%	97.2%
Footnotes:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			
2. The 1981 combined ratio illustrates the divergence between statutory and GAAP combined ratios. When underwriting is near breakeven, apparent inconsistencies can arise when using the statutory combined ratio.			

Note: The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Sources: Berkshire Hathaway Annual Report 1979, 1982.

**Table 4.28: Berkshire Hathaway summary sources of operating earnings 10% or more, 1982**

Insurance underwriting	(77.7%)
Insurance net investment income	150.0%
Total insurance	72.3%
See's Candies	51.3%
Wesco Financial - parent	10.6%
All others, combined <sup>1</sup>	12.6%
Interest on debt	(46.8%)
Total	100.0%
Footnote:	
1. Blue Chip Stamps - parent represented 9.0%.	

Sources: Berkshire Hathaway Chairman's Letter 1982 and author's calculations.

**Table 4.29: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1982</u>	<u>1981</u>	<u>1980</u>
Premiums written, net	\$149,091	\$148,000	\$184,864
<i>Premiums earned</i>			
Specialized auto and general liability	69,026	73,177	88,404
Workers' compensation	15,951	18,193	19,890
Reinsurance	27,408	29,446	33,804
Home State multiple lines	37,552	38,197	43,089
Structured settlements and portfolio reinsurance	3,008		
	152,945	159,013	185,187
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	(12,647)	3,020	7,395
Workers' compensation <sup>1</sup>	2,658	2,822	4,870
Reinsurance	(7,524)	(3,720)	(233)
Home State multiple lines	(3,949)	(644)	(5,294)
Structured settlements and portfolio reinsurance	(96)		
	(\$21,558)	\$1,478	\$6,738
Combined ratio (statutory) <sup>2</sup>	115.0%	101.6%	96.4%
Footnotes:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			
2. The 1981 combined ratio illustrates the divergence between statutory and GAAP combined ratios. When underwriting is near breakeven, apparent inconsistencies can arise when using the statutory combined ratio.			

Note: The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Sources: Berkshire Hathaway Annual Reports 1979, 1982.

**Table 4.30: Nebraska Furniture Mart, select data and valuation, 1983**

<i>(\$ millions)</i>	
Purchase price	\$55.4
Ownership interest	90%
Valuation	\$61.5
1983 revenues <sup>1</sup>	\$100
1983 pre-tax margin <sup>1</sup>	7%
Tangible assets	\$35.0
Pre-tax return on capital	20.0%
BRK price/tangible assets	1.75x
BRK going-in return, pre-tax	11.4%
Footnotes:	
1. These are approximate values stated by Buffett in response to a question at the 2014 Annual Meeting.	

Sources: Berkshire Hathaway Annual Reports 1983, 2013; 2014 Annual Meeting Q&A.

**Table 4.31: Berkshire Hathaway implied valuation in Blue Chip Stamps merger**

Shares outstanding (year end 1982)	986,509
BRK share price Q3 1983 (high)	\$1,245
BRK share price Q3 1983 (low)	\$905
Implied market value (high)	\$1,228,203,705
Implied market value (low)	\$892,790,645
Book value mid-1983 (estimated)	\$784,000,000
Price-to-book value (high)	1.57x
Price-to-book value (low)	1.14x
Average price-to-book value	1.35x

Sources: Berkshire Hathaway Annual Report 1983 and author's calculations.

**Table 4.32: Earnings of Berkshire Hathaway subsidiaries, company-level**

<i>(\$ thousands)</i>	<u>1983</u>	<u>1982</u>
Insurance Group:		
Underwriting	(\$33,872)	(\$21,558)
Net investment income	43,810	41,620
Buffalo Evening News	19,352	(1,215)
Nebraska Furniture Mart <sup>1</sup>	3,812	
See's Candies	27,411	23,884
Associated Retail Stores	697	914
Blue Chip Stamps - parent <sup>2</sup>	(1,422)	4,182
Mutual Savings and Loan	(798)	(6)
Precision Steel	3,241	1,035
Textiles	(100)	(1,545)
Wesco Financial - parent	7,493	6,156
Amortization of goodwill <sup>3</sup>	(532)	151
Interest on debt	(15,104)	(14,996)
Shareholder-designated contributions	(3,066)	(891)
Other	10,121	3,371
Operating earnings, pre-tax	61,043	41,102
Special GEICO distribution	21,000	
Sales of securities and unusual sales of assets	67,260	36,651
Total earnings - all entities (pre-tax)	\$149,303	\$77,753
Footnotes:		
1. 1983 figures are those for October through December.		
2. 1982 and 1983 are not comparable; major assets were transferred in the mid-year 1983 merger of Blue Chip Stamps.		
3. Amortization of goodwill is included in Other for years prior to 1982.		

Note: This table presents each company's earnings on a company-level basis. It differs from the presentation elsewhere which adjusts for Berkshire's ownership interest in each company.

Source: Berkshire Hathaway Annual Report 1983.

**Table 4.33: Insurance Group, select information**

<i>(\$ thousands)</i>	<u>1983</u>	<u>1982</u>	<u>1981</u>
Premiums written, net	\$149,849	\$149,091	\$148,000
<i>Premiums earned</i>			
Specialized auto and general liability	68,148	69,026	73,177
Workers' compensation	18,849	15,951	18,193
Reinsurance	26,889	27,408	29,446
Home State multiple lines	35,328	37,552	38,197
Structured settlements and portfolio reinsurance	3,266	3,008	
	152,480	152,945	159,013
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	(14,880)	(12,647)	3,020
Workers' compensation <sup>1</sup>	(1,091)	2,658	2,822
Reinsurance	(8,387)	(7,524)	(3,720)
Home State multiple lines	(8,834)	(3,949)	(644)
Structured settlements and portfolio reinsurance	(680)	(96)	
	(\$33,872)	(\$21,558)	\$1,478
Combined ratio (statutory) <sup>2</sup>	122.8%	115.0%	101.6%
Footnotes:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			
2. The 1981 combined ratio illustrates the divergence between statutory and GAAP combined ratios. When underwriting is near breakeven, apparent inconsistencies can arise when using the statutory combined ratio.			

Note: The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Sources: Berkshire Hathaway Annual Reports 1982, 1984.

**Table 4.34: Earnings of Berkshire Hathaway subsidiaries, company-level**

<i>(\$ thousands)</i>	<u>1984</u>	<u>1983</u>
Insurance Group:		
Underwriting	(\$48,060)	(\$33,872)
Net investment income	68,903	43,810
Buffalo News	27,328	19,352
Nebraska Furniture Mart <sup>1</sup>	14,511	3,812
See's Candies	26,644	27,411
Associated Retail Stores	(1,072)	697
Blue Chip Stamps - parent <sup>2</sup>	(1,843)	(1,422)
Mutual Savings and Loan	1,456	(798)
Precision Steel	4,092	3,241
Textiles	418	(100)
Wesco Financial - parent	9,777	7,493
Amortization of goodwill <sup>3</sup>	(1,434)	(532)
Interest on debt	(14,734)	(15,104)
Shareholder-designated contributions	(3,179)	(3,066)
Other	4,932	10,121
Operating earnings, pre-tax	87,739	61,043
Special GEICO distribution <sup>4</sup>		19,575
Special General Foods distribution	8,111	
Sales of securities and unusual sales of assets	104,699	67,260
Total earnings - all entities (pre-tax)	200,549	147,878
Footnotes:		
1. 1983 figures are for October through December.		
2. 1982 and 1983 are not comparable; major assets were transferred in the mid-year 1983 merger of Blue Chip Stamps.		
3. Amortization of goodwill is included in Other for years prior to 1982.		
4. The accounting of the GEICO special dividend was changed during 1984.		

Note: This table presents each company's earnings on a company-level basis. It differs from the presentation elsewhere which adjusts for Berkshire's ownership interest in each company.

Source: Berkshire Hathaway Annual Report 1984.

**Table 4.35: See's Candies, select data**

<i>(\$ and lbs in thousands)</i>						
<u>Year</u>	<u>Revenues</u>	<u>Profit</u> <sup>1</sup>	<u>Pounds sold</u>	<u># Stores</u>	<u>Price / lb</u>	<u>Profit / lb</u>
1984	\$135,946	\$13,380	24,759	214	\$5.49	\$0.54
1983	133,531	13,699	24,651	207	5.42	0.56
1982	123,662	11,875	24,216	202	5.11	0.49
1981	112,578	10,779	24,052	199	4.68	0.45
1980	97,715	7,547	24,065	191	4.06	0.31
1979	87,314	6,330	23,985	188	3.64	0.26
1978	73,653	6,178	22,407	182	3.29	0.28
1977	62,886	6,154	20,921	179	3.01	0.29
1976	56,333	5,569	20,553	173	2.74	0.27
1975	50,492	5,132	19,134	172	2.64	0.27
1974	41,248	3,021	17,883	170	2.31	0.17
1973	35,050	1,940	17,813	169	1.97	0.11
1972	\$31,337	\$2,083	16,954	167	\$1.85	\$0.12
1. Operating profit after tax.			Total gain:		197%	340%
			Compounded:		9.5%	13.1%

Sources: Berkshire Hathaway Annual Report 1984 and author's calculations.

**Table 4.36: Insurance Group, select information**

<i>(\$ thousands)</i>	1984	1983	1982
Premiums written, net	\$133,558	\$149,849	\$149,091
<i>Premiums earned</i>			
Specialized auto and general liability	64,003	68,148	69,026
Workers' compensation	22,665	18,849	15,951
Reinsurance	16,066	26,889	27,408
Home State multiple lines	32,598	35,328	37,552
Structured settlements and portfolio reinsurance	4,910	3,266	3,008
	140,242	152,480	152,945
<i>Underwriting gain (loss), pre-tax</i>			
Specialized auto and general liability	(16,049)	(14,880)	(12,647)
Workers' compensation <sup>1</sup>	(12,560)	(1,091)	2,658
Reinsurance	(12,703)	(8,387)	(7,524)
Home State multiple lines	(4,101)	(8,834)	(3,949)
Structured settlements and portfolio reinsurance	(2,647)	(680)	(96)
	(\$48,060)	(33,872)	(\$21,558)
Combined ratio (statutory)	135.9%	122.8%	115.0%
Footnote:			
1. Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.			

Note: The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Sources: Berkshire Hathaway Annual Reports 1982, 1984.

**Table 4.37: Insurance underwriting profit/(loss)**

<i>(\$ thousands)</i>	<u>Original report</u>	<u>One year later</u>
1984	(\$45,413)	?
1983	(33,192)	(50,974)
1982	(21,462)	(25,066)
1981	1,478	(1,118)
1980	6,738	14,887

Note: Excludes structure settlement and loss-reserve assumption business.

Source: Berkshire Hathaway Chairman's Letter 1984.

**Table 4.38: Mutual Savings and Loan, select data, 1984**

<i>(\$ millions)</i>	
Cash and marketable securities	89
Loan portfolio	95
Total assets	295
Savings account liabilities	228
Shareholders' equity	62
Loan portfolio (% total assets)	32%
Loan portfolio (% deposits)	42%
Shareholders' equity (% total assets)	21%

Sources: Berkshire Hathaway Annual Report 1984 and author's calculations.

**Table 4.39: Reconciliation of shareholders' equity, 1965–1984**

<i>(\$ millions)</i>	<u>1965–74</u>	<u>1975–84</u>	<u>1965–84</u>
Beginning of period shareholders' equity	\$22	\$88	\$22
Net income - operations	57	366	423
Net income - realized gains	7	199	207
Unrealized appreciation of investments	0	486	486
Mergers/divestitures	0	133	133
Dividends/treasury stock	(3)	0	(3)
Other/misc.	4	0	4
End of period shareholders' equity	<u>\$88</u>	<u>\$1,272</u>	<u>\$1,272</u>
Change in equity during period	\$66	\$1,184	\$1,250

Sources: Berkshire Hathaway Annual Reports and author's calculations.

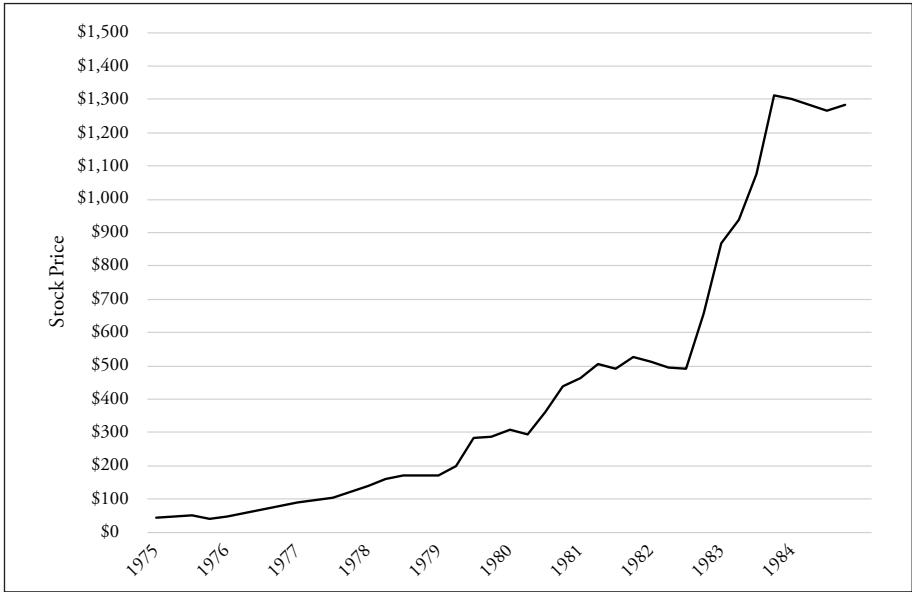
**Table 4.40: Contribution toward change in equity during period**

	<u>1965–74</u>	<u>1975–84</u>	<u>1965–84</u>
Net income - operations	86%	31%	34%
Net income - realized gains	11%	17%	17%
Unrealized appreciation of investments	0%	41%	39%
Mergers/divestitures	0%	11%	11%
Dividends/treasury stock	(4%)	0%	(0%)
Other/misc.	7%	0%	0%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Note: The 1965–84 category does not add to 100% due to rounding.

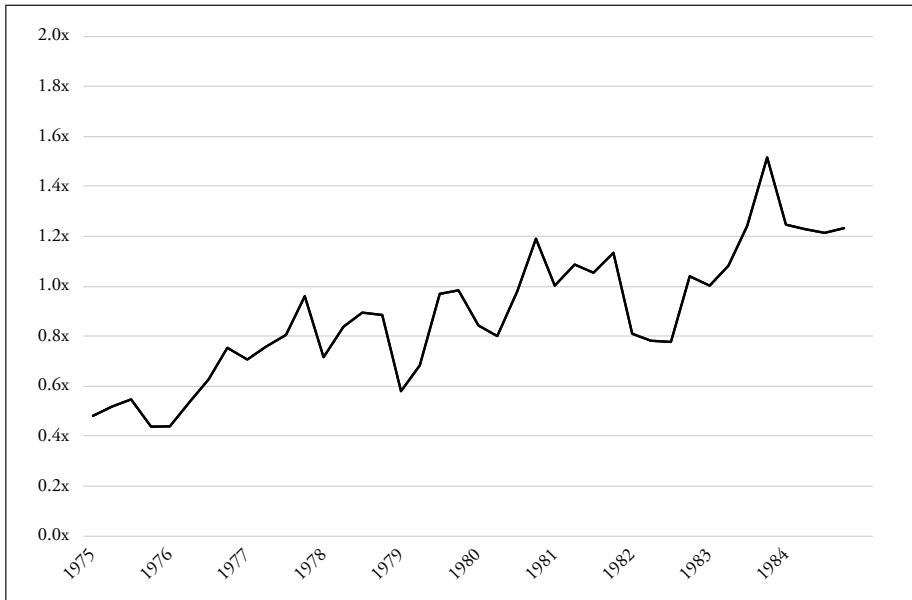
Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Figure 4.1: Berkshire Hathaway stock price, 1975–1984**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 1975–1984, and author's calculations.

**Figure 4.2: Berkshire Hathaway price to book ratio, 1975–1984**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 1975–1984, and author's calculations.

**Table 4.42: Berkshire Hathaway common stock portfolio, select detail**

<i>(\$ thousands)</i>	<u>1984</u>	<u>% of total</u>	<u>1974</u>	<u>% of total</u>
Affiliated Publications	\$32,908	2.6%	\$1,023	2.9%
American Broadcasting Companies, Inc.	46,738	3.7%		
California Water Service Co.			3,151	9.1%
Exxon Corporation	175,307	13.8%		
GEICO Corporation	397,300	31.3%		
General Foods Corporation	226,137	17.8%		
Handy & Harmon	38,662	3.0%	1,337	3.8%
Interpublic Group, Co.	28,149	2.2%	2,772	8.0%
Munsingwear, Inc.			2,094	6.0%
National Preso Industries			2,592	7.4%
Northwest Industries	27,242	2.1%		
Ogilvy & Mather International			1,550	4.5%
Omaha National Corporation			1,066	3.1%
Sperry & Hutchinson Company			1,758	5.1%
Time, Inc.	109,162	8.6%		
Washington Post Company - Class B	149,955	11.8%	8,000	23.0%
All others	37,326	2.9%	9,458	27.2%
Total common stocks	<u>\$1,268,886</u>	<u>100.0%</u>	<u>\$34,802</u>	<u>100.0%</u>

## Notes:

1. Totals do not add to 100% due to rounding.
  2. 1974 & 1984: Market values.
  3. 1974: Detail on investments greater than \$1 million in value. All others represents 36 companies.
  4. 1984: Detail taken from the Chairman's Letter in the Berkshire Hathaway Annual Report.
- Sources: Berkshire Hathaway 10K filing 1974, Berkshire Hathaway Annual Report 1984, and author's calculations.



<i>...Continued from prior page</i>													
<i>(\$ thousands)</i>	<u>1984</u>	<u>1983</u>	Restated <u>1982</u>	Original <u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	Restated <u>1977</u>	Original <u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Property, plant, and equipment, net:													
Textiles												2,196	2,333
Manufacturing										3,417	3,415		
Insurance										2,164	1,636	1,526	1,581
Property, plant, and equipment, net	67,919	69,749	63,020	54,070	51,472	51,484	49,793	47,877	47,106				
Investment in bank subsidiary										25,839	24,732	23,424	22,417
Common Stock of Blue Chip Stamps										35,774	27,304	18,777	16,924
Investment in other subsidiaries										1,612	880	1,120	1,187
Goodwill	77,269	79,327	13,823										
Deferred insurance premium acquisition costs				10,264	12,313	14,163	13,652	13,846	10,852	9,810	6,820	2,950	4,400
Other assets	13,715	48,084	57,993	45,549	35,123	32,756	33,955	34,691	35,093	1,645	1,685	5,021	3,087
Total assets	<u>2,035,203</u>	<u>1,856,392</u>	<u>1,533,284</u>	<u>1,485,624</u>	<u>1,157,911</u>	<u>1,010,581</u>	<u>892,265</u>	<u>757,612</u>	<u>572,143</u>	<u>379,241</u>	<u>283,041</u>	<u>225,741</u>	<u>216,214</u>
<i>(\$ thousands)</i>													
<i>Current liabilities</i>			Restated	Original					Restated	Original			
	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Losses and loss adjustment expenses	243,298	212,706	193,477	193,477	190,970	199,128	197,697	180,870	139,461	133,592	85,152	73,033	72,761
Unearned premiums	49,099	55,783	58,414	58,414	62,269	73,281	73,604	69,368	57,128	52,191	36,737	22,344	21,705
Funds held under reinsurance treaties											3,783	2,939	2,857
Amounts due for purchase of securities											839	680	294
Accounts payable and accrued expenses											7,259	5,790	4,435
Liability for unredeemed trading stamps	58,957	60,669	60,240	60,240	64,262	64,053	67,524	66,832	66,209				
<i>Continued...</i>													

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<i>(\$ thousands)</i>	<u>1984</u>	<u>1983</u>	Restated <u>1982</u>	Original <u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	Restated <u>1977</u>	Original <u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Accounts payable, accrued expenses, and other	73,346	58,094	50,552	48,340	51,915	43,462	38,792	33,983	35,466	17,216			
Income taxes - current	11,432	8,511	22,007	21,868	13,759	7,919	10,411	10,768	6,492	1,524	3,346	179	164
Income taxes - deferred	177,907	194,462	149,987	149,987	87,089	63,329	52,079	36,034	7,793	6,588	4,677	2,519	3,044
Notes payable to bank									2,000	2,000			
7.50% debentures due 1987											464	506	556
Promissory notes and debentures										4,343			
8.00% senior notes due 1993										20,000	20,000	20,000	20,000
Sundry installment promissory notes											4,522	3,602	1,274
Term loan payable to bank								13,500	13,500				
Senior notes payable								27,000	27,000				
Other notes and debentures payable								16,571	14,604				
Long-term debt	<u>127,104</u>	<u>128,984</u>	<u>169,947</u>	<u>137,581</u>	<u>97,768</u>	<u>104,344</u>	<u>55,099</u>						
<i>Total financial debt</i>	<u>127,104</u>	<u>128,984</u>	<u>169,947</u>	<u>137,581</u>	<u>97,768</u>	<u>104,344</u>	<u>55,099</u>	<u>57,071</u>	<u>55,104</u>	<u>26,343</u>	<u>24,987</u>	<u>24,108</u>	<u>21,830</u>
Minority shareholders' interest	22,299	17,990	101,177	88,234	70,416	59,851	52,097	48,520	47,926				
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>968</u>	<u>1,258</u>	<u>924</u>
Total liabilities	<u>763,442</u>	<u>737,199</u>	<u>805,801</u>	<u>758,141</u>	<u>638,448</u>	<u>615,367</u>	<u>547,303</u>	<u>503,446</u>	<u>417,579</u>	<u>237,452</u>	<u>167,748</u>	<u>132,851</u>	<u>128,015</u>
<i>Shares Issued</i>	<u>1,375</u>	<u>1,375</u>	<u>1,214</u>	<u>1,214</u>	<u>1,214</u>	<u>1,214</u>	<u>1,214</u>	<u>1,214</u>	<u>1,214</u>	<u>980</u>	<u>980</u>	<u>980</u>	<u>980</u>
<i>Less: Treasury Shares</i>	<u>(228)</u>	<u>(228)</u>	<u>(228)</u>	<u>(228)</u>	<u>(228)</u>	<u>(228)</u>	<u>(187)</u>	<u>(187)</u>	<u>(184)</u>	<u>(9)</u>	<u>(7)</u>	<u>0</u>	<u>0</u>
<i>Shares outstanding (000's)</i>	<u>1,147</u>	<u>1,147</u>	<u>987</u>	<u>987</u>	<u>987</u>	<u>986</u>	<u>1,027</u>	<u>1,027</u>	<u>1,031</u>	<u>971</u>	<u>973</u>	<u>980</u>	<u>980</u>
Total stockholders' equity	<u>1,271,761</u>	<u>1,119,193</u>	<u>727,483</u>	<u>727,483</u>	<u>519,463</u>	<u>395,214</u>	<u>344,962</u>	<u>254,166</u>	<u>154,564</u>	<u>141,788</u>	<u>115,293</u>	<u>92,890</u>	<u>88,199</u>
Total liabilities and stockholders' equity	<u>\$2,035,203</u>	<u>\$1,856,392</u>	<u>\$1,533,284</u>	<u>\$1,485,624</u>	<u>\$1,157,911</u>	<u>\$1,010,581</u>	<u>\$892,265</u>	<u>\$757,612</u>	<u>\$572,143</u>	<u>\$379,241</u>	<u>\$283,041</u>	<u>\$225,741</u>	<u>\$216,214</u>

Note: The year 1977 was restated due to the merger with Diversified Retailing; 1983 was restated due to the merger with Blue Chip Stamps. Buffett's distaste for the presentation of Berkshire's consolidated financial statements is only compounded by trying to show them over multiple years.

Sources: Berkshire Hathaway Annual Reports, 1975–1984.





<i>...Continued from prior page</i>													
	<u>1984</u>	<u>1983</u>	Restated <u>1982</u>	Original <u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	Restated <u>1977</u>	Original <u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
(\$ thousands)													
Equity in net earnings of Blue Chip Stamps									2,683	5,739	3,366	2,003	1,052
Equity in net earnings of Wesco Financial Corp.													
Earnings before realized investment gains (losses)	70,201	68,195	31,497	31,497	39,723	38,484	30,961	25,742	23,472	21,904	16,073	6,714	8,384
Realized investment gains (losses)									13,310	6,870	9,962	(2,888)	(1,908)
Applicable income tax (expense) credit									(4,448)	(2,050)	(3,200)	866	568
Applicable minority interest									(1,941)				
Net realized investment gains (losses)									6,921	4,820	6,762	(2,022)	(1,340)
Equity in earnings before securities losses of unconsolidated banking subsidiary, divested as of Dec. 31, 1980						4,731	4,960	4,242					
Earnings before realized investment gains	70,201	68,195	31,497	31,497	39,723	43,215	35,921	29,984					
Realized investment gains, continuing operations	78,694	45,298	14,877	14,877	22,881	10,790	6,896	9,258					
Equity in securities losses of unconsolidated banking subsidiary						(883)							
Net earnings	\$148,895	\$113,493	\$46,374	\$46,374	\$62,604	\$53,122	\$42,817	\$39,242	\$30,393	\$26,724	\$22,835	\$4,692	\$7,043

Note: The year 1977 was restated due to the merger with Diversified Retailing; 1983 was restated due to the merger with Blue Chip Stamps. Buffett's distaste for the presentation of Berkshire's consolidated financial statements is only compounded by trying to show them over multiple years.

Sources: Berkshire Hathaway Annual Reports, 1974–1984.

**Table 4.45: Berkshire Hathaway consolidated reconciliation of shareholders' equity, 1974–1984**

(\$ thousands)	Restated			Original					Restated	Original			
	1984	1983	1982	1982	1981	1980	1979	1978	1977	1977	1976	1975	1974
Prior year equity	\$1,119,193	\$727,483	\$519,463	\$519,463	\$395,214	\$344,962	\$254,166	\$154,564	115,293	\$115,293	\$92,890	\$88,199	\$81,155
Current year net income / (loss)	148,895	113,493	46,374	46,374	62,604	53,122	42,817	39,242	30,393	26,724	22,835	4,692	7,043
Change in common		805							1,173				
Change in paid in capital		153,860							3,517				
Treasury stock		(280)			180	(28,967)		(574)	(1,476)	(229)	(432)		
Change in treasury stock due to restatement with Diversified Retailing									(9,389)				
Change in retained earnings due to restatement with Diversified Retailing									15,053				
Change in equity due to accounting change, marketable securities								60,934					
Change in unrealized appreciation of securities, net of tax	3,673	123,832	161,646	161,646	61,465	26,097	47,979						
Ending Equity	<u>\$1,271,761</u>	<u>\$1,119,193</u>	<u>\$727,483</u>	<u>\$727,483</u>	<u>\$519,463</u>	<u>\$395,214</u>	<u>\$344,962</u>	<u>\$254,166</u>	<u>\$154,564</u>	<u>\$141,788</u>	<u>\$115,293</u>	<u>\$92,890</u>	<u>\$88,199</u>

Sources: Berkshire Hathaway Annual Reports, 1974–1984.

**Table 4.46: Berkshire Hathaway Insurance Group balance sheets, 1974–1984**

<i>(\$ thousands)</i>	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	Restated <u>1978</u>	<u>1978</u>	Restated <u>1977</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Cash and Treasuries					\$30,950	\$12,182	\$45,638	\$45,638	\$26,695	\$23,167	\$17,585	\$15,914	\$10,652
Cash, Treasuries, and other short-term investments													
Bonds, at amortized cost					187,802	185,564	157,651	157,651	132,929	127,324	89,216	78,761	71,531
Marketable equity securities, at cost								133,766	108,107				
Marketable equity securities, at market	\$793,569	\$793,569	\$793,569	\$536,748	424,530	336,680	220,929						
Preferred stocks										23,232	22,287	2,558	2,855
Common stocks										86,657	53,108	39,341	50,670
Total cash and investments				643,282	534,426	424,218	424,218	337,055	267,731	260,381	182,196	136,574	135,708
Investment in Blue Chip Stamps				32,272	35,355	31,442	31,442	31,442	26,862	21,679	17,740	15,401	14,371
Property, plant and equipment, net				3,388	3,383	2,757	2,757	2,757	2,164	2,164	1,636	1,526	1,581
Other assets				50,731	50,257	46,011	46,011	46,011	36,487	29,008	22,812	20,558	20,679
Total assets				729,673	623,421	504,428	504,428	417,265	333,244	313,231	224,384	174,059	172,338
Identifiable assets at year end (from footnotes)	1,615,274	1,322,160	1,059,670	825,635	693,859	585,103	470,023	470,023	377,954	377,954	261,752	164,443	
Losses and loss adjustment expenses				199,128	197,698	180,870	180,870	180,870	139,461	133,592	85,152	73,033	72,761
Unearned premiums				73,281	73,604	69,368	69,368	69,368	57,128	52,191	36,737	22,344	21,705
Other liabilities				78,951	69,272	50,025	50,025	23,876	18,157	17,579	14,033	7,734	7,641
Total Liabilities				351,360	340,574	300,263	300,263	274,114	214,746	203,361	135,922	103,111	102,107
Shareholders' equity				\$378,313	\$282,847	\$204,165	\$204,165	\$143,151	\$118,498	\$109,870	\$88,463	\$70,947	\$70,231
Average float (rounded)	\$253,200	\$231,300	\$220,600	\$228,400	\$237,000	\$227,300	\$190,400	\$190,400	\$139,000	\$139,000	\$102,600	\$87,600	\$79,100

Sources: Berkshire Hathaway Annual Reports, 1974–1984; 1992 (float data).

**Table 4.47: Berkshire Hathaway Insurance Group statements of income, 1974–1984**

(\$ thousands)	Restated							Restated						
	1984	1983	1982	1981	1980	1979	1978	1978	1977	1977	1976	1975	1974	
Premiums written, net	\$133,558	\$149,849	\$149,091	\$148,000	\$184,864	\$186,185	\$198,313	\$198,313	\$158,704	\$151,083	\$94,773	\$58,975	\$60,997	
Premiums earned	140,242	152,480	152,945	159,013	185,187	181,950	186,073	186,073	143,088	136,890	80,780	58,336	60,574	
Losses and loss expenses incurred	141,550	134,109	121,996	103,416	118,230	120,338	132,263	132,263	96,869	91,585	55,376	47,238	47,120	
Underwriting expenses	46,752	52,243	52,508	54,119	60,219	57,870	50,809	50,809	40,418	39,122	24,694	21,745	20,346	
Total losses and expenses	188,302	186,352	174,504	157,535	178,449	178,208	183,072	183,072	137,287	130,707	80,071	68,983	67,466	
Pre-tax underwriting gain / (loss)	(48,060)	(33,872)	(21,559)	1,478	6,738	3,742	3,001	3,001	5,801	6,184	709	(10,647)	(6,892)	
Pre-tax net investment income	68,903	43,810	41,620	38,823	30,939	24,224	19,705	19,705	12,804	12,282	10,438	8,441	7,880	
Operating profit before taxes, continuing operations	20,843	9,938	20,061	40,301	37,677	27,966	22,706	22,706	18,605	18,465	11,147	(2,206)	988	
Realized gain (loss) on investments, net of tax					10,588	6,241	8,873	8,873	4,917	4,820	7,043	(2,022)	(1,340)	
Equity in earnings of Blue Chip Stamps					4,488	3,960	3,230	3,230	3,852	3,134	1,637	1,141	792	
Net Income					\$47,899	\$32,763	\$30,128	\$30,128	\$24,614	\$23,407	\$18,515	\$716	\$2,529	

Sources: Berkshire Hathaway Annual Reports, 1974–1984.

**Table 4.48: Berkshire Hathaway Insurance Group select ratios, 1974–1984**

<i>(\$ thousands)</i>	1984	1983	1982	1981	1980	1979	Restated 1978	1978	Restated 1977	1977	1976	1975	1974
Net premiums written to average equity					55.9%	76.5%	122.9%	151.6%	153.4%	152.4%	118.9%	83.5%	86.9%
Loss ratio	100.9%	88.0%	79.8%	65.0%	63.8%	66.1%	71.1%	71.1%	67.7%	66.9%	68.6%	81.0%	77.8%
Expense ratio	35.0%	34.9%	35.2%	36.6%	32.6%	31.1%	25.6%	25.6%	25.5%	25.9%	26.1%	36.9%	33.4%
Combined ratio	135.9%	122.8%	115.0%	101.6%	96.4%	97.2%	96.7%	96.7%	93.2%	92.8%	94.6%	117.8%	111.1%
Return on average equity					14.5%	13.5%	18.7%	23.0%	21.6%	23.6%	23.2%	1.0%	3.6%
Growth in premiums written, net	(10.9%)	0.5%	0.7%	(19.9%)	(0.7%)	(6.1%)	25.0%	25.0%	67.5%	59.4%	60.7%	(3.3%)	21.1%
Growth in premiums earned	(8.0%)	(0.3%)	(3.8%)	(14.1%)	1.8%	(2.2%)	30.0%	30.0%	77.1%	69.5%	38.5%	(3.7%)	14.4%

Sources: Berkshire Hathaway Annual Reports, 1974–1984, and author's calculations.

**Table 4.49: Insurance Group select information, 1974–1984**

<i>(\$ thousands)</i>	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
Premiums written, net	\$133,558	\$149,849	\$149,091	\$148,000	\$184,864	\$186,185	\$198,313	\$158,704	\$94,773	\$58,975
<i>Premiums earned</i>										
Specialized auto and general liability	64,003	68,148	69,026	73,177	88,404	90,646	96,126	80,690	50,778	38,513
Workers' Compensation	22,665	18,849	15,951	18,193	19,890	19,350	29,893	18,916	5,815	3,632
Reinsurance	16,066	26,889	27,408	29,446	33,804	30,864	30,160	24,100	17,220	12,407
Home State multiple lines	32,598	35,328	37,552	38,197	43,089	41,089	29,894	19,382	11,058	6,670
Structured settlements and portfolio reinsurance	4,910	3,266	3,008							
	140,242	152,480	152,945	159,013	185,187	181,949	186,073	143,088	84,871	61,222
Investment income	69,291	44,249	41,791	39,019	31,111	24,407	19,944	13,061	10,975	8,806
Insurance segment revenues	209,533	196,729	194,736	198,032	216,298	206,356	206,017	156,149	95,846	70,028
<i>Underwriting gain (loss), pre-tax</i>										
Specialized auto and general liability	(16,049)	(14,880)	(12,647)	3,020	7,395	7,845	11,543	7,800	4,768	(7,450)
Workers' Compensation*	(12,560)	(1,091)	2,658	2,822	4,870	5,130	(3,944)	(1,644)	(1,093)	(342)
Reinsurance	(12,703)	(8,387)	(7,524)	(3,720)	(233)	(4,338)	(2,443)	(1,251)	(2,879)	(2,651)
Home State multiple lines	(4,101)	(8,834)	(3,949)	(644)	(5,294)	(4,895)	(2,155)	896	(548)	(907)
Structured settlements and portfolio reinsurance	(2,647)	(680)	(96)							
	(48,060)	(33,872)	(21,558)	1,478	6,738	3,742	3,001	5,801	248	(11,350)
Net investment income	68,903	43,810	41,620	38,823	30,939	24,224	19,705	12,805	10,841	8,723
Insurance segment operating profit (loss) before taxes	\$20,843	\$9,938	\$20,062	\$40,301	\$37,677	\$27,966	\$22,706	\$18,606	\$11,089	(\$2,627)
Combined ratio (statutory)	135.9%	122.8%	115.0%	101.6%	96.4%	97.2%	96.7%	93.2%	94.6%	117.8%

Notes:

Workers' Compensation coverage written by Home State is not broken out per the footnote to the financial statements.

The data in this table was taken from the summary of segment results section of the Annual Report and differs in some cases with figures listed in earlier reporting periods.

Sources: Berkshire Hathaway Annual Reports, 1979, 1982, 1984.

**Table 4.50: The Illinois National Bank & Trust Co. of Rockford consolidated balance sheets, 1968–1979**

(\$ thousands)	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Cash and due from banks	\$27,602	\$20,232	\$20,973	\$10,868	\$18,797	\$21,544	\$26,684	\$22,111	\$17,833	\$15,157	\$19,918	\$23,244
US Government Bonds		42,938	42,120	30,499	39,758	10,615	11,355	10,615	12,633	15,129	11,228	26,922
Obligations of states and political subdivisions		63,577	58,696	54,002	46,959	45,858	47,713	50,163	42,884	36,627	36,005	17,803
Other securities		5,394	6,054	6,629	4,053	3,846	3,358	7,779	5,865	210	210	210
Federal Reserve Bank stock		300	300	300	300							
Federal funds sold		3,000	7,000	32,000		5,000						
Investments	104,103	115,209	114,169	123,430	91,071	65,319	62,426	68,556	61,382	51,966	47,443	44,936
Loans, gross	84,377	76,122	62,268	56,188	58,081	70,134	66,022	59,618	54,032	50,841	47,963	46,995
Reserve for loan losses							(1,164)	(1,025)	(855)	(860)	(800)	(599)
Loans, net	84,377	76,122	62,268	56,188	58,081	70,134	64,859	58,593	53,177	49,980	47,163	46,396
Bank premises and equipment	1,820	1,106	1,022	896	967	1,009	1,117	1,361	1,523	1,624	1,825	1,237
Accrued interest receivable and other assets	3,097	3,146	2,720	2,010	2,555	2,857	2,156	1,750	1,252	1,739	1,040	896
<b>Total assets</b>	<b>220,999</b>	<b>215,815</b>	<b>201,152</b>	<b>193,393</b>	<b>171,471</b>	<b>160,861</b>	<b>157,241</b>	<b>152,372</b>	<b>135,167</b>	<b>120,466</b>	<b>117,389</b>	<b>116,709</b>
Demand deposits		58,133	56,978	54,875	53,478	53,178	55,716	55,130	51,208	52,478	58,237	57,677
Time deposits		127,002	117,890	113,462	93,501	85,519	81,450	77,558	64,640	49,095	41,317	41,408
Total deposits	187,223	185,134	174,868	168,337	146,979	138,697	137,166	132,688	115,848	101,573	99,555	99,085
Borrowed funds <sup>1</sup>	3,367	2,357			1,000							
Accrued taxes and other expenses	2,821	2,413	1,717	1,628	1,411	1,223	835	887	814	679	638	783
<b>Total liabilities</b>	<b>193,411</b>	<b>189,904</b>	<b>176,585</b>	<b>169,965</b>	<b>149,390</b>	<b>139,920</b>	<b>138,002</b>	<b>133,575</b>	<b>116,662</b>	<b>102,252</b>	<b>100,193</b>	<b>99,869</b>
Total capital accounts	27,588	25,910	24,567	23,428	22,081	20,942	19,239	18,797	18,505	18,213	17,196	16,841
<b>Total liabilities and capital</b>	<b>\$220,999</b>	<b>\$215,815</b>	<b>\$201,152</b>	<b>\$193,393</b>	<b>\$171,471</b>	<b>\$160,861</b>	<b>\$157,241</b>	<b>\$152,372</b>	<b>\$135,167</b>	<b>\$120,466</b>	<b>\$117,389</b>	<b>\$116,709</b>

Footnote: 1. Amount in 1975 consists of Fed Funds.

Note: Prior to 1974 loans were presented on a gross basis as an asset, with the loss reserve presented separately as a liability. I have adjusted these years to conform to the subsequent presentation, therefore, the total assets figure differs from that presented in the financial statements.

Sources: Berkshire Hathaway Annual Reports, 1968–1979.

**Table 4.51: The Illinois National Bank & Trust Co. of Rockford consolidated statements of income, 1968–1979**

(\$ thousands)	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Interest and fees on loans		\$6,480	\$5,480	\$5,093	\$5,712	\$6,608	\$5,316	\$4,134	\$4,006	\$4,130	\$3,820	\$3,431
Income on federal funds sold		298	288	225	214	361	237	110	109	317	392	320
Interest and dividends on:												
United States Government obligation and agencies		3,270	2,271	2,491	1,615	942	632	598	708	569	1,003	1,420
Obligations of states and political subdivisions		4,032	3,848	3,255	2,853	2,798	2,796	2,677	2,094	1,717	1,155	532
Time deposits with other banks					204							
Federal Reserve Bank stock		18	18	18	18							
Other Securities		484	577	501	253	284	343	524	228	13		
Total interest income	18,196	14,582	12,481	11,583	10,868	10,993	9,324	8,044	7,145	6,745	6,371	5,702
Interest on deposits		7,387	6,600	5,880	5,191	4,954	4,295	3,419	2,733	2,029	1,695	1,493
Interest on federal funds purchased		2	2	4	4	14	55	3	2	4	13	3
Interest on borrowed funds		36										
Interest expense	9,605	7,425	6,602	5,884	5,195	4,968	4,351	3,422	2,734	2,032	1,707	1,496
Net interest income	8,591	7,157	5,879	5,700	5,673	6,024	4,973	4,622	4,410	4,713	4,663	4,206
Provision for loan losses	108	60	16	12	12	19	16	37	36	52	62	66
Net interest income after provision for loan losses	8,483	7,097	5,863	5,688	5,662	6,005	4,957	4,585	4,375	4,661	4,602	4,141
Trust department		710	637	547	503	434	451	385	336	280	343	339
Service charges on deposit accounts		76	116	149	134	139	130	127	137	152	220	199
Other		376	577	635	583	560	500	411	307	354	248	250
Other income	1,208	1,162	1,330	1,331	1,220	1,133	1,080	924	780	786	811	789
Salaries				1,676	1,643	1,552	1,503	1,367	1,352	1,298	1,159	1,073
Pensions, profit sharing, and other employee benefits				349	293	247	263	239	138	151	114	137
Salaries and employee benefits		2,174	2,097	2,025	1,936	1,798	1,766	1,605	1,489	1,450	1,273	1,210
Net occupancy expense of bank premises		311	269	259	247	257	418	314	359	358	302	325
Equipment rentals, depreciation, and maintenance		212	215	233	246	248	253	264	289	272	260	235
Other		739	812	838	766	592	767	645	681	661	558	497
Total non interest expense	3,944	3,436	3,393	3,355	3,195	2,896	3,204	2,829	2,818	2,742	2,392	2,267
Earnings before income taxes and securities gains (losses)	5,747	4,822	3,800	3,663	3,686	4,242	2,833	2,680	2,337	2,705	3,020	2,662
Income taxes	601	459	429	108	172	220	61	0	109	484	1,039	1,110
Earnings before securities gains (losses)	5,146	4,363	3,371	3,555	3,514	4,022	2,772	2,680	2,228	2,221	1,981	1,551
Securities gains or (losses) net of applicable income taxes <sup>1</sup>	(68)	(20)	269	292	52	168	34	84	26	189	(372)	110
Net income <sup>2</sup>	\$5,078	\$4,343	\$3,640	\$3,847	\$3,567	\$4,190	\$2,806	\$2,764	\$2,254	\$2,410	\$1,608	\$1,661

Footnotes: 1. 1973: Included is \$43 gain on sale of real estate, net of tax. 2. 1970: Net income is presented before a \$633 tax benefit from parent.

Sources: Berkshire Hathaway Annual Reports, 1968–1979.

**Table 4.52: The Illinois National Bank & Trust Co. of Rockford select data and ratios, 1968–1979**

(\$ thousands)	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Average loans	\$80,249	\$69,195	\$59,228	\$57,135	\$64,107	\$70,134	\$61,726	\$55,885	\$51,579	\$48,572	\$46,780
Average assets	\$218,407	\$208,483	\$197,272	\$182,432	\$166,166	\$160,861	\$154,806	\$143,770	\$127,816	\$118,927	\$117,049
Average total deposits	\$186,179	\$180,001	\$171,603	\$157,658	\$142,838	\$138,697	\$134,927	\$124,268	\$108,711	\$100,564	\$99,320
Average equity	\$26,749	\$25,239	\$23,998	\$22,754	\$21,511	\$20,942	\$19,018	\$18,651	\$18,359	\$17,704	\$17,018
Average loans to average assets	36.7%	33.2%	30.0%	31.3%	38.6%	43.6%	39.9%	38.9%	40.4%	40.8%	40.0%
Average loans to average deposits	43.1%	38.4%	34.5%	36.2%	44.9%	50.6%	45.7%	45.0%	47.4%	48.3%	47.1%
Average capital ratio	12.2%	12.1%	12.2%	12.5%	12.9%	13.0%	12.3%	13.0%	14.4%	14.9%	14.5%
Pre-tax operating return on average assets	2.63%	2.31%	1.93%	2.01%	2.22%	2.64%	1.83%	1.86%	1.83%	2.27%	2.58%
Pre-tax operating return on average deposits	3.09%	2.68%	2.21%	2.32%	2.58%	3.06%	2.10%	2.16%	2.15%	2.69%	3.04%
Pre-tax operating income / average equity	21.5%	19.1%	15.8%	16.1%	17.1%	20.3%	14.9%	14.4%	12.7%	15.3%	17.7%
After-tax operating income / average equity	19.2%	17.3%	14.0%	15.6%	16.3%	19.2%	14.6%	14.4%	12.1%	12.5%	11.6%
Efficiency ratio <sup>1</sup>	40%	41%	47%	48%	46%	40%	53%	51%	54%	50%	44%
Interest income / average assets	8.33%	6.99%	6.33%	6.35%	6.54%	6.83%	6.02%	5.59%	5.59%	5.67%	5.44%
Interest expense / average deposits <sup>2</sup>	5.08%	4.10%	3.85%	3.72%	3.62%	3.58%	3.22%	2.75%	2.52%	2.02%	1.72%
Net interest margin	3.25%	2.90%	2.48%	2.63%	2.92%	3.25%	2.80%	2.84%	3.07%	3.65%	3.72%
Provision for loan losses / avg. loans	0.13%	0.09%	0.03%	0.02%	0.02%	0.03%	0.03%	0.07%	0.07%	0.11%	0.13%
After-tax operating return on average assets	2.36%	2.09%	1.71%	1.95%	2.11%	2.50%	1.79%	1.86%	1.74%	1.87%	1.69%

Footnotes:  
1. Efficiency ratio is the ratio of non interest expense divided by the sum of net interest income and non interest income.  
2. Average deposits includes borrowed funds in the years applicable.

Sources: Berkshire Hathaway Annual Reports 1968–1979.

# Chapter 5

## 1985–1994

**Table 5.1: Decade snapshot: 1984–1994**

	<u>1984</u>	<u>1994</u>
Business:	Insurance, newspapers, furniture retailing, candy, banking, textiles	Insurance, newspapers, furniture retailing, candy, jewelry, encyclopedias, home cleaning systems, shoes, misc. manufacturing, significant stakes in several public companies
Key managers:	Chairman & CEO: Warren E. Buffett; Vice Chair: Charles T. Munger	Chairman & CEO: Warren E. Buffett; Vice Chair: Charles T. Munger
Annual revenues:	\$729 million	\$3.8 billion
Stockholders' equity:	\$1.27 billion	\$11.9 billion
Book value per share:	\$1,108.77	\$10,083
Float (average):	\$253 million	\$3.06 billion
<i>Major Capital Allocation Decisions:</i>		
<ol style="list-style-type: none"> <li>1. Shut down textile operations (1985).</li> <li>2. Contributed additional equity to Insurance Group (various).</li> <li>3. Invested \$517.5 million into Capital Cities/ABC (1985).</li> <li>4. Acquired Scott Fetzer for \$410 million (1986).</li> <li>5. Purchased Fechheimer (1986).</li> <li>6. Purchased \$700 million issue of Salomon Brothers Convertible Preferred Stock (1987).</li> <li>7. Acquired Borsheim's (1989).</li> <li>8. Purchased Coca-Cola shares for \$1.3 billion (1988–94).</li> <li>9. Purchased convertible preferred stock issues from Gillette (\$600 million); USAir (\$358 million); Champion International (\$300 million) (1989).</li> <li>10. Issued \$900 million Zero Coupon debt (1989).</li> <li>11. Acquired H.H. Brown Shoe (1991).</li> <li>12. Repaid a significant amount of debt (1991–92).</li> <li>13. Acquired Lowell Shoe (1992).</li> <li>14. Acquired Dexter Shoe for \$433 million, issuing 25,303 shares (1993).</li> <li>15. Exited savings and loan business (Wesco/Mutual Savings; 1993).</li> </ol>		
<i>Noteworthy Events:</i>		
<ol style="list-style-type: none"> <li>1. Berkshire enters the super catastrophe (super-cat) business in a big way (1990).</li> <li>2. Ken Chace retires from Berkshire Board, replaced by Susan Buffett (1990).</li> <li>3. Malcolm G. Chace, Jr. retires from Berkshire Board, replaced by son, Malcolm "Kim" Chace III.</li> <li>4. Rose "Mrs. B." Blumkin turns 100 years old (1993).</li> </ol>		



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Sales of securities and unusual sales of assets	91,332	546,422	89,937	192,478	33,989	223,810	131,671	27,319	216,242	468,903	104,699
Decline in value of USAir Preferred Stock	(268,500)										
Total earnings - all entities (pre-tax)	662,197	1,189,718	550,617	592,986	516,466	617,224	550,121	308,238	412,099	613,356	200,549
Income tax and minority interest <sup>6</sup>	(167,399)	(501,597)	(143,332)	(153,078)	(122,373)	(169,747)	(150,851)	(73,686)	(129,738)	(177,541)	(51,653)
Total earnings - all entities (after tax)	\$494,798	\$688,121	\$407,285	\$439,908	\$394,093	\$447,477	\$399,270	\$234,552	\$282,361	\$435,815	\$148,896

Footnotes:

1. Fechheimer was acquired on June 3, 1986.
2. H.H. Brown acquired July 1, 1991; includes Lowell and Dexter beginning in 1993. Dexter acquired on November 7, 1993.
3. Includes Wesco-Parent, Mutual Savings and Loan, and Precision Steel.
4. Excludes interest expense of Scott Fetzer Financial Group; includes prepayment penalties.
5. Other includes Associated Retail, Textiles, and Blue Chip Stamps-Parent.
6. Imputed from the difference between the reported pre-tax and after-tax earnings figures.

Note: This table presents the company-level pre-tax operating earnings for each company. The presentation in the discussion of the prior decade used Berkshire's share of pre-tax earnings. Readers comparing the year 1984 as presented in this table with the presentation from the prior decade will notice a difference in the earnings for entities in which Berkshire did not have 100% ownership.

Sources: Berkshire Hathaway Annual Reports 1985–1994 and author's calculations.

**Table 5.3: Select information 1984–1994**

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
BRK book value per share - % change	48.2%	26.1%	19.5%	20.1%	44.4%	7.4%	39.6%	20.3%	14.3%	13.9%
BRK market value per share - % change	93.7%	14.2%	4.6%	59.3%	84.6%	(23.1%)	35.6%	29.8%	38.9%	25.0%
S&P 500 total return	31.6%	18.6%	5.1%	16.6%	31.7%	(3.1%)	30.5%	7.6%	10.1%	1.3%
US GDP Growth (real %)	4.2%	3.5%	3.5%	4.2%	3.7%	1.9%	(0.1%)	3.5%	2.8%	4.0%
10 year Treasury Note (year end %)	9.3%	7.1%	9.0%	9.1%	7.8%	8.1%	7.1%	6.8%	5.8%	7.8%
US inflation (%)	3.5%	1.9%	3.6%	4.1%	4.8%	5.4%	4.2%	3.0%	3.0%	2.6%
US unemployment (%)	7.2%	7.0%	6.2%	5.5%	5.3%	5.6%	6.9%	7.5%	6.9%	6.1%

Sources: Berkshire Hathaway Annual Reports 2018, 2019 and Federal Reserve Bank of St. Louis.

**Table 5.4: Berkshire Hathaway Textile division, select data**

Employees	1,000
Space occupied ( <i>sq. ft.</i> )	750,000
<i>Select data on textile equipment (\$ thousands):</i>	
Original cost	\$13,000
Balance sheet value	866
Cost to replace in 1985	30,000 to 50,000
Liquidation proceeds	163

Source: Berkshire Hathaway Chairman's letter 1985.

**Table 5.5: The Buffalo News, See's, and Nebraska Furniture Mart incremental return on capital analysis**

<i>(\$ millions)</i>	
Pre-tax earnings, 1985	\$72
Pre-tax earnings, 1970	8
Increase	64
Incremental capital required	\$40
Incremental return on capital	160%

Source: Berkshire Hathaway Chairman's letter 1985.

**Table 5.6: Insurance Group, select information**

(\$ millions)	1985		1984	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	\$269.1		\$118.1	
Premiums earned	184.3	100.0%	119.3	100.0%
Losses and loss expenses	140.0	76.0%	110.5	92.6%
Underwriting expenses	52.5	28.5%	41.6	34.9%
Total losses and expenses	192.5	104.4%	152.1	127.5%
Underwriting gain/(loss) - pre-tax	(8.1)		(32.9)	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>0.1</i>	<i>0.0%</i>	<i>8.1</i>	<i>6.8%</i>
Statutory combined ratio		95.5%		127.9%
<b>Reinsurance Group</b>				
Premiums written	\$178.5		\$10.5	
Premiums earned	82.9	100.0%	16.1	100.0%
Losses and loss expenses	85.7	103.4%	23.7	147.6%
Underwriting expenses	27.2	32.8%	4.9	30.5%
Total losses and expenses	112.9	136.2%	28.6	178.2%
Underwriting gain/(loss) - pre-tax	(30.0)		(12.6)	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>19.4</i>	<i>23.5%</i>	<i>9.7</i>	<i>60.2%</i>
Statutory combined ratio		118.6%		194.2%
<b>Structured settlements and portfolio reinsurance</b>				
Underwriting gain/(loss) - pre-tax	(6.1)		(2.6)	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b>(\$44.2)</b>		<b>(\$48.1)</b>	
Insurance Group overall statutory combined ratio		104.7%		135.9%

Notes:

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.

Sources: Berkshire Hathaway Annual Reports 1985, 1987; and author's calculations.

**Table 5.7: Berkshire Hathaway common stock portfolio, select detail**

(\$ thousands)	1985	<i>% of total</i>	1984	<i>% of total</i>
Affiliated Publications	\$55,710	4.6%	\$32,908	2.6%
American Broadcasting Companies, Inc.	108,997	9.1%	46,738	3.7%
Beatrice Companies, Inc.	108,142	9.0%		
Exxon Corporation			175,307	13.8%
GEICO Corporation	595,950	49.7%	397,300	31.3%
General Foods Corporation			226,137	17.8%
Handy & Harmon	43,718	3.6%	38,662	3.0%
Interpublic Group, Co.			28,149	2.2%
Northwest Industries			27,242	2.1%
Time, Inc.	52,669	4.4%	109,162	8.6%
Washington Post Company - Class B	205,172	17.1%	149,955	11.8%
All others	27,963	2.3%	37,326	2.9%
Total common stocks	\$1,198,321	100.0%	\$1,268,886	100.0%
Reporting threshold	\$25,000		Unknown	

Note: Totals may not add due to rounding.

Sources: Berkshire Hathaway Chairman letters 1984, 1985; and author's calculations.

**Table 5.8: Scott & Fetzer, key metrics and acquisition data**

	1986	1984	1983	1982	1981	1980	1979
<i>Revenues (\$ thousands)</i>	\$677,240	\$695,382	\$615,396	\$544,859	\$592,589	\$570,191	\$697,401
Revenues/average capital <sup>1</sup>	\$3.20	\$3.26	\$2.97	\$2.64	\$2.92	\$2.53	\$3.06
EBIT margin	11%	10%	8%	8%	8%	5%	9%
Return on capital - pre-tax	34%	33%	25%	20%	25%	13%	28%
Berkshire's purchase multiple <sup>2</sup>	1.35x						
Berkshire's going-in return, pre-tax	25.1%						
Footnotes:							
1. Average capital used for 1979–1984. Capital adjusted for cash and investments in excess of 5% of revenues.							
2. Berkshire's purchase price was \$410 million including assumed debt of \$90 million. I've reduced the purchase price by the \$125 million Scott Fetzer distributed to Berkshire in 1986, which represented excess cash on the balance sheet at the time of purchase.							

Note: Scott Fetzer did not file a public report its 1985 because it was acquired by Berkshire.

Sources: Berkshire Hathaway Annual Report 1986, Scott Fetzer Annual Reports 1980–1984, and author's calculations.

**Table 5.9: Fechheimer, acquisition analysis**

<i>(\$ thousands)</i>	<u>1986</u>
Acquisition price	\$46,000
Percentage of company	84%
Implied valuation	54,762
Pre-tax earnings (June 3 - Dec. 31)	\$8,400
Annualized	14,400
Capital employed	\$26,704
Pre-tax return on capital	54%
Berkshire's purchase multiple	2.05x
Berkshire's going-in return, pre-tax	26%

Sources: Berkshire Hathaway Annual Report 1986 and author's calculations.

**Table 5.10: Insurance Group, select information**

(\$ millions)	1986		1985	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	<u>\$594.6</u>		<u>\$269.1</u>	
Premiums earned	463.1	100.0%	184.3	100.0%
Losses and loss expenses	347.5	75.0%	140.0	76.0%
Underwriting expenses	112.1	24.2%	52.5	28.5%
Total losses and expenses	<u>459.6</u>	99.2%	<u>192.5</u>	104.4%
Underwriting gain/(loss) - pre-tax	<u>3.5</u>		<u>(8.1)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	16.0	3.5%	0.1	0.0%
Statutory combined ratio		93.9%		95.5%
<b>Reinsurance Group</b>				
Premiums written	<u>\$398.4</u>		<u>\$178.5</u>	
Premiums earned	344.4	100.0%	82.9	100.0%
Losses and loss expenses	282.6	82.0%	85.7	103.4%
Underwriting expenses	111.2	32.3%	27.2	32.8%
Total losses and expenses	<u>393.7</u>	114.3%	<u>112.9</u>	136.2%
Underwriting gain/(loss) - pre-tax	<u>(49.4)</u>		<u>(30.0)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	21.0	6.1%	19.4	23.5%
Statutory combined ratio		110.0%		118.6%
<b>Structured settlements and portfolio reinsurance</b>				
Underwriting gain/(loss) - pre-tax	(10.0)		(6.1)	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<u>(\$55.8)</u>		<u>(\$44.2)</u>	
Insurance Group overall statutory combined ratio		101.8%		104.7%

Notes:

1. Totals may not add due to rounding.

2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.

Sources: Berkshire Hathaway Annual Report 1987 and author's calculations.

**Table 5.11: Berkshire Hathaway common stock portfolio, select detail**

<i>(\$ thousands)</i>	<u>1986</u>	<u>% of total</u>	<u>1985</u>	<u>% of total</u>
Affiliated Publications			\$55,710	4.6%
American Broadcasting Companies, Inc.			108,997	9.1%
Beatrice Companies, Inc.			108,142	9.0%
Capital Cities/ABC, Inc.	\$801,694	42.8%		
GEICO Corporation	674,725	36.0%	595,950	49.7%
Handy & Harmon	46,989	2.5%	43,718	3.6%
Lear Siegler, Inc.	44,587	2.4%		
Time, Inc.			52,669	4.4%
Washington Post Company-Class B	269,531	14.4%	205,172	17.1%
All others	36,507	1.9%	27,963	2.3%
Total common stocks	<u>\$1,874,033</u>	<u>100.0%</u>	<u>\$1,198,321</u>	<u>100.0%</u>
Reporting threshold	\$25,000		\$25,000	

Note: Totals may not add due to rounding.

Sources: Berkshire Hathaway Chairman letters 1985, 1986.

**Table 5.12: Insurance Group, select information**

(\$ millions)	1987		1986	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	\$412.7		\$594.6	
Premiums earned	441.6	100.0%	463.1	100.0%
Losses and loss expenses	338.6	76.7%	347.5	75.0%
Underwriting expenses	105.8	24.0%	112.1	24.2%
Total losses and expenses	444.4	100.6%	459.6	99.2%
Underwriting gain/(loss) - pre-tax	(2.7)		3.5	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	(9.4)	(2.1%)	16.0	3.5%
Statutory combined ratio		102.3%		93.9%
<b>Reinsurance Group</b>				
Premiums written	\$328.0		\$398.4	
Premiums earned	372.8	100.0%	344.4	100.0%
Losses and loss expenses	287.6	77.2%	282.6	82.0%
Underwriting expenses	112.9	30.3%	111.2	32.3%
Total losses and expenses	400.5	107.4%	393.7	114.3%
Underwriting gain/(loss) - pre-tax	(27.7)		(49.4)	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	4.5	1.2%	21.0	6.1%
Statutory combined ratio		111.6%		110.0%
<b>Structured settlements and portfolio reinsurance</b>				
Underwriting gain/(loss) - pre-tax	(25.0)		(10.0)	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b>(\$55.4)</b>		<b>(\$55.8)</b>	
Insurance Group overall statutory combined ratio		109.3%		101.8%

Notes:

1. Totals may not add due to rounding.

2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.

Sources: Berkshire Hathaway Annual Report 1987 and author's calculations.

**Table 5.13: Insurance Group, select information**

(\$ millions)	1988		1987	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	<u>\$218.8</u>		<u>\$412.7</u>	
Premiums earned	292.3	100.0%	441.6	100.0%
Losses and loss expenses	196.2	67.1%	338.6	76.7%
Underwriting expenses	78.7	26.9%	105.8	24.0%
Total losses and expenses	<u>274.8</u>	94.0%	<u>444.4</u>	100.6%
Underwriting gain/(loss) - pre-tax	<u>17.5</u>		<u>(2.7)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	(29.1)	(10.0%)	(9.4)	(2.1%)
Statutory combined ratio		103.1%		102.3%
<b>Reinsurance Group</b>				
Premiums written	<u>\$203.3</u>		<u>\$328.0</u>	
Premiums earned	229.3	100.0%	372.8	100.0%
Losses and loss expenses	170.5	74.3%	287.6	77.2%
Underwriting expenses	73.3	32.0%	112.9	30.3%
Total losses and expenses	<u>243.8</u>	106.3%	<u>400.5</u>	107.4%
Underwriting gain/(loss) - pre-tax	<u>(14.5)</u>		<u>(27.7)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	0.0	0.0%	4.5	1.2%
Statutory combined ratio		110.4%		111.6%
<b>Structured settlements and portfolio reinsurance</b>				
Underwriting gain/(loss) - pre-tax	(14.1)		(25.0)	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<u><b>(\$11.1)</b></u>		<u><b>(\$55.4)</b></u>	
Insurance Group overall statutory combined ratio		107.4%		109.3%

Notes:

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.

Sources: Berkshire Hathaway Annual Reports 1987, 1988; and author's calculations.

**Table 5.14: Berkshire Hathaway common stock portfolio, select detail**

<i>(\$ thousands)</i>	<u>1988</u>
Capital Cities/ABC, Inc.	\$1,086,750
The Coca-Cola Company	632,448
Federal Home Loan Mortgage Corp. <sup>1</sup>	121,200
GEICO Corporation	849,400
Washington Post Company - Class B	364,126
Reporting threshold	\$100,000
Footnote:	
1. Nominally a preferred stock, Buffett said it was financially equivalent to a common stock.	

Note: Buffett's Chairman's letter only included select investments and did not include a total. I have elected not to take data from the footnotes of the Annual Report since Buffett's classifications historically differed slightly from GAAP reporting.

Source: Berkshire Hathaway Chairman's letter 1988.

**Table 5.15: Coca Cola Company, key data and analysis**

	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>
Revenues ( <i>\$ millions</i> )	\$8,338	\$7,658	\$6,977	\$5,879	\$5,442
Revenues/average capital	\$1.43	\$1.33	\$1.46	\$1.42	\$1.45
EBIT margin	19%	17%	13%	14%	16%
Return on capital - pre-tax	27%	23%	19%	19%	23%
Return on equity	33%	28%	29%	25%	22%
Berkshire's purchase multiple	5.43x				
Berkshire's going-in return	6.1%				

Sources: The Coca-Cola Company Annual Report 1988 and author's calculations.

**Table 5.16: Insurance Group, select information**

(\$ millions)	1989		1988	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	\$169.7		\$218.8	
Premiums earned	188.9	100.0%	292.3	100.0%
Losses and loss expenses	125.9	66.6%	196.2	67.1%
Underwriting expenses	58.8	31.1%	78.7	26.9%
Total losses and expenses	184.7	97.8%	274.8	94.0%
Underwriting gain/(loss) - pre-tax	4.2		17.5	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	(20.0)	(10.6%)	(29.1)	(10.0%)
Statutory combined ratio		101.3%		103.1%
<b>Reinsurance Group</b>				
Premiums written	\$66.0		\$203.3	
Premiums earned	146.8	100.0%	229.3	100.0%
Losses and loss expenses	109.4	74.5%	170.5	74.3%
Underwriting expenses	48.6	33.1%	73.3	32.0%
Total losses and expenses	158.0	107.6%	243.8	106.3%
Underwriting gain/(loss) - pre-tax	(11.2)		(14.5)	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	0.2	0.1%	0.0	0.0%
Statutory combined ratio		148.2%		110.4%
<b>Structured settlements and portfolio reinsurance</b>				
Underwriting gain/(loss) - pre-tax	(17.4)		(14.1)	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b>(\$24.4)</b>		<b>(\$11.1)</b>	
Insurance Group overall statutory combined ratio		115.4%		107.4%

Notes:

1. Totals may not add due to rounding.

2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.

Sources: Berkshire Hathaway Annual Report 1988, 1990; and author's calculations.

**Table 5.17: Berkshire Hathaway common stock portfolio, select detail**

<i>(\$ thousands)</i>	<u>1989</u>
Capital Cities/ABC, Inc.	\$1,692,375
The Coca-Cola Company	1,803,787
Federal Home Loan Mortgage Corp. <sup>1</sup>	161,100
GEICO Corporation	1,044,625
Washington Post Company - Class B	486,366
Reporting threshold	\$100,000
Footnote:	
1. Nominally a preferred stock, Buffett said it was financially equivalent to a common stock.	

Source: Berkshire Hathaway Chairman's letter 1989.

**Table 5.18: Berkshire Hathaway implied valuation, 1989**

Bond face value	\$10,000
Issue price	44.314%
Cost	\$4,431
Conversion rate	0.4515
Implied value per share	\$9,814
BRK shares outstanding	1,146,000
Implied BRK market value	\$11,246,790,698
Berkshire shareholders' equity	\$4,925,126,000
Conversion price/book value	2.28x

Sources: Berkshire Hathaway Annual Report 1989 and author's calculations.

**Table 5.19: Selected financial data at five year intervals (reproduced from the 1989 Annual Report)**

<i>(\$ thousands, except per share amounts)</i>	1989	1984	1979	1974	1969	1964
<b>Revenues:</b>						
Sales and service revenues	\$1,526,459	\$496,971	\$286,493	\$32,592	\$40,427	\$49,983
Insurance premiums earned	394,279	140,242	181,949	60,574	25,258	0
Investment income, insurance group	250,723	69,281	24,747	7,916	2,017	0
Realized investment gain (loss)	223,810	114,136	10,769	(1,908)	5,722	0
Total revenues	2,483,892	861,388	560,381	100,384	73,424	49,983
<b>Earnings (loss):</b>						
Before realized investment gain	299,902	70,201	35,921	8,383	3,863	(2,824)
Realized investment gain (loss)	147,575	78,694	6,896	(1,340)	4,090	0
Net earnings (loss)	447,477	148,895	42,817	7,043	7,953	(2,824)
<b>Earnings (loss) per share:</b>						
Before realized investment gain (loss)	262.46	61.21	34.97	8.56	3.92	(2.41)
Realized investment gain (loss)	127.55	68.61	6.71	(1.37)	4.15	0.00
Net earnings (loss)	390.01	129.82	41.68	7.19	8.07	(2.41)
<b>Year-end data:</b>						
Total assets	9,459,594	2,297,516	1,433,863	216,214	95,746	27,887
Term debt and other borrowings	1,007,516	127,104	134,416	21,830	7,419	2,500
Shareholders' equity	4,925,126	1,271,761	344,962	88,199	43,918	22,139
Common shares outstanding	1,146	1,147	1,027	980	980	1,138
<i>(thousands)</i>						
Shareholders' equity per outstanding share	\$4,296.01	\$1,108.77	\$335.85	\$90.04	\$44.83	\$19.46

Source: Berkshire Hathaway Annual Report 1989.

**Table 5.20: Reconciliation of shareholders' equity, 1965–1989**

<i>(\$ millions)</i>	
1964 ending shareholders' equity	\$22
Net income - operations 1965–1989	1,493
Net income - realized gains 1965–1989	936
Unrealized appreciation of investments	2,341
Mergers/divestitures	133
Dividends/treasury stock	(4)
Other/misc.	4
1989 ending shareholders' equity	\$4,925

Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Table 5.21: Reconciliation of shareholders' equity, 1965–1989**

<i>(\$ millions)</i>	<u>1965–74</u>	<u>1975–84</u>	<u>1985–89</u>	<u>1965–89</u>
Beginning of period shareholders' equity	\$22	\$88	\$1,272	\$22
Net income - operations	57	366	1,070	1,493
Net income - realized gains	7	199	729	936
Unrealized appreciation of investments	0	486	1,855	2,341
Mergers/divestitures	0	133	0	133
Dividends/treasury stock	(3)	0	(1)	(4)
Other/misc.	4	0	0	4
End of period shareholders' equity	<u>\$88</u>	<u>\$1,272</u>	<u>\$4,925</u>	<u>\$4,925</u>
Change in equity during period	\$66	\$1,184	\$3,652	\$4,903

Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Table 5.22: Reconciliation of shareholders' equity, 1965–1989**

	<u>1965–74</u>	<u>1975–84</u>	<u>1985–89</u>	<u>1965–89</u>
Net income - operations	86%	31%	29%	30%
Net income - realized gains	11%	17%	20%	19%
Unrealized appreciation of investments	0%	41%	51%	48%
Mergers/divestitures	0%	11%	0%	3%
Dividends/treasury stock	(4%)	0%	(0%)	(0%)
Other/misc.	7%	0%	0%	0%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Table 5.23: Berkshire Hathaway change in book and market values**

	<u>1990</u>	<u>1989</u>
Change in book value	7.4%	44.4%
Change in market value	(23.1%)	84.6%
Difference (book-market)	30.5pts	(40.2pts)

Source: Berkshire Hathaway Annual Report 2018.

**Table 5.24: Berkshire Hathaway look-through earnings, 1990**

<i>(\$ millions)</i>	
Operating earnings retained by investees (BRK share)	\$250
Less: taxes owed if paid out as dividends	(30)
Net operating earnings attributable to BRK	220
Berkshire Hathaway after-tax operating earnings	371
Total look-through earnings	\$591

Source: Berkshire Hathaway Annual Report 1990.

**Table 5.25: Insurance Group, select information**

(\$ millions)	1990		1989	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	<u>\$139.1</u>		<u>\$169.7</u>	
Premiums earned	154.0	100.0%	188.9	100.0%
Losses and loss expenses	102.0	66.2%	125.9	66.6%
Underwriting expenses	51.5	33.4%	58.8	31.1%
Total losses and expenses	<u>153.5</u>	<u>99.7%</u>	<u>184.7</u>	<u>97.8%</u>
Underwriting gain/(loss) - pre-tax	<u>0.5</u>		<u>4.2</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>(18.3)</i>	<i>(11.9%)</i>	<i>(20.0)</i>	<i>(10.6%)</i>
Statutory combined ratio		103.3%		101.3%
<b>Reinsurance Group</b>				
Premiums written	<u>\$435.2</u>		<u>\$66.0</u>	
Premiums earned	437.5	100.0%	146.8	100.0%
Losses and loss expenses	432.2	98.8%	109.4	74.5%
Underwriting expenses	32.5	7.4%	48.6	33.1%
Total losses and expenses	<u>464.7</u>	<u>106.2%</u>	<u>158.0</u>	<u>107.6%</u>
Underwriting gain/(loss) - pre-tax	<u>(27.2)</u>		<u>(11.2)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>0.0</i>	<i>0.0%</i>	<i>0.2</i>	<i>0.1%</i>
Statutory combined ratio		106.3%		148.2%
<b>Structured settlements and portfolio reinsurance</b>				
Underwriting gain/(loss) - pre-tax <sup>1</sup>	NR		(17.4)	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b><u>(\$26.7)</u></b>		<b><u>(\$24.4)</u></b>	
Insurance Group overall statutory combined ratio		104.9%		115.4%
Footnote:				
1. In 1990, Berkshire began including structured settlements and portfolio reinsurance with reinsurance.				

Notes:

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.

Sources: Berkshire Hathaway Annual Reports 1990, 1992; and author's calculations.

**Table 5.26: Berkshire Hathaway Insurance Group  
Float and cost of float compared to U.S. Government Bonds**

	Underwriting Loss (\$ mil.)	Average float (\$ mil.)	Approximate cost of Funds	Yearend Yield on Long- Term Gov't Bonds
1967	profit	\$17.3	less than zero	5.5%
1968	profit	19.9	less than zero	5.9%
1969	profit	23.4	less than zero	6.8%
1970	\$0.37	32.4	1.14%	6.3%
1971	profit	52.5	less than zero	5.8%
1972	profit	69.5	less than zero	5.8%
1973	profit	73.3	less than zero	7.3%
1974	7.36	79.1	9.30%	8.1%
1975	11.35	87.6	12.96%	8.0%
1976	profit	102.6	less than zero	7.3%
1977	profit	139.0	less than zero	8.0%
1978	profit	190.4	less than zero	8.9%
1979	profit	227.3	less than zero	10.1%
1980	profit	237.0	less than zero	11.9%
1981	profit	228.4	less than zero	13.6%
1982	21.56	220.6	9.77%	10.6%
1983	33.87	231.3	14.64%	11.8%
1984	48.06	253.2	18.98%	11.6%
1985	44.23	390.2	11.34%	9.3%
1986	55.84	797.5	7.00%	7.6%
1987	55.43	1,266.7	4.38%	9.0%
1988	11.08	1,497.7	0.74%	9.0%
1989	24.40	1,541.3	1.58%	8.0%
1990	26.65	1,637.3	1.63%	8.2%

Source: Berkshire Hathaway Annual Report 1990.

**Table 5.27: Berkshire Hathaway look-through earnings, 1990–1991  
(reproduced from the 1991 Chairman’s letter)**

<u>Berkshire’s major investees</u>	Berkshire’s ownership of company at year end		Berkshire’s share of undistributed operating earnings <i>(\$ millions)</i>	
	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. <sup>1</sup>	3.4%	3.0%	15	10
The Gillette Company <sup>2</sup>	11.0%	0.0%	23	0
GEICO Corp.	48.2%	46.1%	69	76
The Washington Post Company	14.6%	14.6%	10	18
Wells Fargo & Company <sup>3</sup>	9.6%	9.7%	(17)	19
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			<u>\$516</u>	<u>\$602</u>
Footnotes:				
1. Net of minority interest at Wesco.				
2. Earnings for the nine months after Berkshire converted its preferred stock on April 1.				
3. Earnings calculated on average ownership for the year.				

Note: Amounts are after tax.

Source: Berkshire Hathaway Annual Report 1991.

**Table 5.28: Insurance Group, select information**

(\$ millions)	1991		1990	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	\$135.5		\$139.1	
Premiums earned	141.0	100.0%	154.0	100.0%
Losses and loss expenses	95.2	67.5%	102.0	66.2%
Underwriting expenses	48.3	34.3%	51.5	33.4%
Total losses and expenses	143.5	101.8%	153.5	99.7%
Underwriting gain/(loss) - pre-tax	(2.5)		0.5	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	(23.8)	(16.9%)	(18.3)	(11.9%)
Statutory combined ratio		103.2%		103.3%
<b>Reinsurance Group</b>				
Premiums written	\$667.0		\$435.2	
Premiums earned	635.4	100.0%	437.5	100.0%
Losses and loss expenses	731.9	115.2%	432.2	98.8%
Underwriting expenses	20.6	3.2%	32.5	7.4%
Total losses and expenses	752.5	118.4%	464.7	106.2%
Underwriting gain/(loss) - pre-tax	(117.1)		(27.2)	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	(30.0)	(4.7%)	0.0	0.0%
Statutory combined ratio		118.3%		106.3%
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b>(\$119.6)</b>		<b>(\$26.7)</b>	
Insurance Group overall statutory combined ratio		115.1%		104.9%

Notes:

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.
3. In 1990, Berkshire began including structured settlements and portfolio reinsurance with reinsurance.

Sources: Berkshire Hathaway Annual Report 1992 and author's calculations.

**Table 5.29: See's Candy, select data**

<i>(\$ millions)</i>	<u>1991</u>	<u>1972</u>	<u>Change</u>
Revenues	\$196.0	\$29.0	6.8x
Pre-tax earnings	42.4	4.2	10.1x
Tangible capital	25.0	8.0	3.1x
Incremental earnings	\$38.2		
Incremental capital	17.0		
Incremental return on capital	225%		
Revenues/capital	\$7.84	\$3.63	
Return on capital, pre-tax	170%	53%	

Source: Berkshire Hathaway Annual Report 1991.

**Table 5.30: Berkshire Hathaway implied valuation**

Issue price	\$11,719
BRK shares outstanding	1,152,547
Implied market value ( <i>\$ millions</i> )	13,507
1991 average book value ( <i>\$ millions</i> )	8,138
Price/book value	1.66x
Estimated owner earnings ( <i>\$ millions</i> )	604
Earnings yield	4.5%

Sources: Berkshire Hathaway Annual Report 1992 and author's calculations.

**Table 5.31: Insurance Group, select information**

(\$ millions)	1992		1991	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	\$132.4		\$135.5	
Premiums earned	152.8	100.0%	141.0	100.0%
Losses and loss expenses	98.0	64.1%	95.2	67.5%
Underwriting expenses	46.8	30.6%	48.3	34.3%
Total losses and expenses	144.8	94.8%	143.5	101.8%
Underwriting gain/(loss) - pre-tax	8.0		(2.5)	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>(36.4)</i>	<i>(23.8%)</i>	<i>(23.8)</i>	<i>(16.9%)</i>
Statutory combined ratio		99.5%		103.2%
<b>Reinsurance Group</b>				
Premiums written	\$607.2		\$667.0	
Premiums earned	511.5	100.0%	635.4	100.0%
Losses and loss expenses	589.7	115.3%	731.9	115.2%
Underwriting expenses	38.8	7.6%	20.6	3.2%
Total losses and expenses	628.5	122.9%	752.5	118.4%
Underwriting gain/(loss) - pre-tax	(117.0)		(117.1)	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>0.0</i>	<i>0.0%</i>	<i>(30.0)</i>	<i>(4.7%)</i>
Statutory combined ratio		121.7%		118.3%
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b>(\$109.0)</b>		<b>(\$119.6)</b>	
Insurance Group overall statutory combined ratio		115.1%		115.1%

Notes:

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.
3. In 1990, Berkshire began including structured settlements and portfolio reinsurance with reinsurance.

Sources: Berkshire Hathaway Annual Report 1992 and author's calculations.

**Table 5.32: Insurance Group, select information**

(\$ millions)	1993		1992	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	<u>\$208.4</u>		<u>\$132.4</u>	
Premiums earned	208.3	100.0%	152.8	100.0%
Losses and loss expenses	99.8	47.9%	98.0	64.1%
Underwriting expenses	95.8	46.0%	46.8	30.6%
Total losses and expenses	<u>195.6</u>	93.9%	<u>144.8</u>	94.8%
Underwriting gain/(loss) - pre-tax	<u>12.7</u>		<u>8.0</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>(41.7)</i>	<i>(20.0%)</i>	<i>(36.4)</i>	<i>(23.8%)</i>
Statutory combined ratio		93.9%		99.5%
<b>Reinsurance Group</b>				
Premiums written	<u>\$528.7</u>		<u>\$607.2</u>	
Premiums earned	442.4	100.0%	511.5	100.0%
Losses and loss expenses	350.9	79.3%	589.7	115.3%
Underwriting expenses	74.2	16.8%	38.8	7.6%
Total losses and expenses	<u>425.1</u>	96.1%	<u>628.5</u>	122.9%
Underwriting gain/(loss) - pre-tax	<u>17.3</u>		<u>(117.0)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>0.0</i>	<i>0.0%</i>	<i>0.0</i>	<i>0.0%</i>
Statutory combined ratio		93.4%		121.7%
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b><u>\$30.0</u></b>		<b><u>(\$109.0)</u></b>	
Insurance Group overall statutory combined ratio		92.2%		115.1%

Notes:

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.
3. In 1990, Berkshire began including structured settlements and portfolio reinsurance with reinsurance.

Sources: Berkshire Hathaway Annual Reports 1992, 1994; and author's calculations.

**Table 5.33: Berkshire Hathaway equity portfolio, 1993**

<i>(\$ millions)</i>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain/(Loss)</u>
Capital Cities/ABC, Inc.	\$345	\$1,239	\$894
The Coca-Cola Company	1,024	4,168	3,144
Freddie Mac	308	681	374
GEICO Corp.	46	1,760	1,714
General Dynamics Corp.	95	401	306
The Gillette Company	600	1,431	831
Guinness PLC	333	271	(62)
The Washington Post Company	10	440	430
Wells Fargo & Company	424	879	455
Other	1,134	1,271	136
Total	<u>\$4,318</u>	<u>\$12,540</u>	<u>\$8,222</u>

Sources: Berkshire Hathaway Annual Report 1993 and author's calculations.

**Table 5.34: Insurance Group, select information**

(\$ millions)	1994		1993	
	Amount	%	Amount	%
<b>Primary Group</b>				
Premiums written	<u>\$225.7</u>		<u>\$208.4</u>	
Premiums earned	234.8	100.0%	208.3	100.0%
Losses and loss expenses	88.4	37.6%	99.8	47.9%
Underwriting expenses	98.1	41.8%	95.8	46.0%
Total losses and expenses	<u>186.5</u>	79.4%	<u>195.6</u>	93.9%
Underwriting gain/(loss) - pre-tax	<u>48.3</u>		<u>12.7</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>(53.9)</i>	<i>(23.0%)</i>	<i>(41.7)</i>	<i>(20.0%)</i>
Statutory combined ratio		81.1%		93.9%
<b>Reinsurance Group</b>				
Premiums written	<u>\$689.8</u>		<u>\$528.7</u>	
Premiums earned	688.4	100.0%	442.4	100.0%
Losses and loss expenses	476.9	69.3%	350.9	79.3%
Underwriting expenses	130.8	19.0%	74.2	16.8%
Total losses and expenses	<u>607.7</u>	88.3%	<u>425.1</u>	96.1%
Underwriting gain/(loss) - pre-tax	<u>80.7</u>		<u>17.3</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>37.0</i>	<i>14.1%</i>	<i>0.0</i>	<i>0.0%</i>
Statutory combined ratio		88.2%		93.4%
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b><u>\$129.0</u></b>		<b><u>\$30.0</u></b>	
Insurance Group overall statutory combined ratio		86.1%		92.2%

Notes:

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.
3. In 1990, Berkshire began including structured settlements and portfolio reinsurance with reinsurance.

Sources: Berkshire Hathaway Annual Report 1994 and author's calculations.

**Table 5.35: Berkshire Hathaway common stock portfolio, select data**

<i>(\$ millions)</i>	<u>1994</u>
American Express Company	\$819
Capital Cities/ABC, Inc.	1,705
The Coca-Cola Company	5,150
Federal Home Loan Mortgage Corp.	644
Gannett Co., Inc.	365
GEICO Corporation	1,678
The Gillette Company	1,797
PNC Bank Corporation	411
Washington Post Company	419
Wells Fargo & Company	985

Notes:

1. Buffett's Chairman's letter only included select investments and did not include a total. I elected not to take data from the footnotes of the Annual Report since Buffett's classifications historically differed slightly from GAAP reporting.

2. The reporting threshold was \$300 million of market value.

Source: Berkshire Hathaway Chairman's letter 1994.

**Table 5.36: Scott Fetzer, book value and carrying value**

<i>(\$ millions)</i>	<u>Scott Fetzer</u>	<u>Berkshire's</u>
	<u>Book Value</u>	<u>Carrying Value</u>
Beginning book value, 1986	\$172.6	\$172.6
Purchase premium over beginning book value		142.6
Berkshire's purchase price, 1986		315.2
Cumulative earnings, 1986–94	555.4	555.4
Cumulative dividends, 1986–94	(634.0)	(634.0)
Ending book value, 1994	94.0	94.0
Cumulative purchase-premium charges (1986–94)		(88.4)
Ending carrying value, 1994		\$148.2

Source: Berkshire Hathaway Annual Report 1994.

**Table 5.37: Berkshire Hathaway look-through earnings and valuation, 1990–1994**

<i>(\$ millions)</i>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Berkshire's share of undistributed earnings of major investees	492	422	298	230	266
Hypothetical tax on these undistributed investee earnings	(68)	(59)	(42)	(30)	(35)
Reported operating earnings of Berkshire	606	478	348	316	371
Total look-through earnings of Berkshire	<u>\$1,030</u>	<u>\$841</u>	<u>\$604</u>	<u>\$516</u>	<u>\$602</u>
Market value of Berkshire at year-end	\$24,031	\$19,231	\$13,501	\$10,371	\$7,650
Price/book value at year-end	2.02x	1.84x	1.52x	1.41x	1.45x
Change in book value	14%	17%	21%	40%	
Change in market value	25%	42%	30%	36%	

Notes:

1. Earnings are after tax.
2. Earnings for major investees are calculated based on average ownership for the year.

Sources: Berkshire Hathaway Annual Reports 1991, 1993, 1994; and author's calculations.

**Table 5.38: Reconciliation of shareholders' equity, 1965–1994**

<i>(\$ millions)</i>	<u>1965–74</u>	<u>1975–84</u>	<u>1985–94</u>	<u>1965–94</u>
Beginning of period shareholders' equity	\$22	\$88	\$1,272	\$22
Net income - operations	57	366	2,869	3,292
Net income - realized gains	7	199	1,354	1,561
Unrealized appreciation of investments	0	486	5,877	6,363
Mergers/divestitures	0	133	433	566
Dividends/treasury stock	(3)	0	69	66
Other/misc.	4	0	0	4
End of period shareholders' equity	<u>\$88</u>	<u>\$1,272</u>	<u>\$11,875</u>	<u>\$11,875</u>
Change in equity during period	\$66	\$1,184	\$10,602	\$11,852

Note: Figures may not add due to rounding.

Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Table 5.39: Contribution toward change in equity during period**

	<u>1965–74</u>	<u>1975–84</u>	<u>1985–94</u>	<u>1965–94</u>
Net income - operations	86%	31%	27%	28%
Net income - realized gains	11%	17%	13%	13%
Unrealized appreciation of investments	0%	41%	55%	54%
Mergers/divestitures	0%	11%	4%	5%
Dividends/treasury stock	(4%)	0%	1%	1%
Other/misc.	7%	0%	0%	0%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Note: Figures may not add due to rounding.

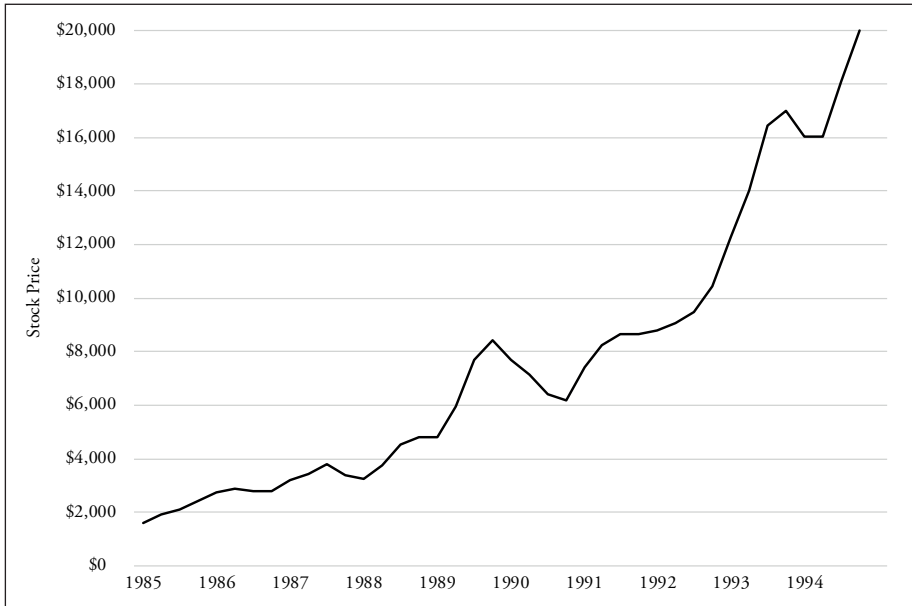
Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Table 5.40: Berkshire Hathaway Insurance Group  
Float and cost of float compared to U.S. Government Bonds**

	Underwriting Loss (\$ millions)	Average float (\$ millions)	Approximate cost of Funds	Yearend Yield on Long- Term Gov't Bonds
1967	profit	\$17.3	less than zero	5.5%
1968	profit	19.9	less than zero	5.9%
1969	profit	23.4	less than zero	6.8%
1970	\$0.37	32.4	1.1%	6.3%
1971	profit	52.5	less than zero	5.8%
1972	profit	69.5	less than zero	5.8%
1973	profit	73.3	less than zero	7.3%
1974	7.36	79.1	9.3%	8.1%
1975	11.35	87.6	13.0%	8.0%
1976	profit	102.6	less than zero	7.3%
1977	profit	139.0	less than zero	8.0%
1978	profit	190.4	less than zero	8.9%
1979	profit	227.3	less than zero	10.1%
1980	profit	237.0	less than zero	11.9%
1981	profit	228.4	less than zero	13.6%
1982	21.56	220.6	9.8%	10.6%
1983	33.87	231.3	14.6%	11.8%
1984	48.06	253.2	19.0%	11.6%
1985	44.23	390.2	11.3%	9.3%
1986	55.84	797.5	7.0%	7.6%
1987	55.43	1,266.7	4.4%	9.0%
1988	11.08	1,497.7	0.7%	9.0%
1989	24.40	1,541.3	1.6%	8.0%
1990	26.65	1,637.3	1.6%	8.2%
1991	119.59	1,895.0	6.3%	7.4%
1992	108.96	2,290.4	4.8%	7.4%
1993	profit	2,624.7	less than zero	6.4%
1994	profit	3,056.6	less than zero	7.9%

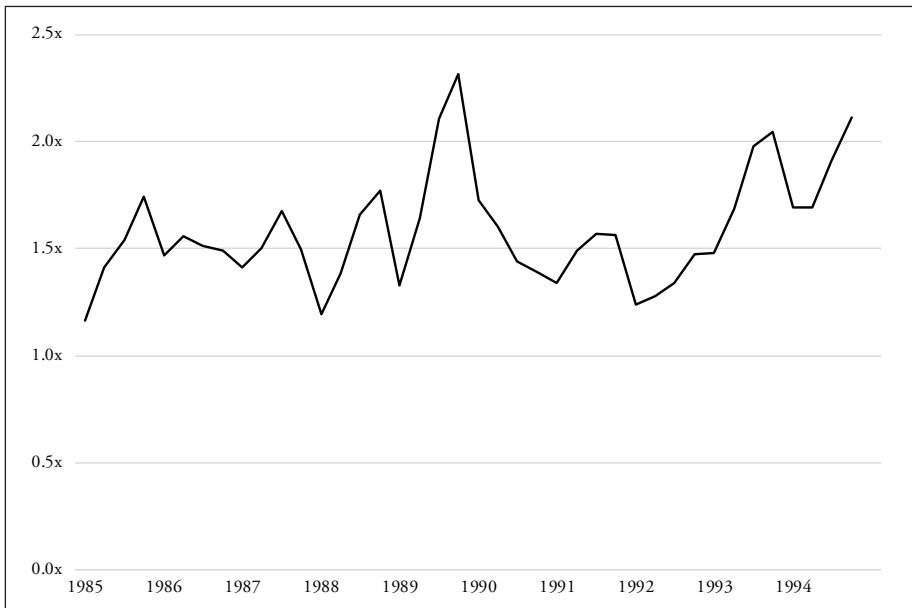
Source: Berkshire Hathaway Annual Report 1994.

**Figure 5.1: Berkshire Hathaway stock price, 1985–1994**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 1985–1994, and author's calculations.

**Figure 5.2: Berkshire Hathaway price to book ratio, 1985–1994**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 1985–1994, and author's calculations.

**Table 5.41: Berkshire Hathaway, select parent-level financial information**

<i>(\$ thousands, except per share data)</i>	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
<i>Revenues:</i>										
Sales and service revenues	\$2,351,918	\$1,962,862	\$1,774,436	\$1,651,134	\$1,580,074	\$1,526,459	\$1,407,642	\$1,326,829	\$1,219,252	\$504,872
Insurance premiums earned	923,180	650,726	664,293	776,413	591,540	394,279	584,235	824,895	823,884	317,059
Interest and dividend income	426,094	354,028	364,895	347,293	317,095	331,452	314,251	237,319	181,992	144,722
Income from investment in Salomon, Inc	30,058	63,000	63,000	63,000	63,000	0	0	0	0	0
Income from finance businesses	24,885	22,226	20,696	19,475	13,498	0	0	0	0	0
Sundry						7,892	27,094	13,901	6,316	1,930
Realized investment gain	91,332	546,422	89,937	192,478	33,989	223,810	131,671	28,838	220,764	495,055
Total revenues	<u>\$3,847,467</u>	<u>\$3,599,264</u>	<u>\$2,977,257</u>	<u>\$3,049,793</u>	<u>\$2,599,196</u>	<u>\$2,483,892</u>	<u>\$2,464,893</u>	<u>\$2,431,782</u>	<u>\$2,452,208</u>	<u>\$1,463,638</u>
<i>Earnings:</i>										
Before realized investment gain and cumulative effect of accounting change <sup>1</sup>	\$433,659	\$402,403	\$347,726	\$315,753	\$370,745	\$299,902	\$313,441	\$214,746	\$131,464	\$92,948
Realized investment gain	61,139	356,702	59,559	124,155	23,348	147,575	85,829	19,806	150,897	342,867
Cumulative effect of change in accounting for income taxes	0	(70,984)	0	0	0	0	0	0	0	0
Net earnings	<u>\$494,798</u>	<u>\$688,121</u>	<u>\$407,285</u>	<u>\$439,908</u>	<u>\$394,093</u>	<u>\$447,477</u>	<u>\$399,270</u>	<u>\$234,552</u>	<u>\$282,361</u>	<u>\$435,815</u>
<i>Year-end data:</i>										
Total assets	\$21,338,182	\$19,520,469	\$17,131,998	\$14,461,902	\$10,670,423	\$9,459,594	\$6,816,848	\$5,863,235	\$4,931,354	\$3,480,789
Borrowings under investment agreements and other debt <sup>2</sup>	810,719	972,389	1,154,697	1,100,464	1,082,265	1,007,516	480,009	289,886	260,170	117,879
Shareholders' equity	11,874,882	10,428,374	8,896,331	7,379,918	5,287,454	4,925,126	3,410,108	2,841,659	2,377,797	1,885,330
Common shares outstanding (000's)	1,178	1,178	1,149	1,146	1,146	1,146	1,146	1,147	1,147	1,147
Shareholders' equity per outstanding share	10,083	8,854	7,745	6,437	4,612	4,296	2,975	2,477	2,073	1,644
Footnotes:										
1. 1994: Includes \$172,579 USAir write-down (\$146.52/sh). 1993: Includes \$75,348 charge due to the change in federal income tax rate.										
2. Excludes borrowings of finance businesses.										

Note: Data taken from 1994 (1990–1994) and 1989 (1985–1989) Annual Reports to maintain consistency with the reporting for each five-year period. Slight differences exist for any particular year depending on the report year.

Sources: Berkshire Hathaway Annual Reports 1989, 1994.

**Table 5.42: Berkshire Hathaway consolidated reconciliation of shareholders' equity, 1985–1994**

(\$ thousands)	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Prior Year Equity	\$10,428,374	\$8,896,331	\$7,379,918	\$5,287,454	\$4,925,126	\$3,410,108	\$2,841,659	\$2,377,797	\$1,885,330	\$1,271,761
Current Year Net Income / (Loss)	494,798	688,121	407,285	439,908	394,093	447,477	399,270	234,552	282,361	435,815
Change in Common <sup>1</sup>		20	11							
Change in Paid In Capital <sup>2</sup>		473,810	24,887							
Treasury Stock <sup>3</sup>		4,659				0	(1,355)			
Cumulative effect of adoption on 12/31/93 of SFAS 115		171,775								
Change in unrealized appreciation of securities, net of tax	951,710	193,658	1,084,230	1,652,556	(31,765)	1,067,541	170,534	229,310	210,106	177,754
Ending Equity	\$11,874,882	\$10,428,374	\$8,896,331	\$7,379,918	\$5,287,454	\$4,925,126	\$3,410,108	\$2,841,659	\$2,377,797	\$1,885,330

Footnotes:

- 1992: 2,162 shares issued upon conversion of Zero Coupon Convertible Subordinated Notes.  
1993: 3,944 shares issued in conversion of Zero Coupon notes.
- 1992: \$24,887 from conversion of Zero Coupon notes.  
1993: \$45,457 from conversion of Zero Coupon notes; \$428,353 in connection with 25,203 shares issued for Dexter Shoe acquisition.
- 1988: Value of Berkshire stock received in connection with termination of pension plans.  
1993: Issued from Treasury in connection with Dexter Shoe acquisition.

Sources: Berkshire Hathaway Annual Reports 1985–1994.

**Table 5.43: Insurance Group, select information**

(\$ millions)	1994		1993		1992		1991		1990	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Primary Group</b>										
Premiums written	<u>\$225.7</u>		<u>\$208.4</u>		<u>\$132.4</u>		<u>\$135.5</u>		<u>\$139.1</u>	
Premiums earned	234.8	100.0%	208.3	100.0%	152.8	100.0%	141.0	100.0%	154.0	100.0%
Losses and loss expenses	88.4	37.6%	99.8	47.9%	98.0	64.1%	95.2	67.5%	102.0	66.2%
Underwriting expenses	98.1	41.8%	95.8	46.0%	46.8	30.6%	48.3	34.3%	51.5	33.4%
Total losses and expenses	<u>186.5</u>	<u>79.4%</u>	<u>195.6</u>	<u>93.9%</u>	<u>144.8</u>	<u>94.8%</u>	<u>143.5</u>	<u>101.8%</u>	<u>153.5</u>	<u>99.7%</u>
Underwriting gain/(loss) - pre-tax	<u>48.3</u>		<u>12.7</u>		<u>8.0</u>		<u>(2.5)</u>		<u>0.5</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>(53.9)</i>	<i>(23.0%)</i>	<i>(41.7)</i>	<i>(20.0%)</i>	<i>(36.4)</i>	<i>(23.8%)</i>	<i>(23.8)</i>	<i>(16.9%)</i>	<i>(18.3)</i>	<i>(11.9%)</i>
Statutory combined ratio		81.1%		93.9%		99.5%		103.2%		103.3%
<b>Reinsurance Group</b>										
Premiums written	<u>\$689.8</u>		<u>\$528.7</u>		<u>\$607.2</u>		<u>\$667.0</u>		<u>\$435.2</u>	
Premiums earned	688.4	100.0%	442.4	100.0%	511.5	100.0%	635.4	100.0%	437.5	100.0%
Losses and loss expenses	476.9	69.3%	350.9	79.3%	589.7	115.3%	731.9	115.2%	432.2	98.8%
Underwriting expenses	130.8	19.0%	74.2	16.8%	38.8	7.6%	20.6	3.2%	32.5	7.4%
Total losses and expenses	<u>607.7</u>	<u>88.3%</u>	<u>425.1</u>	<u>96.1%</u>	<u>628.5</u>	<u>122.9%</u>	<u>752.5</u>	<u>118.4%</u>	<u>464.7</u>	<u>106.2%</u>
Underwriting gain/(loss) - pre-tax	<u>80.7</u>		<u>17.3</u>		<u>(117.0)</u>		<u>(117.1)</u>		<u>(27.2)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>37.0</i>	<i>14.1%</i>	<i>0.0</i>	<i>0.0%</i>	<i>0.0</i>	<i>0.0%</i>	<i>(30.0)</i>	<i>(4.7%)</i>	<i>0.0</i>	<i>0.0%</i>
Statutory combined ratio		88.2%		93.4%		121.7%		118.3%		106.3%
<b>Structured settlements and portfolio reinsurance</b>										
Underwriting gain/(loss) - pre-tax	<i>In above</i>		<i>In above</i>		<i>In above</i>		<i>In above</i>		<i>In above</i>	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<u>\$129.0</u>		<u>\$30.0</u>		<u>(\$109.0)</u>		<u>(\$119.6)</u>		<u>(\$26.7)</u>	
Insurance Group overall statutory combined ratio		86.1%		92.2%		115.1%		115.1%		104.9%

1. Totals may not add due to rounding.
2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.
3. In 1990, Berkshire began including structured settlements and portfolio reinsurance with reinsurance.

Sources: Berkshire Hathaway Annual Reports 1985–1994 and author's calculations.

**Table 5.44: Insurance Group, select information**

(\$ millions)	1989		1988		1987		1986		1985		1984	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Primary Group</b>												
Premiums written	<u>\$169.7</u>		<u>\$218.8</u>		<u>\$412.7</u>		<u>\$594.6</u>		<u>\$269.1</u>		<u>\$118.1</u>	
Premiums earned	188.9	100.0%	292.3	100.0%	441.6	100.0%	463.1	100.0%	184.3	100.0%	119.3	100.0%
Losses and loss expenses	125.9	66.6%	196.2	67.1%	338.6	76.7%	347.5	75.0%	140.0	76.0%	110.5	92.6%
Underwriting expenses	58.8	31.1%	78.7	26.9%	105.8	24.0%	112.1	24.2%	52.5	28.5%	41.6	34.9%
Total losses and expenses	<u>184.7</u>	97.8%	<u>274.8</u>	94.0%	<u>444.4</u>	100.6%	<u>459.6</u>	99.2%	<u>192.5</u>	104.4%	<u>152.1</u>	127.5%
Underwriting gain/(loss) - pre-tax	<u>4.2</u>		<u>17.5</u>		<u>(2.7)</u>		<u>3.5</u>		<u>(8.1)</u>		<u>(32.9)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>(20.0)</i>	<i>(10.6%)</i>	<i>(29.1)</i>	<i>(10.0%)</i>	<i>(9.4)</i>	<i>(2.1%)</i>	<i>16.0</i>	<i>3.5%</i>	<i>0.1</i>	<i>0.0%</i>	<i>8.1</i>	<i>6.8%</i>
Statutory combined ratio		101.3%		103.1%		102.3%		93.9%		95.5%		127.9%
<b>Reinsurance Group</b>												
Premiums written	<u>\$66.0</u>		<u>\$203.3</u>		<u>\$328.0</u>		<u>\$398.4</u>		<u>\$178.5</u>		<u>\$10.5</u>	
Premiums earned	146.8	100.0%	229.3	100.0%	372.8	100.0%	344.4	100.0%	82.9	100.0%	16.1	100.0%
Losses and loss expenses	109.4	74.5%	170.5	74.3%	287.6	77.2%	282.6	82.0%	85.7	103.4%	23.7	147.6%
Underwriting expenses	48.6	33.1%	73.3	32.0%	112.9	30.3%	111.2	32.3%	27.2	32.8%	4.9	30.5%
Total losses and expenses	<u>158.0</u>	107.6%	<u>243.8</u>	106.3%	<u>400.5</u>	107.4%	<u>393.7</u>	114.3%	<u>112.9</u>	136.2%	<u>28.6</u>	178.2%
Underwriting gain/(loss) - pre-tax	<u>(11.2)</u>		<u>(14.5)</u>		<u>(27.7)</u>		<u>(49.4)</u>		<u>(30.0)</u>		<u>(12.6)</u>	
<i>Unfavorable (favorable) loss development included in losses and loss expenses</i>	<i>0.2</i>	<i>0.1%</i>	<i>0.0</i>	<i>0.0%</i>	<i>4.5</i>	<i>1.2%</i>	<i>21.0</i>	<i>6.1%</i>	<i>19.4</i>	<i>23.5%</i>	<i>9.7</i>	<i>60.2%</i>
Statutory combined ratio		148.2%		110.4%		111.6%		110.0%		118.6%		194.2%
<b>Structured settlements and portfolio reinsurance</b>												
Underwriting gain/(loss) - pre-tax	(17.4)		(14.1)		(25.0)		(10.0)		(6.1)		(2.6)	
<b>Total Insurance Group underwriting gain/(loss) pre-tax</b>	<b><u>(\$24.4)</u></b>		<b><u>(\$11.1)</u></b>		<b><u>(\$55.4)</u></b>		<b><u>(\$55.8)</u></b>		<b><u>(\$44.2)</u></b>		<b><u>(\$48.1)</u></b>	
Insurance Group overall statutory combined ratio		115.4%		107.4%		109.3%		101.8%		104.7%		135.9%

1. Totals may not add due to rounding.

2. The loss and expense ratios are shown as they were reported in the Annual Reports, which is on a GAAP basis. The GAAP basis ratios are calculated with underwriting expenses divided by earned premiums. This contrasts to the statutory basis calculation, where the ratio uses written premiums. In both the GAAP and statutory calculations, losses and loss adjustment expenses are divided by earned premiums.

3. In 1990, Berkshire began including structured settlements and portfolio reinsurance with reinsurance.

Sources: Berkshire Hathaway Annual Reports 1985–1994 and author's calculations.

**Table 5.45: Insurance Group, income statements, 1986–1994**

	1994	1993	1992	1991	1990	1989	1988	1987	1986
<i>(\$ millions)</i>									
Premiums written	\$915.5	\$737.1	\$739.6	\$802.5	\$574.3	\$296.1	\$484.7	\$751.3	\$1,009.4
Premiums earned	\$923.2	\$650.7	\$664.3	\$776.4	\$591.5	\$394.3	\$584.2	\$824.9	\$823.9
Losses and loss expenses	564.3	450.7	687.6	827.2	534.2	309.4	437.7	661.1	655.8
Underwriting expenses	229.0	169.1	85.7	68.8	83.9	109.3	157.6	219.2	224.0
Total losses and expenses	793.3	619.8	773.3	896.0	618.1	418.7	595.3	880.3	879.7
Underwriting gain (loss) pre-tax	129.9	30.9	(109.0)	(119.6)	(26.6)	(24.4)	(11.1)	(55.4)	(55.8)
Net investment income	419.4	375.4	355.1	331.8	327.0	243.9	231.2	152.5	107.1
Realized investment gain	92.0	555.9	52.6	110.8	15.8	220.6	127.9	26.3	147.5
Other than temporary decline in value of investment in USAir Group, Inc. Preferred Stock	(261.0)								
Earnings before income taxes	380.3	962.2	298.7	323.0	316.2	440.1	348.0	123.4	198.8
Income tax expense (benefit)	51.7	254.4	25.4	38.4	34.1	88.9	63.7	(13.2)	(16.6)
	328.6	707.8	273.3	284.6	282.1	351.2	284.3	136.6	215.4
Minority interest	4.3	4.1	2.6	2.8	3.0	4.0	3.6	1.9	1.3
Net earnings	\$324.3	\$703.7	\$270.7	\$281.8	\$279.1	\$347.2	\$280.7	\$134.7	\$214.1
Net investment income detail:									
Dividends	\$362.4	\$306.7	\$287.5	\$244.7	\$244.7	\$149.9	\$86.0	\$31.2	\$16.8
Interest	92.2	77.9	74.0	98.7	91.2	100.8	145.9	121.8	90.0
Equity in net loss of Salomon, Inc.	(31.7)								
Investment expenses	(3.5)	(9.2)	(6.4)	(11.6)	(8.9)	(6.8)	(0.7)	(0.5)	0.4
Total net investment income	\$419.4	\$375.4	\$355.1	\$331.8	\$327.0	\$243.9	\$231.2	\$152.5	\$107.1

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.46: Insurance Group, balance sheets, 1987–1994**

<i>(\$ millions)</i>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>
<i>Assets</i>								
<i>Investments:</i>								
<i>Fixed maturities<sup>1</sup></i>								
Wash. Pub. Power Supply System			\$58.8	\$158.6	\$188.9	\$194.0	\$247.0	\$235.7
RJR Nabisco				98.9	187.7	136.5		
Other			479.2	367.0	377.4	409.4	802.9	1,004.8
Bonds	\$1,099.0	\$715.9						
<i>Preferred Stocks:</i>								
Champion International			279.0	279.0	279.0	279.0		
Salomon Inc.			650.0	650.0	637.0	624.0	624.0	624.0
USAir			348.0	348.0	348.0	348.0		
Gillette						600.0		
Other			10.6	0.5	0.7	0.7	10.5	15.7
Preferred stocks	410.4	650.9						
<i>Equity securities at market:</i>								
Capital Cities/ABC, Inc.	1,662.4	1,208.0	1,497.9	1,278.8	1,354.4	1,664.2	1,068.6	1,017.8
Coca-Cola Company	5,137.6	4,157.3	3,901.1	3,738.0	2,166.0	1,799.2	632.4	
GEICO	1,678.3	1,759.6	2,226.2	1,363.2	1,110.6	1,044.6	849.4	756.9
Gillette	1,797.0	1,431.0	1,365.0	1,347.0	600.0			
Wells Fargo & Company	957.8	854.6	471.5	279.3	278.7	60.6		
Salomon, Inc.	972.2	673.6						
FHLMC			435.2	13.1				
General Dynamics			450.8					
Guinness, PLC			299.5	296.8				
<i>Continued...</i>								

...continued from prior page.

	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>
Washington Post			396.9	336.0	342.1	486.4	364.1	323.1
Other	3,890.4	2,873.6	86.9	91.9	232.9	63.1	498.6	215.1
<i>Preferred Stocks:</i>								
American Express Company			290.5	247.5				
First Empire State Corp.			68.0	50.0				
Other			53.2	31.1	72.6	23.5	8.6	4.4
Total investments	17,605.1	14,324.5	13,368.3	10,974.7	8,176.0	7,733.2	5,106.3	4,197.4
Cash and cash equivalents	90.3	1,368.0	471.2	458.5	115.6	45.4	121.6	109.1
Deferred costs	468.2	490.6	529.2	552.5	364.2	15.0	45.5	57.2
Receivables			188.1	414.1	222.2	71.0	139.7	131.2
Other	301.9	290.4	8.0	2.8	2.3	2.3	3.3	24.6
	<u>\$18,465.5</u>	<u>\$16,473.5</u>	<u>\$14,564.8</u>	<u>\$12,402.6</u>	<u>\$8,880.3</u>	<u>\$7,866.9</u>	<u>\$5,416.3</u>	<u>\$4,519.7</u>
<b>Liabilities</b>								
Losses and loss adjustment expenses	\$3,430.0	\$3,155.9	\$2,978.5	\$2,849.1	\$2,050.3	\$1,436.3	\$1,407.2	\$1,260.4
Unearned premiums	307.2	315.8	227.8	152.5	126.4	143.6	241.8	341.3
Funds held under reinsurance assumed	307.3	215.8						
Accounts payable, accruals and other	255.0	233.6	379.9	222.1	226.0	201.0	85.4	55.7
Income taxes, principally deferred	3,209.3	2,944.5	2,476.3	1,908.2	1,099.0	1,136.2	565.3	471.9
	<u>7,508.8</u>	<u>6,865.6</u>	<u>6,062.5</u>	<u>5,131.9</u>	<u>3,501.7</u>	<u>2,917.1</u>	<u>2,299.7</u>	<u>2,129.4</u>
<b>Equity</b>								
Minority shareholders'	136.5	124.9	70.4	56.5	39.8	35.2	25.0	21.2
Berkshire shareholders'	10,820.2	9,483.0	8,431.9	7,214.2	5,338.8	4,914.6	3,091.7	2,369.1
	<u>10,956.7</u>	<u>9,607.9</u>	<u>8,502.3</u>	<u>7,270.7</u>	<u>5,378.6</u>	<u>4,949.8</u>	<u>3,116.6</u>	<u>2,390.2</u>
	<u>\$18,465.5</u>	<u>\$16,473.5</u>	<u>\$14,564.8</u>	<u>\$12,402.6</u>	<u>\$8,880.3</u>	<u>\$7,866.9</u>	<u>\$5,416.3</u>	<u>\$4,519.7</u>
Footnote:								
1. Fixed maturities at market in 1994 and amortized cost prior.								

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.47: Insurance Group, key ratios and figures, 1986–1994**

<i>Ratios and key figures</i>	1994	1993	1992	1991	1990	1989	1988	1987	1986
Loss ratio	61.1%	69.3%	103.5%	106.5%	90.3%	78.5%	74.9%	80.1%	79.6%
Expense ratio (against written premiums)	25.0%	22.9%	11.6%	8.6%	14.6%	36.9%	32.5%	29.2%	22.2%
Combined ratio (statutory)	86.1%	92.2%	115.1%	115.1%	104.9%	115.4%	107.4%	109.3%	101.8%
Change in premiums written	24.2%	(0.3%)	(7.8%)	39.7%	94.0%	(38.9%)	(35.5%)	(25.6%)	
Change in premiums earned	41.9%	(2.0%)	(14.4%)	31.3%	50.0%	(32.5%)	(29.2%)	0.1%	
Premiums written / average equity	8.9%	8.1%	9.4%	12.7%	11.1%	7.3%	17.6%		

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.48: Manufacturing, Publishing, and Retailing Businesses: Balance sheets, 1987–1994**

<i>(\$ millions)</i>	1994	1993	1992	1991	1990	1989	1988	1987
<i>Assets</i>								
Cash and cash equivalents	\$77.0	\$90.4	\$62.7	\$67.3	\$28.9	\$25.2	\$43.4	\$36.2
Accounts receivable	308.8	275.9	230.9	211.3	184.0	175.6	150.4	142.0
Inventories	398.2	351.0	253.7	227.0	174.1	165.7	133.8	122.5
Properties and equipment	219.6	195.9	163.9	154.7	149.1	141.9	130.4	130.6
Other	29.8	36.1	29.9	18.7	19.7	18.4	15.7	22.0
Total assets	\$1,033.4	\$949.3	\$741.1	\$679.0	\$555.8	\$526.8	\$473.6	\$453.2
<i>Liabilities</i>								
Accounts payable, accruals and other	\$293.4	\$257.2	\$223.3	\$211.2	\$198.0	\$214.2	\$179.3	\$193.6
Income taxes	30.5	38.5	40.6	37.0	38.4	37.9	47.7	52.3
Term debt and other borrowings	21.7	24.7	28.1	40.9	36.1	38.0	37.7	38.8
Total liabilities	345.6	320.4	292.0	289.1	272.5	290.1	264.7	284.7
<i>Equity</i>								
Minority shareholders' equity	40.1	35.8	33.2	31.1	28.2	25.2	19.0	14.5
Berkshire shareholders' equity	647.7	593.1	415.9	358.8	255.1	211.5	189.8	154.1
Total equity	687.8	628.9	449.1	389.9	283.3	236.7	208.8	168.5
Total liabilities and equity	\$1,033.4	\$949.3	\$741.1	\$679.0	\$555.8	\$526.8	\$473.6	\$453.2
Footnote:								
1. Fixed maturities at market in 1994 and amortized cost prior.								

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.49: Manufacturing, Publishing, and Retailing Businesses: Income statements, 1986–1994**

(\$ millions)	1994	1993	1992	1991	1990	1989	1988	1987	1986
<i>Revenues:</i>									
Sales and service revenues	\$2,352.0	\$1,962.9	\$1,774.4	\$1,651.1	\$1,580.1	\$1,526.4	\$1,407.6	\$1,326.8	\$1,219.3
Interest income	9.0	8.0	7.5	8.5	6.7	8.4	6.7	6.8	7.9
Sundry income				2.1	1.4	2.6	2.5	0.7	0.8
	2,361.0	1,970.9	1,781.9	1,661.7	1,588.2	1,537.4	1,416.8	1,334.3	1,228.0
<i>Costs and expenses:</i>									
Costs of products and services sold	1,442.9	1,172.5	1,043.6	933.7	865.6	838.7	747.8	699.7	641.9
Selling, general and administrative expenses	578.5	522.2	481.5	508.6	499.3	487.7	461.8	446.0	413.1
Interest on debt	3.7	3.7	4.6	4.9	6.5	6.2	4.9	6.7	6.1
	2,025.1	1,698.4	1,529.7	1,447.2	1,371.4	1,332.6	1,214.5	1,152.4	1,061.1
Earnings from operations before income taxes	335.9	272.5	252.2	214.5	216.8	204.8	202.3	181.9	167.0
Income tax expense	122.3	103.7	97.4	82.3	83.9	78.9	76.2	79.6	83.2
	213.6	168.8	154.8	132.2	132.9	125.9	126.1	102.3	83.8
Minority interest	4.9	4.5	4.2	4.6	5.4	5.0	4.4	3.5	3.0
Net earnings	\$208.7	\$164.3	\$150.6	\$127.6	\$127.5	\$120.9	\$121.7	\$98.8	\$80.8

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.50: Manufacturing, Publishing, and Retailing Businesses: Key ratios and figures, 1986–1994**

	1994	1993	1992	1991	1990	1989	1988	1987	1986
Change in revenues	19.8%	10.6%	7.2%	4.6%	3.3%	8.5%	6.2%	8.7%	
Change in pre-tax profit (operating income)	23.3%	8.0%	17.6%	(1.1%)	5.9%	1.2%	11.2%	8.9%	
Gross margin	38.7%	40.3%	41.2%	43.4%	45.2%	45.1%	46.9%	47.3%	47.4%
Pre-tax margin	14.2%	13.8%	14.2%	12.9%	13.7%	13.3%	14.3%	13.6%	13.6%
Return on invested capital (avg.) pre-tax	49.3%	48.2%	55.6%	57.2%	73.0%	78.6%	89.2%		
Return on invested capital (avg.) after-tax	31.3%	29.9%	34.1%	35.2%	44.7%	48.3%	55.6%		
Return on average equity - pre-tax	51.0%	50.6%	60.1%	63.7%	83.4%	91.9%	107.2%		
Return on average equity - after tax	32.4%	31.3%	36.9%	39.3%	51.1%	56.5%	66.8%		
Debt/equity	3.2%	3.9%	6.3%	10.5%	12.7%	16.1%	18.1%	23.0%	

Sources: Berkshire Hathaway Annual Reports 1988–1994; and author's calculations.

**Table 5.51: Finance Businesses: Balance sheets, 1987–1994**

(\$ millions)	1994	1993	1992	1991	1990	1989	1988	1987
<i>Assets</i>								
Cash and cash equivalents	\$16.0	\$37.0	\$64.4	\$32.7	\$72.9	\$40.0	\$63.2	\$77.0
Fixed maturity investments <sup>1</sup>	538.9	667.1	68.9	143.7	58.2	48.0	78.5	130.9
Equity investments			71.7	71.7	108.5	108.5	108.6	33.7
Collateralized loans receivable			101.9	100.9	107.4	153.8	137.0	139.4
Installment and other receivables	173.2	179.8	181.1	177.7	169.7	173.2	152.8	164.7
Deferred tax assets	6.2	4.2						
Other	1.5	1.6	31.2	36.2	32.3	30.1	27.9	12.3
	<u>\$735.8</u>	<u>\$889.7</u>	<u>\$519.2</u>	<u>\$562.9</u>	<u>\$549.0</u>	<u>\$553.6</u>	<u>\$568.0</u>	<u>\$558.1</u>
<i>Liabilities</i>								
Borrowings under investment agreements and other debt	\$601.6	\$772.7						
Savings accounts			\$250.9	\$289.0	\$286.4	\$293.1	\$288.5	\$287.1
Accounts payable, accruals, and other	31.5	52.1	27.8	26.2	22.2	18.4	32.8	12.7
Annuity reserves	41.0	5.4						
Term debt and other borrowings			145.1	154.6	157.1	159.6	150.2	157.7
Income taxes			0.7	1.5	1.3	1.5	1.8	2.8
	<u>674.1</u>	<u>830.2</u>	<u>424.5</u>	<u>471.3</u>	<u>467.0</u>	<u>472.6</u>	<u>473.3</u>	<u>460.4</u>
<i>Equity</i>								
Minority shareholders'			12.5	11.8	10.1	9.7	9.9	11.3
Berkshire shareholders'	61.7	59.5	82.2	79.8	71.9	71.3	84.8	86.5
Total	<u>61.7</u>	<u>59.5</u>	<u>94.7</u>	<u>91.6</u>	<u>82.0</u>	<u>81.0</u>	<u>94.7</u>	<u>97.7</u>
	<u>\$735.8</u>	<u>\$889.7</u>	<u>\$519.2</u>	<u>\$562.9</u>	<u>\$549.0</u>	<u>\$553.6</u>	<u>\$568.0</u>	<u>\$558.1</u>
Footnote:								
1. Equity securities at market; at cost prior to 1993.								

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.52: Finance Businesses: Income statements, 1986–1994**

<i>(\$ millions)</i>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>
<i>Revenues</i>									
Interest and fees on loans and financed receivables	\$37.8	\$43.6	\$49.7	\$53.2	\$51.9	\$49.4	\$50.2	\$47.9	\$40.8
Interest and dividends on investment securities	35.4	21.0	16.4	18.3	18.3	19.2	20.9	22.7	19.6
Annuity premiums earned	36.0	5.6							
Sundry income				1.3	0.3	0.3	0.6	1.8	2.5
	109.2	70.2	66.1	72.8	70.5	68.9	71.7	72.3	62.9
<i>Expenses</i>									
Interest on savings accounts				18.3	22.0	21.5	20.8	20.9	22.4
Interest on debt				14.3	14.3	13.9	14.1	15.1	9.2
Interest expense	35.5	25.2	25.9	32.6	36.3	35.4	34.9	36.0	31.6
Annuity benefits and underwriting expenses	37.7	5.6							
General and administrative <sup>1</sup>	13.9	16.2	20.4	20.7	20.7	20.8	23.3	29.5	20.5
	87.1	47.0	46.3	53.3	57.0	56.2	58.2	65.5	52.1
Earnings from operations before income taxes	22.1	23.2	19.8	19.5	13.5	12.7	13.5	6.8	10.8
Income tax expense	7.5	7.7	6.4	4.6	1.7	1.2	2.0	0.5	1.2
	14.6	15.5	13.4	14.9	11.8	11.5	11.5	6.3	9.5
Minority interest	0	0.8	0.7	0.9	0.8	0.8	1.0	0.4	0.4
Earnings before investment gain	14.6	14.7	12.7	14.0	11.0	10.7	10.5	5.9	9.1
Realized gain on divestment of preferred				4.5					
Net earnings	\$14.6	\$14.7	\$12.7	\$18.5	\$11.0	\$10.7	\$10.5	\$5.9	\$9.1

Footnote:  
1. Includes \$3.6 write-off of prepaid FSLIC insurance premiums in 1987.

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.53: Finance Businesses: Key ratios, 1986–1994**

	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>
Total assets / total equity	11.9	15.0	6.3	7.1	7.6	7.8	6.7	6.5
Capital ratio (inverse of above)	8.4%	6.7%	15.8%	14.2%	13.1%	12.9%	14.9%	15.5%
Return on average assets (after tax)	1.80%	2.20%	2.48%	2.68%	2.14%	2.05%	2.04%	
Return on average equity (after tax)	24.1%	21.9%	16.5%	19.6%	16.5%	14.7%	13.4%	

Sources: Berkshire Hathaway Annual Reports 1988–1994 and author's calculations.

**Table 5.54: Non-operating activities: Balance sheets, 1987–1994**

<i>(\$ millions)</i>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>
<i>Assets</i>								
Cash and cash equivalents	\$106.2	\$358.9	\$595.3	\$205.6	\$29.9	\$96.0	\$38.5	\$10.5
Investments:								
Fixed maturities:								
Bonds	286.8	0	127.1	211.2	326.9	75.0	2.3	10.6
Preferred stocks	75.8	81.0	81.0	81.0	81.0	81.0	50.0	50.0
Equity securities	113.0	232.5	38.1	38.1	20.1	11.5	28.3	11.5
Unamortized goodwill and property account adjustments	520.4	541.8	277.7	257.2	210.1	220.0	201.3	210.3
Deferred tax assets	8.0	7.7						
Other	186.3	174.9	28.5	47.9	40.8	73.7	63.6	63.8
	<u>\$1,296.5</u>	<u>\$1,396.8</u>	<u>\$1,147.7</u>	<u>\$841.0</u>	<u>\$708.8</u>	<u>\$557.2</u>	<u>\$384.1</u>	<u>\$356.7</u>
<i>Liabilities</i>								
Accounts payable, accruals, and other	\$62.2	\$62.8	\$16.5	\$34.5	\$33.8	\$31.6	\$28.1	\$18.2
Income taxes	67.3	59.4	10.5	(3.3)	(7.8)	(24.7)	7.6	2.8
Borrowings under investment agreements and other debt	799.0	960.2	1,141.0	1,065.0	1,046.2	809.9	292.1	93.4
	<u>928.5</u>	<u>1,082.4</u>	<u>1,168.0</u>	<u>1,096.2</u>	<u>1,072.2</u>	<u>816.8</u>	<u>327.8</u>	<u>114.4</u>
<i>Equity</i>								
Minority shareholders'	22.7	21.6	13.4	17.7	15.0	12.7	12.6	10.3
Berkshire shareholders' equity	345.3	292.8	(33.7)	(272.9)	(378.4)	(272.3)	43.7	232.0
Total equity	<u>368.0</u>	<u>314.4</u>	<u>(20.3)</u>	<u>(255.2)</u>	<u>(363.4)</u>	<u>(259.6)</u>	<u>56.3</u>	<u>242.3</u>
	<u>\$1,296.5</u>	<u>\$1,396.8</u>	<u>\$1,147.7</u>	<u>\$841.0</u>	<u>\$708.8</u>	<u>\$557.2</u>	<u>\$384.1</u>	<u>\$356.7</u>

Sources: Berkshire Hathaway Annual Reports 1988–1994.

**Table 5.55: Non-operating activities: Income statements, 1986–1994**

(\$ millions)	1994	1993	1992	1991	1990	1989	1988	1987	1986
<i>Revenues</i>									
Interest and dividend income	\$31.1	\$24.3	\$58.9	\$60.1	\$41.1	\$7.2	\$7.4	\$7.0	\$6.1
Realized investment gain (loss)	(0.7)	(9.4)	37.3	69.5	18.2	3.8	0	0	0
Sundry income	0	0	0	4.4	2.0	5.5	28.5	14.8	6.9
	<u>30.4</u>	<u>14.9</u>	<u>96.2</u>	<u>134.0</u>	<u>61.3</u>	<u>16.5</u>	<u>35.9</u>	<u>21.8</u>	<u>13.0</u>
<i>Expenses</i>									
Corporate administration	5.0	4.9	4.2	5.6	4.1	3.4	3.8	3.4	2.7
Shareholder-designated contributions	10.4	9.4	7.6	6.8	5.8	5.9	5.0	4.9	4.0
Amortization of goodwill and property account adjustments	22.5	17.1	12.0	10.0	9.5	9.4	9.6	8.4	12.6
Interest on debt	59.4	54.0	94.5	84.5	71.3	37.3	30.7	4.9	18.5
Other (income) expense	1.7	(2.3)	(2.0)	0.9	0.6	0.9	0.5	1.8	2.9
Other than temporary decline in value of investment in USAir Group, Inc. Preferred Stock	7.5								
	<u>106.5</u>	<u>83.1</u>	<u>116.3</u>	<u>107.8</u>	<u>91.3</u>	<u>56.9</u>	<u>49.6</u>	<u>23.4</u>	<u>40.7</u>
Loss before income taxes	(76.1)	(68.2)	(20.1)	26.2	(30.0)	(40.4)	(13.7)	(1.6)	(27.7)
Income tax expense (benefit) <sup>1</sup>	(22.8)	125.8	8.9	12.7	(7.6)	(9.8)	(1.2)	2.6	(6.5)
	<u>(53.3)</u>	<u>(194.0)</u>	<u>(29.0)</u>	<u>13.5</u>	<u>(22.4)</u>	<u>(30.6)</u>	<u>(12.5)</u>	<u>(4.2)</u>	<u>(21.2)</u>
Minority interest	(0.5)	0.6	(2.3)	1.5	1.1	0.6	1.1	0.7	0.4
Net loss	<u>(\$52.8)</u>	<u>(\$194.6)</u>	<u>(\$26.7)</u>	<u>\$12.0</u>	<u>(\$23.5)</u>	<u>(\$31.2)</u>	<u>(\$13.6)</u>	<u>(\$4.9)</u>	<u>(\$21.6)</u>
Footnote:									
1. Includes prepayment penalty of \$5.355 in 1986 relating to called 12.75% debentures.									

Sources: Berkshire Hathaway Annual Reports 1988–1994.

# Chapter 6

## 1995–2004

**Table 6.1: Decade snapshot: 1994–2004**

	<u>1994</u>	<u>2004</u>
Business:	Insurance, newspapers, furniture retailing, candy, jewelry, encyclopedias, home cleaning systems, shoes, miscellaneous manufacturing, significant stakes in several public companies	Insurance, utilities, flight services, building products, furniture retailing, candy, jewelry, encyclopedias, home cleaning systems, shoes, newspapers, various finance businesses, miscellaneous manufacturing, significant stakes in several public companies
Key managers:	Chairman & CEO: Warren E. Buffett; Vice Chair: Charles T. Munger	Chairman & CEO: Warren E. Buffett; Vice Chair: Charles T. Munger
Annual revenues:	\$3.8 billion	\$74.4 billion
Stockholders' equity:	\$11.9 billion	\$85.9 billion
Book value per share:	\$10,083	\$55,824
Float (average):	\$3.1 billion	\$45.2 billion
<i>Major capital allocation decisions:</i>		
<ol style="list-style-type: none"> <li>1. Purchased remaining half of GEICO for \$2.3 billion (1996).</li> <li>2. Issued \$565 million of Class-B shares (1996).</li> <li>3. Acquired FlightSafety for \$1.5 billion in stock (1996).</li> <li>4. Issued \$500 million convertible preferred stock (1996).</li> <li>5. Purchased \$4.6 billion US Treasury Strips, 111.2 million ounces of silver (1997).</li> <li>6. Acquired International Dairy Queen with \$587.8 million cash/stock (1998).</li> <li>7. Acquired Executive Jet for \$700 million in cash/stock (1998).</li> <li>8. Acquired General Reinsurance for \$22 billion in stock (1998).</li> <li>9. Acquired majority economic interest in MidAmerican Energy for \$1.24 billion cash (2000).</li> <li>10. Acquired Justin Industries for \$570 million cash (2000).</li> <li>11. Acquired Benjamin Moore for \$1 billion cash (2000).</li> <li>12. Acquired 87% of Shaw Industries for \$2 billion (2000).</li> <li>13. Acquired Johns Manville for \$1.8 billion cash (2000).</li> <li>14. Acquired Fruit of the Loom for \$835 million cash (2001).</li> <li>15. Invested additional \$402 million convertible preferred and \$1.27 billion trust preferred in MidAmerican to assist with Northern Natural and Kern River acquisitions.</li> <li>16. Purchased Clayton Homes for \$1.7 billion (2003).</li> <li>17. Borrowed \$2 billion to re-lend to Clayton (2003).</li> <li>18. Acquired McLane from Walmart for \$1.5 billion cash (2003).</li> <li>19. Borrowed additional \$1.6 billion to re-lend to Clayton (2004).</li> </ol>		
<i>Noteworthy events:</i>		
<ol style="list-style-type: none"> <li>1. On March 10, 2000, the NASDAQ hit its all-time high of 5,132 while Berkshire shares traded at their lowest level since 1997.</li> <li>2. Berkshire adds new board members: William Gates III, David Gottesman, Charlotte Guyman, Donald Keough, and Thomas Murphy.</li> <li>3. The September 11, 2001 terrorist attacks shake the insurance world and close stock markets until September 17.</li> </ol>		

**Table 6.2: Berkshire Hathaway earnings**

(\$ millions)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	
Insurance Group:												
Underwriting - General Re	\$3	\$145	(\$1,393)	(\$3,671)	(\$1,254)	(\$1,184)						
Underwriting - Berkshire Hathaway Reinsurance Group	417	1,047	534	(647)	(162)	(256)						
Underwriting - Super-Cat	<i>Consolidated into Berkshire Reinsurance Group</i>						154	283	167	<i>Not detailed in presentation</i>		
Underwriting - Other Reinsurance							(175)	(155)	(175)			
Underwriting - Reinsurance <sup>1</sup>	420	1,192	(859)	(4,318)	(1,416)	(1,440)	(21)	128	(8)			
Underwriting - GEICO	970	452	416	221	(224)	24	269	281	171			
Underwriting - Other Primary	161	74	32	30	25	22	17	53	59	<i>Not detailed</i>		
Total Underwriting	1,551	1,718	(411)	(4,067)	(1,615)	(1,394)	265	462	222	21	130	
Net Investment Income	2,824	3,223	3,050	2,824	2,773	2,482	974	882	726	502	419	
Apparel <sup>2</sup>	325	289	229	(33)								
Building Products <sup>3</sup>	643	559	516	461	34							
Finance and Financial Products Businesses	584	619	1,016	519	530	125	205	28	23	21	22	
Flight Services <sup>4</sup>	191	72	225	186	213	225	181	140	3			
McLane Company	228	150										
MidAmerican Energy <sup>5</sup>	237	429	613	565	197							
Home Furnishings <sup>6</sup>	<i>Consolidated into Retail Operations</i>						79	72	57	44	30	17
Jewelry <sup>7</sup>							51	39	32	28	34	
Retail Operations <sup>8</sup>	163	165	166	175	175	130	111	89	72	64	17	
Shaw Industries <sup>9</sup>	466	436	424	292								

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(\$ millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Kirby									59	50	42
World Book									13	9	25
Scott Fetzer Manufacturing Group									51	34	40
Scott Fetzer (excluding finance operation) <sup>10</sup>			129	129	122	147	137	119	122	93	107
Buffalo News						55	53	56	50	47	54
Shoe Group						17	33	49	62	58	86
International Dairy Queen						56	58				
See's Candies						74	62	59	52	50	48
Other Businesses - original presentation			256	212	221						
Other Businesses <sup>11</sup>	465	486	385	341	343	349	343	283	286	249	294
Purchase-price premium charges <sup>12</sup>	<i>In Other</i>	(177)	(119)	(726)	(881)	(739)	(123)	(101)	(76)	(27)	(23)
Interest expense <sup>13</sup>	(92)	(94)	(86)	(92)	(92)	(109)	(100)	(107)	(94)	(56)	(60)
Shareholder-designated contributions <sup>14</sup>	<i>Discontinued</i>		(17)	(17)	(17)	(17)	(17)	(15)	(13)	(12)	(10)
Other <sup>15</sup>	(138)	24	19	25	39	33	60	60	73	54	50
<b>Operating earnings - pre-tax</b>	<b>7,447</b>	<b>7,899</b>	<b>6,010</b>	<b>453</b>	<b>1,699</b>	<b>1,085</b>	<b>1,899</b>	<b>1,721</b>	<b>1,221</b>	<b>815</b>	<b>839</b>
Sales of securities and unusual sales of assets	3,489	4,121	603	1,320	3,955	1,365	2,415	1,106	2,485	194	91
Decline in Value of USAir Preferred Stock											(269)
<b>Total Earnings - all entities (pre-tax)</b>	<b>10,936</b>	<b>12,020</b>	<b>6,613</b>	<b>1,773</b>	<b>5,654</b>	<b>2,450</b>	<b>4,314</b>	<b>2,827</b>	<b>3,706</b>	<b>1,009</b>	<b>662</b>
Income tax and minority interest <sup>16</sup>	(3,628)	(3,869)	(2,327)	(978)	(2,326)	(893)	(1,484)	(926)	(1,217)	(284)	(167)
<b>Total Earnings - all entities (after tax)</b>	<b>\$7,308</b>	<b>\$8,151</b>	<b>\$4,286</b>	<b>\$795</b>	<b>\$3,328</b>	<b>\$1,557</b>	<b>\$2,830</b>	<b>\$1,901</b>	<b>\$2,489</b>	<b>\$725</b>	<b>\$495</b>

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Footnotes:

1. Underwriting - Reinsurance: In 1999 the presentation was changed to combine Super Cat and Other Reinsurance into one category. The data above is from the notes to the financial statements from 2000.
2. Apparel: Includes Fruit of the Loom from April 30, 2002 and Garan from September 4, 2002. Also included, beginning in 2002, is the H.H. Brown Shoe Group, now containing Dexter, and Fechheimer.
3. Building Products: Includes Acme Brick from August 1, 2000; Benjamin Moore from December 18, 2000; Johns Manville from February 27, 2001; and MiTek from July 31, 2001.
4. Flight Services: FlightSafety acquired on December 23, 1996. Beginning in 1998 includes Executive Jet (acquired August 7, 1998).
5. MidAmerican Energy: MidAmerican Energy 76% owned through 2001; 80% owned thereafter. Figures from 2003 and 2004 come from the 2004 presentation, and are not comparable to those of prior years. Prior to 2003, the Sources of Reported Earnings table included Berkshire's share of MidAmerican's net income plus the interest income Berkshire earned from lending to MidAmerican. Berkshire's equity in the earnings of MidAmerican were \$429 million in 2003, \$359 million in 2002, and \$134 million in 2001.
6. Home Furnishings: Includes RC Willey beginning June 29, 1995; Star Furniture from July 1, 1997.
7. Jewelry: Includes Helzberg's beginning April 30, 1995. Jewelry was included in Other in prior years.
8. Retail Operations: Beginning in 2000, Home Furnishings and Jewelry were combined into Retail Operations.
9. Shaw Industries: Shaw Industries acquired on January 8, 2001.
10. Scott Fetzer (excluding finance operation): Prior to 1997, Kirby and World Book were segregated from other Scott Fetzer businesses.
11. Other Businesses: Beginning in 2000, The Buffalo News, the Shoe Group, International Dairy Queen, and See's were combined into Other Businesses. That presentation also re-allocated \$8 million from Other to this category for 1999 (shown above in the original 1999 presentation). CTB and Pamper Chef are included in this category beginning with their acquisitions in 2002. Beginning in 2003 Scott Fetzer began being included in this category.
12. Purchase-price premium charges: Beginning in 2002, accounting rules changed such that goodwill was no longer amortized. In 2004, these charges were included in the Other category.
13. Interest expense: Excludes interest expense of Finance Businesses.
14. Shareholder-designated contributions: Shareholder-designated contributions were discontinued in 2003.
15. Other: Beginning in 1997, Fechheimer included in Other category. Beginning in 2001, it is included in the Other Businesses category. Other category includes General Re for 10 days in 1998. Other category in 2004 includes amortization charges.
16. Income tax and minority interest: Imputed from the difference between the reported pre-tax and after-tax earnings figures.

Note: In 2003, the Chairman's letter stopped containing the Sources of Reported Earnings table.. For the years 2003 and 2004 I have used pre-tax data from the Operating Businesses segment of the 2004 Annual Report. Most categories are comparable to Buffett's tables; however, a major difference is the reporting of earnings from MidAmerican. I have used the figures Buffett presented up to 2002, and the figures from the aforementioned table in the Annual Report for years 2003 and 2004. Thus, the data from 2000–2002, and 2003–2004 are not comparable.

Sources: Berkshire Hathaway Annual Reports 1995–2004.

**Table 6.3: Select information 1994–2004**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
BRK book value per share - % change	43.1%	31.8%	34.1%	48.3%	0.5%	6.5%	(6.2%)	10.0%	21.0%	10.5%
BRK market value per share - % change	57.4%	6.2%	34.9%	52.2%	(19.9%)	26.6%	6.5%	(3.8%)	15.8%	4.3%
S&P 500 total return	37.6%	23.0%	33.4%	28.6%	21.0%	(9.1%)	(11.9%)	(22.1%)	28.7%	10.9%
US GDP Growth (real %)	2.7%	3.8%	4.4%	4.5%	4.8%	4.1%	1.0%	1.7%	2.9%	3.8%
10 year Treasury Note (year end %)	5.7%	6.3%	5.8%	4.7%	6.3%	5.2%	5.1%	4.0%	4.3%	4.2%
US inflation (%)	2.8%	2.9%	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%
US unemployment (%)	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%

Sources: Berkshire Hathaway Annual Reports 2018, 2019 and Federal Reserve Bank of St. Louis.

**Table 6.4: GEICO acquisition analysis**

<u>Balance sheet approach</u>	
<i>(\$ billions)</i>	
Price paid for 49%	\$2.33
Implied value of 100%	4.76
Book value (12/31/95)	1.87
Price/book value	2.55x
Float	3.00
Book value + float	4.87
Float-adjusted price/book value	0.98x
<u>Earnings approach</u>	
<i>(\$ millions)</i>	
Premium volume	\$3,000
Assumed combined ratio	96%
Pre-tax underwriting gain	120
Net investment income (1995)	227
Total pre-tax earning power	347
Implied acquisition valuation	4,755
Pre-tax earnings yield	7.3%

Sources: Berkshire Hathaway Annual Report 1995 and author's calculations.

**Table 6.5: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>1995</u>	<u>1994</u>
<b>GEICO Corporation</b>		
Premiums written	\$2,856	\$2,545
Premiums earned	2,787	2,473
Underwriting gain/(loss) - pre-tax	<u>\$92</u>	<u>\$79</u>
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written	\$777	\$690
Premiums earned	718	688
Underwriting gain/(loss) - pre-tax	<u>(\$21)</u>	<u>\$81</u>
<b>Berkshire Hathaway Primary Group</b>		
Premiums written	\$247	\$226
Premiums earned	240	235
Underwriting gain/(loss) - pre-tax	<u>\$41</u>	<u>\$48</u>
Total underwriting gain/(loss)	\$21	\$130
Year end average float - total	3,607	3,057
Cost of float	(0.6%)	(4.3%)
Aggregate adverse (favorable) loss development	\$56	\$60

Note: Totals and ratios do not include GEICO. GEICO included for comparative purposes.

Sources: Berkshire Hathaway Annual Reports 1994–1995 and author's calculations.

**Table 6.7: FlightSafety International acquisition analysis**

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Revenues ( <i>\$ millions</i> )	\$326	\$301	\$297
Revenues/average capital	\$0.76	\$0.76	\$0.79
EBIT margin	36%	36%	34%
Pre-tax return on capital	27%	27%	27%
Purchase price (equity)	\$1,500		
Assumed debt	40		
Less: excess investments	<u>(194)</u>		
Effective purchase price	1,346		
Purchase multiple	3.15x		
BRK going-in pre-tax return	8.7%		

Sources: Berkshire Hathaway Annual Report 1996; FlightSafety International Annual Reports 1993, 1995; and author's calculations.

**Table 6.8: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>1996</u>	<u>1995</u>
<b>GEICO Corporation</b>		
Premiums written	\$3,122	\$2,856
Premiums earned	3,092	2,787
Underwriting gain/(loss) - pre-tax	<u>\$171</u>	<u>\$92</u>
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written	\$716	\$777
Premiums earned	758	718
Underwriting gain/(loss) - pre-tax	<u>(\$8)</u>	<u>(\$21)</u>
<b>Berkshire Hathaway Primary Group</b>		
Premiums written	\$268	\$247
Premiums earned	268	240
Underwriting gain/(loss) - pre-tax	<u>\$59</u>	<u>\$41</u>
Total underwriting gain/(loss)	\$222	\$21
Year end average float - total	6,702	3,607
Cost of float	(3.3%)	(0.6%)
Aggregate adverse (favorable) loss development	(\$90)	\$56

Note: Data for GEICO in 1995 provided for comparative purposes. GEICO's results are not included in the totals.

Sources: Berkshire Hathaway Annual Reports 1995, 1998; and author's calculations.

**Table 6.9: Berkshire Hathaway intrinsic value estimation**

<i>Per A-share</i>	<u>1997</u>	<u>1996</u>
Investments	\$38,043	\$28,500
Pre-tax operating earnings (ex. investment income)	<u>718</u>	<u>421</u>
Estimated value (investments + 10x operating earnings)	\$45,221	\$32,714
Year-end share price	\$46,000	\$34,100
Year-end book value per share	25,488	19,011
Price/estimated value	1.02x	1.04x
Price/book	1.80x	1.79x
Value/book	1.77x	1.72x
Change in estimated value	38%	
Change in share price	35%	

Sources: Berkshire Hathaway Annual Reports 1996, 1997; and author's calculations.

**Table 6.10: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>1997</u>	<u>1996</u>
<b>GEICO Corporation</b>		
Premiums written	\$3,588	\$3,122
Premiums earned	3,482	3,092
Underwriting gain/(loss) - pre-tax	<u>\$281</u>	<u>\$171</u>
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written	\$955	\$716
Premiums earned	967	758
Underwriting gain/(loss) - pre-tax	<u>\$128</u>	<u>(\$8)</u>
<b>Berkshire Hathaway Primary Group</b>		
Premiums written	\$309	\$268
Premiums earned	313	268
Underwriting gain/(loss) - pre-tax	<u>\$53</u>	<u>\$59</u>
Total underwriting gain/(loss)	\$462	\$222
Year end average float - total	7,093	6,702
Cost of float	(6.5%)	(3.3%)
Aggregate adverse (favorable) loss development	(\$131)	(\$90)

Sources: Berkshire Hathaway Annual Report 1998 and author's calculations.

**Table 6.11: Comparison of FlightSafety and See's Candies, select 1997 data**

<i>(\$ millions)</i>	<u>FlightSafety</u>	<u>See's Candies</u>
Revenues	\$411	\$269
Identifiable assets	1,679	88
Operating margin	29%	21%
Revenues/assets	0.24	3.06
Return on assets	7%	65%

Sources: Berkshire Hathaway Annual Report 1997 and author's calculations.

**Table 6.12: International Dairy Queen acquisition analysis**

<i>(\$ millions)</i>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Revenues	\$412	\$372	\$341
Revenues/avg. capital	\$2.39	\$2.27	\$2.31
Pre-tax margin	13%	14%	15%
Pre-tax return on capital	32%	32%	34%
Purchase price <sup>1</sup>	\$588		
Assumed debt	<u>4</u>		
Effective purchase price <sup>2</sup>	\$591		
Purchase multiple	3.44x		
BRK going-in pre-tax return	9.3%		
Footnote:			
1. Cash on the balance sheet at year-end 1996 was \$38 million, which would suggest excess cash. The effect on the economics of the transaction would have been very modest.			
2. Total does not add due to rounding.			

Sources: Berkshire Hathaway Annual Report 1997, 1998; International Dairy Queen Annual Report 1996; and author's calculations.

**Table 6.13: Berkshire Hathaway common stock portfolio, select detail**

<i>(\$ millions, at market value)</i>	<u>1997</u>	<i>% total</i>
American Express Company	\$4,414	12%
The Coca-Cola Company	13,338	37%
The Walt Disney Company	2,135	6%
Federal Home Loan Mortgage Corp.	2,683	7%
The Gillette Company	4,821	13%
Travelers Group, Inc.	1,279	4%
Washington Post Company	841	2%
Wells Fargo & Company	2,271	6%
Others	<u>4,467</u>	12%
	\$36,248	100%

Notes:

1. Figures may not add due to rounding.
2. The reporting threshold was \$750 million.

Sources: Berkshire Hathaway Chairman's Letter 1997 and author's calculations.

**Table 6.14: Berkshire Hathaway intrinsic value estimation**

<i>Per A-share</i>	1998	1997
Investments	\$47,647	\$38,043
Pre-tax operating earnings (ex. investment income)	474	718
Estimated value (investments + 10x operating earnings)	\$52,392	\$45,221
Year-end share price	\$70,000	\$46,000
Year-end book value per share	37,801	25,488
Price/estimated value	1.34x	1.02x
Price/book	1.85x	1.80x
Value/book	1.39x	1.77x
Change in estimated value	16%	
Change in share price	52%	

Sources: Berkshire Hathaway Annual Reports 1997, 1998; and author's calculations.

**Table 6.15: General Re acquisition analysis, 1998**

Acquisition price ( <i>\$ millions</i> )	\$22,000
Shares issued	272,200
Implied BRK.A share price	\$80,823
BRK.A estimated intrinsic value 12/31/98 <sup>1</sup>	\$52,392
Implied price/intrinsic value per share	1.54x
General Re float ( <i>\$ millions</i> )	\$14,000
Adjusted acquisition price ( <i>\$ millions</i> ) <sup>2</sup>	\$14,261
Price/float multiple <sup>3</sup>	1.02x

Footnotes:

- Using the two-column method based on per-share investments of \$47,647 and ten times per-share operating earnings of \$474.45, which includes General Re. The valuation is almost identical to a multiple of 1.75x applied to Berkshire's pre-merger book value on June 30, 1998.
- Adjusted for the implied price/intrinsic value multiple.
- The multiple increases to 1.07x using the higher per share operating earnings from 1997.

Sources: Berkshire Hathaway Annual Report 1998 and author's calculations.

**Table 6.16: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>1998</u>	<u>1997</u>
<b>GEICO Corporation</b>		
Premiums written	\$4,182	\$3,588
Premiums earned	4,033	3,482
Underwriting gain/(loss) - pre-tax	\$269	\$281
<b>General Re</b>		
Premiums written	\$6,084	
Premiums earned	6,095	
Underwriting gain/(loss) - pre-tax	(\$370)	
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written	\$986	\$955
Premiums earned	939	967
Underwriting gain/(loss) - pre-tax	(\$21)	\$128
<b>Berkshire Hathaway Primary Group</b>		
Premiums written		\$309
Premiums earned	328	313
Underwriting gain/(loss) - pre-tax	\$17	\$53
Total underwriting gain/(loss)	\$265	\$462
Year end average float - total	15,070	7,093
Cost of float	(1.8%)	(6.5%)
Aggregate adverse (favorable) loss development	(\$195)	(\$131)

Notes:

1. Totals and ratios do not include General Re as it was only owned for 10 days in 1998.
2. Berkshire Hathaway Primary Group written premiums were not detailed beginning in 1998.

Sources: Berkshire Hathaway Annual Report 1998 and author's calculations.

**Table 6.17: Berkshire Hathaway fixed maturity portfolio**

<i>(At market value, in millions)</i>	<u>1998</u>		<u>1997</u>	
US treasuries, governments, agencies	\$2,528	12%	\$6,490	63%
States, municipalities and political subdivisions	9,647	45%	2,209	21%
Obligations of foreign governments	2,864	13%	0	0%
Corporate bonds	4,609	22%	35	0%
Redeemable preferred stocks	355	2%	1,280	12%
Mortgage-backed securities	1,243	6%	284	3%
Total	\$21,246	100%	\$10,298	100%

Note: Totals may not add due to rounding.

Sources: Berkshire Hathaway Annual Report 1998 and author's calculations.

**Table 6.18: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>1999</u>	<u>1998</u>
<b>GEICO Corporation</b>		
Premiums written	\$4,953	\$4,182
Premiums earned	4,757	4,033
Underwriting gain/(loss) - pre-tax	<u>\$24</u>	<u>\$269</u>
<b>General Re</b>		
Premiums written	\$7,043	\$6,084
Premiums earned	6,905	6,095
Underwriting gain/(loss) - pre-tax	<u>(\$1,184)</u>	<u>(\$370)</u>
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written	\$2,410	\$986
Premiums earned	2,382	939
Underwriting gain/(loss) - pre-tax	<u>(\$256)</u>	<u>(\$21)</u>
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$262	\$328
Underwriting gain/(loss) - pre-tax	<u>\$22</u>	<u>\$17</u>
Total underwriting gain/(loss)	(\$1,394)	\$265
Year end average float - total	24,026	15,070
Cost of float	5.8%	(1.8%)
Aggregate adverse (favorable) loss development	(\$192)	(\$195)

Notes:

1. Totals and ratios for 1998 do not include General Re as it was only owned for 10 days.
2. Berkshire Hathaway Primary Group written premiums were not detailed.

Sources: Berkshire Hathaway Annual Report 1998–1999 and author's calculations.

**Table 6.19: MidAmerican Energy—acquisition analysis**

(\$ millions)	1999	1998	1997
Revenues	\$4,411	\$2,683	\$2,271
Earnings before interest and taxes	783	619	448
Interest expense	426	347	251
Earnings before taxes	357	272	197
Total shareholders' equity	\$995	\$827	\$765
Long-term debt, preferred, minority interests	6,226	6,037	4,892
Total capital	7,221	6,864	5,657
BRK equity acquisition price (100% basis) <sup>1</sup>	\$1,632		
BRK implied total purchase price <sup>2</sup>	7,858		
Pre-tax return on average total capital	11.1%		
BRK going-in purchase multiple <sup>3</sup>	1.09x		
BRK going-in pre-tax return on capital	10.2%		
Footnotes:			
1. Berkshire paid \$1.24 billion for 76% of MidAmerican.			
2. This figure takes the existing debt and adds to it the price paid for the equity (100% basis).			
3. BRK implied total purchase price / total capital.			

Sources: MidAmerican Energy Holdings 10K reports, 1998, 1999; Berkshire Hathaway Annual Report 2000; and author's calculations.

**Table 6.20: CORT Business Services—acquisition analysis**

(\$ millions)	1998	1997	1996
Revenues	\$319	\$287	\$234
Revenues/avg. capital <sup>1</sup>	\$1.81	\$1.89	\$1.87
EBIT margin <sup>1</sup>	17%	17%	16%
Pre-tax return on capital	31%	31%	29%
Purchase price (equity)	\$386		
Assumed debt	91		
Effective purchase price	\$477		
Purchase multiple	2.71x		
BRK going-in pre-tax return	11.4%		
Footnote:			
1. Adjustments were made to account for acquired goodwill and its related amortization.			

Sources: Berkshire Hathaway Annual Report 2000; Wesco Annual Report 2000; CORT Annual Reports 1996–1998; and author's calculations.

**Table 6.21: Justin Industries—acquisition analysis**

<i>(\$ millions)</i>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenues	\$510	\$455	\$440	\$448	\$461
Revenues/avg. capital	\$1.52	\$1.47	\$1.51	\$1.55	\$1.59
EBIT margin	9%	9%	10%	9%	10%
Pre-tax return on capital	13%	14%	15%	14%	16%
Purchase price (equity)	\$570				
Assumed debt	40				
Effective purchase price	\$610				
Purchase multiple	1.75x				
BRK going-in pre-tax return	7.6%				

Sources: Berkshire Hathaway Annual Report 2000; Justin Industries Annual Reports 1995–1999; and author's calculations.

**Table 6.22: Justin Industries—Acme Brick analysis**

<i>(\$ millions)</i>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenues	\$346	\$293	\$265	\$261	\$240
Identifiable assets	255	197	181	172	150
Operating profit	67	49	43	44	42
EBIT margin	19%	17%	16%	17%	18%
Pre-tax return on assets	26%	25%	24%	26%	28%

Sources: Berkshire Hathaway Annual Report 2000; Justin Industries Annual Reports 1995–1999; and author's calculations.

**Table 6.23: Shaw Industries—acquisition analysis**

<i>(\$ millions)</i>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenues	\$4,108	\$3,542	\$3,576	\$3,202	\$2,870
Revenues/avg. capital <sup>1</sup>	\$3.18	\$2.68	\$2.73	\$2.54	\$2.34
EBIT margin <sup>1,2</sup>	11%	8%	5%	5%	6%
Pre-tax return on capital	36%	21%	15%	14%	13%
Purchase price (equity)	\$2,291				
Assumed debt	824				
Effective purchase price	\$3,115				
Purchase multiple	2.45x				
BRK going-in pre-tax return	14.6%				

Footnotes:

1. Adjustments were made to account for acquired goodwill and its related amortization.
2. Operating income adjusted to remove the effects of non-recurring items and equity in income from joint venture.

Sources: Berkshire Hathaway Annual Report 2000; Shaw Industries Annual Reports 1997–1999; and author's calculations.

**Table 6.24: Johns Manville—acquisition analysis**

(\$ millions)	1999	1998	1997	1996	1995
Revenues	\$2,162	\$1,781	\$1,648	\$1,552	\$1,392
Revenues/avg. capital <sup>1</sup>	\$1.94	\$1.71	\$1.77	\$1.22	\$0.88
EBIT margin <sup>1</sup>	17%	16%	14%	12%	14%
Pre-tax return on capital	33%	28%	24%	15%	13%
Purchase price (equity)	\$1,800				
Assumed debt	513				
Effective purchase price	\$2,313				
Purchase multiple	2.08x				
BRK going-in pre-tax return	16.0%				
Footnote:					
1. Adjustments were made to account for acquired goodwill and its related amortization.					

Sources: Berkshire Hathaway Annual Report 2000; Johns Manville Annual Reports 1997–1999; and author's calculations.

**Table 6.25: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2000	1999
<b>GEICO Corporation</b>		
Premiums written	\$5,778	\$4,953
Premiums earned	5,610	4,757
Underwriting gain/(loss) - pre-tax	(\$224)	\$24
<b>General Re</b>		
Premiums written	\$8,696	\$7,043
Premiums earned	8,696	6,905
Underwriting gain/(loss) - pre-tax	(\$1,254)	(\$1,184)
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written	\$4,724	\$2,410
Premiums earned	4,712	2,382
Underwriting gain/(loss) - pre-tax	(\$162)	(\$256)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$325	\$262
Underwriting gain/(loss) - pre-tax	\$25	\$22
Total underwriting gain/(loss)	(\$1,615)	(\$1,394)
Year end average float - total	26,585	24,026
Cost of float	6.1%	5.8%
Aggregate adverse (favorable) loss development	\$211	(\$192)

Notes:

1. The results for 2000 at General Re include five quarters. In 2000 General Re International and Global Life/Health changed its reporting from a one-quarter lag. The total underwriting loss for 12 months was \$1,156 million (2001 presentation).
2. Berkshire Hathaway Primary Group written premiums were not detailed.

Sources: Berkshire Hathaway Annual Report 1999, 2001; and author's calculations.

**Table 6.26: Accounting and economics of General Re's North American property/casualty unit excess reinsurance contract, 2000**

<u>Accounting treatment</u>	
<i>(\$ millions)</i>	
Upfront premium	\$404
All expected future losses	(643)
Underwriting loss	(\$239)
<u>Economics</u>	
Interest cost if a loan over:	
5 years	9.7%
10 years	4.8%
15 years	3.1%

Sources: Berkshire Hathaway Annual Report 2000 and author's calculations.

\* Note that these figures are from the 2001 presentation and the underwriting loss is \$30 million greater than the original 2000 presentation.

\*\* Making some generalized assumptions, we can view the economics of the transaction, which is not unlike that of a loan. If Berkshire had use of the \$404 million premium for five years and it could pay back the \$643 million in year five, it would cost it 10% per year; a ten-year payout would result in a cost of 5% (see Table 6.26). In practice, the timing of payouts could stretch decades, which would affect the cost.

**Table 6.27: Berkshire Hathaway intrinsic value estimation**

<i>Per A-share:</i>	<u>2000</u>	<u>1999</u>
Investments	\$50,507	\$47,339
Pre-tax operating earnings (ex. investment income; adjusted to breakeven insurance underwriting)	846	550
Estimated value (investments + 10x operating earnings)	58,966	52,844
Year-end share price	71,000	56,100
Year-end book value per share	40,442	37,987
Price/estimated value	1.20x	1.06x
Price/book	1.76x	1.48x
Value/book	1.46x	1.39x
Change in estimated value	12%	
Change in share price	27%	

Sources: Berkshire Hathaway Annual Reports, 1999, 2000; and author's calculations.

**Table 6.28: XTRA Corporation—acquisition analysis**

<i>(\$ millions)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues	\$477	\$464	\$461
Revenues/average capital <sup>1</sup>	\$0.41	\$0.39	\$0.37
EBIT margin <sup>1</sup>	34%	33%	35%
Pre-tax return on capital	14%	13%	13%
Purchase price (equity)	\$578		
Assumed debt	788		
Effective purchase price	\$1,366		
Purchase multiple	1.17x		
BRK going-in pre-tax return	12.0%		
Footnotes:			
1. Adjustments were made for an asset write-down (\$25 million) and restructuring costs (\$13 million) in 1999.			

Sources: Berkshire Hathaway Annual Report 2001, XTRA Corporation Annual Reports 1998–2000, and author's calculations.

**Table 6.29: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2001</u>	<u>2000</u>
<b>GEICO Corporation</b>		
Premiums written	\$6,176	\$5,778
Premiums earned	6,060	5,610
Underwriting gain/(loss) - pre-tax	\$221	(\$224)
<b>General Re</b>		
Premiums written	\$8,730	\$8,696
Premiums earned	8,353	8,696
Underwriting gain/(loss) - pre-tax	(\$3,671)	(\$1,254)
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written	\$3,254	\$4,724
Premiums earned	2,991	4,712
Underwriting gain/(loss) - pre-tax	(\$647)	(\$162)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$501	\$325
Underwriting gain/(loss) - pre-tax	\$30	\$25
Total underwriting gain/(loss)	(\$4,067)	(\$1,615)
Year end average float - total	31,690	26,585
Cost of float	12.8%	6.1%
Aggregate adverse (favorable) loss development	\$1,165	\$211

Notes:

1. The results for 2000 at General Re include five quarters. In 2000 General Re International and Global Life/Health changed its reporting from a one-quarter lag.
2. Berkshire Hathaway Primary Group written premiums were not detailed.

Sources: Berkshire Hathaway Annual Report 2001 and author's calculations.

**Table 6.30: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2002</u>	<u>2001</u>
<b>GEICO Corporation</b>		
Premiums written	\$6,963	\$6,176
Premiums earned	6,670	6,060
Underwriting gain/(loss) - pre-tax	<u>\$416</u>	<u>\$221</u>
<b>General Re</b>		
Premiums written	\$8,521	\$8,730
Premiums earned	8,500	8,353
Underwriting gain/(loss) - pre-tax	<u>(\$1,393)</u>	<u>(\$3,671)</u>
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums written		\$3,254
Premiums earned	3,300	2,991
Underwriting gain/(loss) - pre-tax	<u>\$534</u>	<u>(\$647)</u>
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$712	\$501
Underwriting gain/(loss) - pre-tax	<u>\$32</u>	<u>\$30</u>
Total underwriting gain/(loss)	(\$411)	(\$4,067)
Year end average float - total	38,366	31,690
Cost of float	1.1%	12.8%
Aggregate adverse (favorable) loss development	\$1,540	\$1,165

Notes:

1. Berkshire Hathaway Primary Group written premiums were not detailed.
2. Berkshire Hathaway Reinsurance Group written premiums stopped being reported in 2002.

Sources: Berkshire Hathaway Annual Report 2001–2002 and author's calculations.

**Table 6.31: Berkshire Hathaway SQUARZ Notes—select data**

Price-to-book ratio 2002-Q2	1.75x
Implied price-to-book ratio at issuance	2.24x
Annual return to warrant holder if BRK:	
Increased by 15%/year over five years	8.71%
Increased by 10%/year over five years	3.95%

Sources: Berkshire Hathaway Annual Report 2002 and author's calculations.

**Table 6.32: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2003</u>	<u>2002</u>
<b>GEICO Corporation</b>		
Premiums written	\$8,081	\$6,963
Premiums earned	7,784	6,670
Underwriting gain/(loss) - pre-tax	\$452	\$416
<b>General Re</b>		
Premiums written	\$8,021	\$8,521
Premiums earned	8,245	8,500
Underwriting gain/(loss) - pre-tax	\$145	(\$1,393)
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$4,430	\$3,300
Underwriting gain/(loss) - pre-tax	\$1,047	\$534
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,034	\$712
Underwriting gain/(loss) - pre-tax	\$74	\$32
Total underwriting gain/(loss)	\$1,718	(\$411)
Year end average float - total	42,722	38,366
Cost of float	(4.0%)	1.1%
Aggregate adverse (favorable) loss development	\$480	\$1,540

Notes:

1. Berkshire Hathaway Primary Group written premiums were not detailed.
2. Berkshire Hathaway Reinsurance Group written premiums stopped being reported in 2002.

Sources: Berkshire Hathaway Annual Reports 2002–2003 and author's calculations.

**Table 6.33: Clayton Homes—acquisition analysis**

<i>(\$ millions)</i>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Total revenues	\$1,199	\$1,151	\$1,293	\$1,344	\$1,128	\$1,022	\$929	\$758	\$628	\$476
Revenues/avg. capital	\$0.91	\$0.95	\$1.19	\$1.24	\$1.18	\$1.40	\$1.46	\$1.35	\$1.23	\$0.98
EBIT margin	17%	15%	18%	19%	19%	18%	18%	17%	17%	18%
Pre-tax return on capital	15%	14%	21%	23%	23%	26%	26%	23%	21%	17%
Purchase price (equity)	\$1,700									
Assumed debt	93									
Effective purchase price	\$1,793									
Purchase multiple	1.36x									
BRK going-in pre-tax return	11.2%									

Sources: Berkshire Hathaway Annual Report 2003, Clayton Homes Annual Report 2002, and author's calculations.

**Table 6.34: McLane—acquisition analysis**

<i>(\$ millions)</i>	
Revenues	\$23,000
Pre-tax margin	1%
Pre-tax income	\$230
Berkshire's purchase price	\$1,500
BRK going-in pre-tax return	15.3%

Sources: Berkshire Hathaway Annual Report 2003 and author's calculations.

**Table 6.35: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2004</u>	<u>2003</u>
<b>GEICO Corporation</b>		
Premiums written	\$9,212	\$8,081
Premiums earned	8,915	7,784
Underwriting gain/(loss) - pre-tax	\$970	\$452
<b>General Re</b>		
Premiums written	\$6,860	\$8,021
Premiums earned	7,245	8,245
Underwriting gain/(loss) - pre-tax	\$3	\$145
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$3,714	\$4,430
Underwriting gain/(loss) - pre-tax	\$417	\$1,047
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,211	\$1,034
Underwriting gain/(loss) - pre-tax	\$161	\$74
Total underwriting gain/(loss)	\$1,551	\$1,718
Year end average float - total	45,157	42,722
Cost of float	(3.4%)	(4.0%)
Aggregate adverse (favorable) loss development	\$419	\$480

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Report 2003–2004 and author's calculations.

**Table 6.36: Reconciliation of shareholders' equity, 1965–2004**

<i>(\$ millions)</i>	<u>1965–74</u>	<u>1975–84</u>	<u>1985–94</u>	<u>1995–04</u>	<u>1965–04</u>
Beginning of period shareholders' equity	\$22	\$88	\$1,272	\$11,875	\$22
Net income - operations	57	366	2,869	19,344	22,636
Net income - realized gains	7	199	1,354	14,096	15,657
Unrealized appreciation of investments	0	486	5,877	15,000	21,363
Mergers/divestitures	0	133	433	25,085	25,651
Dividends/treasury stock	(3)	0	69	0	66
Issuance of Class-B stock	0	0	0	565	565
Other/misc.	4	0	0	(65)	(60)
End of period shareholders' equity	\$88	\$1,272	\$11,875	\$85,900	\$85,900
Change in equity during period	\$66	\$1,184	\$10,602	\$74,026	\$85,877

Note: Figures may not add due to rounding.

Sources: Berkshire Hathaway Annual Reports and author's calculations.

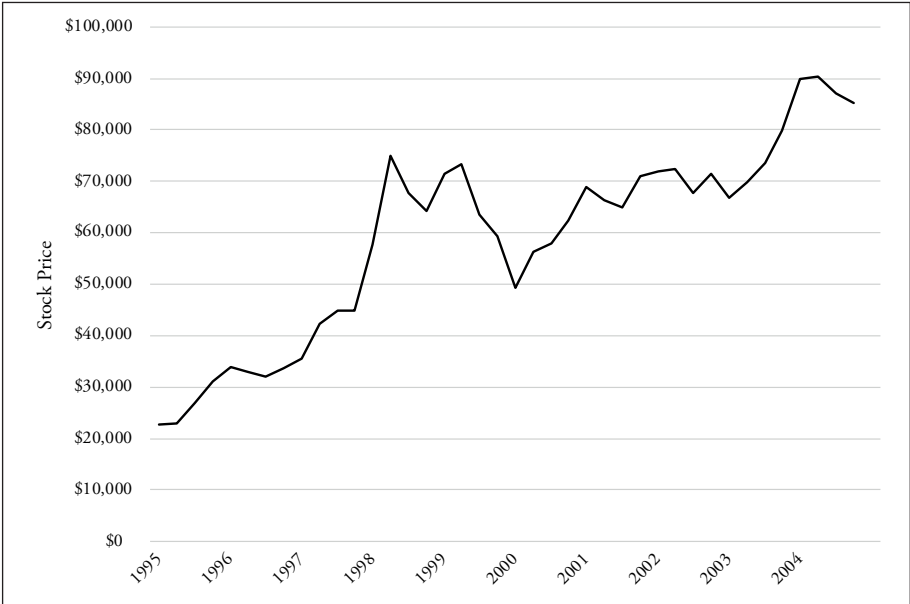
**Table 6.37: Contribution toward change in equity during period**

	<u>1965–74</u>	<u>1975–84</u>	<u>1985–94</u>	<u>1995–04</u>	<u>1965–04</u>
Net income - operations	86%	31%	27%	26%	26%
Net income - realized gains	11%	17%	13%	19%	18%
Unrealized appreciation of investments	0%	41%	55%	20%	25%
Mergers/divestitures	0%	11%	4%	34%	30%
Dividends/treasury stock	(4%)	0%	1%	0%	0%
Issuance of Class-B stock	0%	0%	0%	1%	1%
Other/misc.	7%	0%	0%	(0%)	(0%)
Total	100%	100%	100%	100%	100%

Note: Figures may not add due to rounding.

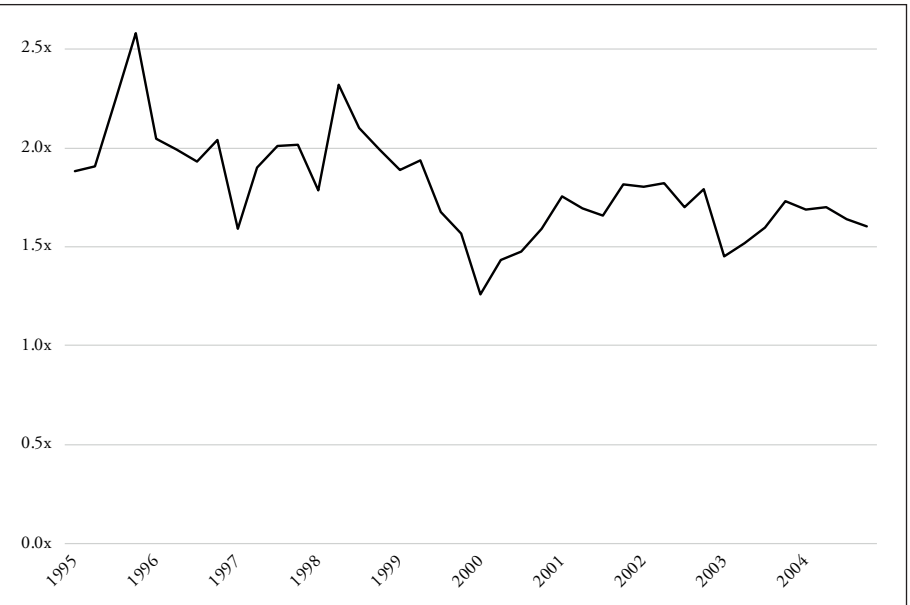
Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Figure 6.1: Berkshire Hathaway stock price, 1995–2004**



Sources: *Of Permanent Value* (Kilpatrick, 2015), Berkshire Hathaway Annual Reports 1995–2004, and author’s calculations.

**Figure 6.2: Berkshire Hathaway price-to-book ratio, 1995–2004**



Sources: *Of Permanent Value* (Kilpatrick, 2015), Berkshire Hathaway Annual Reports 1995–2004, and author’s calculations.

**Table 6.38: Berkshire Hathaway—equity portfolio, select detail**

<i>(\$ millions)</i>	2004		1994		Change	
	<i>Cost</i>	<i>Market</i>	<i>Cost</i>	<i>Market</i>	<i>Cost</i>	<i>Market</i>
American Express	\$1,470	\$8,546	\$724	\$819	\$746	\$7,727
The Coca-Cola Company	1,299	8,328	1,299	5,150	0	3,178
The Gillette Company	600	4,299	600	1,797	0	2,502
Wells Fargo & Company	463	3,508	424	985	39	2,523
Washington Post	11	1,698	10	419	1	1,279
All other	5,213	11,338	2,526	6,066	2,687	5,272
Total equity securities	\$9,056	\$37,717	\$5,583	\$15,236	\$3,473	\$22,481

Sources: Berkshire Hathaway Annual Reports 1994, 2004; and author's calculations.

**Table 6.39: Relative size of Berkshire's insurance subsidiaries**

<i>(\$ millions)</i>	<u>2004</u>	<u>1994</u>
Insurance assets	\$114,759	\$18,494
Percentage of total BRK assets	61%	87%
Pre-tax underwriting profit	\$1,551	\$130
Pre-tax net investment income	\$2,824	\$419
Pre-tax income from non-insurance	\$3,302	\$333
Year-end float	\$46,094	\$3,057

Sources: Berkshire Hathaway Annual Reports 1994, 2004; and author's calculations.

**Table 6.40: Berkshire Hathaway—select parent-level financial information**

<i>(\$ millions, except per share data)</i>	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>Revenues:</b>										
Insurance premiums earned	\$21,085	\$21,493	\$19,182	\$17,905	\$19,343	\$14,306	\$5,481	\$4,761	\$4,118	\$957
Sales and service revenues	43,222	32,098	16,958	14,507	7,000	5,918	4,675	3,615	3,095	2,756
Interest, dividend, and other investment income	2,816	3,098	2,943	2,765	2,685	2,314	1,049	916	778	629
Interest and other revenues of finance and financial products businesses	3,763	3,041	2,234	1,928	1,322	125	212	32	25	27
Investment gains <sup>1,4,5</sup>	3,496	4,129	918	1,488	4,499	1,365	2,415	1,106	2,484	194
Total revenues	<u>\$74,382</u>	<u>\$63,859</u>	<u>\$42,235</u>	<u>\$38,593</u>	<u>\$34,849</u>	<u>\$24,028</u>	<u>\$13,832</u>	<u>\$10,430</u>	<u>\$10,500</u>	<u>\$4,563</u>
<b>Earnings:</b>										
Net earnings <sup>1,2,3</sup>	<u>\$7,308</u>	<u>\$8,151</u>	<u>\$4,286</u>	<u>\$795</u>	<u>\$3,328</u>	<u>\$1,557</u>	<u>\$2,830</u>	<u>\$1,901</u>	<u>\$2,489</u>	<u>\$795</u>
Net earnings per share <sup>2,3</sup>	<u>\$4,753</u>	<u>\$5,309</u>	<u>\$2,795</u>	<u>\$521</u>	<u>\$2,185</u>	<u>\$1,025</u>	<u>\$2,262</u>	<u>\$1,542</u>	<u>\$2,065</u>	<u>\$670</u>
<b>Year-end data<sup>6</sup>:</b>										
Total assets	\$188,874	\$180,559	\$169,544	\$162,752	\$135,792	\$131,416	\$122,237	\$56,111	\$43,409	\$28,711
Borrowings under investment agreements and other debt (excluding finance businesses)						\$2,465	\$2,385	\$2,267	\$1,944	\$1,062
Notes payable and other borrowings of insurance and other non-finance businesses	3,450	4,182	4,775	3,455	2,611					
Notes payable and other borrowings of finance businesses	5,387	4,937	4,513	9,049	2,168					
Shareholders' equity	85,900	77,596	64,037	57,950	61,724	57,761	57,403	31,455	23,427	16,739
Common shares outstanding, in thousands <sup>7</sup>	1,539	1,537	1,535	1,528	1,526	1,521	1,519	1,234	1,232	1,194
Shareholders' equity per outstanding share	<u>\$55,824</u>	<u>\$50,498</u>	<u>\$41,727</u>	<u>\$37,920</u>	<u>\$40,442</u>	<u>\$37,987</u>	<u>\$37,801</u>	<u>\$25,488</u>	<u>\$19,011</u>	<u>\$14,025</u>
Footnotes:										
1. After-tax investment gains were as follows:	\$2,259	\$2,729	\$2,729	\$923	\$2,746	\$886	\$1,553	\$704	\$1,605	\$125
2. Includes pre-tax underwriting loss of \$2.4 billion (\$1.5 billion after-tax; \$982 after-tax per A-share) in connection with the September 11, 2001 terrorist attack.										
3. Beginning in 2002 goodwill was no longer amortized. Amortization charges after-tax relating to goodwill were \$636 million (\$416 per share) and \$548 million (\$360 per share) in 2001 and 2000, respectively.										
4. 1997 capital gain includes \$678 million pre-tax (\$427 million after-tax) from the acquisition of Salomon, Inc. by Travelers Group, Inc.										
5. 1996 capital gain includes \$2.2 billion pre-tax (\$1.4 billion after-tax) from the acquisition of Capital Cities/ABC, Inc. by The Walt Disney Company.										
6. Year-end data for 1998 includes General Re, acquired on December 21, 1998.										
7. Class A-equivalent shares.										

Note: Data was taken from the 2004 (2000–2004) and 1999 (1995–1999) Annual Reports to maintain consistency with the reporting for each five-year period. Slight differences exist for any particular year depending on the report year.

Sources: Berkshire Hathaway Annual Reports 1999, 2004.

**Table 6.41: Reconciliation of shareholders' equity**

(\$ millions)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Prior year equity <sup>1</sup>	\$77,596	\$64,037	\$57,950	\$61,724	\$57,761	\$57,403	\$31,455	\$23,426	\$16,739	\$11,652	\$10,140
Current year net income/(loss)	7,308	8,151	4,286	795	3,328	1,557	2,830	1,902	2,489	795	553
Change in common - issue 517,500 "B" shares									565		
Change in paid-in capital <sup>2</sup>	117	123	421	83	315	88	22,803	73	708	346	
Treasury stock <sup>2</sup>							3		3	3	
Other <sup>3</sup>											
Change in unrealized appreciation of securities, net of tax <sup>4</sup>	674	5,141	1,416	(4,579)	428	(1,382)	381	6,054	2,923	3,944	958
Change in comprehensive income <sup>5</sup>	205	144	(36)	(73)	(108)	95	(69)				
Ending equity	<u>\$85,900</u>	<u>\$77,596</u>	<u>\$64,037</u>	<u>\$57,950</u>	<u>\$61,724</u>	<u>\$57,761</u>	<u>\$57,403</u>	<u>\$31,455</u>	<u>\$23,426</u>	<u>\$16,739</u>	<u>\$11,652</u>
Shares outstanding at end of period											
Class A	1,268,783	1,282,979	1,311,186	1,323,410	1,343,904	1,341,663	1,349,535	1,197,888	1,206,120	1,193,512	1,177,750
Class B	<u>8,099,175</u>	<u>7,609,543</u>	<u>6,704,117</u>	<u>6,144,222</u>	<u>5,469,786</u>	<u>5,366,955</u>	<u>5,070,379</u>	<u>1,087,156</u>	<u>783,755</u>		
Total Class A-equivalent shares	1,538,756	1,536,630	1,534,657	1,528,217	1,526,230	1,520,562	1,518,548	1,234,127	1,232,245	1,193,512	1,177,750
Footnotes:											
1. The beginning 1994 (ending 1993) shareholders' equity is \$288.3 million lower due to the restatement of the financials associated with the 1996 GEICO merger.											
2.											
1995: 15,762 shares issued in connection with acquisition of Helzberg Diamond Shops and RC Willey Home Furnishings.											
1996: 17,728 "A" shares and 112,655 "B" shares issued in connection with acquisition of FlightSafety.											
1997: 1,866 "A" shares and 165 "B" shares issued in connection with acquisition of Star Furniture.											
1998: 272,200 "A" share-equivalents issued in connection with the General Re acquisition. Remaining 12,221 A-equivalent shares attributable to the stock portion of the International Dairy Queen and Executive Jet acquisitions. Also note that in 1998 Berkshire eliminated/retired its outstanding Treasury stock.											
1999: \$88 million attributable to the exercise of stock options in connection with acquisitions.											
2000: \$224 million or 3,572 A-shares issued in connection with the acquisitions of USIC and Ben Bridge. Remainder or \$91 million related to the exercise of options in connection with acquisitions and SQUARZ warrant premiums.											
2001: \$83 million additional paid-in capital relating to the exercise of stock options in connection with acquisitions and SQUARZ warrant premiums.											
2002: 4,505 A-shares and 7,063 B-shares issued in connection with unspecified acquisitions (\$324 million); \$97 million attributable to the exercise of options related to acquisitions and SQUARZ warrant premiums.											
2003: \$123 million attributable to the exercise of stock options in connection with acquisitions and SQUARZ warrant premiums.											
2004: \$117 million attributable to the exercise of stock options in connection with acquisitions and SQUARZ warrant premiums.											
3. Other category included in the 1997 financial statements but not specified. Certain lines contain data that round to zero.											
4. In 1998 and 1999, only the gross amounts for unrealized appreciation of investments and reclassification adjustment for appreciation included in net earnings are presented. The figures included for 1998 and 1999 use an estimated tax rate of 36%.											
5. Includes foreign currency translation, transactions relating to pension plans, other, and amounts applicable to income taxes.											

Sources: Berkshire Hathaway Annual Reports, 1996–2004, and author's calculations.

**Table 6.42: Berkshire Hathaway Insurance Group balance sheets, 1994–2000**

(\$ millions)	2000	1999	1998	1997	1996	1995	1994
<b>Assets</b>							
<i>Investments</i>							
Fixed maturities at market <sup>1</sup>	\$32,381	\$30,217	\$21,216	\$10,028	\$5,462	\$1,369	\$2,482
Equity securities at market:							
American Express Company	8,147	8,218	5,067	4,315	2,732	2,001	794
Capital Cities/ABC, Inc.						2,406	1,662
The Coca-Cola Company	12,159	11,622	13,368	13,306	10,500	7,407	5,138
The Walt Disney Company	0		1,489	2,083	1,680		
Freddie Mac	146	2,803	3,885	2,683	1,773	1,044	644
GEICO <sup>2</sup>						2,393	1,678
McDonalds Corporation					1,356	505	
The Gillette Company	3,468	3,954	4,590	4,821	3,732	2,502	1,797
Wells Fargo & Company	2,964	2,316	2,466	2,208	1,917	1,427	958
Other	12,008	10,256	8,629	6,526	3,862	2,363	2,452
	71,273	69,386	60,710	45,969	33,014	23,416	17,605
Cash and cash equivalents	4,700	2,981	13,081	516	514	2,329	90
Deferred costs	3,508	2,309	1,226	608	438	411	468
Other	12,808	9,490	7,745	1,287	1,022	315	302
	\$92,289	\$84,166	\$82,762	\$48,380	\$34,987	\$26,470	\$18,466
<b>Liabilities</b>							
Losses and loss adjustment expenses	\$33,022	\$26,802	\$23,012	\$6,851	\$6,274	\$3,699	\$3,430
Unearned premiums	3,885	3,718	3,324	1,274	1,184	374	307
Funds held under reinsurance assumed				397	450	379	307
Accounts payable, accruals and other				1,256	802	239	255
Policyholder liabilities and other accruals	6,986	6,537	6,419				
Income taxes, principally deferred	9,729	9,430	11,432	10,372	6,612	5,483	3,209
	53,622	46,487	44,187	20,150	15,321	10,174	7,509
<b>Equity</b>							
Minority shareholders'	1,157	1,337	1,554	359	258	196	137
Berkshire shareholders'	37,510	36,342	37,021	27,871	19,408	16,100	10,820
	38,667	37,679	38,575	28,230	19,666	16,296	10,957
	\$92,289	\$84,166	\$82,762	\$48,380	\$34,987	\$26,470	\$18,466
<b>Footnotes:</b>							
1. Includes Salomon, Inc.							
2. In 1996 GEICO became a wholly-owned subsidiary of Berkshire Hathaway.							

Note: Berkshire discontinued this presentation after 2000.

Sources: Berkshire Hathaway Annual Reports 1994–2000.

**Table 6.43: Berkshire Hathaway Insurance Group income statements, 1994–2000**

(\$ millions)	2000	1999	1998	1997	1996	1995	1994
Premiums written	\$19,662	\$14,667	\$5,476	\$4,852	\$4,105	\$1,024	\$916
Premiums earned	\$19,343	\$14,306	\$5,300	\$4,761	\$4,118	\$958	\$923
Losses and loss expenses	17,326	12,518	3,904	3,420	3,090	612	564
Underwriting expenses	3,602	3,182	1,131	880	806	325	229
Total losses and expenses	20,928	15,700	5,035	4,300	3,896	937	793
Underwriting gain (loss) pre-tax	(1,585)	(1,394)	265	461	222	21	130
Net investment income	2,811	2,488	974	882	726	502	419
Realized investment gain	3,920	1,364	2,462	1,059	2,290	181	92
Other than temporary decline in value of investment in USAir Group, Inc. Preferred Stock							(261)
Earnings before income taxes	5,146	2,458	3,701	2,403	3,238	703	380
Income tax expense (benefit)	1,604	672	1,186	705	1,007	149	52
	3,542	1,786	2,515	1,698	2,232	554	329
Minority interest	230	35	17	15	8	8	4
Net earnings	\$3,312	\$1,751	\$2,498	\$1,683	\$2,224	\$547	\$324
Net investment income detail:							
<i>Dividends</i>	\$493	\$476	\$363	\$458	\$418	\$385	\$362
<i>Interest</i>	2,340	2,030	621	431	322	100	92
<i>Equity in net income/(loss) of Salomon, Inc.</i>						18	(32)
<i>Investment expenses</i>	(22)	(18)	(10)	(6)	(14)	(1)	(4)
<i>Total net investment income</i>	\$2,811	\$2,488	\$974	\$882	\$726	\$502	\$419

Sources: Berkshire Hathaway Annual Reports 1994–2000.

**Table 6.44: Berkshire Hathaway Insurance Group key ratios and figures, 1994–2000**

	2000	1999	1998	1997	1996	1995	1994
Loss ratio	89.6%	87.5%	73.7%	71.8%	75.0%	63.9%	61.1%
Expense ratio (against written premiums)	18.3%	21.7%	20.7%	18.1%	19.6%	31.7%	25.0%
Combined ratio (statutory)	107.9%	109.2%	94.3%	90.0%	94.7%	95.6%	86.1%
GAAP combined ratio	108.2%	109.7%	95.0%	90.3%	94.6%	97.9%	85.9%
Change in premiums written	34.1%	167.8%	12.9%	18.2%	300.8%	11.9%	24.2%
Change in premiums earned	35.2%	169.9%	11.3%	15.6%	330.1%	3.7%	41.9%
Premiums written / average equity	51.5%	38.5%	16.4%	20.3%	22.8%	7.5%	8.4%

Sources: Berkshire Hathaway Annual Reports 1994–2000 and author's calculations.

Note: The following table was broken up into multiple sections and spans several pages

**Table 6.45: Berkshire Hathaway—insurance underwriting detail**

(\$ millions)	2004		2003		2002		2001		2000	
	<i>Amount</i>	%	<i>Amount</i>	%	<i>Amount</i>	%	<i>Amount</i>	%	<i>Amount</i>	%
<b>GEICO Corporation</b>										
Premiums written	\$9,212		\$8,081		\$6,963		\$6,176		\$5,778	
Premiums earned	8,915	100.0%	7,784	100.0%	6,670	100.0%	6,060	100.0%	5,610	100.0%
Losses and loss expenses	6,360	71.3%	5,955	76.5%	5,137	77.0%	4,842	79.9%	4,809	85.7%
Underwriting expenses	1,585	17.8%	1,377	17.7%	1,117	16.7%	997	16.5%	1,025	18.3%
Total losses and expenses	7,945	89.1%	7,332	94.2%	6,254	93.8%	5,839	96.4%	5,834	104.0%
Underwriting gain (loss) - pre-tax	\$970		\$452		\$416		\$221		(\$224)	
Statutory combined ratio	88.5%		93.5%		93.1%		96.0%		103.5%	
<b>General Re</b>										
(\$ millions)										
Premiums written:										
North American property/casualty	\$2,747		\$3,440		\$3,975		\$4,172		\$3,517	
International property/casualty	2,091		2,742		2,647		2,553		3,036	
Life/health	2,022		1,839		1,899		2,005		2,263	
Total Gen Re premiums written	\$6,860		\$8,021		\$8,521		\$8,730		\$8,816	
Premiums earned:										
North American property/casualty	\$3,012		\$3,551		\$3,967		\$3,968		\$3,389	
International property/casualty	2,218		2,847		2,647		2,397		3,046	
Life/health	2,015		1,847		1,886		1,988		2,261	
Total Gen Re premiums earned	\$7,245		\$8,245		\$8,500		\$8,353		\$8,696	
Underwriting gain (loss) pre-tax:										
North American property/casualty	\$11	99.6%	\$67	98.1%	(\$1,019)	125.7%	(\$2,843)	171.6%	(\$656)	119.4%
International property/casualty	(93)	104.2%	20	99.3%	(319)	112.1%	(746)	131.1%	(518)	117.0%
Life/health	85	95.8%	58	96.9%	(55)	102.9%	(82)	104.1%	(80)	103.5%
Total Gen Re underwriting gain (loss) - pre-tax	\$3	100.0%	\$145	98.2%	(\$1,393)	116.4%	(\$3,671)	143.9%	(\$1,254)	114.4%

Note: GAAP combined ratio shown in %.

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<b>Berkshire Hathaway Reinsurance Group</b> (\$ millions)	2004		2003		2002		2001		2000	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Premiums earned:										
Catastrophe and individual risk	\$1,462		\$1,330		\$1,283		\$553		\$321	
Retroactive reinsurance	188		526		407		1,993		3,944	
Quota share					1,289		220		22	
Other	2,064		2,574		321		225		425	
Total BHRG premiums earned	\$3,714		\$4,430		\$3,300		\$2,991		\$4,712	
Underwriting gain (loss) pre-tax:										
Catastrophe and individual risk	\$385	73.7%	\$1,108	16.7%	\$1,006	21.6%	(\$150)	127.1%	\$196	38.9%
Retroactive reinsurance	(412)	319.1%	(387)	173.6%	(446)	209.6%	(371)	118.6%	(191)	104.8%
Quota share					(86)	106.7%	(57)	125.9%	(3)	113.6%
Other	444	78.5%	326	87.3%	60	81.3%	(69)	130.7%	(164)	138.6%
Total BHRG underwriting gain (loss) - pre-tax	\$417	88.8%	\$1,047	76.4%	\$534	83.8%	(\$647)	121.6%	(\$162)	103.4%
<i>Note: GAAP combined ratio shown in %.</i>										
<b>BHRG - Combined</b>										
Premiums written							\$3,254		\$4,724	
Premiums earned	3,714	100.0%	4,430	100.0%	3,300	100.0%	2,991	100.0%	4,712	100.0%
Losses and loss expenses							3,443	115.1%	4,760	101.0%
Underwriting expenses							195	6.5%	114	2.4%
Total losses and expenses	3,297	88.8%	3,383	76.4%	2,766	83.8%	3,638	121.6%	4,874	103.4%
Underwriting gain (loss) - pre-tax	\$417		\$1,047		\$534		(\$647)		(\$162)	
<b>Berkshire Hathaway Primary Group</b> (\$ millions)										
	2004		2003		2002		2001		2000	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Premiums written										
Premiums earned <sup>1</sup>	1,211	100.0%	1,034	100.0%	712	100.0%	501	100.0%	325	100.0%
Losses and loss expenses										
Underwriting expenses										
Total losses and expenses	1,050	86.7%	960	92.8%	680	95.5%	471	94.0%	300	92.3%
Underwriting gain (loss) - pre-tax	\$161		\$74		\$32		\$30		\$25	
Aggregate adverse (favorable) loss development <sup>2</sup>	\$419	2.0%	\$480	2.2%	\$1,540	8.0%	\$1,165	6.5%	\$211	1.1%

**Table 6.45: Berkshire Hathaway—insurance underwriting detail**

(\$ millions)	1999		1998		1997		1996		1995		1994	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>GEICO Corporation</b>												
Premiums written	<u>\$4,953</u>		<u>\$4,182</u>		<u>\$3,588</u>		<u>\$3,122</u>		<u>\$2,856</u>			
Premiums earned	4,757	100.0%	4,033	100.0%	3,482	100.0%	3,092	100.0%	2,787	100.0%		
Losses and loss expenses	3,815	80.2%	2,978	73.8%	2,630	75.5%	2,434	78.7%	2,254	80.9%		
Underwriting expenses	918	19.3%	786	19.5%	571	16.4%	487	15.8%	441	15.8%		
Total losses and expenses	<u>4,733</u>	<u>99.5%</u>	<u>3,764</u>	<u>93.3%</u>	<u>3,201</u>	<u>91.9%</u>	<u>2,921</u>	<u>94.5%</u>	<u>2,695</u>	<u>96.7%</u>		
Underwriting gain (loss) - pre-tax	<u>\$24</u>		<u>\$269</u>		<u>\$281</u>		<u>\$171</u>		<u>\$92</u>			
Statutory combined ratio	98.7%		92.6%		91.5%		94.3%		96.3%			
<b>General Re</b>												
(\$ millions)	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Premiums written:												
North American property/casualty	\$2,801		\$2,707									
International property/casualty	2,506		2,072									
Life/health	<u>1,736</u>		<u>1,305</u>									
Total Gen Re premiums written	\$7,043		\$6,084									
Premiums earned:												
North American property/casualty	\$2,837		\$2,708									
International property/casualty	2,343		2,095									
Life/health	<u>1,725</u>		<u>1,292</u>									
Total Gen Re premiums earned	\$6,905		\$6,095									
Underwriting gain (loss) pre-tax:												
North American property/casualty	(\$584)	120.6%	\$21	99.2%								
International property/casualty	(473)	120.2%	(101)	104.8%								
Life/health	<u>(127)</u>	<u>107.4%</u>	<u>(290)</u>	<u>122.4%</u>								
Total Gen Re underwriting gain (loss) - pre-tax	<u>(\$1,184)</u>	<u>117.1%</u>	<u>(\$370)</u>	<u>106.1%</u>								
<i>Note: GAAP combined ratio shown in %.</i>												

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<b>Berkshire Hathaway Reinsurance Group</b> (\$ millions)	1999		1998		1997		1996		1995		1994	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Premiums earned:												
Catastrophe and individual risk	\$880											
Retroactive reinsurance	1,507											
Quota share												
Other												
Total BHRG premiums earned	<u>\$2,387</u>											
Underwriting gain (loss) pre-tax:												
Catastrophe and individual risk	(\$159)	118.1%										
Retroactive reinsurance	(97)	106.4%										
Quota share												
Other												
Total BHRG underwriting gain (loss) - pre-tax	<u>(\$256)</u>	<u>110.7%</u>										
<i>Note: GAAP combined ratio shown in %.</i>												
<b>BHRG - Combined</b>												
Premiums written	<u>\$2,410</u>		<u>\$986</u>		<u>\$955</u>		<u>\$715</u>		<u>\$777</u>		<u>\$690</u>	
Premiums earned	2,382	100.0%	939	100.0%	967	100.0%	758	100.0%	718	100.0%	688	100.0%
Losses and loss expenses	2,573	108.0%	765	81.5%	676	69.9%	573	75.6%	522	72.7%	477	69.3%
Underwriting expenses	65	2.7%	195	20.8%	163	16.9%	193	25.5%	217	30.2%	131	19.0%
Total losses and expenses	<u>2,638</u>	<u>110.7%</u>	<u>960</u>	<u>102.2%</u>	<u>839</u>	<u>86.8%</u>	<u>766</u>	<u>101.1%</u>	<u>739</u>	<u>102.9%</u>	<u>608</u>	<u>88.3%</u>
Underwriting gain (loss) - pre-tax	<u>(\$256)</u>		<u>(\$21)</u>		<u>\$128</u>		<u>(\$8)</u>		<u>(\$21)</u>		<u>\$81</u>	
<b>Berkshire Hathaway Primary Group</b> (\$ millions)												
Premiums written					<u>\$309</u>		<u>\$268</u>		<u>\$247</u>		<u>\$226</u>	
Premiums earned <sup>1</sup>	262	100.0%	328	100.0%	313	100.0%	268	100.0%	240	100.0%	235	100.0%
Losses and loss expenses					114	36.5%	92	34.2%	90	37.5%	88	37.6%
Underwriting expenses					146	46.6%	119	44.2%	109	45.6%	98	41.8%
Total losses and expenses	<u>240</u>	<u>91.6%</u>	<u>311</u>	<u>94.8%</u>	<u>260</u>	<u>83.1%</u>	<u>210</u>	<u>78.4%</u>	<u>199</u>	<u>83.1%</u>	<u>187</u>	<u>79.4%</u>
Underwriting gain (loss) - pre-tax	<u>\$22</u>		<u>\$17</u>		<u>\$53</u>		<u>\$59</u>		<u>\$41</u>		<u>\$48</u>	
Aggregate adverse (favorable) loss development <sup>2</sup>	(\$192)	(1.3%)	(\$195)	(1.7%)	(\$131)	(2.8%)	(\$90)	(2.2%)	\$56	1.5%	\$60	6.5%

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## Table 6.45: Berkshire Hathaway—insurance underwriting detail

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### Footnotes:

1. Beginning in August 2000, the Berkshire Hathaway Primary Group included the results of the United States Investment Corporation (“USIC”).
2. Per the notes to the financial statements. Percentage is the ratio of loss development to earned premiums.
3. The results for 2000 at General Re include five quarters. In 2000 General Re International and Global Life/Health changed its reporting from a one-quarter lag.

### Notes:

1. Unless otherwise stated, the ratios presented are on a GAAP basis. Statutory ratios were either unavailable or incalculable.
  2. 1995: There is an inconsistency in the financial statements with respect to consolidated pre-tax underwriting income. The financial statements report the same \$19.6 million consolidated pre-tax gain; however, Buffett’s table reports a figure of \$20.5 million. It is possible this is due to Buffett having removed Structured Settlement losses.
  3. 1996: The consolidated underwriting gain amounts to \$221.4 million in this table, and in the notes to the financial statements. However, Buffett’s Sources of Reported Earnings table, and the non-GAAP financials at the end of the annual report, list a figure of \$222.1 million.
  4. In 1996 Berkshire stopped reporting loss development in each business line.
  5. 2000: BHRG: The figure for earned premiums in the 2000 annual report is \$4,705. In the 2002 presentation it is listed as \$4,712. Likewise, the pre-tax underwriting loss, as originally presented, was \$175. This changed to a loss of \$162 in the 2002 presentation. I have used the 2002 figures and adjusted the losses and loss expenses, which were not detailed in the 2002 presentation, by the difference (reasoning it is more likely the loss estimate was off vs. the expenses, which should have been known).
- 2000: General Re: The results presented here for 2000 include 15 months. Berkshire subsequently corrected for this. The narrative contains results for the 12 month period.

Sources: Berkshire Hathaway Annual Reports 1995–2004 and author’s calculations.

**Table 6.46: Berkshire Hathaway—insurance underwriting overview**

(\$ millions)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>GEICO Corporation</b>											
Premiums written	\$9,212	\$8,081	\$6,963	\$6,176	\$5,778	\$4,953	\$4,182	\$3,588	\$3,122	\$2,856	
Premiums earned	8,915	7,784	6,670	6,060	5,610	4,757	4,033	3,482	3,092	2,787	
Underwriting gain/(loss) - pre-tax	\$970	\$452	\$416	\$221	(\$224)	\$24	\$269	\$281	\$171	\$92	
<b>General Re</b>											
Premiums written	\$6,860	\$8,021	\$8,521	\$8,730	\$8,696	\$7,043	\$6,084				
Premiums earned	7,245	8,245	8,500	8,353	8,696	6,905	6,095				
Underwriting gain/(loss) - pre-tax	\$3	\$145	(\$1,393)	(\$3,671)	(\$1,254)	(\$1,184)	(\$370)				
<b>Berkshire Hathaway Reinsurance Group</b>											
Premiums written				\$3,254	\$4,724	\$2,410	\$986	\$955	\$715	\$777	\$690
Premiums earned	3,714	4,430	3,300	2,991	4,712	2,382	939	967	758	718	688
Underwriting gain/(loss) - pre-tax	\$417	\$1,047	\$534	(\$647)	(\$162)	(\$256)	(\$21)	\$128	(\$8)	(\$21)	\$81
<b>Berkshire Hathaway Primary Group</b>											
Premiums written								\$309	\$268	\$247	\$226
Premiums earned <sup>1</sup>	\$1,211	\$1,034	\$712	\$501	\$325	\$262	\$328	313	268	240	235
Underwriting gain/(loss) - pre-tax	\$161	\$74	\$32	\$30	\$25	\$22	\$17	\$53	\$59	\$41	\$48
Total underwriting gain/(loss) <sup>2</sup>	\$1,551	\$1,718	(\$411)	(\$4,067)	(\$1,615)	(\$1,394)	\$265	\$462	\$222	\$21	\$130
Year end average float - total	45,157	42,722	38,366	31,690	26,585	24,026	15,070	7,093	6,702	3,607	3,057
Cost of float	(3.4%)	(4.0%)	1.1%	12.8%	6.1%	5.8%	(1.8%)	(6.5%)	(3.3%)	(0.6%)	(4.3%)
Aggregate adverse (favorable) loss development <sup>3</sup>	\$419	\$480	\$1,540	\$1,165	\$211	(\$192)	(\$195)	(\$131)	(\$90)	\$56	\$60
Footnotes:											
1. Beginning in August 2000, the Berkshire Hathaway Primary Group included the results of the United States Investment Corporation ("USIC").											
2. 1998: Total does not include General Re (only owned for 10 days).											

Notes:

1. In 1996 Berkshire stopped reporting loss development in each business line.
  2. The results for 2000 at General Re include five quarters. In 2000 General Re International and Global Life/Health changed its reporting from a one-quarter lag.
- Sources: Berkshire Hathaway Annual Reports 1995–2004 and author's calculations.

**Table 6.47: Berkshire Hathaway Insurance Group float, select data and information**

<u>Year</u>	<u>Year-end Float (in \$ millions)</u>					<u>Avg. Float</u>	<u>Float Cost</u>
	<u>GEICO</u>	<u>General Reins.</u>	<u>Other Reins.</u>	<u>Other Primary</u>	<u>Total</u>		
1994						3,057	(4.3%)
1995						3,607	(0.6%)
1996						6,702	(3.3%)
1997	2,917	n/a	4,014	455	7,386	7,093	(6.5%)
1998	3,125	14,909	4,305	415	22,754	15,070	(1.8%)
1999	3,444	15,166	6,285	403	25,298	24,026	5.8%
2000	3,943	15,525	7,805	598	27,871	26,585	6.1%
2001	4,251	19,310	11,262	685	35,508	31,690	12.8%
2002	4,678	22,207	13,396	943	41,224	38,366	1.1%
2003	5,287	23,654	13,948	1,331	44,220	42,722	(4.0%)
2004	5,960	23,120	15,278	1,736	46,094	45,157	(3.4%)

<u>Year</u>	<u>Year-end Float Growth %</u>					<u>Avg. Float</u>
	<u>GEICO</u>	<u>General Reins.</u>	<u>Other Reins.</u>	<u>Other Primary</u>	<u>Total</u>	
1994						16.5%
1995						18.0%
1996						85.8%
1997						5.8%
1998	7.1%	n/a	7.2%	(8.8%)	208.1%	112.5%
1999	10.2%	1.7%	46.0%	(2.9%)	11.2%	59.4%
2000	14.5%	2.4%	24.2%	48.4%	10.2%	10.6%
2001	7.8%	24.4%	44.3%	14.5%	27.4%	19.2%
2002	10.0%	15.0%	18.9%	37.7%	16.1%	21.1%
2003	13.0%	6.5%	4.1%	41.1%	7.3%	11.4%
2004	12.7%	(2.3%)	9.5%	30.4%	4.2%	5.7%

<u>Year</u>	<u>Year-end Float % Total Float</u>				
	<u>GEICO</u>	<u>General Reins.</u>	<u>Other Reins.</u>	<u>Other Primary</u>	<u>Total</u>
1994					
1995					
1996					
1997	39.5%	n/a	54.3%	6.2%	100.0%
1998	13.7%	65.5%	18.9%	1.8%	100.0%
1999	13.6%	59.9%	24.8%	1.6%	100.0%
2000	14.1%	55.7%	28.0%	2.1%	100.0%
2001	12.0%	54.4%	31.7%	1.9%	100.0%
2002	11.3%	53.9%	32.5%	2.3%	100.0%
2003	12.0%	53.5%	31.5%	3.0%	100.0%
2004	12.9%	50.2%	33.1%	3.8%	100.0%

Sources: Berkshire Hathaway Annual Reports, and author's calculations.

**Table 6.48: Berkshire Hathaway property and casualty loss development**

(\$ millions)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Net unpaid losses net of discounts/deferred charges end of year <sup>1</sup>	\$40,087	\$39,709	\$37,769	\$34,373	\$27,278	\$22,751	\$20,077	\$5,883	\$5,473	\$5,045	\$2,625
Liability re-estimated:											
1 year later		40,618	39,206	36,289	28,569	22,239	19,663	5,673	5,324	4,936	2,662
2 years later			40,663	38,069	30,667	22,829	18,132	5,540	5,220	4,901	2,707
3 years later				40,023	32,156	24,079	18,464	5,386	5,093	4,859	2,690
4 years later					33,532	25,158	19,750	5,293	4,973	4,795	2,696
5 years later						26,894	20,581	5,304	4,906	4,707	2,658
6 years later							21,172	5,246	4,920	4,647	2,622
7 years later								5,311	4,891	4,673	2,600
8 years later									4,958	4,660	2,617
9 years later										4,728	2,611
10 years later											2,662
Cumulative deficiency (redundancy)		909	2,894	5,650	6,254	4,143	1,095	(572)	(515)	(317)	37
Cumulative foreign exchange effect		(490)	(1,485)	(1,909)	(1,827)	(869)	(550)	0	0	0	0
Net deficiency (redundancy)		419	1,409	3,741	4,427	3,274	545	(572)	(515)	(317)	37
Cumulative payments:											
1 year later		8,828	8,092	6,653	5,352	5,825	4,509	1,811	1,385	1,166	210
2 years later			14,262	11,396	8,744	8,289	7,596	2,463	2,379	1,912	436
3 years later				16,378	11,625	9,889	9,384	3,330	2,891	2,732	775
4 years later					15,608	11,513	10,436	3,507	3,372	3,129	1,309
5 years later						13,840	11,421	3,598	3,465	3,310	1,460
6 years later							12,221	3,694	3,518	3,357	1,591
7 years later								3,752	3,586	3,388	1,624
8 years later									3,635	3,449	1,639
9 years later										3,491	1,686
10 years later											1,716
Net deficiency (redundancy) above		419	1,409	3,741	4,427	3,274	545	(572)	(515)	(317)	37
Deficiency from deferred charge amortization and discount accretion		332	333	334	335	336	337	338	339	340	341
(Redundancy) deficiency before deferred charge amortization and discount accretion		87	1,076	3,407	4,092	2,938	208	(910)	(854)	(657)	(304)

Footnote:

1. The full loss development table in the 10K report starts with gross unpaid losses and includes such items as reserve discounts, ceded reserves, and deferred charges. I've chosen to begin the table here due to space limitations.

Source: Berkshire Hathaway 10K filing, 2004.

**Table 6.49: Manufacturing, Publishing, and Retailing businesses—balance sheets, 1994–2000**

<i>(\$ millions)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Assets							
Cash and cash equivalents	\$400	\$370	\$281	\$103	\$61	\$125	\$77
Accounts receivable	1,226	923	823	624	563	455	309
Inventories	1,215	806	727	599	579	556	398
Investments in MidAmerican Energy	1,719						
Properties and equipment	2,250	1,509	1,190	892	863	286	220
Other	921	388	331	156	98	34	30
Total assets	<u>\$7,731</u>	<u>\$3,996</u>	<u>\$3,352</u>	<u>\$2,375</u>	<u>\$2,164</u>	<u>\$1,455</u>	<u>\$1,033</u>
Liabilities							
Accounts payable, accruals and other	\$1,674	\$908	\$761	\$532	\$523	\$398	\$293
Income taxes	187	196	166	157	127	20	31
Term debt and other borrowings	1,213	740	442	217	193	151	22
Total liabilities	<u>3,074</u>	<u>1,844</u>	<u>1,369</u>	<u>906</u>	<u>844</u>	<u>569</u>	<u>346</u>
Equity							
Minority shareholders'	59	75	75	52	52	40	40
Berkshire shareholders'	4,598	2,077	1,908	1,417	1,269	847	648
Total equity	<u>4,657</u>	<u>2,152</u>	<u>1,983</u>	<u>1,470</u>	<u>1,321</u>	<u>886</u>	<u>688</u>
Total liabilities and equity	<u>\$7,731</u>	<u>\$3,996</u>	<u>\$3,352</u>	<u>\$2,375</u>	<u>\$2,164</u>	<u>\$1,455</u>	<u>\$1,033</u>

## Notes:

1. Berkshire discontinued this presentation after 2000.

2. Includes: Dexter as of Nov. 7, 1993; Helzberg's Diamond Shops as of Apr. 30, 1995; R.C. Willey Home Furnishings as of Jun. 29, 1995; FlightSafety as of Dec. 23, 1996; Star Furniture as of Jul. 1, 1997; International Dairy Queen as of Jan. 7, 1998; Executive Jet as of Aug. 7, 1998; Jordan's Furniture as of Nov. 13, 1999; COURT Business Services as of Feb. 18, 2000; MidAmerican Energy as of Mar. 14, 2000; Ben Bridge Jeweler as of Jul. 3, 2000; Acme Building Brands and Justin Brands as of Aug. 1, 2000; Benjamin Moore as of Dec. 18, 2000.

Sources: Berkshire Hathaway Annual Reports, 1994–2000.

**Table 6.50: Manufacturing, Publishing, and Retailing businesses—income statements, 1994–2000**

(\$ millions)	2000	1999	1998	1997	1996	1995	1994
Revenues:							
Sales and service revenues	\$7,326	\$5,918	\$4,675	\$3,578	\$3,062	\$2,756	\$2,352
Income from MidAmerican Energy	197						
Interest income <sup>1</sup>	18	11	8	45	39	25	9
Sundry income	0	0	0	0	0	0	0
	<u>\$7,541</u>	<u>\$5,929</u>	<u>\$4,683</u>	<u>\$3,622</u>	<u>\$3,101</u>	<u>\$2,781</u>	<u>\$2,361</u>
Costs and expenses:							
Costs of products and services sold	\$4,893	\$4,061	\$3,010	\$2,179	\$1,876	\$1,698	\$1,443
Selling, general and administrative expenses	1,657	1,126	1,014	899	832	741	579
Interest on debt	85	31	19	20	15	9	4
	<u>6,635</u>	<u>5,218</u>	<u>4,043</u>	<u>3,098</u>	<u>2,723</u>	<u>2,449</u>	<u>2,025</u>
Earnings from operations before income taxes	906	711	640	524	378	332	336
Income tax expense	334	267	234	200	138	126	122
	<u>572</u>	<u>444</u>	<u>406</u>	<u>325</u>	<u>239</u>	<u>206</u>	<u>214</u>
Minority interest	21	5	5	6	5	5	5
Net earnings	<u>\$551</u>	<u>\$439</u>	<u>\$401</u>	<u>\$319</u>	<u>\$234</u>	<u>\$201</u>	<u>\$209</u>

Footnote:  
1. It appears some interest income was included in Sales and Service revenues prior to 1998 and Berkshire changed the presentation going forward.

Sources: Berkshire Hathaway Annual Reports, 1994–2000.

**Table 6.51: Manufacturing, Publishing, and Retailing businesses—ratios and key figures, 1994–2000**

	2000	1999	1998	1997	1996	1995	1994
Change in revenues	27.2%	26.6%	29.3%	16.8%	11.5%	17.8%	19.8%
Change in pre-tax profit (operating income)	27.4%	11.1%	22.0%	38.9%	13.7%	(1.1%)	23.3%
Gross margin	33.2%	31.4%	35.6%	39.1%	38.7%	38.4%	38.7%
Pre-tax margin	12.0%	12.0%	13.7%	14.5%	12.2%	11.9%	14.2%
Return on invested capital (avg.) - pre-tax	20.7%	26.7%	31.1%	32.8%	29.6%	38.0%	49.3%
Return on invested capital (avg.) - after-tax	13.1%	16.7%	19.8%	20.3%	18.8%	23.6%	31.3%
Return on average equity - pre-tax	26.6%	34.4%	37.1%	37.6%	34.2%	42.2%	51.0%
Return on average equity - after tax	16.8%	21.5%	23.5%	23.3%	21.7%	26.1%	32.4%
Debt/equity	26%	34%	22%	15%	15%	17%	3%

Sources: Berkshire Hathaway Annual Reports 1994–2000; and author's calculations.

**Table 6.52: Manufacturing, Service and Retailing Operations—balance sheets, 2003–2004**

(\$ millions)	2004	2003
<i>Assets</i>		
Cash and equivalents	\$899	\$1,250
Accounts and notes receivable	3,074	2,796
Inventory	3,842	3,656
Other current assets	254	262
Total current assets	8,069	7,964
Goodwill and other intangibles	8,362	8,351
Fixed assets	6,161	5,898
Other assets	1,044	1,054
	<u>\$23,636</u>	<u>\$23,267</u>
<i>Liabilities and Equity</i>		
Notes payable	\$1,143	\$1,593
Other current liabilities	4,685	4,300
Total current liabilities	5,828	5,893
Deferred taxes	248	105
Term debt and other liabilities	1,965	1,890
Equity	15,595	15,379
	<u>\$23,636</u>	<u>\$23,267</u>

Sources: Berkshire Hathaway Annual Reports, 2003, 2004.

**Table 6.54: Manufacturing, Service and Retailing Operations—ratios and key figures, 2003–2004**

	2004	2003
Return on avg. equity after-tax	9.9%	
Return on avg. tang. equity after-tax	21.6%	
Notes payable/equity	7.3%	10.4%
Total assets/total equity	1.52	1.51

Sources: Berkshire Hathaway Annual Reports 2003, 2004; and author's calculations.

**Table 6.53: Manufacturing, Service and Retailing Operations— income statements, 2002–2004**

(\$ millions)	2004	2003	2002
Revenues	\$44,142	\$32,106	\$16,970
Operating expenses	41,604	29,885	14,921
(Including depreciation)	676	605	477
Interest expense (net)	57	64	108
Pre-tax income	2,481	2,157	1,941
Income taxes	941	813	743
Net income	<u>\$1,540</u>	<u>\$1,344</u>	<u>\$1,198</u>
<i>Pre-tax earnings breakdown:</i>			
Building Products	\$643	\$559	\$516
Shaw Industries	466	436	424
Apparel & Footwear	325	289	229
Retail Operations	215	224	219
Flight Services	191	72	225
McLane <sup>1</sup>	228	150	
Other businesses	413	427	328
	<u>\$2,481</u>	<u>\$2,157</u>	<u>\$1,941</u>
Footnote:			
1. Includes McLane starting May 23, 2003.			

Sources: Berkshire Hathaway Annual Reports, 2003, 2004.

**Table 6.55: Finance Businesses—balance sheets, 1994–2000**

<i>(\$ millions)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Assets							
Cash and cash equivalents	\$341	\$623	\$907	\$56	\$11	\$41	\$16
Fixed maturity investments:				971	742	529	539
Held to maturity, at cost	1,826	2,002	1,227				
Trading, at fair value	5,327	11,277	5,219				
Available for sale, at fair value	880	999	743				
Trading account assets	5,429	5,881	6,234				
Securities purchased under agreements to resell	680	1,171	1,083				
Installment and other receivables				226	228	196	173
Deferred tax assets				18	23	14	6
Other	2,346	2,276	1,576			1	2
	<u>\$16,829</u>	<u>\$24,229</u>	<u>\$16,989</u>	<u>\$1,271</u>	<u>\$1,004</u>	<u>\$781</u>	<u>\$736</u>
Liabilities							
Annuity reserves and policyholder liabilities	\$868	\$843	\$816	\$697	\$435	\$117	\$41
Securities sold under agreements to repurchase	3,386	10,216	4,065				
Securities sold but not yet purchased	715	1,174	1,181				
Trading account liabilities	4,974	5,930	5,834				
Notes payable and other borrowings	2,116	1,998	1,503	326	381	524	602
Accounts payable, accruals, and other	3,004	2,304	2,428	126	124	77	32
	<u>15,063</u>	<u>22,465</u>	<u>15,827</u>	<u>1,149</u>	<u>940</u>	<u>717</u>	<u>674</u>
Equity							
Berkshire shareholders'	1,766	1,764	1,162	122	64	64	62
	<u>\$16,829</u>	<u>\$24,229</u>	<u>\$16,989</u>	<u>\$1,271</u>	<u>\$1,004</u>	<u>\$781</u>	<u>\$736</u>

Note:

1. Berkshire discontinued this presentation after 2000.

Sources: Berkshire Hathaway Annual Reports 1994–2000; and author's calculations.

**Table 6.56: Finance Businesses—income statements, 1994–2000**

<i>(\$ millions)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Revenues:							
Annuity premiums earned	\$0	\$0	\$95	\$248	\$260	\$75	\$36
Interest and fees on loans and financed receivables				38	39	38	38
Interest and dividends on investment securities				75	55	44	35
Interest income	910	740					
Other revenues	595	247	293				
	<u>\$1,505</u>	<u>\$987</u>	<u>\$388</u>	<u>\$360</u>	<u>\$353</u>	<u>\$157</u>	<u>\$109</u>
Expenses:							
Interest expense	\$798	\$596	\$27	\$24	\$33	\$39	\$36
Annuity benefits and underwriting expenses	55	54	146	287	277	81	38
General and administrative	123	87	16	21	21	17	14
	<u>976</u>	<u>737</u>	<u>189</u>	<u>332</u>	<u>330</u>	<u>136</u>	<u>87</u>
Earnings from operations before income taxes	529	250	199	28	23	21	22
Income tax expense	187	32	70	10	8	8	8
Net earnings	<u>\$342</u>	<u>\$218</u>	<u>\$129</u>	<u>\$18</u>	<u>\$15</u>	<u>\$13</u>	<u>\$15</u>

Sources: Berkshire Hathaway Annual Reports 1994–2000; and author's calculations.

**Table 6.57: Finance Businesses—ratios, 1994–2000**

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Total assets/total equity	9.5	13.7	14.6	10.4	15.7	12.2	11.9
Capital ratio (inverse of above)	10.5%	7.3%	6.8%	9.6%	6.4%	8.2%	8.4%
Return on average assets (after tax)	1.67%	1.06%	1.41%	1.58%	1.67%	1.66%	1.80%
Return on average equity (after tax)	19.4%	14.9%	20.1%	19.4%	23.3%	20.1%	24.1%

Sources: Berkshire Hathaway Annual Reports 1994–2000; and author's calculations.

**Table 6.58: Non-operating activities—balance sheets, 1994–2000**

<i>(\$ millions)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Assets							
Cash and cash equivalents	\$163	\$484	\$220	\$383	\$765	\$250	\$106
Investments:							
Fixed maturities:	184	2	30				
Bonds				206	943	8	287
Preferred stocks				64	42	47	76
Equity securities	365	339	267	307	199	187	113
Unamortized goodwill and property account adjustments	18,831	18,489	18,613	3,099	3,150	748	520
Deferred tax assets	62	80	130	136	31	2	8
Other	69	50	128	105	259	57	186
	<u>\$19,674</u>	<u>\$19,444</u>	<u>\$19,388</u>	<u>\$4,298</u>	<u>\$5,388</u>	<u>\$1,299</u>	<u>\$1,297</u>
Liabilities							
Accounts payable, accruals, and other	\$163	\$76	\$40	\$39	\$816	\$51	\$62
Income taxes	236	86	158	152	143	94	67
Borrowings under investment agreements and other debt	1,372	1,693	1,863	2,016	1,718	919	799
	<u>1,771</u>	<u>1,855</u>	<u>2,061</u>	<u>2,208</u>	<u>2,677</u>	<u>1,064</u>	<u>929</u>
Equity							
Minority shareholders'	53	11	15	45	25	29	23
Berkshire shareholders' equity	17,850	17,578	17,312	2,045	2,686	207	345
	<u>17,903</u>	<u>17,589</u>	<u>17,327</u>	<u>2,090</u>	<u>2,711</u>	<u>235</u>	<u>368</u>
	<u>\$19,674</u>	<u>\$19,444</u>	<u>\$19,388</u>	<u>\$4,298</u>	<u>\$5,388</u>	<u>\$1,299</u>	<u>\$1,297</u>

Sources: Berkshire Hathaway Annual Reports 1994–2000; and author's calculations.

**Table 6.59: Non-operating activities—income statements, 1994–2000**

<i>(\$ millions)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Revenues:							
Interest and dividend income	\$35	\$39	\$63	\$41	\$55	\$38	\$31
Realized investment gain (loss)	35	1	40	53	195	13	(1)
	<hr/> 70	<hr/> 40	<hr/> 103	<hr/> 94	<hr/> 249	<hr/> 51	<hr/> 30
Expenses:							
Corporate administration	6	6	6	7	5	5	5
Shareholder-designated contributions	17	17	17	15	13	12	10
Amortization of goodwill and property account adjustments	876	739	210	105	76	27	23
Interest on debt	98	106	96	101	91	55	59
Other (income) expense				(7)	(3)	(1)	2
Other than temporary decline in value of investment in USAir Group, Inc. Preferred Stock							8
	<hr/> 997	<hr/> 868	<hr/> 329	<hr/> 222	<hr/> 182	<hr/> 98	<hr/> 107
Loss before income taxes	(927)	(828)	(226)	(128)	67	(47)	(76)
Income tax expense (benefit)	(55)	(119)	(33)	(17)	44	(13)	(23)
	<hr/> (872)	<hr/> (709)	<hr/> (193)	<hr/> (111)	<hr/> 23	<hr/> (34)	<hr/> (53)
Minority interest	5	1	5	8	8	1	(1)
Net loss	<hr/> (\$877)	<hr/> (\$710)	<hr/> (\$198)	<hr/> (\$119)	<hr/> \$16	<hr/> (\$35)	<hr/> (\$53)

Sources: Berkshire Hathaway Annual Reports 1994–2000; and author's calculations.

# Chapter 7

## 2005–2014

**Table 7.1: Decade snapshot: 2004–2014**

	<u>2004</u>	<u>2014</u>
Business:	Insurance, utilities, flight services, building products, furniture retailing, candy, jewelry, encyclopedias, home cleaning systems, shoes, newspapers, various finance businesses, miscellaneous manufacturing, significant stakes in several public companies.	Insurance, utilities, railroad, numerous industrial, building, and consumer products businesses, numerous service and retailing businesses, major interest in a branded food product business, significant stakes in several public companies.
Key managers:	Chairman & CEO: Warren E. Buffett; Vice Chair: Charles T. Munger	Chairman & CEO: Warren E. Buffett; Vice Chair: Charles T. Munger
Annual revenues:	\$74 billion	\$195 billion
Stockholders' equity:	\$86 billion	\$240 billion
Book value per A share:	\$55,824	\$146,186
Float (average):	\$45 billion	\$81 billion
<i>Major capital allocation decisions:</i>		
1. Acquired Iscar for \$6.05 billion (\$4 billion for 80% in 2006 and \$2.05 billion for 20% in 2013).		
2. Acquired Marmon for \$9 billion cash (\$4.5 billion for 60% in 2008 and \$4.5 billion for the remainder between 2011–13).		
3. Invested \$14.5 billion over two weeks in three private lending transactions: \$5 billion in Goldman Sachs, \$6.5 billion in Wrigley, and \$3 billion in General Electric (2008).		
4. Acquired BNSF railroad for \$33.5 billion (aggregate cost). Cost included the issuance of 94,915 Class-A equivalent shares worth \$10.6 billion. (2010).		
5. Acquired Lubrizol for \$8.7 billion cash (2011).		
6. Acquired NV Energy for \$5.6 billion (2013) and Alta Link for \$2.7 billion cash (2014).		
7. Invested \$12.25 billion to take Heinz private with 3G Capital (2013).		
8. Invested over \$73 billion in capital expenditures (\$36 billion more than depreciation expense) (2005–2014).		
9. Increased stake in Wells Fargo by \$11.4 billion (various years) and established a major investment in International Business Machines (IBM) at a cost of \$13.2 billion (2011–14).		
<i>Noteworthy events:</i>		
1. In mid-2006, Warren Buffett pledged to give the bulk of his fortune (worth over \$40 billion) to philanthropy. The major recipient was the Bill & Melinda Gates Foundation.		
2. Between 2007 and 2009 the boom of the mid-2000s goes bust, freezing credit markets worldwide and causing the Great Recession. Markets bottom in early 2009.		
3. Class-B shares split 50:1 in connection with the BNSF acquisition. Afterward they have the economic equivalent of 1/1500th of a Class-A share.		
4. Berkshire adds new board members: Stephen Burke (2009) and Meryl Witmer (2013).		
5. Berkshire Hathaway celebrates 50 years under present management (2014).		

**Table 7.2: Berkshire Hathaway pre-tax earnings**

(\$ millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Insurance Group:											
Underwriting:											
GEICO	\$1,159	\$1,127	\$680	\$576	\$1,117	\$649	\$916	\$1,113	\$1,314	\$1,221	\$970
General Re	277	283	355	144	452	477	342	555	526	(334)	3
Berkshire Hathaway Reinsurance Group <sup>1</sup>	606	1,294	304	(714)	176	250	1,324	1,427	1,658	(1,069)	417
Berkshire Hathaway Primary Group	626	385	286	242	268	84	210	279	340	235	161
Investment income	4,357	4,713	4,454	4,725	5,145	5,459	4,722	4,758	4,316	3,480	2,824
Total Insurance Group	7,025	7,802	6,079	4,973	7,158	6,919	7,514	8,132	8,154	3,533	4,375
BNSF <sup>2</sup>	6,169	5,928	5,377	4,741	3,611						
Berkshire Hathaway Energy <sup>3</sup>	2,711	1,806	1,644	1,659	1,539	1,528	2,963	1,774	1,476	523	237
Manufacturing, service and retailing <sup>4</sup>	6,792	6,160	5,586	5,037	4,274	2,058	4,023	3,947	3,526	2,623	2,481
Finance and financial products	1,839	1,564	1,393	774	689	653	787	1,006	1,157	822	584
Unallocated interest expense	(313)	(303)	(271)	(221)	(208)	(101)	(35)	(52)	(76)	(72)	(92)
Eliminations and other	(199)	(834)	(997)	(819)	(358)	(292)	(217)	(155)	(94)	(132)	(138)
<b>Subtotal - pre-tax operating earnings</b>	<b>24,024</b>	<b>22,123</b>	<b>18,811</b>	<b>16,144</b>	<b>16,705</b>	<b>10,765</b>	<b>15,035</b>	<b>14,652</b>	<b>14,143</b>	<b>7,297</b>	<b>7,447</b>
Investment and derivatives gains/losses	4,081	6,673	3,425	(830)	2,346	787	(7,461)	5,509	2,635	5,494	3,489
Total pre-tax earnings	28,105	28,796	22,236	15,314	19,051	11,552	7,574	20,161	16,778	12,791	10,936
Income taxes and minority interests	8,233	9,320	7,412	5,060	6,084	3,497	2,580	6,948	5,763	4,263	3,628
Net income	\$19,872	\$19,476	\$14,824	\$10,254	\$12,967	\$8,055	\$4,994	\$13,213	\$11,015	\$8,528	\$7,308

## Footnotes:

1. 2009: The attentive reader will notice BHRG underwriting profit of \$250 million in this table contrasts with that of the \$349 million figure presented elsewhere. In 2010, Berkshire moved the life and annuity business from finance and financial products under BHRG.
2. BNSF beginning February 12, 2010.
3. In 2014 MidAmerican changed its name to Berkshire Hathaway Energy. Amounts in 2004–2006 were classified as equity in earnings of MidAmerican.
4. In 2014 Marmon's leasing operations began to be included in Finance and financial products. This table uses data from 2014 which adjusts 2012 and 2013 for the new presentation.

Sources: Berkshire Hathaway Annual Reports 2006, 2008, 2011, 2014.

**Table 7.3: Berkshire Hathaway after-tax earnings**

(\$ millions)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Insurance - underwriting	\$1,692	\$1,995	\$1,046	\$154	\$1,301	\$949	\$1,739	\$2,184	\$2,485	\$27	\$1,008
Insurance - investment income	3,542	3,708	3,397	3,555	3,860	4,271	3,610	3,510	3,120	2,412	2,045
Railroad <sup>1</sup>	3,869	3,793	3,372	2,972	2,235						
Utilities and energy <sup>2</sup>	1,882	1,470	1,323	1,204	1,131	1,071	1,704	1,114	885	523	237
Manufacturing, service and retailing <sup>3</sup>	4,468	3,877	3,357	3,039	2,462	1,113	2,283	2,353	2,131	1,646	1,540
Finance and financial products <sup>4</sup>	1,243	1,008	899	516	441	411	469	632	732	514	373
Other	(145)	(712)	(797)	(665)	(337)	(246)	(166)	(159)	(47)	(124)	(154)
<b>Operating earnings</b>	<b>16,551</b>	<b>15,139</b>	<b>12,597</b>	<b>10,775</b>	<b>11,093</b>	<b>7,569</b>	<b>9,639</b>	<b>9,634</b>	<b>9,306</b>	<b>4,998</b>	<b>5,049</b>
Investment and derivative gains/losses	3,321	4,337	2,227	(521)	1,874	486	(4,645)	3,579	1,709	3,530	2,259
Net earnings attributable BRK shareholders	\$19,872	\$19,476	\$14,824	\$10,254	\$12,967	\$8,055	\$4,994	\$13,213	\$11,015	\$8,528	\$7,308
Common shares outstanding at year end <sup>5</sup>	1,643	1,644	1,643	1,651	1,648	1,552	1,549	1,548	1,543	1,541	1,539
Footnotes:											
1. 2010: Includes earnings of BNSF from February 12.											
2. In 2014, MidAmerican changed its name to Berkshire Hathaway Energy. Amounts in 2004–2006 were classified as equity in earnings of MidAmerican.											
3. 2011: Includes earnings of Lubrizol from September 16.											
4. In 2014, Marmon's leasing operations began to be included in Finance and financial products. This table uses data from 2014 which adjusts 2012 and 2013 for the new presentation.											
5. A-share equivalent, in thousands.											

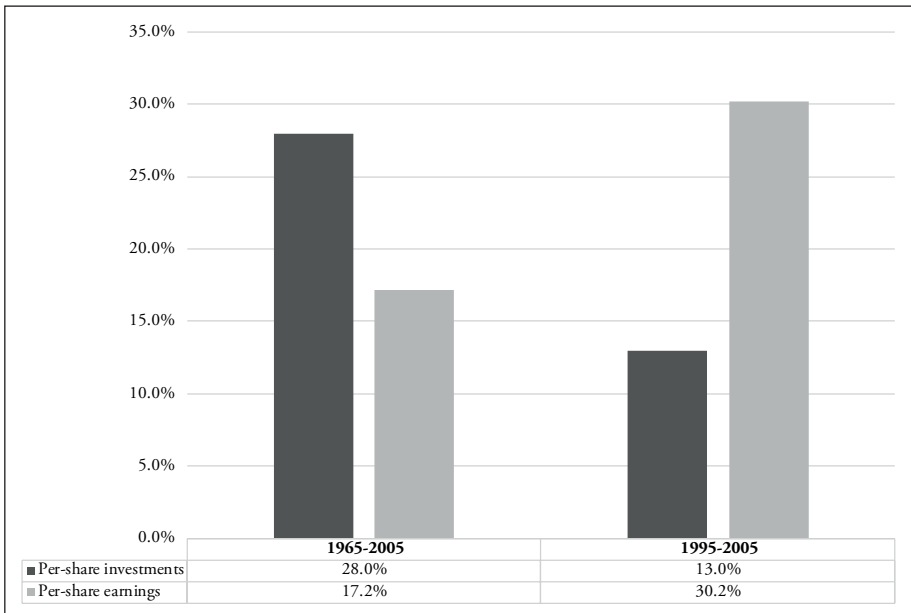
Sources: Berkshire Hathaway Annual Reports 2006–2014.

**Table 7.4: Select information 2004–2014**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
BRK book value per share - % change	6.4%	18.4%	11.0%	(9.6%)	19.8%	13.0%	4.6%	14.4%	18.2%	8.3%
BRK market value per share - % change	0.8%	24.1%	28.7%	(31.8%)	2.7%	21.4%	(4.7%)	16.8%	32.7%	27.0%
S&P 500 total return	4.9%	15.8%	5.5%	(37.0%)	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%
US GDP Growth (real %)	3.5%	2.9%	1.9%	(0.1%)	(2.5%)	2.6%	1.6%	2.2%	1.8%	2.5%
10 year Treasury Note (year end %)	4.5%	4.6%	4.1%	2.4%	3.6%	3.3%	2.0%	1.7%	2.9%	2.2%
US inflation (%)	3.4%	3.2%	2.9%	3.8%	(0.3%)	1.6%	3.1%	2.1%	1.5%	1.6%
US unemployment (%)	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%

Sources: Berkshire Hathaway Annual Reports 2018, 2019 and Federal Reserve Bank of St. Louis.

**Figure 7.1: Growth rates for per-share investments and per-share pre-tax earnings, select periods**



Source: Berkshire Hathaway Annual Report 2005.

**Table 7.5: Berkshire Hathaway—select data**

<i>(\$ per A-share)</i>	<u>Investments</u>	<u>Operating earnings</u>
1965	\$4	\$4
1975	159	4
1985	2,407	52
1995	21,817	175
2005	74,129	2,441

Source: Berkshire Hathaway Annual Report 2005.

**Table 7.6: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2005</u>	<u>2004</u>
<b>GEICO</b>		
Premiums written	\$10,285	\$9,212
Premiums earned	10,101	8,915
Underwriting gain/(loss) - pre-tax	\$1,221	\$970
<b>General Re</b>		
Premiums written	\$6,155	\$6,860
Premiums earned	6,435	7,245
Underwriting gain/(loss) - pre-tax	(\$334)	\$3
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$3,963	\$3,714
Underwriting gain/(loss) - pre-tax	(\$1,069)	\$417
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,498	\$1,211
Underwriting gain/(loss) - pre-tax	\$235	\$161
Total premiums earned	\$21,997	\$21,085
Total underwriting gain/(loss) - pre-tax	53	1,551
Average float	47,691	45,157
Cost of float	(0.1%)	(3.4%)
Aggregate adverse (favorable) loss development	(\$357)	\$419
Discount accretion and amortization charges included above	\$386	\$538

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2004–2005 and author's calculations.

**Table 7.7: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2006</u>	<u>2005</u>
<b>GEICO</b>		
Premiums written	\$11,303	\$10,285
Premiums earned	11,055	10,101
Underwriting gain/(loss) - pre-tax	\$1,314	\$1,221
<b>General Re</b>		
Premiums written	\$5,949	\$6,155
Premiums earned	6,075	6,435
Underwriting gain/(loss) - pre-tax	\$526	(\$334)
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$4,976	\$3,963
Underwriting gain/(loss) - pre-tax	\$1,658	(\$1,069)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,858	\$1,498
Underwriting gain/(loss) - pre-tax	\$340	\$235
Total premiums earned	\$23,964	\$21,997
Total underwriting gain/(loss) - pre-tax	3,838	53
Average float	50,087	47,691
Cost of float	(7.7%)	(0.1%)
Aggregate adverse (favorable) loss development	(\$612)	(\$357)
Discount accretion and amortization charges included above	\$459	\$386

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2005–2006 and author's calculations.

**Table 7.8: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2007</u>	<u>2006</u>
<b>GEICO</b>		
Premiums written	\$11,931	\$11,303
Premiums earned	11,806	11,055
Underwriting gain/(loss) - pre-tax	\$1,113	\$1,314
<b>General Re</b>		
Premiums written	\$5,957	\$5,949
Premiums earned	6,076	6,075
Underwriting gain/(loss) - pre-tax	\$555	\$526
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$11,902	\$4,976
Underwriting gain/(loss) - pre-tax	\$1,427	\$1,658
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,999	\$1,858
Underwriting gain/(loss) - pre-tax	\$279	\$340
Total premiums earned	\$31,783	\$23,964
Total underwriting gain/(loss) - pre-tax	3,374	3,838
Average float	54,793	50,087
Cost of float	(6.2%)	(7.7%)
Aggregate adverse (favorable) loss development	(\$1,478)	(\$612)
Discount accretion and amortization charges included above	\$315	\$459

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2006–2007 and author's calculations.

**Table 7.9: See's Candies—select data**

<i>(\$ millions)</i>	<u>2007</u>	<u>1972</u>	<u>Change</u>
Revenues	\$383	\$30	12.8x
Pre-tax earnings	82	5	16.4x
Capital required	40	8	5.0x
Pre-tax return on capital	205%	63%	3.3x

Sources: Berkshire Hathaway Annual Report 2007 and author's calculations.

**Table 7.10: FlightSafety—select data**

(\$ millions)	2007	1996	Change
Pre-tax earnings	\$270	\$111	2.4x
Net fixed assets	1,079	570	1.9x

Sources: Berkshire Hathaway Annual Report 2007 and author's calculations.

**Table 7.11: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2008	2007
<b>GEICO</b>		
Premiums written	\$12,741	\$11,931
Premiums earned	12,479	11,806
Underwriting gain/(loss) - pre-tax	\$916	\$1,113
<b>General Re</b>		
Premiums written	\$5,971	\$5,957
Premiums earned	6,014	6,076
Underwriting gain/(loss) - pre-tax	\$342	\$555
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$5,082	\$11,902
Underwriting gain/(loss) - pre-tax	\$1,324	\$1,427
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,950	\$1,999
Underwriting gain/(loss) - pre-tax	\$210	\$279
Total premiums earned	\$25,525	\$31,783
Total underwriting gain/(loss) - pre-tax	2,792	3,374
Average float	58,593	54,793
Cost of float	(4.8%)	(6.2%)
Aggregate adverse (favorable) loss development <sup>1</sup>	(\$1,140)	(\$1,478)
Discount accretion and amortization charges included above	\$550	\$315

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2007–2008 and author's calculations.

**Table 7.12: Marmon's operating sectors**

Sector	Description
Engineered Wire & Cable	Energy related markets, residential and non-residential construction, and other industries
Building Wire	Produces copper electrical wiring for residential, commercial and industrial buildings
Transportation Services & Engineered Products	Includes railroad tank cars and intermodal tank containers
Highway Technologies	Primarily serves the heavy-duty highway transportation industry
Distribution Services for specialty pipe and steel tubing.	n/a
Flow Products	Producing a variety of metal products and materials for the plumbing, HVAC/R (R is for refrigeration), construction and industrial markets
Industrial Products	Metal fasteners, safety products, metal fabrication, and other products
Construction Services	Leases and operates mobile cranes, primarily to the energy, mining and petrochemical markets
Water Treatment equipment for residential, commercial, and industrial applications.	n/a
Retail Store Fixtures	Store fixtures and accessories for major retailers worldwide
Food Service Equipment	Food preparation equipment and shopping carts for restaurants and retailers worldwide

Source: Berkshire Hathaway Annual Report 2008.

**Table 7.13: Marmon Group—select data**

(\$ millions)	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues	\$6,960	\$6,904	\$6,933	\$5,605
Operating income <sup>1</sup>	977	951	884	556
Operating income %	14%	14%	13%	10%
Total assets	7,390	8,079	7,708	7,758
Shareholders' equity	4,311	5,037	4,486	4,495
Footnote:				
1. Before interest income and interest expense				

Source: Berkshire Hathaway Annual Report 2008, 2012 Marmon Brochure, and author's calculations.

**Table 7.14: Marmon Holdings, Inc.—acquisition analysis**

<i>(\$ millions)</i>	<u>2007</u>
Revenues	\$6,904
Revenues/tangible capital	\$1.24
EBIT margin	14%
Return on capital - pretax	17%
BRK price/tangible capital	1.34x
BRK return - pre-tax	12.8%

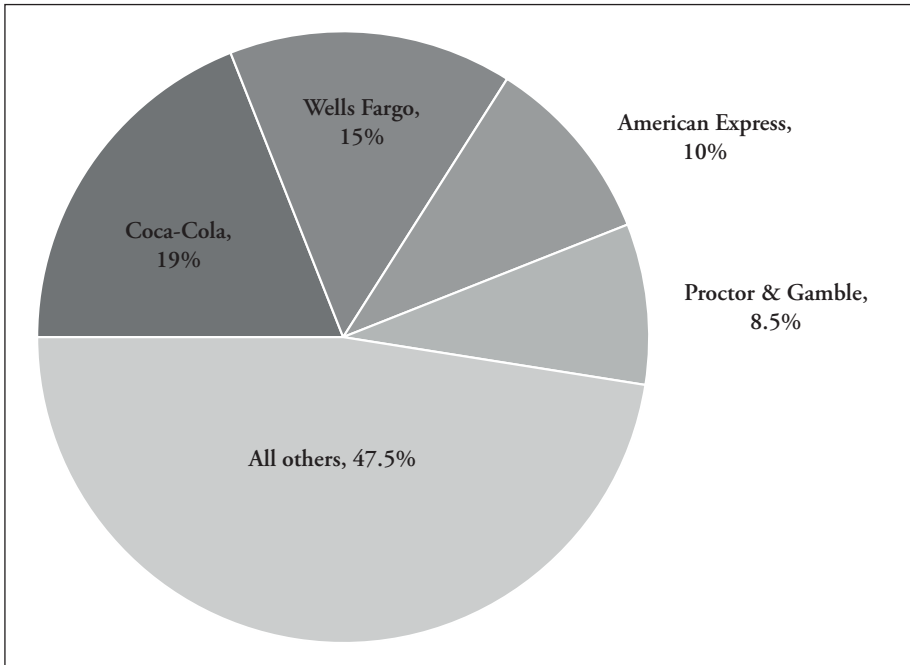
Source: Berkshire Hathaway Annual Report 2008; 2012 Marmon Brochure and author's calculations.

**Table 7.15: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2009</u>	<u>2008</u>
<b>GEICO</b>		
Premiums written	\$13,758	\$12,741
Premiums earned	13,576	12,479
Underwriting gain/(loss) - pre-tax	\$649	\$916
<b>General Re</b>		
Premiums written	\$5,721	\$5,971
Premiums earned	5,829	6,014
Underwriting gain/(loss) - pre-tax	\$477	\$342
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$6,706	\$5,082
Underwriting gain/(loss) - pre-tax	\$349	\$1,324
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,773	\$1,950
Underwriting gain/(loss) - pre-tax	\$84	\$210
Total premiums earned	\$27,884	\$25,525
Total underwriting gain/(loss) - pre-tax	1,559	2,792
Average float	60,200	58,593
Cost of float	(2.6%)	(4.8%)
Aggregate adverse (favorable) loss development	(\$905)	(\$1,140)
Discount accretion and amortization charges included above	\$602	\$550

Sources: Berkshire Hathaway Annual Reports 2008–2009 and author's calculations.

**Figure 7.2: Berkshire Hathaway equity portfolio concentration**



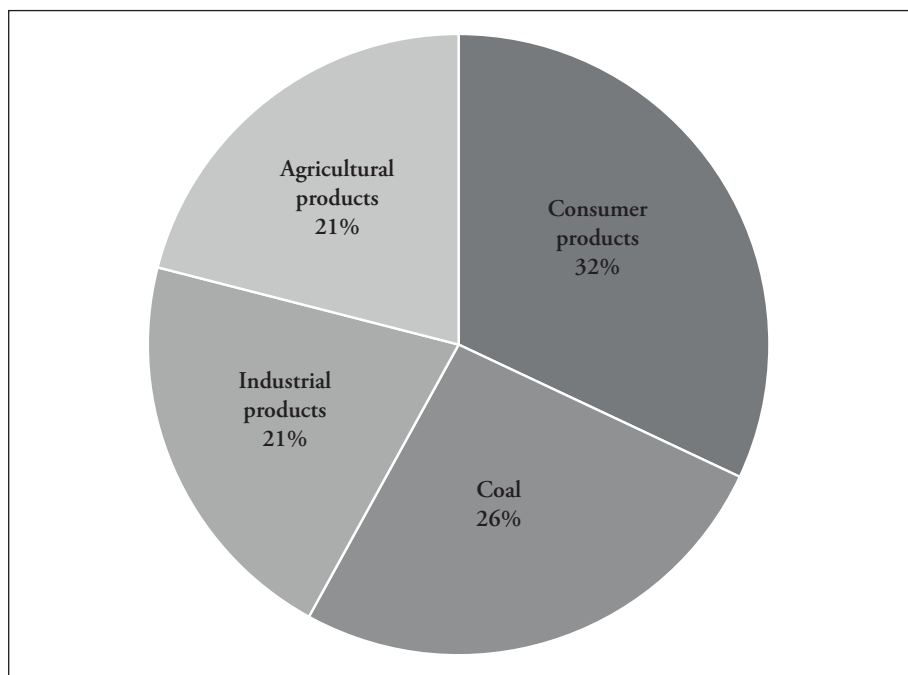
Source: Berkshire Hathaway Annual Report 2009.

**Table 7.16: Analysis of the Kraft pizza business sale**

(\$ millions)	
Sale price	\$3,700
Less: income tax	(1,200)
Net proceeds	2,500
Pre-tax earnings	\$340
Multiple	7.35x

Sources: Berkshire Hathaway Annual Meeting 2010 and Kraft 10K report 2009.

**Figure 7.3: BNSF freight revenues by category, 2009**



Note: Freight revenues in 2009 were \$13.6 billion.

Source: BNSF Annual Report 2009.

**Table 7.17: Burlington Northern Santa Fe—acquisition analysis**

(\$ millions)	2009	2008	2007	2006	2005
Total revenues	\$14,016	\$18,018	\$15,802	\$14,985	\$12,987
Revenues/avg. capital	\$0.64	\$0.90	\$0.85	\$0.86	\$0.79
EBIT margin	23%	22%	22%	23%	23%
Pre-tax return on capital	15%	20%	19%	20%	18%
Purchase price (equity) <sup>1</sup>	\$34,194				
Assumed debt	10,335				
Effective purchase price	\$44,529				
Purchase multiple	2.03x				
BRK going-in pre-tax return (2009)	7.3%				
Return using 5-year average ROC	9.0%				
Footnote:					
1. This is the implied valuation for 100% of the equity based on the \$26.5 billion paid for 77.5% of BNSF. The actual cost was \$33.5 billion, which includes the \$6.6 billion already owned plus \$0.4 billion of equity awards. Upon acquiring the company, Berkshire recognized a \$1 billion one-time holding gain on the shares it already owned.					

Sources: Berkshire Hathaway Annual Report 2010; BNSF Annual Reports 2008–2009; and author's calculations.

**Table 7.18: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2010</u>	<u>2009</u>
<b>GEICO</b>		
Premiums written	\$14,494	\$13,758
Premiums earned	14,283	13,576
Underwriting gain/(loss) - pre-tax	\$1,117	\$649
<b>General Re</b>		
Premiums written	\$5,632	\$5,721
Premiums earned	5,693	5,829
Underwriting gain/(loss) - pre-tax	\$452	\$477
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$9,076	\$6,706
Underwriting gain/(loss) - pre-tax <sup>1</sup>	\$176	\$250
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,697	\$1,773
Underwriting gain/(loss) - pre-tax	\$268	\$84
Total premiums earned	\$30,749	\$27,884
Total underwriting gain/(loss) - pre-tax	2,013	1,460
Average float	63,872	60,200
Cost of float	(3.2%)	(2.6%)
Aggregate adverse (favorable) loss development	(\$2,270)	(\$905)
Discount accretion and amortization charges included above	\$356	\$602
Footnote:		
1. The attentive reader will notice BHRG underwriting profit of \$250 million in this table contrasts with that of the \$349 million figure presented in the discussion of 2009. In 2010, Berkshire moved the life and annuity business under BHRG.		

Sources: Berkshire Hathaway Annual Reports 2009–2010 and author's calculations.

**Table 7.19: Berkshire Hathaway intrinsic value estimation**

<i>Per share (A-equivalent):</i>	<u>2011</u>	<u>2010</u>
Investments	\$98,366	\$94,730
Pre-tax operating earnings (ex. investment income)	6,990	5,926
Estimated value (investments + 10x operating earnings)	168,266	153,990
Year-end share price	114,755	120,450
Year-end book value per share	99,860	95,453
Price/estimated value	0.68x	0.78x
Price/book	1.15x	1.26x
Value/book	1.69x	1.61x
Change in estimated value	9%	
Change in share price	(5%)	

Sources: Berkshire Hathaway Annual Reports 2010, 2011; and author's calculations.

**Table 7.20: Lubrizol Corporation—acquisition analysis**

<i>(\$ millions)</i>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total revenues	\$5,418	\$4,586	\$5,028	\$4,499	\$4,041
Revenues/avg. capital <sup>1</sup>	\$2.19	\$2.19	\$2.78	\$2.46	\$2.30
EBIT margin <sup>1</sup>	21%	19%	10%	11%	10%
Pre-tax return on capital	45%	41%	27%	27%	23%
Purchase price (equity)	\$8,700				
Assumed debt	<u>1,352</u>				
Effective purchase price	\$10,052				
Purchase multiple	4.06x				
BRK going-in pre-tax return (2010)	11.1%				
Return using 5-year average ROC	8.1%				
Footnote:					
1. Adjustments were made for goodwill and intangibles, in addition to a minor amount of write-offs and restructuring charges.					

Sources: Berkshire Hathaway Annual Report 2010; Lubrizol Annual Reports 2006–2009; Lubrizol 10K 2010; and author’s calculations.

**Table 7.21: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2011</u>	<u>2010</u>
<b>GEICO</b>		
Premiums written	\$15,664	\$14,494
Premiums earned	15,363	14,283
Underwriting gain/(loss) - pre-tax	\$576	\$1,117
<b>General Re</b>		
Premiums written	\$5,819	\$5,632
Premiums earned	5,816	5,693
Underwriting gain/(loss) - pre-tax	\$144	\$452
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$9,147	\$9,076
Underwriting gain/(loss) - pre-tax	(\$714)	\$176
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$1,749	\$1,697
Underwriting gain/(loss) - pre-tax	\$242	\$268
Total premiums earned	\$32,075	\$30,749
Total underwriting gain/(loss) - pre-tax	248	2,013
Average float	68,202	63,872
Cost of float	(0.4%)	(3.2%)
Aggregate adverse (favorable) loss development	(\$2,202)	(\$2,270)
Discount accretion and amortization charges included above	\$342	\$356

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2010, 2011; and author's calculations.

**Table 7.22: Manufacturing, Service, and Retailing—select data**

<i>(\$ millions)</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Housing-related businesses <sup>1</sup>	\$359	\$362	\$227
Non housing-related businesses <sup>2</sup>	4,387	3,912	1,831
Lubrizol	291		
Total MSR pre-tax earnings	\$5,037	\$4,274	\$2,058
Footnotes:			
1. Acme, Johns Manville, MiTek, and Shaw (Clayton Homes was included in Finance and Financial Products.)			
2. Lubrizol separated for comparative purposes.			

Source: Berkshire Hathaway Annual Report 2011.

**Table 7.23: IBM investment analysis**

<i>(\$ millions)</i>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total revenues	\$56,868	\$55,128	\$58,892	\$54,057	\$48,328
Revenues/avg. capital	\$2.31	\$2.10	\$1.60	\$1.30	\$1.20
EBIT margin	35%	34%	30%	28%	28%
Pre-tax return on capital	81%	71%	47%	36%	34%
Purchase valuation <sup>1</sup>	\$197,382				
Total debt	<u>28,624</u>				
Total enterprise value	\$226,006				
Purchase multiple	9.75x				
Implied going-in pre-tax return (2010)	8.4%				
Implied return assuming 5-year average ROC	5.5%				
Footnote:					
1. Implied valuation based on Berkshire's purchase of 5.5% of IBM for \$10,856 million.					

Sources: Berkshire Hathaway Annual Report 2010, IBM Annual Reports 2006–2010, and author's calculations.

**Table 7.24: Berkshire Hathaway intrinsic value estimation**

<i>Per share (A-equivalent):</i>	<u>2012</u>	<u>2011</u>
Investments	\$113,786	\$98,366
Pre-tax operating earnings (ex. investment income)	<u>8,085</u>	<u>6,990</u>
Estimated value (investments + 10x operating earnings)	194,636	168,266
Year-end share price	134,060	114,755
Year-end book value per share	114,214	99,860
Price/estimated value	0.69x	0.68x
Price/book	1.17x	1.15x
Value/book	1.70x	1.69x
Change in estimated value	16%	
Change in share price	17%	

Sources: Berkshire Hathaway Annual Reports 2011, 2012; and author's calculations.

**Table 7.25: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2012</u>	<u>2011</u>
<b>GEICO</b>		
Premiums written	\$17,129	\$15,664
Premiums earned	16,740	15,363
Underwriting gain/(loss) - pre-tax	\$680	\$576
<b>General Re</b>		
Premiums written	\$5,984	\$5,819
Premiums earned	5,870	5,816
Underwriting gain/(loss) - pre-tax	\$355	\$144
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$9,672	\$9,147
Underwriting gain/(loss) - pre-tax	\$304	(\$714)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$2,263	\$1,749
Underwriting gain/(loss) - pre-tax	\$286	\$242
Total premiums earned	\$34,545	\$32,075
Total underwriting gain/(loss) - pre-tax	1,625	248
Average float	71,848	68,202
Cost of float	(2.3%)	(0.4%)
Aggregate adverse (favorable) loss development	(\$2,126)	(\$2,202)
Discount accretion and amortization charges included above	\$381	\$342

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

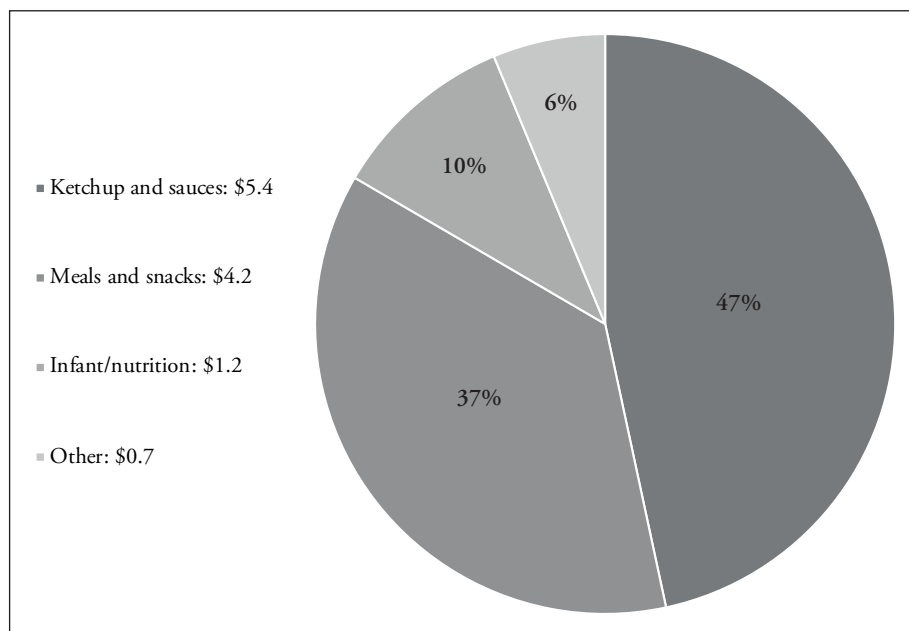
Sources: Berkshire Hathaway Annual Reports 2011–2012 and author's calculations.

**Table 7.26: Berkshire Hathaway intrinsic value estimation**

<i>Per share (A-equivalent):</i>	<u>2013</u>	<u>2012</u>
Investments	\$129,253	\$113,786
Pre-tax operating earnings (ex. investment income)	9,116	8,085
Estimated value (investments + 10x operating earnings)	220,413	194,636
Year-end share price	177,900	134,060
Year-end book value per share	134,973	114,214
Price/estimated value	0.81x	0.69x
Price/book	1.32x	1.17x
Value/book	1.63x	1.70x
Change in estimated value	13%	
Change in share price	33%	

Sources: Berkshire Hathaway Annual Reports 2012, 2013; and author's calculations.

**Figure 7.4: H.J. Heinz 2013 revenues by segment (\$ billions)**



Note: Total revenues = \$11.5 billion

Source: H.J. Heinz 2013 10K.

**Table 7.27: Heinz—acquisition analysis**

(\$ millions)	2013	2012	2011	2010	2009
Total revenues	\$11,529	\$11,508	\$10,559	\$10,495	\$10,011
Revenues/avg. capital <sup>1</sup>	\$3.07	\$3.80	\$3.91	\$4.25	\$3.88
EBIT margin <sup>1</sup>	15%	13%	16%	15%	15%
Pre-tax return on capital	45%	51%	64%	65%	60%
Purchase price (equity)	\$8,500				
Berkshire preferred stock	8,000				
Debt	12,600				
Effective purchase price	\$29,100				
Purchase multiple	7.74x				
BRK going-in pre-tax return (2013)	5.9%				
Return using 5-year average ROC	7.4%				
Footnote:					
1. Adjustments were made for goodwill and intangibles.					

Note: The company's fiscal year was 52 weeks ended in April.

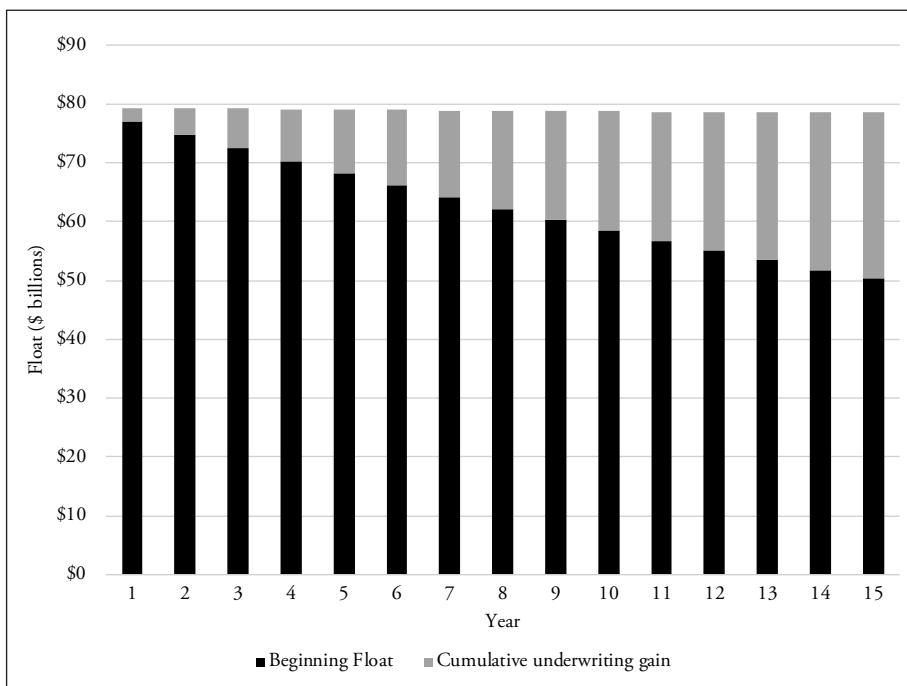
Sources: Berkshire Hathaway Annual Report 2013; H.J. Heinz Annual Reports 2009–2013; H.J. Heinz 10Q 10/27/13; and author's calculations.

**Table 7.28: Heinz capital structure and leverage**

<i>(\$ millions)</i>	<u>Amount</u>	<u>Leverage<sup>1</sup></u>
Debt	\$12,600	1.00x
Preferred stock	8,000	1.58x
Equity	<u>8,500</u>	2.42x
Total capital	\$29,100	
Berkshire Hathaway total leverage:		
Preferred + equity	\$12,250	1.87x
Footnote:		
1. Leverage as measured by the sum of capital more senior in priority divided by source.		

Sources: Berkshire Hathaway Annual Report 2013; H.J. Heinz Annual Reports 2009–2013; H.J. Heinz 10Q 10/27/13; and author's calculations.

**Figure 7.5: Hypothetical 3% decline in float concurrent with a 3% underwriting gain**



Source: Berkshire Hathaway Annual Report 2013 and author's calculations.

**Table 7.29: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2013</u>	<u>2012</u>
GEICO		
Premiums written	\$19,083	\$17,129
Premiums earned	18,572	16,740
Underwriting gain/(loss) - pre-tax	\$1,127	\$680
<b>General Re</b>		
Premiums written	\$5,963	\$5,984
Premiums earned	5,984	5,870
Underwriting gain/(loss) - pre-tax	\$283	\$355
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$8,786	\$9,672
Underwriting gain/(loss) - pre-tax	\$1,294	\$304
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$3,342	\$2,263
Underwriting gain/(loss) - pre-tax	\$385	\$286
Total premiums earned	\$36,684	\$34,545
Total underwriting gain/(loss) - pre-tax	3,089	1,625
Average float	75,183	71,848
Cost of float	(4.1%)	(2.3%)
Aggregate adverse (favorable) loss development	(\$1,752)	(\$2,126)
Discount accretion and amortization charges included above	\$186	\$381

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2012, 2013; and author's calculations.

**Table 7.30: Manufacturing, Service, and Retailing Businesses—net debt (cash)**

<i>(\$ millions)</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total debt	\$6,020	\$7,280	\$7,825	\$8,426	\$8,082
Cash	6,625	5,338	4,241	2,673	3,018
Net debt (cash)	(\$605)	\$1,942	\$3,584	\$5,753	\$5,064

Sources: Berkshire Hathaway Annual Reports 2009–2013 and author's calculations.

**Table 7.31: Marmon Group operating sectors and companies**

<b>Company</b>	<b>Sector</b>
Marmon Engineered Industrial & Metal Components (Engineered Components)	Electrical & Plumbing Products Distribution, Distribution Services, Industrial Products
Marmon Natural Resources & Transportation Services (Natural Resources)	Transportation Services & Engineered Products, Engineered Wire & Cable, Crane Services
Marmon Retail & End User Technologies (Retail Technologies)	Highway Technologies, Water Treatment, Retail Store Fixtures, Food Service Equipment, Retail Home Improvement Products

Source: Berkshire Hathaway Annual Report 2013.

**Table 7.32: NV Energy—acquisition analysis**

<i>(\$ millions)</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total revenues	\$2,930	\$2,979	\$2,943	\$3,280	\$3,586
Revenues/avg. capital	\$0.34	\$0.35	\$0.34	\$0.38	\$0.42
EBIT margin	25%	26%	21%	20%	16%
Pre-tax return on capital	8.5%	9.2%	7.1%	7.5%	6.6%
Purchase price (equity)	\$5,596				
Assumed debt	<u>4,921</u>				
Effective purchase price	\$10,517				
Purchase multiple	1.22x				
BRK going-in pre-tax return (2013)	7.0%				

Note: Data for 2013 are the trailing twelve months ending 9/30/13 and the balance sheet values as of that date.

Sources: Berkshire Hathaway Annual Report 2013; NV Energy 10K filings 2009–2012; NV Energy 10Q 9/30/12; NV Energy 10Q 9/30/13; and author's calculations.

**Table 7.33: Buffett's calculation of Coca-Cola dilution**

<i>(\$ millions)</i>	
Number of shares	500,000,000
Assumed strike price per share	\$40
Assumed share price at exercise	\$60
Transfer of value (exercise - strike)	\$10,000
Exercise proceeds	20,000
Tax benefit (at 35% of value transfer)	3,500
Total proceeds	\$23,500
Share repurchases (at exercise price)	391,666,667
Net share issuance	108,333,333
Dilution rate on 4.4 billion shares	2.46%

Source: Warren Buffett comments at the 2014 Berkshire Hathaway Annual Meeting.

**Table 7.34: Berkshire Hathaway intrinsic value estimation**

<i>Per share (A-equivalent):</i>	<u>2014</u>	<u>2013</u>
Investments	\$140,123	\$129,253
Pre-tax operating earnings (ex. investment income)	10,847	9,116
Estimated value (investments + 10x operating earnings)	248,593	220,413
Year-end share price	226,000	177,900
Year-end book value per share	146,186	134,973
Price/estimated value	0.91x	0.81x
Price/book	1.55x	1.32x
Value/book	1.70x	1.63x
Change in estimated value	13%	
Change in share price	27%	

Sources: Berkshire Hathaway Annual Reports 2013, 2014; and author's calculations.

**Table 7.35: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2014	2013
<b>GEICO</b>		
Premiums written	\$20,962	\$19,083
Premiums earned	20,496	18,572
Underwriting gain/(loss) - pre-tax	\$1,159	\$1,127
<b>General Re</b>		
Premiums written	\$6,418	\$5,963
Premiums earned	6,264	5,984
Underwriting gain/(loss) - pre-tax	\$277	\$283
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$10,116	\$8,786
Underwriting gain/(loss) - pre-tax	\$606	\$1,294
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$4,377	\$3,342
Underwriting gain/(loss) - pre-tax	\$626	\$385
Total premiums earned	\$41,253	\$36,684
Total underwriting gain/(loss) - pre-tax	2,668	3,089
Average float	80,581	75,183
Cost of float	(3.3%)	(4.1%)
Aggregate adverse (favorable) loss development	(\$1,365)	(\$1,752)
Discount accretion and amortization charges included above	\$128	\$186

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2013, 2014; and author's calculations.

**Table 7.36: Original and restated results for MSR businesses**

(\$ millions)	<i>Without Marmon Leasing</i>			<i>With Marmon Leasing</i>	
	2014	2013	2012	2013	2012
Revenues	\$97,689	\$93,472	\$81,432	\$95,291	\$83,255
Operating expenses	90,788	87,208	75,734	88,414	76,978
Interest expense	109	104	112	135	146
Pre-tax earnings	6,792	6,160	5,586	6,742	6,131
Income taxes and minority interests	2,324	2,283	2,229	2,512	2,432
Net earnings	\$4,468	\$3,877	\$3,357	\$4,230	\$3,699

Sources: Berkshire Hathaway Annual Reports 2013, 2014.

**Table 7.37: Detail on Berkshire Hathaway manufacturing businesses**

(\$ millions)	Revenues			Pre-tax earnings		
	2014	2013	2012	2014	2013	2012
Industrial and end-user	\$22,314	\$20,325	\$19,003	\$3,460	\$3,044	\$2,912
Building products	10,124	9,640	8,953	896	846	748
Apparel	4,335	4,293	4,149	455	315	251
	\$36,773	\$34,258	\$32,105	\$4,811	\$4,205	\$3,911

Source: Reproduced from the 2014 Berkshire Hathaway Annual Report.

**Table 7.38: Analysis of Berkshire's 2014 cash rich split offs**

<i>(\$ millions)</i>	<u>Value given</u>	<u>Value received</u>
<i>Graham Holding Company</i>		
Graham Holding Company shares	\$1,092	
Cash		\$328
Miami TV station		364
Berkshire Shares		400
Total	1,092	1,092
Tax savings (assuming 38% rate)	\$411	
<i>Phillips 66</i>		
Phillips 66 shares	\$1,350	
Cash		\$450
Specialty chemicals business		900
	1,350	1,350
Tax savings (assuming 38% rate)	\$387	

Sources: Berkshire Hathaway Annual Report 2014 and author's calculations.

**Table 7.39: Finance and Financial Products earnings**

<i>(\$ millions)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Berkadia (50% share)	\$122	\$80	\$35
Clayton	558	416	255
CORT	36	40	42
Marmon - containers and cranes	238	226	246
Marmon - railcars	442	353	299
XTRA	147	125	106
Net financial income <sup>1</sup>	296	324	410
Total pre-tax earnings	\$1,839	\$1,564	\$1,393
Footnote:			
1. Excludes capital gains or losses			

Source: Reproduced from the 2014 Berkshire Hathaway Annual Report.

**Table 7.40: Berkshire Hathaway insurance float, select data**

<i>(\$ millions)</i>	<u>2014</u>	<u>2004</u>	<u>\$ Change</u>	<u>% Change</u>
GEICO	\$13,569	\$5,960	\$7,609	128%
Gen Re	19,280	23,120	(3,840)	(17%)
BHRG	42,454	15,278	27,176	178%
Primary	8,618	1,736	6,882	396%
	83,921	46,094	37,827	82%

Sources: Berkshire Hathaway Annual Reports 2004, 2014; and author's calculations.

**Table 7.41: Berkshire Hathaway—equity portfolio, select detail**

(\$ millions)	2014		2004		Change	
	<i>Cost</i>	<i>Market</i>	<i>Cost</i>	<i>Market</i>	<i>Cost</i>	<i>Market</i>
American Express	\$1,287	\$14,106	\$1,470	\$8,546	(183)	\$5,560
The Coca-Cola Company	1,299	16,888	1,299	8,328	0	8,560
The Gillette Company			600	4,299	(600)	(4,299)
Proctor & Gamble	336	4,683			336	4,683
Wells Fargo & Company	11,871	26,504	463	3,508	11,408	22,996
IBM	13,157	12,349			13,157	12,349
All other	27,106	42,940	5,224	13,036	21,882	29,904
Total equity securities	\$55,056	\$117,470	\$9,056	\$37,717	\$46,000	\$79,753

Note: Gillette merged into Proctor & Gamble in 2005.

Sources: Berkshire Hathaway Annual Reports 2004, 2014; and author's calculations.

**Table 7.42: Reconciliation of shareholders' equity, 1965–2004**

(\$ millions)	1965–74	1975–84	1985–94	1995–04	2004–14	1965–14
Beginning of period shareholders' equity	\$22	\$88	\$1,272	\$11,875	\$85,900	\$22
Net income - operations	57	366	2,869	19,344	107,301	129,937
Net income - realized gains	7	199	1,354	14,096	15,897	31,554
Unrealized appreciation of investments	0	486	5,877	15,000	25,720	47,083
Mergers/divestitures	0	133	433	25,085	12,816	38,467
Dividends/treasury stock	(3)	0	69	0	(1,763)	(1,697)
Issuance of Class-B stock	0	0	0	565	0	565
Other/misc.	4	0	0	(65)	(5,701)	(5,761)
End of period shareholders' equity	\$88	\$1,272	\$11,875	\$85,900	\$240,170	\$240,170
Change in equity during period	\$66	\$1,184	\$10,602	\$74,026	\$154,270	\$240,148

Note: Figures may not add due to rounding.

Sources: Berkshire Hathaway Annual Reports and author's calculations.

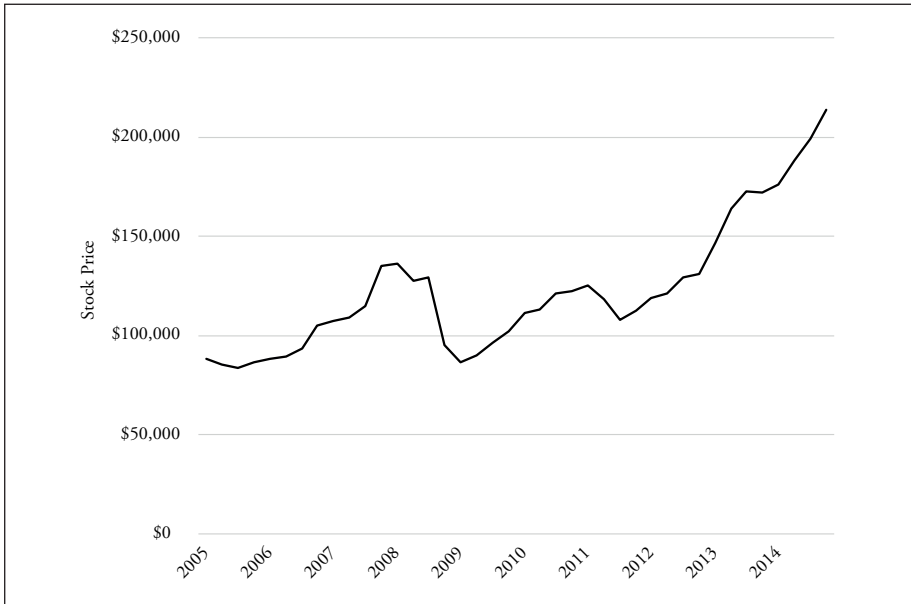
**Table 7.43: Contribution toward change in equity during period**

	1965–74	1975–84	1985–94	1995–04	2004–14	1965–14
Net income - operations	86%	31%	27%	26%	70%	54%
Net income - realized gains	11%	17%	13%	19%	10%	13%
Unrealized appreciation of investments	0%	41%	55%	20%	17%	20%
Mergers/divestitures	0%	11%	4%	34%	8%	16%
Dividends/treasury stock	(4%)	0%	1%	0%	(1%)	(1%)
Issuance of Class-B stock	0%	0%	0%	1%	0%	0%
Other/misc.	7%	0%	0%	(0%)	(4%)	(2%)
Total	100%	100%	100%	100%	100%	100%

Note: Figures may not add due to rounding.

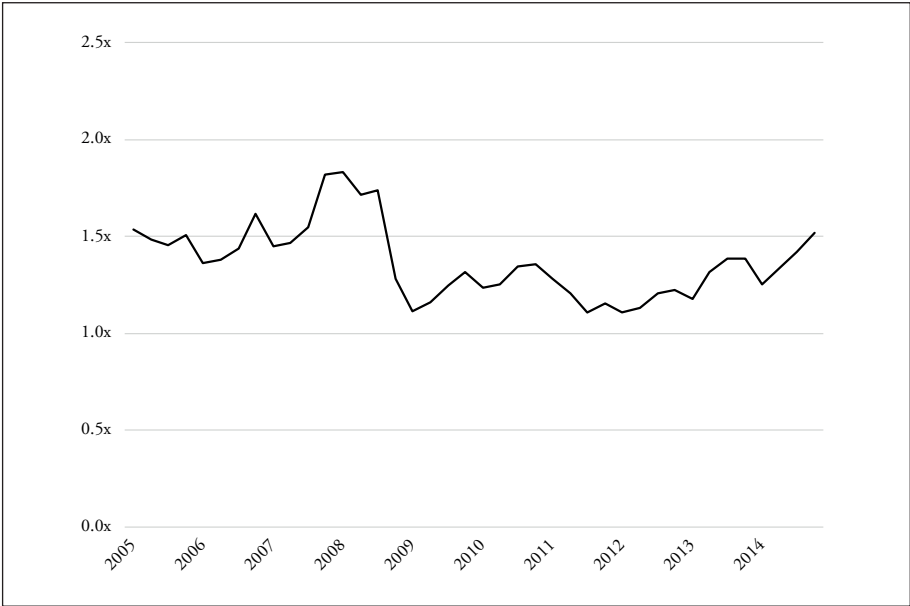
Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Figure 7.6: Berkshire Hathaway stock price, 2005–2014**



Sources: *Of Permanent Value* (Kilpatrick, 2015), Berkshire Hathaway Annual Reports 2005–2014, and author's calculations.

**Figure 7.7: Berkshire Hathaway price to book ratio, 2005–2014**



Sources: *Of Permanent Value* (Kilpatrick, 2015), Berkshire Hathaway Annual Reports 2005–2014, and author’s calculations.

**Table 7.44: Reconciliation of shareholders' equity**

(\$ millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Prior year equity	\$221,890	\$187,647	\$164,850	\$157,318	\$131,102	\$109,267	\$120,733	\$108,419	\$91,484	\$85,900	\$77,596
Current year net income/(loss)	19,872	19,476	14,824	10,254	12,967	8,055	4,994	13,213	11,015	8,528	7,308
Issuance of shares <sup>1</sup>	118	92	118	355	11,096	172	181	430	123	131	117
Treasury stock <sup>2</sup>	(400)		(1,296)	(67)							
Transactions with noncontrolling interests <sup>3</sup>	(17)	(1,871)	(695)	(5)	(636)	(121)					
Adoption of equity method <sup>4</sup>							626				
Adoption of new accounting pronouncements								28	180		
Change in unrealized appreciation of securities, net of tax	1,585	14,829	9,647	(2,144)	2,838	13,143	(14,503)	(1,920)	4,962	(2,717)	674
Change in comprehensive income - other <sup>5</sup>	(2,878)	1,717	199	(861)	(49)	586	(2,764)	563	655	(358)	205
Ending equity	<u>\$240,170</u>	<u>\$221,890</u>	<u>\$187,647</u>	<u>\$164,850</u>	<u>\$157,318</u>	<u>\$131,102</u>	<u>\$109,267</u>	<u>\$120,733</u>	<u>\$108,419</u>	<u>\$91,484</u>	<u>\$85,900</u>
Shares outstanding at end of period:											
Class A	826,339	859,043	894,955	938,244	947,460	1,055,281	1,059,001	1,081,024	1,117,568	1,260,920	1,268,783
Class B	<u>1,224,855,488</u>	<u>1,177,366,608</u>	<u>1,121,985,472</u>	<u>1,068,843,376</u>	<u>1,050,990,468</u>	<u>744,701,300</u>	<u>14,706,996</u>	<u>14,000,080</u>	<u>12,752,431</u>	<u>8,394,083</u>	<u>8,099,175</u>
Total Class A-equivalent shares	1,642,909	1,643,954	1,642,945	1,650,806	1,648,120	1,551,749	1,549,234	1,547,693	1,542,649	1,540,723	1,538,756
Footnotes:											
1. With the exception of BNSF in 2010, the issuance of shares primarily relates to exercises under the SQUARZ notes and issuances related to prior acquisitions. Approximately \$10.6 billion in 2010 is related to the BNSF acquisition.											
2. The 2011 and 2012 treasury stock transactions were direct purchases. The 2014 transaction was connected to the Graham Holdings tax-free exchange, which included 2,107 Class A and 1,278 Class B shares.											
3. Reductions in equity related to the acquisition of noncontrolling interests; the excess of consideration paid over the previously recorded balance sheet carrying amount.											
4. 2008: Berkshire adopted the equity method for its BNSF shares, which represented 20.7% of the company.											
5. Includes foreign currency translation, transactions relating to pension plans, other, and amounts applicable to income taxes.											

Sources: Berkshire Hathaway Annual Reports 2004–2014 and author's calculations.



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Footnotes:

1. Insurance premiums earned in 2007 included \$7.1 billion from a single reinsurance transaction with Equitas.

2. On February 9, 2006 Berkshire converted its non-voting preferred stock of MidAmerican to common stock, providing it with an 83.4% voting interest. MidAmerican began being consolidated in 2006 (it was previously carried using the equity method).

On February 12, 2010, BNSF became a wholly-owned subsidiary and began to be consolidated. Between December 31, 2008 and February 12, 2010 it was accounted for based on the equity method.

3. After-tax investment gains were as follows:                    \$3,321    \$4,337    \$2,227    (\$521)    \$1,874    \$486    (\$4,645)    \$3,579    \$1,709    \$3,530

4. 2005: Includes pre-tax underwriting loss of \$3.4 billion (\$2.2 billion after-tax) attributable to Hurricanes Katrina, Rita, and Wilma.

5. The 2005–09 presentation used “Insurance and other non-finance businesses” and the 2010-14 presentation used “Insurance and other businesses”.

Note: Data taken from 2014 (2010–2014) and 2009 (2005–2009) annual reports to maintain consistency with the reporting for each five-year period. Slight differences exist for any particular year depending on the report year.

Sources: Berkshire Hathaway Annual Reports 2009, 2014.

Note: The following table was broken up into multiple sections and spans several pages

**Table 7.46: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2014		2013		2012		2011		2010	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<b>GEICO</b>										
Premiums written	<u>\$20,962</u>		<u>\$19,083</u>		<u>\$17,129</u>		<u>\$15,664</u>		<u>\$14,494</u>	
Premiums earned	20,496	100.0%	18,572	100.0%	16,740	100.0%	15,363	100.0%	14,283	100.0%
Losses and loss expenses	15,924	77.7%	14,255	76.8%	12,700	75.9%	12,013	78.2%	10,631	74.4%
Underwriting expenses	3,413	16.7%	3,190	17.2%	3,360	20.1%	2,774	18.1%	2,535	17.7%
Total losses and expenses	<u>19,337</u>	<u>94.3%</u>	<u>17,445</u>	<u>93.9%</u>	<u>16,060</u>	<u>95.9%</u>	<u>14,787</u>	<u>96.3%</u>	<u>13,166</u>	<u>92.2%</u>
Underwriting gain (loss) - pre-tax	\$1,159	5.7%	\$1,127	6.1%	\$680	4.1%	\$576	3.7%	\$1,117	7.8%
<b>General Re</b>										
Premiums written:										
North American property/casualty										
International property/casualty										
Property/casualty	3,257		2,972		2,982		2,910		2,923	
Life/health	<u>3,161</u>		<u>2,991</u>		<u>3,002</u>		<u>2,909</u>		<u>2,709</u>	
Total Gen Re premiums written	\$6,418		\$5,963		\$5,984		\$5,819		\$5,632	
Premiums earned:										
North American property/casualty										
International property/casualty										
Property/casualty	3,103		3,007		2,904		2,941		2,979	
Life/health	<u>3,161</u>		<u>2,977</u>		<u>2,966</u>		<u>2,875</u>		<u>2,714</u>	
Total Gen Re premiums earned	\$6,264		\$5,984		\$5,870		\$5,816		\$5,693	
Underwriting gain (loss) pre-tax:										
North American property/casualty										
International property/casualty										
Property/casualty	170	94.5%	148	95.1%	399	86.3%	7	99.8%	289	90.3%
Life/health	<u>107</u>	<u>96.6%</u>	<u>135</u>	<u>95.5%</u>	<u>(44)</u>	<u>101.5%</u>	<u>137</u>	<u>95.2%</u>	<u>163</u>	<u>94.0%</u>
Total Gen Re underwriting gain (loss) - pre-tax	\$277	95.6%	\$283	95.3%	\$355	94.0%	\$144	97.5%	\$452	92.1%

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Berkshire Hathaway Reinsurance Group	2014		2013		2012		2011		2010	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Premiums earned:										
Catastrophe and individual risk			\$801		\$816		\$751		\$623	
Property/casualty	\$4,064									
Retroactive reinsurance	3,371		328		717		2,011		2,621	
Other multi-line			4,348		5,306		4,224		3,459	
Life and annuity	2,681		3,309		2,833		2,161		2,373	
Total BHRG premiums earned	\$10,116		\$8,786		\$9,672		\$9,147		\$9,076	
Underwriting gain (loss) pre-tax:										
Catastrophe and individual risk			\$581	27.5%	\$400	51.0%	(\$321)	142.7%	\$260	58.3%
Property/casualty	\$1,684	58.6%					645	67.9%	(90)	103.4%
Retroactive reinsurance	(905)	126.8%	(321)	197.9%	(201)	128.0%				
Other multi-line			655	84.9%	295	94.4%	(338)	108.0%	203	94.1%
Life and annuity <sup>1</sup>	(173)	106.5%	379	88.5%	(190)	106.7%	(700)	132.4%	(197)	108.3%
Total BHRG underwriting gain (loss) - pre-tax	\$606	94.0%	\$1,294	85.3%	\$304	96.9%	(\$714)	107.8%	\$176	98.1%
<b>Berkshire Hathaway Primary Group</b>										
Premiums earned <sup>2</sup>	\$4,377	100.0%	\$3,342	100.0%	\$2,263	100.0%	\$1,749	100.0%	\$1,697	100.0%
Total losses and expenses	3,751	85.7%	2,957	88.5%	1,977	87.4%	1,507	86.2%	1,429	84.2%
Underwriting gain (loss) - pre-tax	\$626	14.3%	\$385	11.5%	\$286	12.6%	\$242	13.8%	\$268	15.8%
<b>Total premiums earned</b>	<b>\$41,253</b>		<b>\$36,684</b>		<b>\$34,545</b>		<b>\$32,075</b>		<b>\$30,749</b>	
<b>Total underwriting gain/(loss) pre-tax</b>	<b>2,668</b>		<b>3,089</b>		<b>1,625</b>		<b>248</b>		<b>2,013</b>	
<b>Average float</b>	<b>80,581</b>		<b>75,183</b>		<b>71,848</b>		<b>68,202</b>		<b>63,872</b>	
<b>Cost of float</b>	<b>(3.3%)</b>		<b>(4.1%)</b>		<b>(2.3%)</b>		<b>(0.4%)</b>		<b>(3.2%)</b>	
<b>Aggregate adverse (favorable) loss development<sup>3</sup></b>	<b>(\$1,365)</b>		<b>(\$1,752)</b>		<b>(\$2,126)</b>		<b>(\$2,202)</b>		<b>(\$2,270)</b>	
Footnotes:										
1. The \$250 million pre-tax underwriting gain presented for BHRG in 2009 is the updated 2010 figure. The original amount was \$349 million. In 2010, Berkshire moved the life and annuity business to BHRG from Finance and Financial Products.										
2. 2010–2014: Earned premium figure for the Primary Group is calculated based on the total known earned premiums and the known other segment data. Footnotes disclose rounded figures.										
3. Per the notes to the financial statements. Percentage is the ratio of loss development to earned premiums.										

Note: Primary Group: Data on written premiums, losses and loss expenses, and underwriting expenses were not disclosed.

Sources: Berkshire Hathaway Annual Reports, 2004–2014, and author's calculations.

**Table 7.46: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2009		2008		2007		2006		2005		2004	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<b>GEICO</b>												
Premiums written	<u>\$13,758</u>		<u>\$12,741</u>		<u>\$11,931</u>		<u>\$11,303</u>		<u>\$10,285</u>		<u>\$9,212</u>	
Premiums earned	13,576	100.0%	12,479	100.0%	11,806	100.0%	11,055	100.0%	10,101	100.0%	8,915	100.0%
Losses and loss expenses	10,457	77.0%	9,332	74.8%	8,523	72.2%	7,749	70.1%	7,128	70.6%	6,360	71.3%
Underwriting expenses	2,470	18.2%	2,231	17.9%	2,170	18.4%	1,992	18.0%	1,752	17.3%	1,585	17.8%
Total losses and expenses	<u>12,927</u>	<u>95.2%</u>	<u>11,563</u>	<u>92.7%</u>	<u>10,693</u>	<u>90.6%</u>	<u>9,741</u>	<u>88.1%</u>	<u>8,880</u>	<u>87.9%</u>	<u>7,945</u>	<u>89.1%</u>
Underwriting gain (loss) - pre-tax	\$649	4.8%	\$916	7.3%	\$1,113	9.4%	\$1,314	11.9%	\$1,221	12.1%	\$970	10.9%
<b>General Re</b>												
Premiums written:												
North American property/casualty							\$1,731		\$1,988		\$2,747	
International property/casualty							1,850		1,864		2,091	
Property/casualty	3,091		3,383		3,478							
Life/health	<u>2,630</u>		<u>2,588</u>		<u>2,479</u>		<u>2,368</u>		<u>2,303</u>		<u>2,022</u>	
Total Gen Re premiums written	<u>\$5,721</u>		<u>\$5,971</u>		<u>\$5,957</u>		<u>\$5,949</u>		<u>\$6,155</u>		<u>\$6,860</u>	
Premiums earned:												
North American property/casualty							\$1,799		\$2,201		\$3,012	
International property/casualty							1,912		1,939		2,218	
Property/casualty	3,203		3,434		3,614							
Life/health	<u>2,626</u>		<u>2,580</u>		<u>2,462</u>		<u>2,364</u>		<u>2,295</u>		<u>2,015</u>	
Total Gen Re premiums earned	<u>\$5,829</u>		<u>\$6,014</u>		<u>\$6,076</u>		<u>\$6,075</u>		<u>\$6,435</u>		<u>\$7,245</u>	
Underwriting gain (loss) pre-tax:												
North American property/casualty							\$127	92.9%	(\$307)	113.9%	\$11	99.6%
International property/casualty							246	87.1%	(138)	107.1%	(93)	104.2%
Property/casualty	300	90.6%	163	95.3%	475	86.9%						
Life/health	<u>177</u>	<u>93.3%</u>	<u>179</u>	<u>93.1%</u>	<u>80</u>	<u>96.8%</u>	<u>153</u>	<u>93.5%</u>	<u>111</u>	<u>95.2%</u>	<u>85</u>	<u>95.8%</u>
Total Gen Re underwriting gain (loss) - pre-tax	<u>\$477</u>	<u>91.8%</u>	<u>\$342</u>	<u>94.3%</u>	<u>\$555</u>	<u>90.9%</u>	<u>\$526</u>	<u>91.3%</u>	<u>(\$334)</u>	<u>105.2%</u>	<u>\$3</u>	<u>100.0%</u>

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Berkshire Hathaway Reinsurance Group	2009		2008		2007		2006		2005		2004	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Premiums earned:												
Catastrophe and individual risk Property/casualty	\$823		\$955		\$1,577		\$2,196		\$1,663		\$1,462	
Retroactive reinsurance	1,989		204		7,708		146		10		188	
Other multi-line	3,894		3,923		2,617		2,634		2,290		2,064	
Life and annuity												
Total BHRG premiums earned	\$6,706		\$5,082		\$11,902		\$4,976		\$3,963		\$3,714	
Underwriting gain (loss) pre-tax:												
Catastrophe and individual risk Property/casualty	\$782	5.0%	\$776	18.7%	\$1,477	6.3%	\$1,588	27.7%	\$(1,178)	170.8%	\$385	73.7%
Retroactive reinsurance	(448)	122.5%	(414)	302.9%	(375)	104.9%	(173)	218.5%	(214)	NM	(412)	319.1%
Other multi-line	15	99.6%	962	75.5%	325	87.6%	243	90.8%	323	85.9%	444	78.5%
Life and annuity <sup>1</sup>	(99)	n/a										
Total BHRG underwriting gain (loss) - pre-tax	\$250	96.3%	\$1,324	73.9%	\$1,427	88.0%	\$1,658	66.7%	\$(1,069)	127.0%	\$417	88.8%
<b>Berkshire Hathaway Primary Group</b>												
Premiums earned <sup>2</sup>	\$1,773	100.0%	\$1,950	100.0%	\$1,999	100.0%	\$1,858	100.0%	\$1,498	100.0%	\$1,211	100.0%
Total losses and expenses	1,689	95.3%	1,740	89.2%	1,720	86.0%	1,518	81.7%	1,263	84.3%	1,050	86.7%
Underwriting gain (loss) - pre-tax	\$84	4.7%	\$210	10.8%	\$279	14.0%	\$340	18.3%	\$235	15.7%	\$161	13.3%
<b>Total premiums earned</b>	<b>\$27,884</b>		<b>\$25,525</b>		<b>\$31,783</b>		<b>\$23,964</b>		<b>\$21,997</b>		<b>\$21,085</b>	
<b>Total underwriting gain/(loss) pre-tax</b>	<b>1,460</b>		<b>2,792</b>		<b>3,374</b>		<b>3,838</b>		<b>53</b>		<b>1,551</b>	
<b>Average float</b>	<b>60,200</b>		<b>58,593</b>		<b>54,793</b>		<b>50,087</b>		<b>47,691</b>		<b>45,157</b>	
<b>Cost of float</b>	<b>(2.6%)</b>		<b>(4.8%)</b>		<b>(6.2%)</b>		<b>(7.7%)</b>		<b>(0.1%)</b>		<b>(3.4%)</b>	
<b>Aggregate adverse (favorable) loss development<sup>3</sup></b>	<b>(\$905)</b>		<b>(\$1,140)</b>		<b>(\$1,478)</b>		<b>(\$612)</b>		<b>(\$357)</b>		<b>\$419</b>	
Footnotes:												
1. The \$250 million pre-tax underwriting gain presented for BHRG in 2009 is the updated 2010 figure. The original amount was \$349 million. In 2010, Berkshire moved the life and annuity business to BHRG from Finance and Financial Products.												
2. 2010–2014: Earned premium figure for the Primary Group is calculated based on the total known earned premiums and the known other segment data. Footnotes disclose rounded figures.												
3. Per the notes to the financial statements. Percentage is the ratio of loss development to earned premiums.												

Note: Primary Group: Data on written premiums, losses and loss expenses, and underwriting expenses were not disclosed.

Sources: Berkshire Hathaway Annual Reports, 2004–2014, and author's calculations.

**Table 7.47: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>GEICO</b>											
Premiums written	\$20,962	\$19,083	\$17,129	\$15,664	\$14,494	\$13,758	\$12,741	\$11,931	\$11,303	\$10,285	\$9,212
Premiums earned	20,496	18,572	16,740	15,363	14,283	13,576	12,479	11,806	11,055	10,101	8,915
Underwriting gain/(loss) - pre-tax	\$1,159	\$1,127	\$680	\$576	\$1,117	\$649	\$916	\$1,113	\$1,314	\$1,221	\$970
<b>General Re</b>											
Premiums written	\$6,418	\$5,963	\$5,984	\$5,819	\$5,632	\$5,721	\$5,971	\$5,957	\$5,949	\$6,155	\$6,860
Premiums earned	6,264	5,984	5,870	5,816	5,693	5,829	6,014	6,076	6,075	6,435	7,245
Underwriting gain/(loss) - pre-tax	\$277	\$283	\$355	\$144	\$452	\$477	\$342	\$555	\$526	(\$334)	\$3
<b>Berkshire Hathaway Reinsurance Group</b>											
Premiums earned	\$10,116	\$8,786	\$9,672	\$9,147	\$9,076	\$6,706	\$5,082	\$11,902	\$4,976	\$3,963	\$3,714
Underwriting gain/(loss) - pre-tax <sup>1</sup>	\$606	\$1,294	\$304	(\$714)	\$176	\$250	\$1,324	\$1,427	\$1,658	(\$1,069)	\$417
<b>Berkshire Hathaway Primary Group</b>											
Premiums earned <sup>2</sup>	\$4,377	\$3,342	\$2,263	\$1,749	\$1,697	\$1,773	\$1,950	\$1,999	\$1,858	\$1,498	\$1,211
Underwriting gain/(loss) - pre-tax	\$626	\$385	\$286	\$242	\$268	\$84	\$210	\$279	\$340	\$235	\$161
Total premiums earned	\$41,253	\$36,684	\$34,545	\$32,075	\$30,749	\$27,884	\$25,525	\$31,783	\$23,964	\$21,997	\$21,085
Total underwriting gain/(loss) - pre-tax	2,668	3,089	1,625	248	2,013	1,460	2,792	3,374	3,838	53	1,551
Average float	80,581	75,183	71,848	68,202	63,872	60,200	58,593	54,793	50,087	47,691	45,157
Cost of float	(3.3%)	(4.1%)	(2.3%)	(0.4%)	(3.2%)	(2.6%)	(4.8%)	(6.2%)	(7.7%)	(0.1%)	(3.4%)
Aggregate adverse (favorable) loss development <sup>2</sup>	(\$1,365)	(\$1,752)	(\$2,126)	(\$2,202)	(\$2,270)	(\$905)	(\$1,140)	(\$1,478)	(\$612)	(\$357)	\$419
Discount accretion and amortization charges included above	\$128	\$186	\$381	\$342	\$356	\$602	\$550	\$315	\$459	\$386	\$538
Footnotes:											
1. The \$250 million pre-tax underwriting gain presented for BHRG in 2009 is the updated 2010 figure. The original amount was \$349 million. In 2010, Berkshire moved the life and annuity business to BHRG from Finance and Financial Products.											
2. Per the notes to the financial statements. Percentage is the ratio of loss development to earned premiums.											

Note: Berkshire Hathaway Primary Group and BHRG written premiums were not detailed.

Sources: Berkshire Hathaway Annual Reports 2004–2014 and author's calculations.

**Table 7.48: Berkshire Hathaway Insurance Group float, select data and information**

Year	Year-end Float (\$ millions)						Float Cost
	GEICO	General Reins.	BH Reins.	Other Primary	Total	Avg. Float	
2004	5,960	23,120	15,278	1,736	46,094	45,157	(3.4%)
2005	6,692	22,920	16,233	3,442	49,287	47,691	(0.1%)
2006	7,171	22,827	16,860	4,029	50,887	50,087	(7.7%)
2007	7,768	23,009	23,692	4,229	58,698	54,793	(6.2%)
2008	8,454	21,074	24,221	4,739	58,488	58,593	(4.8%)
2009	9,613	21,014	26,223	5,061	61,911	60,200	(2.6%)
2010	10,272	20,049	30,370	5,141	65,832	63,872	(3.2%)
2011	11,169	19,714	33,728	5,960	70,571	68,202	(0.4%)
2012	11,578	20,128	34,821	6,598	73,125	71,848	(2.3%)
2013	12,566	20,013	37,231	7,430	77,240	75,183	(4.1%)
2014	13,569	19,280	42,454	8,618	83,921	80,581	(3.3%)

Year	Year-end Float (% Growth)					
	GEICO	General Reins.	BH Reins.	Other Primary	Total	Avg. Float
2004	12.7%	(2.3%)	9.5%	30.4%	4.2%	5.7%
2005	12.3%	(0.9%)	6.3%	98.3%	6.9%	5.6%
2006	7.2%	(0.4%)	3.9%	17.1%	3.2%	5.0%
2007	8.3%	0.8%	40.5%	5.0%	15.3%	9.4%
2008	8.8%	(8.4%)	2.2%	12.1%	(0.4%)	6.9%
2009	13.7%	(0.3%)	8.3%	6.8%	5.9%	2.7%
2010	6.9%	(4.6%)	15.8%	1.6%	6.3%	6.1%
2011	8.7%	(1.7%)	11.1%	15.9%	7.2%	6.8%
2012	3.7%	2.1%	3.2%	10.7%	3.6%	5.3%
2013	8.5%	(0.6%)	6.9%	12.6%	5.6%	4.6%
2014	8.0%	(3.7%)	14.0%	16.0%	8.6%	7.2%

Year	Year-end Float (% Total)				
	GEICO	General Reins.	BH Reins.	Other Primary	Total
2004	12.9%	50.2%	33.1%	3.8%	100.0%
2005	13.6%	46.5%	32.9%	7.0%	100.0%
2006	14.1%	44.9%	33.1%	7.9%	100.0%
2007	13.2%	39.2%	40.4%	7.2%	100.0%
2008	14.5%	36.0%	41.4%	8.1%	100.0%
2009	15.5%	33.9%	42.4%	8.2%	100.0%
2010	15.6%	30.5%	46.1%	7.8%	100.0%
2011	15.8%	27.9%	47.8%	8.4%	100.0%
2012	15.8%	27.5%	47.6%	9.0%	100.0%
2013	16.3%	25.9%	48.2%	9.6%	100.0%
2014	16.2%	23.0%	50.6%	10.3%	100.0%

Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Table 7.49: Berkshire Hathaway property and casualty loss development**

(\$ millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net unpaid losses net of discounts/deferred charges end of year <sup>1</sup>	\$60,589	\$57,452	\$57,216	\$56,727	\$53,530	\$52,537	\$49,487	\$48,876	\$42,779	\$42,834	\$40,087
Liability re-estimated:											
1 year later		55,421	55,557	54,787	51,228	49,955	48,836	47,288	41,811	42,723	39,002
2 years later			53,961	53,600	49,960	47,636	47,293	46,916	40,456	42,468	39,456
3 years later				52,526	49,143	46,793	45,675	45,902	40,350	41,645	39,608
4 years later					48,262	46,099	45,337	44,665	39,198	41,676	38,971
5 years later						45,630	44,914	44,618	38,003	40,884	39,317
6 years later							44,659	44,406	37,946	39,888	38,804
7 years later								44,355	37,631	40,088	38,060
8 years later									37,192	39,796	38,280
9 years later										39,472	38,189
10 years later											37,943
Cumulative deficiency (redundancy)		(2,031)	(3,255)	(4,201)	(5,268)	(6,907)	(4,828)	(4,521)	(5,587)	(3,362)	(2,144)
Cumulative foreign exchange effect		666	461	280	361	590	381	961	540	85	618
Net deficiency (redundancy)		(1,365)	(2,794)	(3,921)	(4,907)	(6,317)	(4,447)	(3,560)	(5,047)	(3,277)	(1,526)
Cumulative payments:											
1 year later		11,381	10,978	10,628	8,854	9,191	8,315	8,486	8,865	9,345	7,793
2 years later			17,827	17,260	14,593	14,265	13,999	13,394	13,581	15,228	12,666
3 years later				21,747	18,300	17,952	16,900	17,557	16,634	18,689	16,463
4 years later					22,008	20,907	19,478	19,608	19,724	20,890	18,921
5 years later						22,896	21,786	21,660	21,143	23,507	20,650
6 years later							23,339	23,595	22,678	24,935	22,865
7 years later								24,807	23,892	26,266	24,232
8 years later									24,831	26,928	25,430
9 years later										28,031	26,624
10 years later											26,917
Net deficiency (redundancy) above		(1,365)	(2,794)	(3,921)	(4,907)	(6,317)	(4,447)	(3,560)	(5,047)	(3,277)	(1,526)
Deficiency from deferred charge amortization and discount accretion		128	306	645	989	1,698	1,806	1,970	2,157	2,591	2,726
(Redundancy) deficiency before deferred charge amortization and discount accretion		(1,493)	(3,100)	(4,566)	(5,896)	(8,015)	(6,253)	(5,530)	(7,204)	(5,868)	(4,252)
Footnote:											
1. The full loss development table in the 10K report starts with gross unpaid losses and includes such items as reserve discounts, ceded reserves, and deferred charges. I've chosen to begin the table here due to space limitations.											

Source: Berkshire Hathaway 10K filing, 2014.

**Table 7.50: Regulated, Capital-Intensive Businesses**

(\$ millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Berkshire Hathaway Energy</b> (formerly known as MidAmerican Energy)										
UK utilities	\$527	\$362	\$429	\$469	\$333	\$248	\$339	\$337	\$338	\$308
Iowa utility	298	230	236	279	279	285	425	412	348	288
Nevada utility	549									
PacifiCorp (primarily Oregon and Utah)	1,010	982	737	771	783	788	703	692	356	
Gas Pipelines (Northern Natural and Kern River)	379	385	383	388	378	457	595	473	376	309
HomeServices	139	139	82	39	42	43	(45)	42	74	148
Other (net)	236	4	91	36	47	25	186	130	226	115
Operating earnings before corporate interest and taxes	3,138	2,102	1,958	1,982	1,862	1,846	2,203	2,086	1,718	1,168
Constellation Energy <sup>1</sup>							1,092			
Interest	427	296	314	336	353	376	443	420	395	357
Income taxes	616	170	172	315	271	313	1,002	477	407	248
Net earnings	<u>\$2,095</u>	<u>\$1,636</u>	<u>\$1,472</u>	<u>\$1,331</u>	<u>\$1,238</u>	<u>\$1,157</u>	<u>\$1,850</u>	<u>\$1,189</u>	<u>\$916</u>	<u>\$563</u>
Net earnings applicable to Berkshire <sup>2</sup>	<u>\$1,882</u>	<u>\$1,470</u>	<u>\$1,323</u>	<u>\$1,204</u>	<u>\$1,131</u>	<u>\$1,071</u>	<u>\$1,704</u>	<u>\$1,114</u>	<u>\$885</u>	<u>\$523</u>
<b>Burlington Northern Santa Fe (BNSF)</b>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues	\$23,239	\$22,014	\$20,835	\$19,548	\$16,850	\$14,016	\$18,018	\$15,802	\$14,985	\$12,987
Operating expenses (including depreciation)	16,237	15,357	14,835	14,247	12,355	10,762	14,106	12,316	11,508	10,102
Operating earnings before interest and taxes	7,002	6,657	6,000	5,301	4,495	3,254	3,912	3,486	3,477	2,885
Interest (net)	833	729	623	560	507	613	533	511	485	437
Income taxes	2,300	2,135	2,005	1,769	1,529	920	1,253	1,128	1,105	917
Net earnings	<u>\$3,869</u>	<u>\$3,793</u>	<u>\$3,372</u>	<u>\$2,972</u>	<u>\$2,459</u>	<u>\$1,721</u>	<u>\$2,126</u>	<u>\$1,847</u>	<u>\$1,887</u>	<u>\$1,531</u>
Footnotes:										
1. Constellation Energy consists of a \$175 million breakup fee and \$917 million profit on investment.										
2. Earnings applicable to Berkshire consist of its share of net earnings plus after tax interest income from debt owed to Berkshire from MidAmerican.										

Notes:

1. BNSF owned from February 12, 2010. Historical data provided for reference.
2. PacifiCorp owned from March 21, 2006.

Sources: Berkshire Hathaway Annual Reports 2006, 2008, 2010, 2012, 2014; BNSF Annual Report 2006; BNSF 10K 2009.

**Table 7.51: Manufacturing, Service, and Retailing businesses—balance sheets, 2004–2014**

<i>(\$ millions)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<i>Assets</i>											
Cash and equivalents	\$5,765	\$6,625	\$5,338	\$4,241	\$2,673	\$3,018	\$2,497	\$2,080	\$1,543	\$1,004	\$899
Accounts and notes receivable	8,264	7,749	7,382	6,584	5,396	5,066	5,047	4,488	3,793	3,287	3,074
Inventory	10,236	9,945	9,675	8,975	7,101	6,147	7,500	5,793	5,257	4,143	3,842
Other current assets	1,117	716	734	631	550	625	752	470	363	342	254
Total current assets	\$25,382	\$25,035	\$23,129	\$20,431	\$15,720	\$14,856	\$15,796	\$12,831	\$10,956	\$8,776	\$8,069
Goodwill and other intangibles	28,107	25,617	26,017	24,755	16,976	16,499	16,515	14,201	13,314	9,260	8,362
Fixed assets	13,806	19,389	18,871	17,866	15,421	15,374	16,338	9,605	8,934	7,148	6,161
Other assets	3,793	4,274	3,416	3,661	3,029	2,070	1,248	1,685	1,168	1,021	1,044
	\$71,088	\$74,315	\$71,433	\$66,713	\$51,146	\$48,799	\$49,897	\$38,322	\$34,372	\$26,205	\$23,636
<i>Liabilities and Equity</i>											
Notes payable	\$965	\$1,615	\$1,454	\$1,611	\$1,805	\$1,842	\$2,212	\$1,278	\$1,468	\$1,469	\$1,143
Other current liabilities	9,734	8,965	8,527	15,124	8,169	7,414	8,087	7,652	6,635	5,371	4,685
Total current liabilities	10,699	10,580	9,981	16,735	9,974	9,256	10,299	8,930	8,103	6,840	5,828
Deferred taxes	3,801	5,184	4,907	4,661	3,001	2,834	2,786	828	540	338	248
Term debt and other liabilities	4,269	4,405	5,826	6,214	6,621	6,240	6,033	3,079	3,014	2,188	1,965
Non-controlling interests	492	456	2,062	2,410							
Equity	51,827	53,690	48,657	36,693	31,550	30,469	30,779	25,485	22,715	16,839	15,595
	\$71,088	\$74,315	\$71,433	\$66,713	\$51,146	\$48,799	\$49,897	\$38,322	\$34,372	\$26,205	\$23,636

Note: In 2014 Marmon's leasing operations began to be included in the Finance and Financial Products sector. The 2014 Annual Report provided a restatement of 2012 and 2013 for comparative purposes. This presentation contains the original presentations.

Sources: Berkshire Hathaway Annual Reports 2004–2014.

**Table 7.52: Manufacturing, Service, and Retailing businesses—income statements, 2004–2014**

(\$ millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues	\$97,689	\$95,291	\$83,255	\$72,406	\$66,610	\$61,665	\$66,099	\$59,100	\$52,660	\$46,896	\$44,142
Operating expenses	90,788	88,414	76,978	67,239	62,225	59,509	61,937	55,026	49,002	44,190	41,604
<i>(Including depreciation)</i>				1,431	1,362	1,422	1,280	955	823	699	676
Interest expense (net)	109	135	146	130	111	98	139	127	132	83	57
Pre-tax income <sup>1</sup>	6,792	6,742	6,131	5,037	4,274	2,058	4,023	3,947	3,526	2,623	2,481
Income taxes and non-controlling interests	2,324	2,512	2,432	1,998	1,812	945	1,740	1,594	1,395	977	941
Net income	\$4,468	\$4,230	\$3,699	\$3,039	\$2,462	\$1,113	\$2,283	\$2,353	\$2,131	\$1,646	\$1,540
Footnote:	Excludes purchase-accounting adjustments.										

Sources: Berkshire Hathaway Annual Reports 2004–2014.

**Table 7.53: Manufacturing, Service, and Retailing businesses—ratios and key figures, 2004–2014**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible capital	\$28,954	\$34,093	\$29,920	\$19,763	\$23,000	\$22,052	\$22,509	\$15,641	\$13,883	\$11,236	\$10,341
Revenues/average tangible capital	\$3.10	\$2.98	\$3.35	\$3.39	\$2.96	\$2.77	\$3.47	\$4.00	\$4.19	\$4.35	\$4.27
EBIT margin	7.1%	7.2%	7.5%	7.1%	6.6%	3.5%	6.3%	6.9%	6.9%	5.8%	5.7%
Pre-tax return on tangible capital	21.9%	21.5%	25.3%	24.2%	19.5%	9.7%	21.8%	27.6%	29.1%	25.1%	24.5%
Return on average equity - after-tax	8.5%	8.3%	8.7%	8.9%	7.9%	3.6%	8.1%	9.8%	10.8%	10.1%	9.9%
Return on average tangible equity after-tax	17.3%	16.7%	21.4%	22.9%	17.3%	7.9%	17.9%	22.8%	25.1%	22.2%	21.6%
Net debt (cash)	(\$531)	(\$605)	\$1,942	\$3,584	\$5,753	\$5,064	\$5,748	\$2,277	\$2,939	\$2,653	\$2,209
Notes payable/equity	10.1%	11.2%	15.0%	21.3%	26.7%	26.5%	26.8%	17.1%	19.7%	21.7%	19.9%
Total assets/total equity	1.37	1.38	1.47	1.82	1.62	1.60	1.62	1.50	1.51	1.56	1.52

Sources: Berkshire Hathaway Annual Reports 2004–2014 and author's calculations.

**Table 7.54: Finance and Financial Products businesses—select earnings data**

(\$ millions)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net investment income	\$296	\$324	\$410	\$440		\$278	\$330	\$272	\$274	\$200	\$264
Gen Re Securities <sup>1</sup>									(5)	(104)	(44)
Life and annuity operation <sup>2</sup>						116	23	(60)	29	11	(57)
Value Capital <sup>3</sup>									6	(33)	30
Berkadia	122	80	35	25							1
Leasing operations											
CORT <sup>4</sup>	36	40	42	29							
XTRA <sup>4</sup>	147	125	106	126							
Marmon - Containers and Cranes <sup>4</sup>	238										
Marmon - Railcars <sup>4</sup>	442										
Leasing operations - subtotal <sup>4</sup>	863	165	148	155	53	14	87	111	182	173	92
Manufactured housing finance (Clayton)	558	416	255	154	176	187	206	526	513	416	220
Other <sup>5</sup>					460	186	141	157	158	159	78
Pre-tax earnings	\$1,839	\$985	\$848	\$774	\$689	\$781	\$787	\$1,006	\$1,157	\$822	\$584

## Footnotes:

1. Gen Re Securities ceased in 2006. Cumulative pre-tax loss since 2002 was \$409 million on 23,218 contracts.
2. Beginning in 2010 the life and annuity operation was moved to Berkshire Hathaway Reinsurance Group.
3. Investment in Value Capital ceased in 2006.
4. In 2014 results included Marmon's leasing operations. The report that year included a restatement of the prior two years for comparative purposes. Data here are the original presentation. The restated total pre-tax income for 2013 and 2012 was \$1,564 million and \$1,393 million, respectively.
5. Included in Other are fees paid to Berkshire from Clayton and NetJets for use of its credit.

Notes: Beginning in 2010 Berkshire stopped producing this table in the Chairman's letter. In 2012 data again began to be presented in the letter. Amounts for Leasing and Clayton in 2010 are from the footnotes and are included for continuity.

Sources: Berkshire Hathaway Annual Reports 2004–2014 and author's calculations.

**Table 7.55: Berkshire Hathaway deferred tax analysis**

<i>(\$ millions)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Total</u>
Earnings before income taxes	\$28,105	\$28,796	\$22,236	\$15,314	\$19,051	\$11,552	\$7,574	\$20,161	\$16,778	\$12,791	\$182,358
Current taxes	3,302	5,168	4,711	2,897	3,668	1,619	3,811	5,708	5,030	2,057	37,971
Deferred taxes	4,633	3,783	2,213	1,671	1,939	1,919	(1,833)	886	475	2,102	17,788
Total taxes as reported	7,935	8,951	6,924	4,568	5,607	3,538	1,978	6,594	5,505	4,159	55,759
Cash paid for tax during period	4,014	5,401	4,695	2,885	3,547	2,032	3,530	5,895	4,959	2,695	39,653
Current rate	11.7%	17.9%	21.2%	18.9%	19.3%	14.0%	50.3%	28.3%	30.0%	16.1%	20.8%
Deferred rate	16.5%	13.1%	10.0%	10.9%	10.2%	16.6%	(24.2%)	4.4%	2.8%	16.4%	9.8%
Headline tax rate	28.2%	31.1%	31.1%	29.8%	29.4%	30.6%	26.1%	32.7%	32.8%	32.5%	30.6%
Current as % total	41.6%	57.7%	68.0%	63.4%	65.4%	45.8%	192.7%	86.6%	91.4%	49.5%	68.1%
Deferred as % total	58.4%	42.3%	32.0%	36.6%	34.6%	54.2%	(92.7%)	13.4%	8.6%	50.5%	31.9%
Total tax	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash tax as % EBIT	14.3%	18.8%	21.1%	18.8%	18.6%	17.6%	46.6%	29.2%	29.6%	21.1%	21.7%

Sources: Berkshire Hathaway Annual Reports 2005, 2008, 2011, 2014; and author's calculations.

## Chapter 8

# The First Fifty Years: 1965–2014

*“It is not necessary to do extraordinary things  
to get extraordinary results.”*

—Warren Buffett

**E**xtraordinary is the only word that singularly captures the arch of Berkshire Hathaway’s fifty-year transformation under Warren Buffett’s control. The company that existed at the end of 2014 looked *nothing* like it did fifty years earlier despite bearing the same name. The struggling textile company that once formed the foundation of Berkshire Hathaway had cracked, leading to major structural issues that once rebuilt became a well-respected conglomerate. Its extraordinary transformation took place using what in hindsight were fairly ordinary and timeless basic principles of business. Applied step by step, year by year, and decade by decade, the ordinary was molded into the extraordinary.

Berkshire’s transformation can easily be attributed to the one man who was the constant during this time. Yet Buffett is only part of the story—albeit a big part. The other man is Charlie Munger, whom Buffett credited as the architect of Berkshire Hathaway for his influence turning Berkshire’s focus toward buying good businesses to hold for the long-term. “The blueprint he gave me was very simple. Forget what you know about buying fair businesses at wonderful prices; instead buy wonderful businesses at fair prices.”

These businesses were deceptively simple. Yes, they were in understandable industries such as insurance, retail, manufacturing, newspapers, and financing. But many shared a trait that most businesses only wish for: an economic moat or a sustainable competitive

**Table 8.1: Select data**

<i>(\$ millions)</i>	<u>1974</u>	<u>1964</u>	<u>Change</u>
Revenues	\$101.5	\$50.0	103%
Pre-tax operating earnings	6.5	0.5	1,128%
Average float	79.1	0	n/a
Shareholders' equity	88.2	22.1	298%
Book value per share	\$90.02	\$19.46	363%

Sources: Berkshire Hathaway Annual Reports 1965, 1974.

**Table 8.2: Select data**

<i>(\$ millions)</i>	<u>1984</u>	<u>1974</u>	<u>Change</u>
Revenues	\$729	\$101.5	618%
Pre-tax operating earnings	82.0	6.5	1,165%
Average float	253	79	220%
Shareholders' equity	1,272	88.2	1,342%
Book value per share	\$1,109	\$90.02	1,132%

Sources: Berkshire Hathaway Annual Reports 1974, 1984.

**Table 8.3: Select data**

<i>(\$ millions)</i>	<u>1994</u>	<u>1984</u>	<u>Change</u>
Revenues	\$3,847	\$729	428%
Pre-tax operating earnings	839	88	857%
Average float	3,057	253	1,108%
Shareholders' equity	11,875	1,272	834%
Book value per share	\$10,083	\$1,109	809%

Note: The figure for 1984 operating earnings presented here uses the revised presentation for comparability with 1994.

Sources: Berkshire Hathaway Annual Reports 1984, 1994.

**Table 8.4: Select data**

<i>(\$ millions)</i>	<u>2004</u>	<u>1994</u>	<u>Change</u>
Revenues	\$74,382	\$3,847	1,834%
Pre-tax operating earnings	7,447	839	787%
Average float	45,157	3,057	1,377%
Shareholders' equity	85,900	11,875	623%
Book value per share	\$55,824	\$10,083	454%

Sources: Berkshire Hathaway Annual Reports 1994, 2004.

**Table 8.5: Select data**

(\$ millions)	2014	2004	Change
Revenues	\$194,673	\$74,382	162%
Pre-tax operating earnings	24,024	7,447	223%
Average float	80,581	45,157	78%
Shareholders' equity	240,170	85,900	180%
Book value per share	\$146,186	\$55,824	162%

Sources: Berkshire Hathaway Annual Reports 2004, 2014.

**Table 8.6: Significant capital allocation decisions by decade**

<i>Decade ended:</i>	<u>1974</u>	<u>1984</u>	<u>1994</u>	<u>2004</u>	<u>2014</u>
<i>Common stock portfolio:</i>					
Largest single common stock investment (% of portfolio <sup>1</sup> )	23%	31%	34%	23%	23%
Top four common stock investments (% of portfolio)	47%	75%	57%	65%	59%
Top four (% of average equity at end of year)	20%	79%	78%	30%	30%
<i>Acquisitions (% average equity capital at time of purchase):</i>					
Illinois National Bank & Trust (1969)	44%				
National Indemnity (1967)	28%				
Buffalo News (1977) <sup>2</sup>		15%			
Nebraska Furniture Mart (1983)		6%			
Scott Fetzer (1986)			19%		
Dexter Shoe (1993)			4%		
General Re (1998) <sup>3</sup>				18%	
GEICO (1996) <sup>4</sup>				12%	
BNSF (2010) <sup>5</sup>					18%
Heinz (2013) <sup>6</sup>					6%
Footnotes:					
1. Washington Post (1974); GEICO (1984); Coca-Cola (1994); American Express (2004); Wells Fargo (2014).					
2. Buffalo News acquisition price compared to the combined average equity of Berkshire Hathaway, Blue Chip Stamps, and Diversified Retailing.					
3. Size of General Re acquisition based on the 272,000 shares issued divided by the 1,518,548 shares outstanding at the end of the year.					
4. Using the \$2.33 billion purchase price for the remaining half of GEICO Berkshire did not already own.					
5. Using the \$26.5 billion purchase price for the 77.5% of BNSF Berkshire did not already own.					
6. Using the \$12.25 billion equity + preferred investment.					

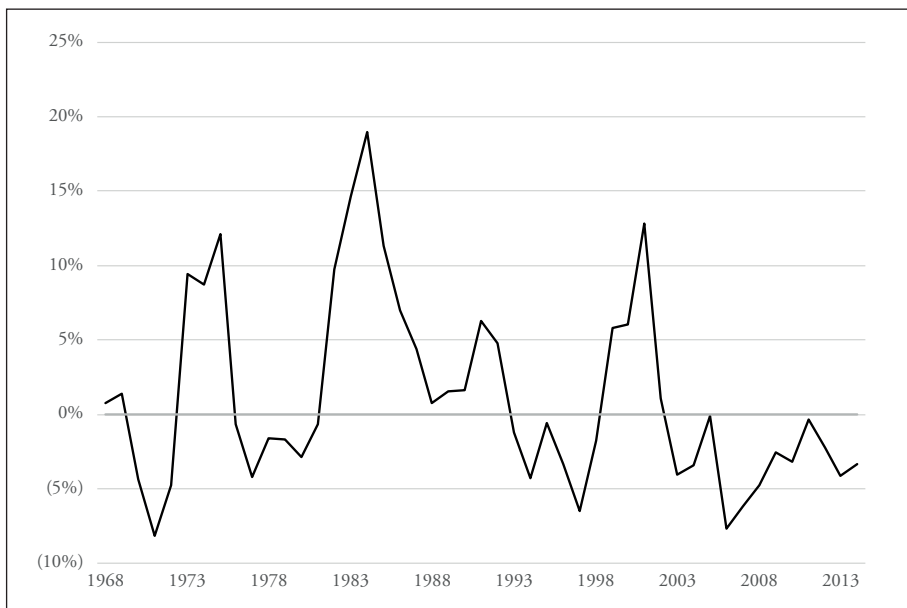
Sources: Berkshire Hathaway Annual Report 1974, 1984, 1994, 2004, 2014; and author's calculations.

**Table 8.7: Berkshire Hathaway pre-tax underwriting gain/(loss) by decade**

<i>(\$ millions)</i>	
1968–1974	(\$5)
1975–1984	(93)
1985–1994	(285)
1995–2004	(3,248)
2005–2014	21,259

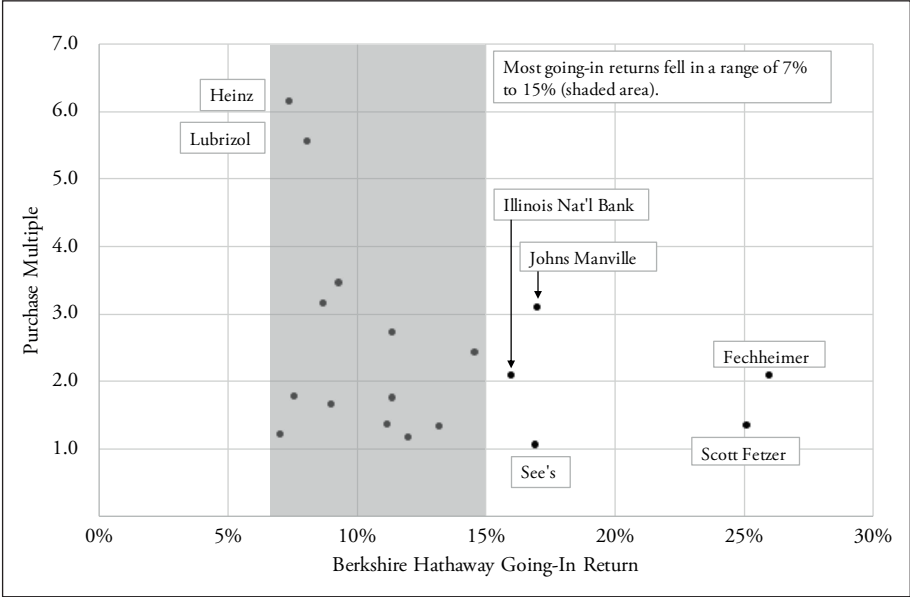
Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Figure 8.1: Berkshire Hathaway insurance cost of float 1968–2014**



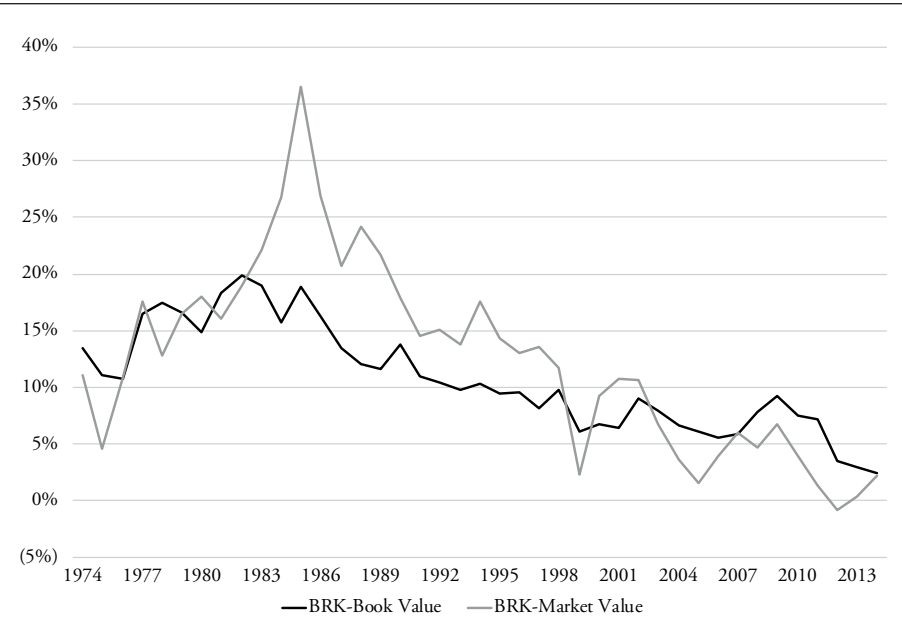
Source: Berkshire Hathaway Annual Reports.

**Figure 8.2: Distribution of Going-In Returns, Select Acquisitions\***



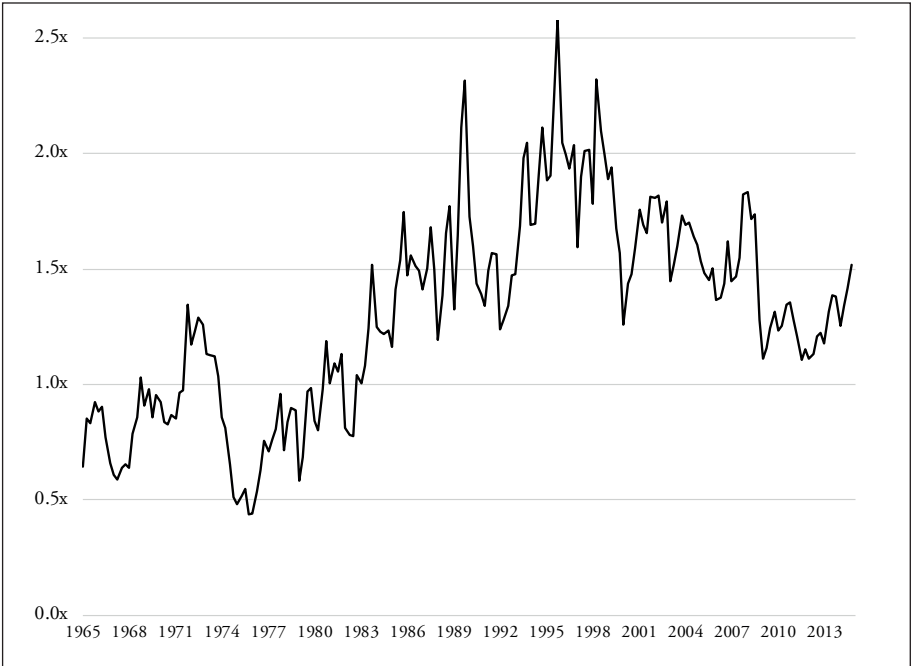
\*Limited to acquisitions where the purchase multiple and going-in return were calculable.  
 Source: Berkshire Hathaway Annual Reports

**Figure 8.3: Trailing ten-year difference between Berkshire Hathaway's per-share book value and market value to S&P 500 (with dividends)**



Source: Berkshire Hathaway Annual Report 2014 and author's calculations.

**Figure 8.4: Berkshire Hathaway price-to-book ratio, 1965–2014**



Sources: *Of Permanent Value* (Kilpatrick, 2015), Berkshire Hathaway Annual Reports 1965–2014, and author’s calculations.

# Chapter 9

## 2015–2024

**Table 9.1: Decade snapshot: 2014-2024**

	<u>2014</u>	<u>2024</u>
Business:	Insurance, utilities, railroad; numerous industrial, building, and consumer products businesses; numerous service and retailing businesses; major interest in a branded food product business; significant stakes in several public companies.	Insurance, utilities, railroad; numerous industrial, building, and consumer products businesses; numerous service and retailing businesses; major interests in branded food product businesses; significant stakes in several public companies.
Key managers:	Chairman & CEO: Warren E. Buffett Vice Chair: Charles T. Munger	Chairman & CEO: Warren E. Buffett Vice Chairs: Charles T. Munger (until 2023), Gregory E. Abel, Ajit Jain
Annual revenues:	\$195 billion	\$321 billion
Stockholders' equity:	\$240 billion	\$649 billion
Book value per A share:	\$146,186	\$451,507
Float (average):	\$81 billion	\$170 billion
<i>Major capital allocation decisions:</i>		
1. Acquired Van Tuyl Automotive Group for \$4.2 billion (2015).		
2. Invested an additional \$5 billion in Heinz to acquire Kraft Foods Group (2015).		
3. Acquired Precision Castparts Corp. (PCC) for \$32.6 billion cash (2016).		
4. Acquired Duracell from Proctor & Gamble in a cash-rich split-off transaction for \$4.2 billion, gross of \$1.8 billion acquired cash (2016).		
5. Invested \$8.9 billion in the four largest US airlines (2016-19) before selling (2020).		
6. Acquired Pilot Flying J in three steps for \$13.6 billion (2017, 2023, 2024).		
7. Sold entire investment in IBM for approximately \$13 billion (2017).		
8. Acquired Medical Liability Mutual Insurance Company for \$2.5 billion (2018).		
9. Acquired a significant stake in Apple, Inc.: \$6.7 billion (2016), \$14 billion (2017) and \$15 billion (2018) for a total investment of \$36 billion, or 5.4% of the company. Sold two-thirds for a \$90 billion gain (2024).		
10. Sold 81% interest in Applied Underwriters for \$920 million (2019).		
11. Invested \$10 billion in Occidental Petroleum preferred stock (2019).		
12. Acquired Alleghany for \$11.6 billion (2022).		
13. Increased its ownership of Berkshire Hathaway Energy to 100% (2024).		
14. Invested \$13.8 billion in five Japanese trading companies, financing the purchases with low-cost Yen-denominated debt (2019-2024).		
15. Invested over \$151 billion in capital expenditures (\$62 billion more than depreciation expense) (2015-2024).		
16. Repurchased \$77.9 billion, or 12.5%, of its own stock (2018-2024).		

*Noteworthy events:*

1. The Insurance Group breaks its 14-year record of consecutive underwriting profits with a pre-tax loss of \$3.2 billion. GEICO reports its first underwriting loss since 2000. (2017)
2. Completes the largest retroactive reinsurance deal in history with a \$10.2 billion premium with AIG (2017).
3. Buffett wins 10-year bet that an index fund will beat a group of hedge funds (2017).
4. Congress passed the Tax Cuts and Jobs Act of 2017 which reduced the US Corporate tax rate from 35% to 21%.
5. The global pandemic hit the U.S. in March 2020 and severely disrupts worldwide economic activity and global commerce.
6. Major global supply chain disruptions and pandemic-related stimulus lead to the highest inflation in over 40 years.
7. Because of the pandemic, Berkshire held its Annual Meeting in virtual format in 2020 and 2021.
8. Berkshire writes down the value of Precision Castparts by \$9.8 billion (2020).
9. Wildfires and the resulting judicial and political uncertainty severely impair the value of Berkshire Hathaway Energy (2024).
10. Ruth Gottesman, wife of the late Berkshire director, Sandy Gottesman, donates \$1 billion of Berkshire stock to the Albert Einstein College of Medicine in New York (2024).
11. Charlie Munger dies on November 28, 2023, age 99 (36 days shy of his 100th birthday).
12. Greg Abel and Ajit Jain named as vice chairmen of non-insurance and insurance operations, respectively (2018).
13. Kenneth Chenault named a director (2020).
14. Susan Buffett and Christopher Davis named as directors (2021).
15. Thomas Murphy, Jr. and Wallace Weitz named as a directors (2022).

**Table 9.2: Berkshire Hathaway pre-tax earnings**

(\$ millions)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Insurance Group:												
Underwriting:												
GEICO	\$7,813	\$3,635	(\$1,880)	\$1,259	\$3,428	\$1,506	\$2,449	(\$310)	\$462	\$460	\$1,159	
General Re	<i>Consolidated with Berkshire Hathaway Reinsurance Group</i>								190	132	277	
Berkshire Hathaway Reinsurance Group	2,737	1,904	1,465	(930)	(2,700)	(1,472)	(1,109)	(3,648)	822	421	606	
Berkshire Hathaway Primary Group	855	1,374	393	607	110	383	670	719	657	824	626	
Total underwriting	11,405	6,913	(22)	936	838	417	2,010	(3,239)	2,131	1,837	2,668	
Investment income	16,748	11,581	7,724	5,649	5,949	6,600	5,503	4,902	4,482	4,550	4,357	
Total Insurance Group	28,153	18,494	7,702	6,585	6,787	7,017	7,513	1,663	6,613	6,387	7,025	
BNSF	6,648	6,614	7,708	7,861	6,792	7,250	6,863	6,328	5,693	6,775	6,169	
Berkshire Hathaway Energy <sup>1</sup>	2,292	940	3,146	3,184	2,479	2,618	2,472	2,584	2,973	2,851	2,711	
Manufacturing, service and retailing (MSR) <sup>2</sup>	16,843	17,589	16,219	14,552	10,889	12,365	12,308	9,243	8,462	7,115	6,792	
Finance and financial products <sup>3</sup>	<i>Consolidated with Manufacturing, Service and Retailing</i>								2,058	2,130	2,086	1,839
Unallocated interest expense	(427)	(426)	(420)	(455)	(483)	(416)	(458)	(1,494)	(230)	(374)	(313)	
Equity method investments <sup>4</sup>	1,841	1,973	1,863	995	726	1,176	(2,167)	2,938	1,103	730	694	
Goodwill and intangible asset impairments					(10,671)	(96)						
Corporate, eliminations and other	2,227	127	1,181	422	(1,572)	175	(75)	(1,610)	(1,381)	(971)	(893)	
Subtotal - pre-tax operating earnings	57,577	45,311	37,399	33,144	14,947	30,089	26,456	19,652	23,233	22,513	22,185	
Investment and derivatives gains/losses	52,799	74,855	(67,899)	78,542	40,746	72,607	(22,455)	2,128	8,304	10,347	4,081	
Total pre-tax earnings	110,376	120,166	(30,500)	111,686	55,693	102,696	4,001	21,780	31,537	32,860	26,266	
Income taxes and minority interests <sup>5</sup>	21,381	23,943	(7,741)	21,891	13,172	21,279	(20)	(23,160)	7,463	8,777	6,394	
Net income	\$88,995	\$96,223	(\$22,759)	\$89,795	\$42,521	\$81,417	\$4,021	\$44,940	\$24,074	\$24,083	\$19,872	

Footnotes:

1. 2014: MidAmerican changed its name to Berkshire Hathaway Energy. Includes results of Berkshire Hathaway Home Services.
2. 2014: Marmon's leasing operations were rolled into Finance and Financial Products. In 2024 and 2023 Pilot is included in MSR. Previously, it was included in the equity method.
3. 2018: the Finance and financial products businesses were consolidated with the MSR businesses.
4. 2018: Includes intangible asset impairment from Kraft Heinz.
5. 2017: Includes \$28.2 billion benefit from the Tax Cuts and Jobs Act of 2017.

Sources: Berkshire Hathaway Annual Reports 2014, 2016, 2017, 2019, 2021, 2024.

**Table 9.3: Berkshire Hathaway after-tax earnings**

(\$ millions)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Insurance - underwriting	\$9,020	\$5,428	(\$30)	\$728	\$657	\$325	\$1,566	(\$2,219)	\$1,370	\$1,162	\$1,692
Insurance - investment income	13,670	9,567	6,484	4,807	5,039	5,530	4,554	3,917	3,636	3,725	3,542
Railroad	5,031	5,087	5,946	5,990	5,161	5,481	5,219	3,959	3,569	4,248	3,869
Utilities and energy	3,730	2,331	3,904	3,495	3,091	2,840	2,621	2,083	2,287	2,132	1,882
Manufacturing, service and retailing (MSR)	13,072	13,362	12,512	11,120	8,300	9,372	9,364	6,208	5,631	4,683	4,468
Finance and financial products <sup>1</sup>	<i>Consolidated with Manufacturing, Service and Retailing</i>							1,335	1,427	1,378	1,243
Other <sup>2</sup>	1,395	(175)	509	1,315	(11,318)	424	(1,566)	(826)	(343)	30	(145)
Non-controlled businesses	1,519	1,750	1,528								
Operating earnings	47,437	37,350	30,853	27,455	10,930	23,972	21,758	14,457	17,577	17,358	16,551
Investment and derivative gains/losses	41,558	58,873	(53,612)	62,340	31,591	57,445	(17,737)	1,377	6,497	6,725	3,321
Tax Cuts and Jobs Act of 2017								29,106			
Net earnings attributable BRK shareholders	\$88,995	\$96,223	(\$22,759)	\$89,795	\$42,521	\$81,417	\$4,021	\$44,940	\$24,074	\$24,083	\$19,872
Common shares outstanding at year end <sup>3</sup>	1,438	1,441	1,460	1,477	1,544	1,625	1,641	1,645	1,644	1,643	1,643
Footnotes:											
1. Beginning in 2018, the Finance and Financial Products businesses were consolidated with the Manufacturing, Service, and Retailing businesses.											
2. Includes \$2.7 billion after-tax intangible asset impairment charge from Kraft Heinz in 2018 and \$9.8 billion related to Precision Castparts in 2020.											
3. A-share equivalent, in thousands.											

Sources: Berkshire Hathaway Annual Reports 2014-2024.

**Table 9.4: Select information 2014–2024**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
BRK book value per share - % change	6.4%	10.7%	23.0%	0.4%	23.0%	9.8%	19.4%	(5.6%)	20.3%	16.0%
BRK market value per share - % change	(12.5%)	23.4%	21.9%	2.8%	11.0%	2.4%	29.6%	4.0%	15.8%	25.5%
S&P 500 total return	1.4%	12.0%	21.8%	(4.4%)	31.5%	18.4%	28.7%	(18.1%)	26.3%	25.0%
US GDP Growth (real %)	2.9%	1.8%	2.5%	3.0%	2.6%	(2.2%)	6.1%	2.5%	2.9%	2.8%
10 year Treasury Note (year end %)	2.2%	2.5%	2.4%	2.8%	1.9%	0.9%	1.5%	3.6%	4.0%	4.4%
US inflation (avg. annual %)	0.1%	1.3%	2.1%	2.4%	1.8%	1.3%	4.7%	8.0%	4.1%	3.0%
US unemployment (avg. annual %)	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%

Sources: 2024 Berkshire Hathaway Annual Report and Federal Reserve Bank of St. Louis.

**Table 9.5: Berkshire Hathaway intrinsic value estimation**

	With insurance underwriting		W/out insurance underwriting	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<i>Per share (A-equivalent):</i>				
Investments (Kraft Heinz at market)	\$159,794	\$140,123	\$159,794	\$140,123
Pre-tax operating earnings (ex. investment income)	12,304	12,471	11,186	10,847
Estimated value (investments + 10x operating earnings)	282,834	264,832	271,654	248,593
Year-end share price	197,800	226,000	197,800	226,000
Year-end book value per share	155,501	146,186	155,501	146,186
Price/estimated value	0.70x	0.85x	0.73x	0.91x
Price/book	1.27x	1.55x	1.27x	1.55x
Value/book	1.82x	1.81x	1.75x	1.70x
Change in estimated value	6.8%		9.3%	
Change in share price	(12.5%)		(12.5%)	

Sources: Berkshire Hathaway Annual Reports 2014, 2015; and author's calculations.

**Table 9.6: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2015</u>	<u>2014</u>
<b>GEICO</b>		
Premiums earned	\$22,718	\$20,496
Underwriting gain/(loss) - pre-tax	460	1,159
<b>General Re</b>		
Premiums earned	\$5,975	\$6,264
Underwriting gain/(loss) - pre-tax	132	277
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$7,207	\$10,116
Underwriting gain/(loss) - pre-tax	421	606
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$5,394	\$4,377
Underwriting gain/(loss) - pre-tax	824	626
Total premiums earned	\$41,294	\$41,253
Total underwriting gain/(loss) - pre-tax	1,837	2,668
Average float	85,822	80,581
Cost of float	(2.1%)	(3.3%)

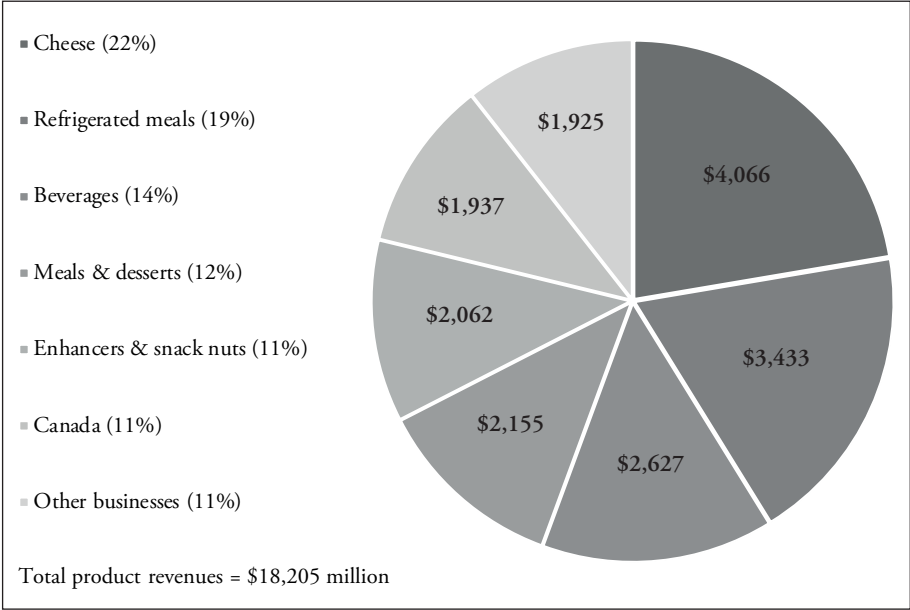
Sources: Berkshire Hathaway Annual Report 2016 and author's calculations.

**Table 9.7: Manufacturing, Service, and Retailing businesses—pre-tax earnings**

<i>(\$ millions)</i>	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Industrial products	\$2,994	\$3,159	(5%)
Building products	1,167	896	30%
Consumer products	732	756	(3%)
Subtotal - manufacturing	4,893	4,811	2%
Service	1,156	1,202	(4%)
Retailing	564	344	64%
McLane	502	435	15%
Subtotal - service and retailing	2,222	1,981	12%
Total pre-tax earnings	7,115	6,792	5%
Income taxes and noncontrolling interests	(2,432)	(2,324)	5%
Earnings after tax	<u>\$4,683</u>	<u>\$4,468</u>	5%

Sources: Berkshire Hathaway Annual Report 2015 and author's calculations.

**Figure 9.1: Kraft 2014 revenues by segment (\$ millions)**



Source: Kraft Foods 2014 10K.

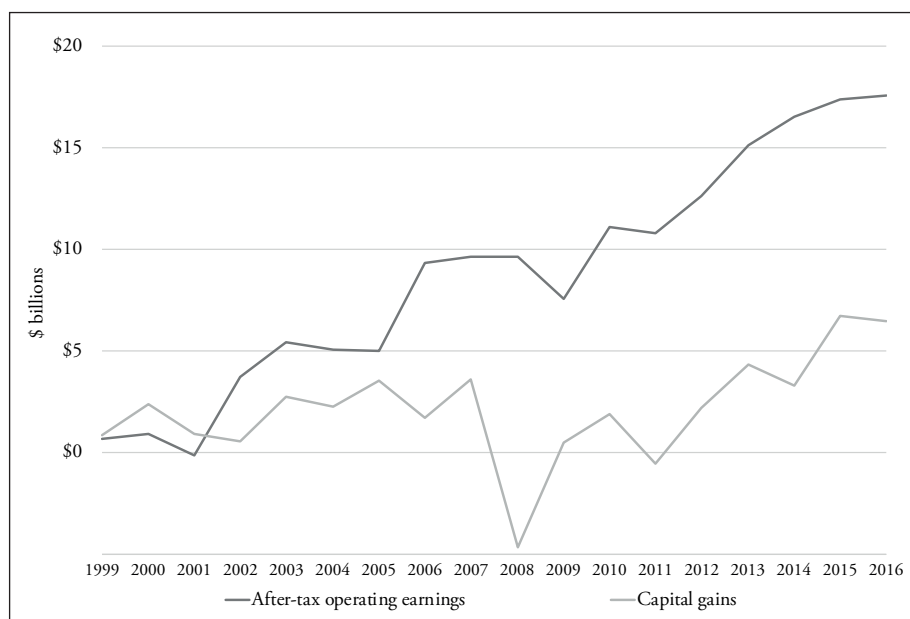
**Table 9.8: Kraft—acquisition analysis**

<i>(\$ millions)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total revenues	\$18,205	\$18,218	\$18,271	\$18,576	\$17,797
Revenues/avg. capital <sup>1</sup>	\$3.27	\$3.35	\$3.63	n/a	n/a
EBIT margin <sup>2</sup>	17%	16%	16%	17%	17%
Pre-tax return on capital	55%	55%	59%	n/a	n/a
49% of Heinz capitalization <sup>3</sup>	\$14,334				
BRK & 3G equity contribution <sup>4</sup>	<u>10,000</u>				
Value given for 51% of Kraft equity	24,334				
Implied purchase price of 100% of Kraft equity	\$47,714				
Debt	<u>9,286</u>				
Effective purchase price	\$57,000				
Purchase multiple	10.8x				
BRK going-in pre-tax return (2014)	5.1%				
Footnotes:					
1. Average capital calculated using specific working capital and fixed asset accounts for consistency. Data for 2011 did not contain comparable figures for accrued pension costs and accrued post-retirement health care costs.					
2. Adjustments were made to exclude changes to defined benefit plans.					
3. Heinz capitalization at year-end 2014 consisted of equity (\$7,336), total debt (\$13,597) and preferred stock (\$8,320).					
4. Berkshire invested \$5,260 and 3G invested \$4,740.					

Note: Balance sheet data for Kraft for 2010 was not available.

Sources: Berkshire Hathaway Annual Report 2015; Kraft Annual Reports 2012–2014; H.J. Heinz Holding Corporation S-4 registration statement filing; and author's calculations.

**Figure 9.2: Berkshire Hathaway After-Tax Operating Earnings and Capital Gains 1999–2016**



Source: Berkshire Hathaway Annual Report 2016.

**Table 9.9: Precision Castparts Corp.—acquisition analysis**

(\$ millions)	2015	2014	2013	2012	2011
Total revenues	\$10,005	\$9,533	\$8,347	\$7,202	\$6,209
Revenues/avg. capital <sup>1</sup>	\$1.79	\$1.80	\$1.77	\$1.69	\$1.67
EBIT margin <sup>1</sup>	26%	28%	26%	25%	24%
Pre-tax return on capital	46%	50%	46%	43%	41%
Purchase price (equity)	\$32,658				
Debt	4,586				
Effective purchase price	\$37,244				
Purchase multiple	6.66x				
BRK going-in pre-tax return	6.9%				
Footnote:					
1. Adjustments were made for goodwill and intangibles.					

Note: Fiscal years ended in March.

Sources: Berkshire Hathaway Annual Report 2016; Precision Castparts Corp. Annual Reports 2011–2015; and author's calculations.

**Table 9.10: Manufacturing, service, and retailing businesses—pre-tax earnings**

<i>(\$ millions)</i>	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Industrial products	\$4,209	\$2,994	41%
Building products	1,178	1,167	1%
Consumer products	824	732	13%
Subtotal - manufacturing	6,211	4,893	27%
Service	1,161	1,156	0%
Retailing	659	564	17%
McLane	431	502	(14%)
Subtotal - service and retailing	2,251	2,222	1%
Total pre-tax earnings	8,462	7,115	19%
Income taxes and noncontrolling interests	(2,831)	(2,432)	16%
Earnings after tax	\$5,631	\$4,683	20%

Sources: Berkshire Hathaway Annual Report 2016 and author's calculations.

**Table 9.11: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2016</u>	<u>2015</u>
<b>GEICO</b>		
Premiums earned	\$25,483	\$22,718
Underwriting gain/(loss) - pre-tax	462	460
<b>General Re</b>		
Premiums earned	\$5,637	\$5,975
Underwriting gain/(loss) - pre-tax	190	132
<b>Berkshire Hathaway Reinsurance Group</b>		
Premiums earned	\$8,504	\$7,207
Underwriting gain/(loss) - pre-tax	822	421
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$6,257	\$5,394
Underwriting gain/(loss) - pre-tax	657	824
Total premiums earned	\$45,881	\$41,294
Total underwriting gain/(loss) - pre-tax	2,131	1,837
Average float	89,650	85,822
Cost of float	(2.4%)	(2.1%)

Sources: Berkshire Hathaway Annual Report 2016 and author's calculations.

**Table 9.12: Berkshire Hathaway—equity portfolio, select detail**

(\$ millions)	2016		2015		Change	
	<i>Cost</i>	<i>Market</i>	<i>Cost</i>	<i>Market</i>	<i>Cost</i>	<i>Market</i>
American Express	\$1,287	\$11,231	\$1,287	\$10,545	\$0	\$686
Apple	6,747	7,093			6,747	7,093
AT&T			1,283	1,603	(1,283)	(1,603)
Charter Communications	1,210	1,955	1,202	1,367	8	588
The Coca-Cola Company	1,299	16,584	1,299	17,184	0	(600)
DaVita Healthcare Partners			843	1,291	(843)	(1,291)
Delta Airlines	2,299	2,702			2,299	2,702
Deere & Company			1,773	1,690	(1,773)	(1,690)
Goldman Sachs	654	2,727	654	2,053	0	674
International Business Machines	13,815	13,484	13,791	11,152	24	2,332
Moody's Corporation	248	2,326	248	2,475	0	(149)
Phillips 66	5,841	6,445	4,357	4,530	1,484	1,915
Sanofi	1,692	1,791	1,701	1,896	(9)	(105)
Southwest Airlines	1,757	2,153			1,757	2,153
Proctor & Gamble			336	4,683	(336)	(4,683)
US Bancorp	3,239	5,233	3,239	4,346	0	887
United Continental Holdings	1,477	1,940			1,477	1,940
USG Corp.	836	1,253			836	1,253
Walmart			3,593	3,893	(3,593)	(3,893)
Wells Fargo & Company	12,730	27,555	12,730	27,180	0	375
All other	10,697	17,560	10,276	16,450	421	1,110
Total equity securities	\$65,828	\$122,032	\$58,612	\$112,338	\$7,216	\$9,694

Sources: Berkshire Hathaway Annual Reports 2015–2016 and author's calculations.

**Table 9.13: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2017</u>	<u>2016</u>
<b>GEICO</b>		
Premiums earned	\$29,441	\$25,483
Underwriting gain/(loss) - pre-tax	(310)	462
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$7,552	\$7,218
Retroactive reinsurance	10,755	1,254
Life/health	4,808	4,587
Periodic payment annuity	898	1,082
Total premiums earned	24,013	14,141
<i>Underwriting gain/(loss) - pre-tax:</i>		
Property/casualty	(1,595)	895
Retroactive reinsurance	(1,330)	(60)
Life/health	(52)	305
Periodic payment annuity	(671)	(128)
Total underwriting gain/(loss) - pre-tax	(3,648)	1,012
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$7,143	\$6,257
Underwriting gain/(loss) - pre-tax	719	657
Total premiums earned	\$60,597	\$45,881
Total underwriting gain/(loss) - pre-tax	(3,239)	2,131
Average float	103,039	89,650
Cost of float	3.1%	(2.4%)

Note: In 2017, results for General Re were consolidated with BHRG. Results for 2016 were restated to conform to the new presentation.

Sources: Berkshire Hathaway Annual Reports 2017, 2019; and author's calculations.

**Table 9.14: Manufacturing, service, and retailing businesses—pre-tax earnings**

<i>(\$ millions)</i>	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Industrial products	\$4,367	\$4,209	4%
Building products	1,382	1,178	17%
Consumer products	1,112	824	35%
Subtotal - manufacturing	6,861	6,211	10%
Service	1,298	1,161	12%
Retailing	785	659	19%
McLane	299	431	(31%)
Subtotal - service and retailing	2,382	2,251	6%
Total pre-tax earnings	9,243	8,462	9%
Income taxes and noncontrolling interests	(3,035)	(2,831)	7%
Earnings after tax	\$6,208	\$5,631	10%

Sources: Berkshire Hathaway Annual Report 2017 and author's calculations.

**Table 9.15: Apple—investment analysis**

<i>(\$ millions)</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total revenues	\$215,639	\$233,715	\$182,795	\$170,910	\$156,508
Pre-tax operating income <sup>1</sup>	61,524	72,530	53,603	49,959	55,846
EBIT margin <sup>1</sup>	28%	30%	29%	29%	35%
Average tangible capital employed	(33,643)	(26,271)	(13,323)	(6,120)	(4,688)
Purchase price (equity) <sup>2</sup>	\$635,182				
Debt	78,927				
Less: excess cash & investments <sup>3</sup>	(232,194)				
Effective purchase price	\$481,915				
Average operating income (5 years)	58,692				
BRK going-in pre-tax return	12.2%				

Footnotes:

- Adjustments were made for goodwill and intangibles.
- Implied valuation based on Berkshire's cost of \$20,961 million for 3.3% of the company.
- Consists of cash & equivalents in excess of 2.5% of revenues plus long-term marketable securities.

Note: The company's fiscal year ended in September.

Sources: Berkshire Hathaway Annual Report 2017; Apple, Inc. Annual Reports 2011–2016; and author's calculations.

**Table 9.16: Impact of ASU 2016-01 on Berkshire's reported earnings**

<i>(\$ billions, after tax)</i>	<u>Old rules</u>	<u>New rules</u>
<i>Income Statement:</i>		
Operating earnings	\$24.8	\$24.8
Non-cash impairment <sup>1</sup>	(3.0)	(3.0)
Realized gains/losses	2.8	2.8
Unrealized losses	—	(20.6)
Net income	\$24.6	\$4.0
<i>Statement of Comprehensive Income:</i>		
Unrealized gain/losses	(\$20.6)	—
<b>Increase in shareholders' equity<sup>2</sup></b>	<b>\$4.0</b>	<b>\$4.0</b>
Footnotes:		
1. Related to Kraft Heinz (discussed later).		
2. Increase in shareholders' equity from earnings and securities gains. Does not account for share repurchases and certain other items.		

Notes:

1. ASU 2016-01 is the accounting rule that changed the reporting of unrealized gains/losses.
2. Amounts are after non-controlling or minority interests.

Sources: Berkshire Hathaway Annual Report 2018 and author's calculations.

**Table 9.17: Berkshire Hathaway valuation, 2018 and 2019**

<i>(\$ billions)</i>	
<i>Direct Calculation Method:</i>	
	<u>2018</u>
Grove 1: Non-insurance <sup>1</sup>	\$252
Grove 2: Equity securities <sup>2</sup>	158
Grove 3: Control group businesses <sup>3</sup>	20
Grove 4: Cash, Treasuries, bonds	<u>132</u>
Total	\$562
<i>Implied Yield Method:</i>	
Implied market value <sup>4</sup>	485
Less: sum of Groves 2 & 4 above	<u>(290)</u>
Implied value of Groves 1 & 3	195
After-tax earnings of Groves 1 & 3	18
Going-in rate of return, after-tax	9.3%
Footnotes:	
1. 15x \$17.7 billion (2019) and \$16.8 billion (2018) after tax earnings.	
2. Deducts \$32 billion (2019) and \$15 billion (2018) tax on unrealized gain.	
3. 15x \$1 billion (2019) and \$1.3 billion (2018) after tax earnings.	
4. Based on Berkshire's share repurchases.	

## Notes:

1. I've used Buffett's figures for 2018 (which presumably represented something close to normalized earnings) and followed the logic to 2019.
2. A 15x multiple is consistent with our use of 10x pre-tax earnings earlier in this book and assuming the new 21% tax rate.

Sources: Berkshire Hathaway Annual Reports 2018–2019; and author's calculations.

**Table 9.18: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2018</u>	<u>2017</u>
<b>GEICO</b>		
Premiums earned	\$33,363	\$29,441
Underwriting gain/(loss) - pre-tax	2,449	(310)
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$8,928	\$7,552
Retroactive reinsurance	517	10,755
Life/health	5,343	4,808
Periodic payment annuity	1,156	898
Total premiums earned	15,944	24,013
<i>Underwriting gain/(loss) - pre-tax:</i>		
Property/casualty	(207)	(1,595)
Retroactive reinsurance	(778)	(1,330)
Life/health	216	(52)
Periodic payment annuity	(340)	(671)
Total underwriting gain/(loss) - pre-tax	(1,109)	(3,648)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$8,111	\$7,143
Underwriting gain/(loss) - pre-tax	670	719
Total premiums earned	\$57,418	\$60,597
Total underwriting gain/(loss) - pre-tax	2,010	(3,239)
Average float	118,616	103,039
Cost of float	(1.7%)	3.1%

Note: In 2017, results for General Re were consolidated with BHRG.

Sources: Berkshire Hathaway Annual Report 2019 and author's calculations.

**Table 9.19: Manufacturing, service and retailing businesses—pre-tax earnings**

<i>(\$ millions)</i>	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Industrial products	\$5,822	\$5,065	15%
Building products	2,336	2,147	9%
Consumer products	1,208	1,112	9%
Subtotal - manufacturing	9,366	8,324	13%
Service	1,836	1,519	21%
Retailing	860	785	10%
McLane	246	299	(18%)
Subtotal - service and retailing	2,942	2,603	13%
Total pre-tax earnings	12,308	10,927	13%
Income taxes and noncontrolling interests	(2,944)	(3,645)	(19%)
Earnings after tax	<u>\$9,364</u>	<u>\$7,282</u>	29%

Note: 2017 as revised to the presentation in 2018, which includes some businesses formerly reported in Finance and Financial Products.

Sources: Berkshire Hathaway Annual Report 2018 and author's calculations.

**Table 9.20: Berkshire Hathaway valuation, 2018 and 2019**

<i>(\$ billions)</i>	<u>2019</u>	<u>2018</u>
<i>Direct Calculation Method:</i>		
Grove 1: Non-insurance <sup>1</sup>	\$266	\$252
Grove 2: Equity securities <sup>2</sup>	216	158
Grove 3: Control group businesses <sup>3</sup>	15	20
Grove 4: Cash, Treasuries, bonds	147	132
Total	\$644	\$562
<i>Implied Yield Method:</i>		
Implied market value <sup>4</sup>	\$508	\$485
Less: sum of Groves 2 & 4 above	(363)	(290)
Implied value of Groves 1 & 3	145	195
After-tax earnings of Groves 1 & 3	19	18
Going-in rate of return, after-tax	12.9%	9.3%
Footnotes:		
1. 15x \$17.7 billion (2019) and \$16.8 billion (2018) after-tax earnings.		
2. Deducts \$32 billion (2019) and \$15 billion (2018) tax on unrealized gain.		
3. 15x \$1 billion (2019) and \$1.3 billion (2018) after-tax earnings.		
4. Based on Berkshire's share repurchases.		

Notes:

- I've used Buffett's figures for 2018 (which presumably represented something close to normalized earnings) and followed the logic to 2019.
- A 15x multiple is consistent with our use of 10x pre-tax earnings earlier in this book and assuming the new 21% tax rate.

Sources: Berkshire Hathaway Annual Reports 2018–2019; and author's calculations.

**Table 9.21: Berkshire Hathaway Energy—select data**

Year	BRK ownership	Shares repurchased	Price per share	Implied value of BHE (\$ millions)
2019	90.9%	447,712	\$654.44	\$50,097
2018	90.2%	177,381	603.22	46,553
2017 <sup>1</sup>	90.0%	216,891	548.66	42,442
2016	89.9%	0	n/a	n/a
2015	89.9%	75,000	480.00	37,148

Footnote:  
1. Series of two transactions: 35,000 shares for \$19 million and 181,891 for \$100 million (5% junior subordinated debenture).

Note: Valuation is at the Berkshire Hathaway Energy level and includes investments such as BYD, Inc. (worth \$1.1 billion at 12/31/19).

Source: Berkshire Hathaway Energy 10K filings 2015–2019 and author's calculations.

**Table 9.22: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2019</u>	<u>2018</u>
<b>GEICO</b>		
Premiums earned	\$35,572	\$33,363
Underwriting gain/(loss) - pre-tax	1,506	2,449
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$9,911	\$8,928
Retroactive reinsurance	684	517
Life/health	4,883	5,343
Periodic payment annuity	863	1,156
Total premiums earned	16,341	15,944
<i>Underwriting gain/(loss) - pre-tax:</i>		
Property/casualty	16	(207)
Retroactive reinsurance	(1,265)	(778)
Life/health	326	216
Periodic payment annuity	(549)	(340)
Total underwriting gain/(loss) - pre-tax	(1,472)	(1,109)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$9,165	\$8,111
Underwriting gain/(loss) - pre-tax	383	670
Total premiums earned	\$61,078	\$57,418
Total underwriting gain/(loss) - pre-tax	417	2,010
Average float	126,078	118,616
Cost of float	(0.3%)	(1.7%)

Sources: Berkshire Hathaway Annual Report 2019 and author's calculations.

**Table 9.23: Economics of reinsurance float at BHRG, 2019**

<i>(\$ millions)</i>		
Float:	<u>2019</u>	<u>2018</u>
Gross unpaid losses	\$42,441	\$41,834
Deferred charges	(13,747)	(14,104)
Net liabilities (float proxy)	<u>\$28,694</u>	<u>\$27,730</u>
Average float	(A) <u>\$28,212</u>	
	Data from 2019:	
	<u>Economics</u>	<u>Accounting</u>
Written premiums	\$684	
Paid losses and adj. exp.	(909)	
Net cash flow	(B) <u>(\$225)</u>	
Written premiums		\$684
Foreign currency remeasurement		(76)
Increase estimated liabilities		(378)
Increase deferred charges		253
AIG deferred charge amortization		(646)
Other deferred charge amortization		(1,102)
Reported accounting loss	(B) <u>(\$1,265)</u>	
Cost of float (B / A)	(0.8%)	(4.5%)
Cost of float assuming no premiums	(3.2%)	(6.9%)

Sources: Berkshire Hathaway Annual Report 2019 and author's calculations.

**Table 9.24: Manufacturing, service, and retailing businesses—pre-tax earnings**

<i>(\$ millions)</i>	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Industrial products	\$5,635	\$5,822	(3%)
Building products	2,636	2,336	13%
Consumer products	1,251	1,208	4%
Subtotal - manufacturing	<u>9,522</u>	<u>9,366</u>	<u>2%</u>
Service	1,681	1,836	(8%)
Retailing	874	860	2%
McLane	288	246	17%
Subtotal - service and retailing	<u>2,843</u>	<u>2,942</u>	<u>(3%)</u>
Total pre-tax earnings	<u>12,365</u>	<u>12,308</u>	<u>0%</u>
Income taxes and noncontrolling interests	(2,993)	(2,944)	2%
Earnings after tax	<u>\$9,372</u>	<u>\$9,364</u>	<u>0%</u>

Sources: Berkshire Hathaway Annual Reports 2018–2019 and author's calculations.

**Table 9.25: Quarterly share repurchases, 2020**

<u>Quarter</u>	<u># Shares</u> <sup>1</sup>	<u>Average Price</u>	<u>Total Spent</u> <sup>2</sup>	<u>Ending Shares</u> <sup>1</sup>	<u>Implied Valuation</u> <sup>2</sup>
First	4,934	\$319,196	\$1,575	1,620,024	\$517,892
Second	19,384	263,915	5,116	1,600,640	424,990
Third	30,003	308,609	9,259	1,570,637	489,342
Fourth	26,676	329,074	8,778	1,543,960	512,466
Total	80,998	\$305,298	\$24,728		
Shares outstanding 12/31/19	1,624,958				
Shares outstanding 12/31/20	1,543,960				
Percent repurchased	4.98%				

Notes: 1. Shares are total Class-A equivalent. 2. In millions. Implied valuation based on the average of the current and previous quarter's outstanding shares times the average price.

Sources: Berkshire Hathaway 2020 Quarterly and Annual Reports and author's calculations.

**Table 9.26: Berkshire Hathaway Energy after-tax earnings**

<i>(\$ millions)</i>	<u>2020</u>	<u>2019</u>	<u>% change</u>
PacifiCorp	\$741	\$773	(4.1%)
MidAmerican Energy Company	818	781	4.7%
NV Energy	410	365	12.3%
Northern Powergrid	201	256	(21.5%)
Natural gas pipelines	528	422	25.1%
Other energy businesses	697	608	14.6%
Real estate brokerage	375	160	134.4%
Corporate interest and other	(352)	(239)	47.3%
	\$3,418	\$3,126	9.3%

Note: These are earnings attributable to BHE, including non-controlling shareholders.

Source: Reproduced from the 2020 Berkshire Hathaway 10K.

**Table 9.27: BNSF Group revenues, volumes, and pricing**

(\$ millions, units in thousands)	Revenues	Cars/Units	Change From Prior Year:		
			Unit Volume	Revenue Per Car/Unit	Revenues
Consumer products	\$7,262	5,266	(1.4%)	(6.3%)	(7.6%)
Industrial products	5,039	1,622	(16.0%)	(1.1%)	(17.0%)
Agricultural products	4,822	1,189	3.8%	(0.8%)	2.9%
Coal	2,655	1,404	(22.1%)	(8.3%)	(28.5%)
Total freight	\$19,778	9,481	(7.2%)	(4.5%)	(11.4%)
Other operating revenue	403				
Total revenue	\$20,181				

Sources: 2020 BRK Annual Report, 2020 BNSF 10K, and author's calculations.

**Table 9.28: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2020	2019
<b>GEICO</b>		
Premiums earned	\$35,093	\$35,572
Underwriting gain/(loss) - pre-tax	3,428	1,506
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$12,214	\$9,911
Retroactive reinsurance	38	684
Life/health	5,861	4,869
Periodic payment annuity	566	863
Variable annuity	14	14
Premiums earned	18,693	16,341
<i>Underwriting gain/(loss) - pre-tax</i>		
Property/casualty	(799)	16
Retroactive reinsurance	(1,248)	(1,265)
Life/health	(18)	159
Periodic payment annuity	(617)	(549)
Variable annuity	(18)	167
Underwriting gain/(loss) - pre-tax	(2,700)	(1,472)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$9,615	\$9,165
Underwriting gain/(loss) - pre-tax	110	383
Total premiums earned	\$63,401	\$61,078
Total underwriting gain/(loss) - pre-tax	838	417
Average float	133,963	126,078
Cost of float	(0.6%)	(0.3%)

Sources: Berkshire Hathaway Annual Reports 2019 and 2020, and author's calculations.

**Table 9.29: Manufacturing, Service, and Retailing businesses—pre-tax earnings**

<i>(\$ millions)</i>	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Industrial products	\$3,755	\$5,635	(33%)
Building products	2,858	2,636	8%
Consumer products	1,397	1,251	12%
Subtotal - manufacturing	8,010	9,522	(16%)
Service	1,600	1,681	(5%)
Retailing	1,028	874	18%
McLane	251	288	(13%)
Subtotal - service and retailing	2,879	2,843	1%
Total pre-tax earnings	10,889	12,365	(12%)
Income taxes and noncontrolling interests	(2,589)	(2,993)	(13%)
Earnings after tax	\$8,300	\$9,372	(11%)

Sources: Berkshire Hathaway Annual Reports 2019 and 2020, and author's calculations.

**Table 9.30: Quarterly share repurchases, 2021**

<u>Quarter</u>	<u># Shares<sup>1</sup></u>	<u>Average Price</u>	<u>Total Spent<sup>2</sup></u>	<u>Ending Shares<sup>1</sup></u>	<u>Implied Valuation<sup>2</sup></u>
First	18,304	\$358,655	\$6,565	1,525,656	\$550,467
Second	14,426	417,837	6,028	1,511,229	634,461
Third	18,132	420,559	7,626	1,493,097	631,748
Fourth	15,668	429,131	6,724	1,477,429	637,373
Total	66,531	\$404,956	\$26,942		
Shares outstanding 12/31/20	1,543,960				
Shares outstanding 12/31/21	1,477,429				
Percent repurchased	4.31%				

Notes: 1. Shares are total Class-A equivalent. 2. In millions. Implied valuation based on the average of the current and previous quarter's outstanding shares times the average price.

Sources: Berkshire Hathaway 2021 Quarterly and Annual Reports and author's calculations.

**Table 9.31: Berkshire Hathaway Energy after-tax earnings**

<i>(\$ millions)</i>	<u>2021</u>	<u>2020</u>	<u>% change</u>
PacifiCorp	\$889	\$741	20.0%
MidAmerican Energy Company	883	818	7.9%
NV Energy	439	410	7.1%
Northern Powergrid	247	201	22.9%
Natural gas pipelines	774	528	46.6%
Other energy businesses	680	697	(2.4%)
Real estate brokerage	387	375	3.2%
Corporate interest and other	(337)	(352)	(4.3%)
	<u>\$3,962</u>	<u>\$3,418</u>	<u>15.9%</u>

Note: These are earnings attributable to BHE, including non-controlling shareholders.

Source: Reproduced from the 2021 Berkshire Hathaway 10K.

**Table 9.32: BNSF Group revenues, volumes, and pricing**

<i>(\$ millions, units in thousands)</i>	Revenues	Cars/Units	Change From Prior Year:		
			Unit Volume	Revenue Per Car/Unit	Revenues
Consumer products	\$8,256	5,673	7.7%	5.5%	13.7%
Industrial products	5,291	1,709	5.4%	(0.4%)	5.0%
Agricultural products	5,100	1,224	2.9%	2.7%	5.8%
Coal	3,227	1,529	8.9%	11.6%	21.5%
Total freight	<u>\$21,874</u>	<u>10,135</u>	<u>6.9%</u>	<u>3.5%</u>	<u>10.6%</u>
Other operating revenue	<u>639</u>				
Total revenue	<u>\$22,513</u>				

Sources: 2021 BRK Annual Report, 2021 BNSF 10K, and author's calculations.

**Table 9.33: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2021</u>	<u>2020</u>
<b>GEICO</b>		
Premiums earned	\$37,706	\$35,093
Underwriting gain/(loss) - pre-tax	1,259	3,428
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$13,740	\$12,214
Retroactive reinsurance	136	38
Life/health	5,648	5,861
Periodic payment annuity	658	566
Variable annuity	15	14
Premiums earned	20,197	18,693
<i>Underwriting gain/(loss) - pre-tax</i>		
Property/casualty	667	(799)
Retroactive reinsurance	(782)	(1,248)
Life/health	(421)	(18)
Periodic payment annuity	(508)	(617)
Variable annuity	114	(18)
Underwriting gain/(loss) - pre-tax	(930)	(2,700)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$11,575	\$9,615
Underwriting gain/(loss) - pre-tax	607	110
Total premiums earned	\$69,478	\$63,401
Total underwriting gain/(loss) - pre-tax	936	838
Average float	142,752	133,963
Cost of float	(0.7%)	(0.6%)

Sources: Berkshire Hathaway Annual Reports 2020 and 2021, and author's calculations.

**Table 9.34: Manufacturing, Service, and Retailing businesses—pre-tax earnings**

(\$ millions)				% Change	
	2021	2020	2019	2020 to 2021	2019 to 2021
Industrial products	\$4,469	\$3,755	\$5,635	19.0%	(20.7%)
Building products	3,390	2,858	2,636	18.6%	28.6%
Consumer products	1,982	1,397	1,251	41.9%	58.4%
Subtotal - manufacturing	9,841	8,010	9,522	22.9%	3.4%
Service	2,672	1,600	1,681	67.0%	59.0%
Retailing	1,809	1,028	874	76.0%	107.0%
McLane	230	251	288	(8.4%)	(20.1%)
Subtotal - service and retailing	4,711	2,879	2,843	63.6%	65.7%
Total pre-tax earnings	14,552	10,889	12,365	33.6%	17.7%
Income taxes and noncontrolling interests	(3,432)	(2,589)	(2,993)	32.6%	14.7%
Earnings after tax	\$11,120	\$8,300	\$9,372	34.0%	18.7%

Sources: Berkshire Hathaway Annual Reports 2019, 2020, and author's calculations.

**Table 9.35: Alleghany Corporation, select data**

<i>Net premiums earned (\$ millions):</i>	2021	2020	2019	2018	2017
Property	\$1,709	\$1,380	\$1,280	\$1,177	\$1,182
Casualty & specialty	3,762	3,265	3,047	2,762	2,627
Subtotal Reinsurance	5,471	4,645	4,327	3,939	3,809
RSUI	1,231	1,009	824	747	722
CapSpecialty	390	347	327	290	261
Pacific Compensation					164
Subtotal Insurance	1,621	1,356	1,151	1,037	1,146
Total	\$7,092	\$6,000	\$5,478	\$4,976	\$4,955
Pre-tax underwriting (loss) profit	\$195	(\$129)	\$33	(\$162)	(\$316)
Combined ratio	97.2%	102.1%	99.4%	103.2%	106.4%
Float (year-end)	\$12,521	\$11,535	\$10,527	\$10,492	\$10,316
Cost of average float	(1.6%)	1.2%	(0.3%)	1.6%	3.1%
Alleghany Capital pre-tax income	\$292	\$146	\$111	\$60	\$52

Sources: Alleghany 2018-21 10K and author's calculations.

**Table 9.36: Quarterly share repurchases, 2022**

<u>Quarter</u>	<u># Shares</u> <sup>1</sup>	<u>Average Price</u>	<u>Total Spent</u> <sup>2</sup>	<u>Ending Shares</u> <sup>1</sup>	<u>Implied Valuation</u> <sup>2</sup>
First	6,555	\$474,613	\$3,111	1,470,874	\$699,652
Second	2,414	425,795	1,028	1,468,460	625,777
Third	2,416	429,759	1,038	1,466,044	630,564
Fourth	6,311	452,396	2,855	1,459,733	661,805
Total	17,696	\$453,906	\$8,032		
Shares outstanding 12/31/21	1,477,429				
Shares outstanding 12/31/22	1,459,733				
Percent repurchased	1.20%				

Notes: 1. Shares are total Class-A equivalent. 2. In millions. Implied valuation based on the average of the current and previous quarter's outstanding shares times the average price.

Sources: Berkshire Hathaway 2022 Quarterly and Annual Reports, and author's calculations.

**Table 9.37: Berkshire Hathaway Energy after-tax earnings**

<i>(\$ millions)</i>	<u>2022</u>	<u>2021</u>	<u>% change</u>
PacifiCorp	\$921	\$889	3.6%
MidAmerican Energy Company	947	883	7.2%
NV Energy	427	439	(2.7%)
U.S. Utilities	2,295	2,211	3.8%
Northern Powergrid	385	247	55.9%
BHE Transmission	247	247	0.0%
BHE Renewables	625	451	38.6%
Other	81	34	138.2%
Other energy businesses	1,338	979	36.7%
Natural gas pipelines	1,040	807	28.9%
Real estate brokerage	100	387	(74.2%)
Corporate interest and other	(421)	(337)	24.9%
Total after tax earnings	\$4,352	\$4,047	7.5%

Notes: 1. These are earnings attributable to BHE, including non-controlling shareholders.

2. The total after tax earnings for 2021 was taken from the 2022 financials and differs from the original presentation in the 2021 BHE 10K.

Sources: 2022 Berkshire Hathaway Annual Report and Berkshire Hathaway Energy 10K.

**Table 9.38: Berkshire Hathaway Energy—select data**

Year	BRK ownership	Shares repurchased	Price per share	Implied value of BHE (\$ millions)
2022	92.0%	740,961	\$1,174.15	\$88,799
2020	91.1%	180,358	698.61	53,478
2019	90.9%	447,712	654.44	50,097
2018	90.2%	177,381	603.22	46,553
2017	90.0%	216,891	548.66	42,442
2015	89.9%	75,000	480.00	37,148

Footnote:  
1. Series of two transactions: 35,000 shares for \$19 million and 181,891 for \$100 million (5% junior subordinated debenture).

Note: Valuation is at the Berkshire Hathaway Energy level and includes investments such as BYD, Inc. (worth \$7.7 billion at 12/31/21 and \$3.8 billion at 12/31/22).

Sources: Berkshire Hathaway Energy 10K filings 2015-2022 and author's calculations.

**Table 9.39: BNSF Group revenues, volumes, and pricing**

			Change From Prior Year:		
			Unit Volume	Revenue Per Car/Unit	Revenues
	Revenues	Cars/Units			
Consumer products	\$9,234	5,202	(8.3%)	22.0%	11.8%
Industrial products	5,587	1,618	(5.3%)	11.5%	5.6%
Agricultural products	5,743	1,200	(2.0%)	14.9%	12.6%
Coal	3,927	1,529	0.0%	21.6%	21.7%
Total freight	\$24,491	9,549	(5.8%)	18.9%	12.0%
Other operating revenue	712				
Total revenue	\$25,203				

Sources: 2022 BRK Annual Report, 2022 BNSF 10K, and author's calculations.

**Table 9.40: Berkshire Hathaway—Insurance Underwriting**

<i>(\$ millions)</i>	<u>2022</u>	<u>2021</u>
<b>GEICO</b>		
Premiums earned	\$38,984	\$37,706
Underwriting gain/(loss) - pre-tax	(1,880)	1,259
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$16,040	\$13,740
Retroactive reinsurance	0	136
Life/health	5,279	5,648
Periodic payment annuity	582	658
Variable annuity	14	15
Premiums earned	21,915	20,197
<i>Underwriting gain/(loss) - pre-tax</i>		
Property/casualty	2,180	667
Retroactive reinsurance	(668)	(782)
Life/health	292	(421)
Periodic payment annuity	(532)	(508)
Variable annuity	117	114
Underwriting gain/(loss) - pre-tax	1,389	(930)
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$13,746	\$11,575
Underwriting gain/(loss) - pre-tax	393	607
Total premiums earned	\$74,645	\$69,478
Total underwriting gain/(loss) - pre-tax	(98)	936
Average float	155,555	142,752
Cost of float	0.1%	(0.7%)

Sources: Berkshire Hathaway Annual Reports 2021 and 2022, and author's calculations.

**Table 9.41: Manufacturing, Service, and Retailing businesses, pre-tax earnings**

<i>(\$ millions)</i>	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Industrial products	\$4,862	\$4,469	8.8%
Building products	4,789	3,390	41.3%
Consumer products	1,526	1,982	(23.0%)
Subtotal - manufacturing	11,177	9,841	13.6%
Service	3,047	2,672	14.0%
Retailing	1,724	1,809	(4.7%)
McLane	271	230	17.8%
Subtotal - service and retailing	5,042	4,711	7.0%
Total pre-tax earnings	16,219	14,552	11.5%
Income taxes and noncontrolling interests	(3,707)	(3,432)	8.0%
Earnings after tax	\$12,512	\$11,120	12.5%

Sources: Berkshire Hathaway Annual Reports 2019-2020 and author's calculations.

**Table 9.42: Equity portfolio transactions, selected detail**

	<u>Purchases</u>	<u>Sales</u>	<u>Net</u>
January 1 to February 18	\$2,280	\$1,742	\$538
February 21 to March 15	41,025	3,875	37,150
March 16 to March 31	8,551	4,691	3,860
Unsettled transactions <sup>1</sup>	(737)	(584)	(153)
First quarter	51,119	9,724	41,395
Second quarter	6,150	2,320	3,830
Third quarter	8,977	5,299	3,678
Fourth quarter	1,684	16,321	(14,637)
<b>Year</b>	<b>\$67,930</b>	<b>\$33,664</b>	<b>\$34,266</b>

Footnote: 1. I've added the unsettled transaction line to balance the figures shown by Buffett with the 10Q.

Note: The totals listed in the 10Q for purchases and sales amounted to that shown in the first quarter total line.

Sources: Berkshire Hathaway 2022 Quarterly and Annual Reports, 2022 Annual Meeting slide.

**Table 9.43: Pilot Travel Centers, LLC—acquisition analysis**

<i>(\$ millions)</i>	<u>Percentage</u>	<u>Price</u>	<u>Implied Value</u>
October 3, 2017	38.6%	\$2,758	\$7,145
January 31, 2023	41.4%	\$8,200	\$19,807
January 16, 2024	20.0%	\$2,600	\$13,000
	100.0%	\$13,558	

Sources: Berkshire Hathaway Annual Reports 2023 and 2024, public record of Pilot vs. Abel et al lawsuits, and author's calculations.

**Table 9.44: Pilot Travel Centers, LLC—select financial information**

<i>(\$ millions)</i>	<u>2023</u>	<u>2022</u>
Revenues	\$56,756	\$72,739
Cost of sales	52,196	67,602
Gross profit	4,560	5,137
Operating expenses	3,067	2,583
EBIT	1,493	2,554
Interest expense	437	224
Pre-tax earnings	\$1,056	\$2,330

Sources: Berkshire Hathaway 2023 Annual Report and author's calculations.

**Table 9.45: Pilot Travel Centers, LLC—year-end 2023 balance sheet**

	<u>2023</u>
Cash	\$596
Receivables	2,087
Inventories	1,697
Fixed assets	8,169
Goodwill	6,605
Other intangible assets	6,557
Other	2,298
Total assets	<u>\$28,009</u>
Accounts payable, accruals, and other liabilities	\$4,157
Notes payable and other borrowings	5,776
Equity	18,076
Total liabilities and equity	<u>\$28,009</u>

Sources: Berkshire Hathaway 2024 Annual Report and author's calculations.

**Table 9.46: Quarterly share repurchases, 2023**

<u>Quarter</u>	<u># Shares</u> <sup>1</sup>	<u>Average Price</u>	<u>Total Spent</u> <sup>2</sup>	<u>Ending Shares</u> <sup>1</sup>	<u>Implied Valuation</u> <sup>2</sup>
First	9,581	\$463,378	\$4,440	1,450,152	\$674,189
Second	2,612	\$498,788	\$1,303	1,447,540	\$722,667
Third	1,995	\$544,726	\$1,087	1,445,546	\$787,970
Fourth	4,063	\$528,579	\$2,148	1,441,483	\$763,011
Total	18,251	\$491,853	\$8,977		
Shares outstanding 12/31/22	1,459,733				
Shares outstanding 12/31/23	1,441,483				
Percent repurchased	1.25%				

Notes: 1. Shares are total Class-A equivalent. 2. In millions. Implied valuation based on the average of the current and previous quarter's outstanding shares times the average price.

Sources: Berkshire Hathaway 2023 Quarterly and Annual Reports, and author's calculations

**Table 9.47: Berkshire Hathaway Energy after-tax earnings**

<i>(\$ millions)</i>	<u>2023</u>	<u>2022</u>	<u>% change</u>
PacifiCorp	(\$468)	\$921	(150.8%)
MidAmerican Energy Company	980	947	3.5%
NV Energy	394	427	(7.7%)
U.S. Utilities	906	2,295	(60.5%)
Northern Powergrid	165	385	(57.1%)
BHE Transmission	246	247	(0.4%)
BHE Renewables	518	643	(19.4%)
Other	95	81	17.3%
Other energy businesses	1,024	1,356	(24.5%)
Natural gas pipelines	1,079	1,040	3.8%
Real estate brokerage	13	100	(87.0%)
Corporate interest and other	(412)	(439)	(6.2%)
Total after tax earnings	\$2,610	\$4,352	(40.0%)

Notes: 1. These are earnings attributable to BHE, including non-controlling shareholders.

2. The amounts listed for 2022 come from the 2023 filings. In the original 2022 presentation, BHE Renewables was \$625 million and Corporate, interest, and other was (\$421 million). Totals remained unchanged.

Source: 2022 and 2023 Berkshire Hathaway Annual Report and Berkshire Hathaway Energy 10K.

**Table 9.48: BNSF Group revenues, volumes, and pricing**

(\$ millions, units in thousands)	Revenues	Cars/Units	Change From Prior Year:		
			Unit Volume	Revenue Per Car/Unit	Revenues
Consumer products	\$7,879	4,765	(8.4%)	(6.8%)	(14.7%)
Industrial products	5,690	1,605	(0.8%)	2.7%	1.8%
Agricultural products	5,583	1,165	(2.9%)	0.1%	(2.8%)
Coal	3,795	1,468	(4.0%)	0.7%	(3.4%)
Total freight	\$22,947	9,003	(5.7%)	(0.6%)	(6.3%)
Other operating revenue	527				
Total revenue	\$23,474				

Sources: 2023 BRK Annual Report, 2023 BNSF 10K, and author's calculations.

**Table 9.49: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2023	2022
<b>GEICO</b>		
Premiums earned	\$39,264	\$38,984
Underwriting gain/(loss) - pre-tax	3,635	(1,880)
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$21,938	\$16,040
Retroactive reinsurance	0	0
Life/health	5,072	5,279
Periodic payment annuity	0	582
Variable annuity	0	14
Premiums earned	27,010	21,915
<i>Underwriting gain/(loss) - pre-tax</i>		
Property/casualty	3,508	2,180
Retroactive reinsurance	(1,541)	(668)
Life/health	354	292
Periodic payment annuity	(650)	(532)
Variable annuity	233	117
Underwriting gain/(loss) - pre-tax	1,904	1,389
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$17,129	\$13,746
Underwriting gain/(loss) - pre-tax	1,374	393
Total premiums earned	\$83,403	\$74,645
Total underwriting gain/(loss) - pre-tax	6,913	(98)
Average float	166,502	155,555
Cost of float	(4.2%)	0.1%

Sources: Berkshire Hathaway Annual Report 2024 and author's calculations.

**Table 9.50: Manufacturing, Service, and Retailing businesses—pre-tax earnings**

(\$ millions)	2023	2022	% Change
Industrial products	\$5,686	\$4,862	16.9%
Building products	4,187	4,789	(12.6%)
Consumer products	1,572	1,526	3.0%
Subtotal - manufacturing	11,445	11,177	2.4%
Service	2,995	3,047	(1.7%)
Retailing	1,726	1,724	0.1%
McLane	455	271	67.9%
Subtotal - service and retailing	5,176	5,042	2.7%
Total pre-tax earnings	16,621	16,219	2.5%
Income taxes and noncontrolling interests	(3,862)	(3,707)	4.2%
Earnings after tax	\$12,759	\$12,512	2.0%

Sources: Berkshire Hathaway Annual Reports 2019-2020 and author's calculations.

**Table 9.51: Quarterly share repurchases, 2024**

Quarter	# Shares <sup>1</sup>	Average Price	Total Spent <sup>2</sup>	Ending Shares <sup>1</sup>	Implied Valuation <sup>2</sup>
First	4,232	\$607,918	\$2,573	1,437,251	\$875,018
Second	555	\$621,868	\$345	1,436,696	\$893,609
Total	4,787	\$609,536	\$2,918		
Shares outstanding 12/31/23	1,441,483				
Shares outstanding 6/30/24	1,436,696				
Percent repurchased	0.33%				

Notes: 1. Shares are total Class-A equivalent. 2. In millions. Implied valuation based on the average of the current and previous quarter's outstanding shares times the average price.

Berkshire issued 2,291,631 Class B shares (1,528 Class A equivalent) in connection with the BHE transaction. Berkshire had 1,438,223 Class A equivalent shares outstanding as of 12/31/24.

Sources: Berkshire Hathaway 2024 Quarterly and Annual Reports, and author's calculations.

**Table 9.52: Berkshire Hathaway Energy—select data**

Year	BRK ownership	Shares repurchased	Price per share	Implied value of BHE (\$ millions)
2024 <sup>1</sup>	100.0%	6,025,752	\$649.27	\$49,088
2022	92.0%	740,961	1,174.15	88,799
2020	91.1%	180,358	698.61	53,478
2019	90.9%	447,712	654.44	50,097
2018	90.2%	177,381	603.22	46,553
2017 <sup>2</sup>	90.0%	216,891	548.66	42,442
2015	89.9%	75,000	480.00	37,148

Footnote:  
1. Series of two transactions: \$2.367 billion cash and \$600 million promissory note for 4,424,494 shares and \$100 million subordinated debt; and 2,291,631 BRKB shares worth \$1.045 billion for 1,601,258 shares.  
2. Series of two transactions: 35,000 shares for \$19 million and 181,891 shares for \$100 million (5% junior subordinated debenture).

Note: Valuation is at the Berkshire Hathaway Energy level and includes investments such as BYD, Inc. (worth \$7.7 billion at 12/31/21, \$3.8 billion at 12/31/22, and \$0.8 billion at 9/30/24).

Sources: Berkshire Hathaway Energy 8K, 10Q, and 10K filings 2015–2024, and author’s calculations.

**Table 9.53: Berkshire Hathaway Energy after-tax earnings**

(\$ millions)	2024	2023	% change
PacifiCorp	\$526	(\$468)	na
MidAmerican Energy Company	991	980	1.1%
NV Energy	444	394	12.7%
U.S. Utilities	1,961	906	116.4%
Northern Powergrid	547	165	231.5%
BHE Transmission	263	246	6.9%
BHE Renewables	447	518	(13.7%)
Other	77	95	(18.9%)
Other energy businesses	1,334	1,024	30.3%
Natural gas pipelines	1,232	1,079	14.2%
Real estate brokerage	(107)	13	(923.1%)
Corporate interest and other	(394)	(412)	na
Total after-tax earnings	\$4,026	\$2,610	54.3%

Note: These are earnings attributable to BHE, including non-controlling shareholders.

Source: 2023 and 2024 Berkshire Hathaway Annual Report and Berkshire Hathaway Energy 10K.

**Table 9.54: BNSF Group revenues, volumes, and pricing**

(\$ millions, units in thousands)	Revenues	Cars/Units	Change From Prior Year:		
			Unit Volume	Revenue Per Car/Unit	Revenues
Consumer products	\$8,435	5,537	16.2%	(7.9%)	7.1%
Industrial products	5,619	1,596	(0.6%)	(0.7%)	(1.2%)
Agricultural products	5,836	1,251	7.4%	(2.7%)	4.5%
Coal	2,943	1,205	(17.9%)	(5.5%)	(22.5%)
Total freight	\$22,833	9,589	6.5%	(6.6%)	(0.5%)
Other operating revenue	522				
Total revenue	\$23,355				

Sources: 2024 BRK Annual Report, 2024 BNSF 10K, and author's calculations.

**Table 9.55: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2024	2023
<b>GEICO</b>		
Premiums earned	\$42,252	\$39,264
Underwriting gain/(loss) - pre-tax	7,813	3,635
<b>Berkshire Hathaway Reinsurance Group</b>		
<i>Premiums earned:</i>		
Property/casualty	\$22,239	\$21,938
Retroactive reinsurance	0	0
Life/health	4,998	5,072
Periodic payment annuity	0	0
Variable annuity	0	0
Premiums earned	27,237	27,010
<i>Underwriting gain/(loss) - pre-tax</i>		
Property/casualty	3,800	3,508
Retroactive reinsurance	(846)	(1,541)
Life/health	223	354
Periodic payment annuity	(597)	(650)
Variable annuity	157	233
Underwriting gain/(loss) - pre-tax	2,737	1,904
<b>Berkshire Hathaway Primary Group</b>		
Premiums earned	\$18,733	\$17,129
Underwriting gain/(loss) - pre-tax	855	1,374
Total premiums earned	\$88,257	\$83,403
Total underwriting gain/(loss) - pre-tax	11,405	6,913
Average float	169,948	168,895
Cost of float	(6.7%)	(4.2%)

Note: Total premiums earned in 2024 of \$88,257 million are \$35 million greater than the sum of the components in the table. It's unclear why the sum of the parts doesn't match the consolidated figure.

Sources: Berkshire Hathaway 2024 Annual Report, and Author's calculations.

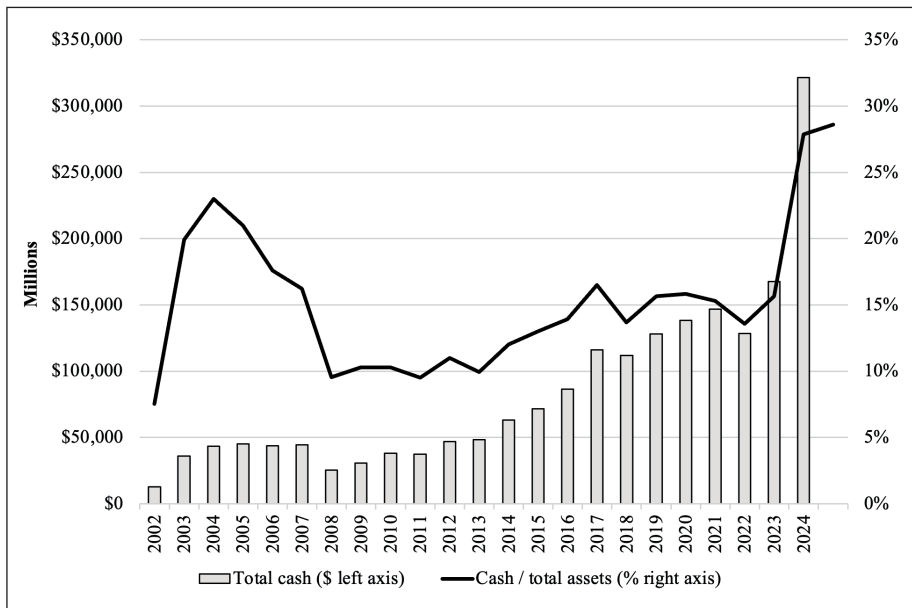
**Table 9.56: Manufacturing, Service, and Retailing businesses—pre-tax earnings**

(\$ millions)	2024	2023	% Change
Industrial products	\$6,017	\$5,686	5.8%
Building products	4,134	4,187	(1.3%)
Consumer products	1,744	1,572	10.9%
Subtotal - manufacturing	11,895	11,445	3.9%
Service	2,305	2,995	(23.0%)
Retailing	1,395	1,726	(19.2%)
Pilot	614	968	(36.6%)
McLane	634	455	39.3%
Subtotal - service and retailing	4,948	6,144	(19.5%)
Total pre-tax earnings	16,843	17,589	(4.2%)
Income taxes and noncontrolling interests	(3,771)	(4,227)	(10.8%)
Earnings after tax	\$13,072	\$13,362	(2.2%)

Note: This table reflects Pilot’s earnings for the 11 months ended December 31, 2023, the period in which Berkshire owned 80%. Its proportional results for January 2023 were reported under the equity method. Pilot’s full year 2023 earnings were \$1,046 million.

Sources: Berkshire Hathaway 2024 Annual Report and author’s calculations.

**Figure 9.3 Berkshire Hathaway Consolidated Cash Position**



Source: watchlistinvesting.com

**Table 9.57: Reconciliation of shareholders' equity, 1965–2024**

(\$ millions)	1965-74	1975-84	1985-94	1995-04	2005-14	2015-24	1965-24
Beginning of period shareholders' equity	\$22	\$88	\$1,272	\$11,875	\$85,900	\$240,170	\$22
Net income - operations	57	366	2,869	19,344	107,301	249,087	379,024
Net income - realized gains	7	199	1,354	14,096	15,897	195,057	226,611
Unrealized appreciation of investments	0	486	5,877	15,000	25,720	15,926	63,009
Mergers/divestitures	0	133	433	25,085	12,816	328	38,795
Dividends/treasury stock	(3)	0	69	0	(1,763)	(77,957)	(79,654)
Issuance of Class-B stock	0	0	0	565	0	0	565
Tax Cuts and Jobs Act of 2017	0	0	0	0	0	29,106	29,106
Other/misc.	4	0	0	(65)	(5,701)	(2,349)	(8,110)
End of period shareholders' equity	\$88	\$1,272	\$11,875	\$85,900	\$240,170	\$649,368	\$649,368
Change in equity during period	\$66	\$1,184	\$10,602	\$74,026	\$154,270	\$409,198	\$649,346

Note: Figures may not add due to rounding.

Sources: Berkshire Hathaway Annual Reports and author's calculations.

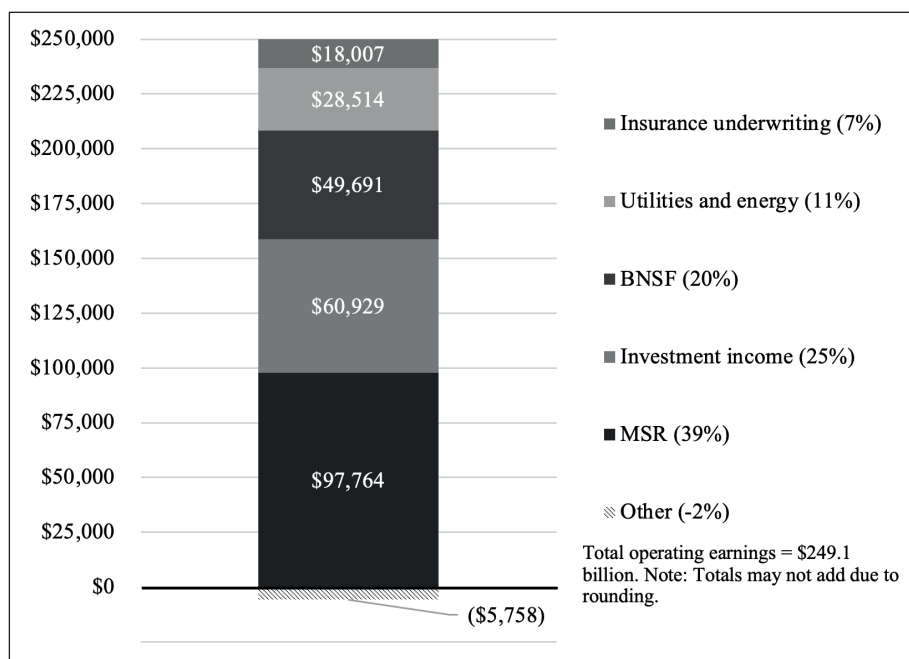
**Table 9.58: Contribution toward change in equity during period**

	1965-74	1975-84	1985-94	1995-04	2005-14	2015-24	1965-24
Net income - operations	86%	31%	27%	26%	70%	61%	58%
Net income - realized gains	11%	17%	13%	19%	10%	48%	35%
Unrealized appreciation of investments	0%	41%	55%	20%	17%	4%	10%
Mergers/divestitures	0%	11%	4%	34%	8%	0%	6%
Dividends/treasury stock	(4%)	0%	1%	0%	(1%)	(19%)	(12%)
Issuance of Class-B stock	0%	0%	0%	1%	0%	0%	0%
Tax Cuts and Jobs Act of 2017	0%	0%	0%	0%	0%	7%	4%
Other/misc.	7%	0%	0%	(0%)	(4%)	(1%)	(1%)
Total	100%	100%	100%	100%	100%	100%	100%

Note: Figures may not add due to rounding.

Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Figure 9.4: Sources of after-tax operating income 2015–2024 (\$ millions)**



Sources: Berkshire Hathaway Annual Reports, 2015–2024, and author’s calculations.

**Table 9.59: Major capital allocation decisions, 2015–2024**

Acquisitions	\$66,553
Capital expenditures, net	62,298
Net sale of equity securities	182,094
Share repurchases	77,906
	<u>\$388,851</u>
Net increase in cash & U.S. Treasuries	\$258,163

Sources: Berkshire Hathaway Annual Reports, 2015–2024, and author’s calculations.

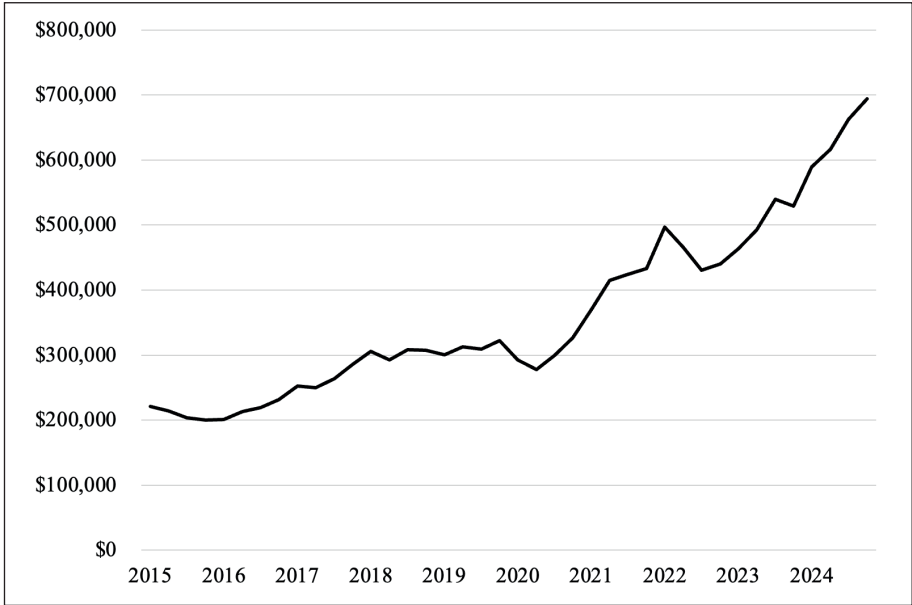
**Table 9.60: Berkshire Hathaway—equity portfolio, top five holdings 2014–2024**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<i>(\$ millions)</i>											
American Express	\$44,997	\$28,403	\$22,400	\$24,804	\$18,331	\$18,874	\$14,452	\$15,056	\$11,231	\$10,545	\$14,106
Apple, Inc.	75,126	174,347	116,305	157,529	117,714	71,990	39,370	27,979			
Bank of America	29,896	34,776	33,455	44,939	30,616	32,579	22,082	20,044			
The Coca-Cola Company	24,904	23,572	25,444	23,684	21,936	22,140	18,940	18,352	16,584	17,184	16,888
Chevron	17,180	18,808	29,253								
Moody's				9,636							
Verizon					8,620						
Wells Fargo						17,389	19,666	27,801	26,437	26,077	25,407
IBM									13,484	11,152	12,349
Phillips 66									6,972	5,030	
Walmart											5,186
All others	79,485	73,936	81,936	90,127	83,953	85,055	58,247	61,308	64,580	41,834	43,534
Total equity securities	\$271,588	\$353,842	\$308,793	\$350,719	\$281,170	\$248,027	\$172,757	\$170,540	\$139,288	\$111,822	\$117,470
Cost basis	\$75,506	\$109,416	\$131,610	\$104,605	\$108,620	\$110,340	\$102,867	\$76,202	\$74,097	\$62,310	\$58,370
Net unrealized gains	\$196,082	\$244,426	\$177,183	\$246,114	\$172,550	\$137,687	\$69,890	\$94,338	\$65,191	\$49,512	\$59,100
Top Holdings as % of total portfolio											
Top 1	28%	49%	38%	45%	42%	29%	23%	16%	19%	23%	22%
Top 2	44%	59%	48%	58%	53%	42%	36%	33%	31%	39%	36%
Top 3	55%	67%	58%	65%	61%	51%	47%	44%	41%	49%	48%
Top 4	64%	74%	66%	72%	67%	59%	58%	55%	49%	58%	59%
Top 5	71%	79%	73%	74%	70%	66%	66%	64%	54%	63%	63%

Notes: 1. Only the top five are shown. 2. Excludes Kraft Heinz which is carried as an equity investment. KHC would have been ranked 5th in 2020–21, 3rd in 2017, 1st in 2016, and 2nd in 2015.

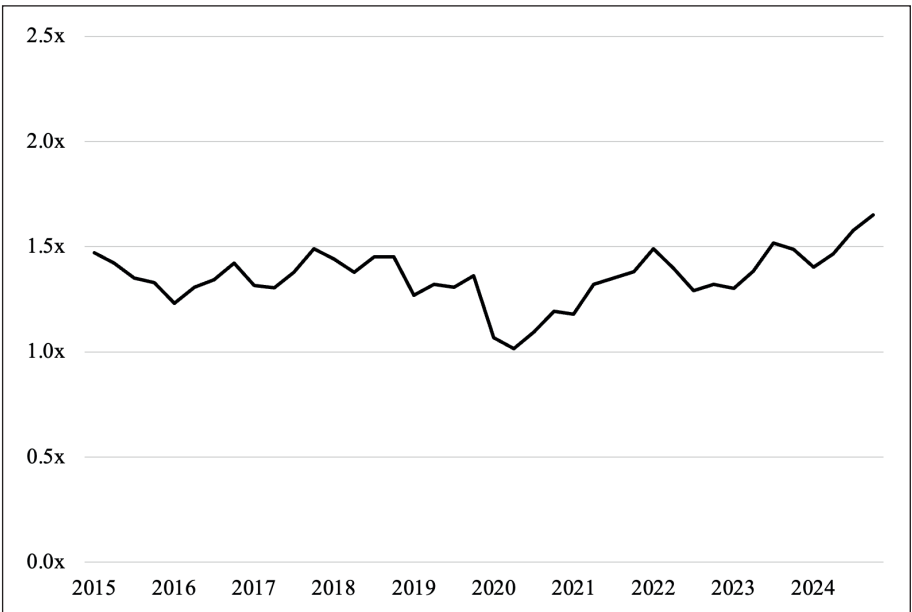
Sources: Berkshire Hathaway Annual Reports 2014–2024; 13F filings; and author's calculations.

**Figure 9.5: Berkshire Hathaway stock price, 2015–2024**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 2015–2024, Yahoo! Finance, and author’s calculations.

**Figure 9.6: Berkshire Hathaway price to book ratio, 2015–2024**



Sources: *Of Permanent Value* (Kilpatrick), Berkshire Hathaway Annual Reports 2015–2024, Yahoo! Finance, and author’s calculations.

**Table 9.61: Berkshire Hathaway—Insurance Underwriting**

(\$ millions)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2016	2015	2014
<b>GEICO</b>												
Premiums earned	\$42,252	\$39,264	\$38,984	\$37,706	\$35,093	\$35,572	\$33,363	\$29,441	\$25,483	\$25,483	\$22,718	\$20,496
Underwriting gain/(loss) - pre-tax	7,813	3,635	(1,880)	1,259	3,428	1,506	2,449	(310)	462	462	460	1,159
<b>Berkshire Hathaway Reinsurance Group</b>												
<i>Premiums earned:</i>												
Property/casualty	\$22,239	\$21,938	\$16,040	\$13,740	\$12,214	\$9,911	\$8,928	\$7,552	\$7,218			
Retroactive reinsurance	0	0	0	136	38	684	517	10,755	1,254			
Life/health	4,998	5,072	5,279	5,648	5,861	4,869	5,343	4,808	4,587			
Periodic payment annuity	0	0	582	658	566	863	1,156	898	1,082			
Variable annuity	0	0	14	15	14	14						
Premiums earned	27,237	27,010	21,915	20,197	18,693	16,341	15,944	24,013	14,141	\$8,504	\$7,207	\$10,116
<i>Underwriting gain/(loss) - pre-tax</i>												
Property/casualty	3,800	3,508	2,180	667	(799)	16	(207)	(1,595)	895			
Retroactive reinsurance	(846)	(1,541)	(668)	(782)	(1,248)	(1,265)	(778)	(1,330)	(60)			
Life/health	223	354	292	(421)	(18)	159	216	(52)	305			
Periodic payment annuity	(597)	(650)	(532)	(508)	(617)	(549)	(340)	(671)	(128)			
Variable annuity	157	233	117	114	(18)	167						
Underwriting gain/(loss) - pre-tax	2,737	1,904	1,389	(930)	(2,700)	(1,472)	(1,109)	(3,648)	1,012	822	421	606
<b>Berkshire Hathaway Primary Group</b>												
Premiums earned	\$18,733	\$17,129	\$13,746	\$11,575	\$9,615	\$9,165	\$8,111	\$7,143	\$6,257	\$6,257	\$5,394	\$4,377
Underwriting gain/(loss) - pre-tax	855	1,374	393	607	110	383	670	719	657	657	824	626
Total premiums earned	\$88,257	\$83,403	\$74,645	\$69,478	\$63,401	\$61,078	\$57,418	\$60,597	\$45,881	\$45,881	\$41,294	\$41,253
Total underwriting gain/(loss) - pre-tax	11,405	6,913	(98)	936	838	417	2,010	(3,239)	2,131	2,131	1,837	2,668
Average float	169,948	166,502	155,555	142,752	133,963	126,078	118,616	103,039	89,650	89,650	85,822	80,581
Cost of float	(6.7%)	(4.2%)	0.1%	(0.7%)	(0.6%)	(0.3%)	(1.7%)	3.1%	(2.4%)	(2.4%)	(2.1%)	(3.3%)

Note: The year 2016 is included twice to show the presentation before and after consolidating General Re into Berkshire Hathaway Reinsurance Group.

Sources: Berkshire Hathaway Annual Reports 2016, 2017, 2019, 2021, 2024; and author's calculations.

**Table 9.62: Berkshire Hathaway Insurance Group float, select data and information**

Year	Year-end float (\$ millions)						Avg. Float	Float Cost
	GEICO	General Reins.	BH Reins.	Other Primary	Total			
1994						3,057	(4.2%)	
1995						3,607	(0.6%)	
1996						6,702	(3.3%)	
1997	2,917		4,014	455	7,386	7,093	(6.5%)	
1998	3,125	14,909	4,305	415	22,754	15,070	(1.8%)	
1999	3,444	15,166	6,285	403	25,298	24,026	5.8%	
2000	3,943	15,525	7,805	598	27,871	26,585	6.1%	
2001	4,251	19,310	11,262	685	35,508	31,690	12.8%	
2002	4,678	22,207	13,396	943	41,224	38,366	1.1%	
2003	5,287	23,654	13,948	1,331	44,220	42,722	(4.0%)	
2004	5,960	23,120	15,278	1,736	46,094	45,157	(3.4%)	
2005	6,692	22,920	16,233	3,442	49,287	47,691	(0.1%)	
2006	7,171	22,827	16,860	4,029	50,887	50,087	(7.7%)	
2007	7,768	23,009	23,692	4,229	58,698	54,793	(6.2%)	
2008	8,454	21,074	24,221	4,739	58,488	58,593	(4.8%)	
2009	9,613	21,014	26,223	5,061	61,911	60,200	(2.6%)	
2010	10,272	20,049	30,370	5,141	65,832	63,872	(3.2%)	
2011	11,169	19,714	33,728	5,960	70,571	68,202	(0.4%)	
2012	11,578	20,128	34,821	6,598	73,125	71,848	(2.3%)	
2013	12,566	20,013	37,231	7,430	77,240	75,183	(4.1%)	
2014	13,569	19,280	42,454	8,618	83,921	80,581	(3.3%)	
2015	15,148	18,560	44,108	9,906	87,722	85,822	(2.1%)	
2016	17,148	17,699	45,081	11,649	91,577	89,650	(2.4%)	
2017	<i>Detail no longer provided 2022 includes \$14 billion from Alleghany</i>				114,500	103,039	3.1%	
2018					122,732	118,616	(1.7%)	
2019					129,423	126,078	(0.3%)	
2020					138,503	133,963	(0.6%)	
2021					147,000	142,752	(0.7%)	
2022					164,109	155,555	0.1%	
2023					168,895	166,502	(4.2%)	
2024		171,000	169,948	(6.7%)				

Year-end float (% Growth)						
<u>Year</u>	<u>GEICO</u>	<u>General Reins.</u>	<u>BH Reins.</u>	<u>Other Primary</u>	<u>Total</u>	<u>Avg. Float</u>
1994						16.5%
1995						18.0%
1996						85.8%
1997						5.8%
1998	7.1%	n/a	7.2%	(8.8%)	208.1%	112.5%
1999	10.2%	1.7%	46.0%	(2.9%)	11.2%	59.4%
2000	14.5%	2.4%	24.2%	48.4%	10.2%	10.6%
2001	7.8%	24.4%	44.3%	14.5%	27.4%	19.2%
2002	10.0%	15.0%	18.9%	37.7%	16.1%	21.1%
2003	13.0%	6.5%	4.1%	41.1%	7.3%	11.4%
2004	12.7%	(2.3%)	9.5%	30.4%	4.2%	5.7%
2005	12.3%	(0.9%)	6.3%	98.3%	6.9%	5.6%
2006	7.2%	(0.4%)	3.9%	17.1%	3.2%	5.0%
2007	8.3%	0.8%	40.5%	5.0%	15.3%	9.4%
2008	8.8%	(8.4%)	2.2%	12.1%	(0.4%)	6.9%
2009	13.7%	(0.3%)	8.3%	6.8%	5.9%	2.7%
2010	6.9%	(4.6%)	15.8%	1.6%	6.3%	6.1%
2011	8.7%	(1.7%)	11.1%	15.9%	7.2%	6.8%
2012	3.7%	2.1%	3.2%	10.7%	3.6%	5.3%
2013	8.5%	(0.6%)	6.9%	12.6%	5.6%	4.6%
2014	8.0%	(3.7%)	14.0%	16.0%	8.6%	7.2%
2015	11.6%	(3.7%)	3.9%	14.9%	4.5%	6.5%
2016	13.2%	(4.6%)	2.2%	17.6%	4.4%	4.5%
2017					25.0%	14.9%
2018					7.2%	15.1%
2019					5.5%	6.3%
2020					7.0%	6.3%
2021					6.1%	6.6%
2022					11.6%	9.0%
2023					2.9%	7.0%
2024					1.2%	2.1%

*Detail no longer provided  
2022 includes \$14 billion from Alleghany*

Sources: Berkshire Hathaway Annual Reports and author's calculations.

**Table 9.63: Manufacturing, Service, and Retailing businesses – return on assets analysis 2015–2024**

(\$ millions)	2024	2023	2022	2021	2020	2019	2018	2017	2016
<i>Pre-tax earnings</i>									
Industrial products	\$6,017	\$5,686	\$4,862	\$4,469	\$3,755	\$5,635	\$5,822	\$5,065	\$4,209
Building products	4,134	4,187	4,789	3,390	2,858	2,636	2,336	2,147	1,178
Consumer products	1,744	1,572	1,526	1,982	1,397	1,251	1,208	1,112	824
Manufacturing	11,895	11,445	11,177	9,841	8,010	9,522	9,366	8,324	6,211
Pilot	614	968							
McLane	634	455	271	230	251	288	246	299	431
Service	2,305	2,995	3,047	2,672	1,600	1,681	1,836	1,519	1,161
Retailing	1,395	1,726	1,724	1,809	1,028	874	860	785	659
Service and retailing	3,700	4,721	4,771	4,481	2,628	2,555	2,696	2,304	1,820
Total pre-tax earnings	16,843	17,589	16,219	14,552	10,889	12,365	12,308	10,927	8,462
Income taxes and noncontrolling interests	(3,771)	(4,227)	(3,707)	(3,432)	(2,589)	(2,993)	(2,944)	(3,645)	(2,831)
Earnings after tax	\$13,072	\$13,362	\$12,512	\$11,120	\$8,300	\$9,372	\$9,364	\$7,282	\$5,631
<i>Identifiable assets at year-end</i>									
Manufacturing	119,860	115,875	113,578	107,231	104,318	104,437	99,912	97,753	93,835
Pilot	19,652	21,404							
McLane	7,165	6,861	7,049	6,841	6,771	6,872	6,243	6,090	5,896
Service and retailing	37,198	34,600	31,291	28,221	26,173	26,494	24,724	20,014	19,208
Total	183,875	178,740	151,918	142,293	137,262	137,803	130,879	123,857	118,939
<i>Goodwill</i>									
Manufacturing	27,716	27,831	28,460	25,463	25,512	34,800	34,019	33,967	32,915
Pilot	6,477	6,605							
McLane	232	232	232	232	232	734	734	734	734
Service and retailing	5,878	6,241	6,282	6,241	6,152	6,229	6,281	6,278	9,252
Total	40,303	40,909	34,974	31,936	31,896	41,763	41,034	40,979	42,901
<i>Pre-tax return on average identifiable assets</i>									
Manufacturing	10.09%	9.98%	10.12%	9.30%	7.67%	9.32%	9.48%	8.69%	
Pilot	2.99%								
McLane	9.04%	6.54%	3.90%	3.38%	3.68%	4.39%	3.99%	4.99%	
Service and retailing	10.31%	14.33%	16.03%	16.48%	9.98%	9.98%	12.05%	11.75%	
Total	9.29%	10.64%	11.03%	10.41%	7.92%	9.20%	9.66%	9.00%	
<i>Pre-tax return on average total assets (identifiable + goodwill)</i>									
Manufacturing	8.17%	8.01%	8.14%	7.50%	5.95%	6.97%	7.05%	6.44%	
Pilot	2.27%								
McLane	8.75%	6.33%	3.78%	3.27%	3.44%	3.95%	3.56%	4.44%	
Service and retailing	8.82%	12.04%	13.25%	13.42%	8.08%	8.02%	9.41%	8.42%	
Total	7.59%	8.65%	8.98%	8.48%	6.25%	7.04%	7.31%	6.69%	

Notes: 1. A major shortcoming of this analysis is the fact that many businesses have significant spontaneous current liabilities, such as accounts payable and accruals, which reduce capital investment and increase returns. This is most pronounced in the retailing businesses, Pilot, and McLane. Despite the shortcomings, the analysis is useful for analyzing trends. 2. Beginning in 2018, the Finance and Financial Products businesses were consolidated into the MSR businesses.

Clayton's financing unit and UTLX were reclassified to manufacturing, and CORT and XTRA were reclassified into services and retailing. Investment income was reclassified into corporate and other. The table above reflects the revised presentation.

Sources: Berkshire Hathaway Annual Reports 2018–2024 and author's calculations.

**Table 9.64: Manufacturing, Service, and Retailing businesses—pre-tax earnings**

(\$ millions)	<u>2024</u>	<u>2023</u> <u>Restated</u>	<u>2023</u> <u>Original</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u> <u>Restated</u>	<u>2017</u> <u>Original</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Industrial products	\$6,017	\$5,686	\$5,686	\$4,862	\$4,469	\$3,755	\$5,635	\$5,822	\$5,065	\$4,367	\$4,209	\$2,994	\$3,159
Building products	4,134	4,187	4,187	4,789	3,390	2,858	2,636	2,336	2,147	1,382	1,178	1,167	896
Consumer products	1,744	1,572	1,572	1,526	1,982	1,397	1,251	1,208	1,112	1,112	824	732	756
Subtotal - manufacturing	11,895	11,445	11,445	11,177	9,841	8,010	9,522	9,366	8,324	6,861	6,211	4,893	4,811
Service	2,305	2,995	2,995	3,047	2,672	1,600	1,681	1,836	1,519	1,298	1,161	1,156	1,202
Retailing	1,395	1,726	1,726	1,724	1,809	1,028	874	860	785	785	659	564	344
Pilot	614	968											
McLane	634	455	455	271	230	251	288	246	299	299	431	502	435
Subtotal - service and retailing	4,948	6,144	5,176	5,042	4,711	2,879	2,843	2,942	2,603	2,382	2,251	2,222	1,981
Total pre-tax earnings	16,843	17,589	16,621	16,219	14,552	10,889	12,365	12,308	10,927	9,243	8,462	7,115	6,792
Income taxes and noncontrolling interests	(3,771)	(4,227)	(3,862)	(3,707)	(3,432)	(2,589)	(2,993)	(2,944)	(3,645)	(3,035)	(2,831)	(2,432)	(2,324)
Earnings after tax	\$13,072	\$13,362	\$12,759	\$12,512	\$11,120	\$8,300	\$9,372	\$9,364	\$7,282	\$6,208	\$5,631	\$4,683	\$4,468

Notes: 1. Beginning in 2018, the Finance and Financial Products businesses were consolidated into the MSR businesses. Clayton's financing unit and UTLX were reclassified to manufacturing, and CORT and XTRA were reclassified into services and retailing. Investment income was reclassified into corporate and other. 2. In 2024, Berkshire moved Pilot to the MSR businesses presentation.

Sources: Berkshire Hathaway Annual Reports 2018–2024 and author's calculations.

**Table 9.65: Manufacturing, Service, and Retailing businesses—balance sheets, 2004–2016**

<i>(\$ millions)</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<i>Assets</i>													
Cash and equivalents	\$8,073	\$6,807	\$5,765	\$6,625	\$5,338	\$4,241	\$2,673	\$3,018	\$2,497	\$2,080	\$1,543	\$1,004	\$899
Accounts and notes receivable	11,183	8,886	8,264	7,749	7,382	6,584	5,396	5,066	5,047	4,488	3,793	3,287	3,074
Inventory	15,727	11,916	10,236	9,945	9,675	8,975	7,101	6,147	7,500	5,793	5,257	4,143	3,842
Other current assets	1,039	970	1,117	716	734	631	550	625	752	470	363	342	254
Total current assets	\$36,022	\$28,579	\$25,382	\$25,035	\$23,129	\$20,431	\$15,720	\$14,856	\$15,796	\$12,831	\$10,956	\$8,776	\$8,069
Goodwill and other intangibles	71,473	30,289	28,107	25,617	26,017	24,755	16,976	16,499	16,515	14,201	13,314	9,260	8,362
Fixed assets	18,915	15,161	13,806	19,389	18,871	17,866	15,421	15,374	16,338	9,605	8,934	7,148	6,161
Other assets	3,183	4,445	3,793	4,274	3,416	3,661	3,029	2,070	1,248	1,685	1,168	1,021	1,044
	\$129,593	\$78,474	\$71,088	\$74,315	\$71,433	\$66,713	\$51,146	\$48,799	\$49,897	\$38,322	\$34,372	\$26,205	\$23,636
<i>Liabilities and Equity</i>													
Notes payable	\$2,054	\$2,135	\$965	\$1,615	\$1,454	\$1,611	\$1,805	\$1,842	\$2,212	\$1,278	\$1,468	\$1,469	\$1,143
Other current liabilities	12,464	10,565	9,734	8,965	8,527	15,124	8,169	7,414	8,087	7,652	6,635	5,371	4,685
Total current liabilities	14,518	12,700	10,699	10,580	9,981	16,735	9,974	9,256	10,299	8,930	8,103	6,840	5,828
Deferred taxes	12,044	3,649	3,801	5,184	4,907	4,661	3,001	2,834	2,786	828	540	338	248
Term debt and other liabilities	10,943	4,767	4,269	4,405	5,826	6,214	6,621	6,240	6,033	3,079	3,014	2,188	1,965
Non-controlling interests	579	521	492	456	2,062	2,410							
Equity	91,509	56,837	51,827	53,690	48,657	36,693	31,550	30,469	30,779	25,485	22,715	16,839	15,595
	\$129,593	\$78,474	\$71,088	\$74,315	\$71,433	\$66,713	\$51,146	\$48,799	\$49,897	\$38,322	\$34,372	\$26,205	\$23,636

Notes: Berkshire stopped reporting this data after 2016. In 2014, Marmon's leasing operations began to be included in the Finance and Financial Products sector. The 2014 Annual Report provided a restatement of 2012 and 2013 for comparative purposes. This presentation contains the original presentations.

Sources: Berkshire Hathaway Annual Reports 2004–2016.

**Table 9.66: Manufacturing, Service, and Retailing businesses—income statements, 2004–2016**

(\$ millions)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues	\$120,059	\$107,825	\$97,689	\$95,291	\$83,255	\$72,406	\$66,610	\$61,665	\$66,099	\$59,100	\$52,660	\$46,896	\$44,142
Operating expenses (Including depreciation)	111,383	100,607	90,788	88,414	76,978	67,239	62,225	59,509	61,937	55,026	49,002	44,190	41,604
Interest expense (net)	214	103	109	135	146	130	111	98	139	127	132	83	57
Pre-tax income <sup>1</sup>	8,462	7,115	6,792	6,742	6,131	5,037	4,274	2,058	4,023	3,947	3,526	2,623	2,481
Income taxes and non- controlling interests	2,831	2,432	2,324	2,512	2,432	1,998	1,812	945	1,740	1,594	1,395	977	941
Net income	\$5,631	\$4,683	\$4,468	\$4,230	\$3,699	\$3,039	\$2,462	\$1,113	\$2,283	\$2,353	\$2,131	\$1,646	\$1,540

Footnote: Excludes purchase-accounting adjustments.

Sources: Berkshire Hathaway Annual Reports 2004-2016 and author's calculations.

**Table 9.67: Manufacturing, Service, and Retailing businesses—ratios and key figures, 2004–2016**

<i>Ratios and key figures</i>	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible capital	\$33,033	\$33,450	\$28,954	\$34,093	\$29,920	\$19,763	\$23,000	\$22,052	\$22,509	\$15,641	\$13,883	\$11,236	\$10,341
Revenues/average tangible capital	\$3.61	\$3.46	\$3.10	\$2.98	\$3.35	\$3.39	\$2.96	\$2.77	\$3.47	\$4.00	\$4.19	\$4.35	\$4.27
Pre-tax margin	7.0%	6.6%	7.0%	7.1%	7.4%	7.0%	6.4%	3.3%	6.1%	6.7%	6.7%	5.6%	5.6%
Pre-tax return on tangible capital	25.5%	22.8%	21.5%	21.1%	24.7%	23.6%	19.0%	9.2%	21.1%	26.7%	28.1%	24.3%	24.0%
Return on average equity - after-tax	7.6%	8.6%	8.5%	8.3%	8.7%	8.9%	7.9%	3.6%	8.1%	9.8%	10.8%	10.1%	9.9%
Return on average tangible equity after-tax	24.2%	18.6%	17.3%	16.7%	21.4%	22.9%	17.3%	7.9%	17.9%	22.8%	25.1%	22.2%	21.6%
Net debt (cash)	\$4,924	\$95	(\$531)	(\$605)	\$1,942	\$3,584	\$5,753	\$5,064	\$5,748	\$2,277	\$2,939	\$2,653	\$2,209
Notes payable/equity	14.2%	12.1%	10.1%	11.2%	15.0%	21.3%	26.7%	26.5%	26.8%	17.1%	19.7%	21.7%	19.9%
Total assets/total equity	1.42	1.38	1.37	1.38	1.47	1.82	1.62	1.60	1.62	1.50	1.51	1.56	1.52

Sources: Berkshire Hathaway Annual Reports 2004-2016 and author's calculations.

**Table 9.68: Regulated, Capital-Intensive Businesses**

(\$ millions)	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Berkshire Hathaway Energy</b>											
<b>(formerly known as MidAmerican Energy)</b>											
UK utilities							\$304	\$311	\$367	\$460	\$527
Iowa utility <sup>1</sup>							407	372	392	292	270
Nevada utility							417	567	559	586	549
PacifiCorp							745	1,131	1,105	1,026	1,010
Gas Pipelines (Northern Natural and Kern River)							507	446	413	401	379
Canadian transmission utility <sup>2</sup>									147	170	16
Renewable projects <sup>2</sup>									157	175	194
HomeServices							204	220	225	191	139
Other (net) <sup>2</sup>							296	296	73	49	54
Earnings before corporate interest and taxes							2,880	3,343	3,438	3,350	3,138
Interest							408	844	465	499	427
Pre-tax earnings						2,618	2,472	2,499	2,973	2,851	2,711
Income taxes						(526)	(452)	148	431	481	616
Net earnings						\$3,144	\$2,924	\$2,351	\$2,542	\$2,370	\$2,095
Net earnings applicable to Berkshire <sup>3</sup>						\$2,840	\$2,621	\$2,033	\$2,287	\$2,132	\$1,882
<b>Burlington Northern Santa Fe (BNSF)</b>											
Revenues	\$23,355	\$23,474	\$25,203	\$22,513	\$20,181	\$23,515	\$23,855	\$21,387	\$19,829	\$21,967	\$23,239
Operating expenses (including depreciation)	15,886	16,059	16,600	13,702	12,429	15,195	15,951	14,043	13,144	14,264	16,237
Operating earnings before interest and taxes	7,469	7,415	8,603	8,811	7,752	8,320	7,904	7,344	6,685	7,703	7,002
Interest (net), and other	821	801	895	950	960	1,070	1,041	1,016	992	928	833
Income taxes	1,617	1,527	1,762	1,871	1,631	1,769	1,644	2,369	2,124	2,527	2,300
Net earnings	\$5,031	\$5,087	\$5,946	\$5,990	\$5,161	\$5,481	\$5,219	\$3,959	\$3,569	\$4,248	\$3,869
Footnotes: 1. For the 2016 presentation, Berkshire reclassified \$22 million from Iowa utility to Other for results in 2015 and \$28 million for results in 2014. The more recent presentation is included here. 2. Canadian transmission utility and renewable projects reported in other beginning in 2017. 3. Earnings applicable to Berkshire consist of its share of net earnings plus after-tax interest income from debt owed to Berkshire.											

Notes: 1. Berkshire stopped reporting this data in the Chairman's letter after 2016. Data for 2017-2019 taken from the Annual Reports. 2. In 2019, Berkshire changed the presentation of Berkshire Hathaway Energy to present consolidated income accounts and only detailed the after-tax results for each unit. Previous presentations included the pre-tax results.

Sources: Berkshire Hathaway Annual Reports 2016-2024.

**Table 9.69: Berkshire Hathaway Energy after-tax earnings**

<i>(\$ millions)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PacifiCorp	\$526	(\$468)	\$921	\$889	\$741	\$773	\$739	\$769	\$764	\$697	\$700
MidAmerican Energy Company	991	980	947	883	818	781	669	574	532	442	409
NV Energy	444	394	427	439	410	365	317	346	359	379	354
U.S. Utilities	1,961	906	2,295	2,211	1,969	1,919	1,725	1,689	1,655	1,518	1,463
Northern Powergrid	547	165	385	247	201	256	239	251	342	422	412
BHE Transmission	263	246	247	247							
BHE Renewables	447	518	625	451							
Other	77	95	81	34	697	608	489	404			
Other energy businesses	1,334	1,024	1,338	979	898	864	728	655			
Natural gas pipelines	1,232	1,079	1,040	807	528	422	387	277	249	243	230
Real estate brokerage	(107)	13	100	387	375	160	145	149	127	104	83
Corporate interest and other	(394)	(412)	(421)	(337)	(352)	(239)	(84)	(457)			
	\$4,026	\$2,610	\$4,352	\$4,047	\$3,418	\$3,126	\$2,901	\$2,313	\$2,542	\$2,370	\$2,095

Notes: 1. These are earnings attributable to BHE, including non-controlling shareholders. 2. Data omitted where inconsistent or unavailable.

Sources: Berkshire Hathaway Annual Reports, Berkshire Hathaway Energy 10K Reports, and author's calculations.

**Table 9.70: Berkshire Hathaway deferred tax analysis**

<i>(\$ millions)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Total 2015-24</u>
Earnings before income taxes	\$110,376	\$120,166	(\$30,500)	\$111,686	\$55,693	\$102,696	\$4,001	\$23,838	\$33,667	\$34,946	\$566,569
Current taxes	30,464	7,642	4,815	5,326	5,052	5,818	5,176	3,299	6,565	5,426	79,583
Deferred taxes <sup>1</sup>	(9,649)	15,377	(13,317)	15,553	7,388	15,086	(5,497)	3,386	2,675	5,106	36,108
Total taxes as reported	20,815	23,019	(8,502)	20,879	12,440	20,904	(321)	6,685	9,240	10,532	115,691
Cash paid for tax during period	28,544	7,765	4,236	5,412	5,001	5,415	4,354	3,286	4,719	4,535	73,267
Current rate	27.6%	6.4%	(15.8%)	4.8%	9.1%	5.7%	129.4%	13.8%	19.5%	15.5%	14.0%
Deferred rate	(8.7%)	12.8%	43.7%	13.9%	13.3%	14.7%	(137.4%)	14.2%	7.9%	14.6%	6.4%
Headline tax rate	18.9%	19.2%	27.9%	18.7%	22.3%	20.4%	(8.0%)	28.0%	27.4%	30.1%	20.4%
Current as % total	146.4%	33.2%	(56.6%)	25.5%	40.6%	27.8%	(1612.5%)	49.3%	71.0%	51.5%	68.8%
Deferred as % total	(46.4%)	66.8%	156.6%	74.5%	59.4%	72.2%	1712.5%	50.7%	29.0%	48.5%	31.2%
Total tax	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash tax as % EBIT	25.9%	6.5%	(13.9%)	4.8%	9.0%	5.3%	108.8%	13.8%	14.0%	13.0%	12.9%
Footnote:											
1. 2017: Excludes (adds back) the \$28,200 one-time gain associated with the Tax Cuts and Jobs Act of 2017.											

Sources: Berkshire Hathaway Annual Reports 2011, 2014, 2016, 2019, 2021, 2024; and author's calculations.

**Table 9.71: Reconciliation of shareholders' equity**

(\$ millions)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Prior year equity	\$561,273	\$472,360	\$506,199	\$443,164	\$424,791	\$348,703	\$348,296	\$283,001	\$255,550	\$240,170	\$221,890
Current year net income/(loss) <sup>1</sup>	88,995	96,223	(22,819)	89,795	42,521	81,417	4,021	44,940	24,074	24,083	19,872
Issuance of shares <sup>2</sup>	See Note	0	0	0	0	21	59	76	119	53	118
Treasury stock <sup>3</sup>	(2,918)	(8,976)	(8,031)	(26,942)	(24,728)	(5,016)	(1,346)	0	0	0	(400)
Transactions with noncontrolling interests <sup>4</sup>	1,966	(687)	(425)	(34)	(32)	(106)	(46)	(63)	(58)	(6)	(17)
Adoption of new accounting pronouncements <sup>5</sup>	(127)	1,064	0	0	(388)	0	(70)	(931)	0	0	0
Change in unrealized appreciation of securities, net of tax	(73)	377	(555)	(167)	55	111	(354)	18,975	4,579	(7,022)	1,585
Change in comprehensive income - other <sup>6</sup>	252	912	(2,009)	383	945	(339)	(1,857)	2,298	(1,263)	(1,728)	(2,878)
Ending equity	\$649,368	\$561,273	\$472,360	\$506,199	\$443,164	\$424,791	\$348,703	\$348,296	\$283,001	\$255,550	\$240,170
Shares outstanding at end of period											
Class A	547,562	567,775	591,564	617,113	643,931	701,970	729,316	751,075	776,378	808,422	826,339
Class B	1,335,992,139	1,310,561,508	1,302,254,076	1,290,474,503	1,350,043,471	1,384,481,533	1,367,420,074	1,340,656,987	1,301,914,165	1,252,456,836	1,224,855,488
Total Class A-equivalent shares	1,438,223	1,441,483	1,459,733	1,477,429	1,543,960	1,624,958	1,640,929	1,644,846	1,644,321	1,643,393	1,642,909
Footnotes:											
1. 2017: Includes a one-time gain from a reduction in the US Corporate income tax rate from 35% to 21%. 2018: Beginning in 2018, unrealized gains and losses on equity securities are included in net income.						5. 2017: Related to Berkshire discontinuing the practice of discounting workers' compensation claim liabilities assumed under reinsurance contracts. Equity for the prior years was restated for 2014-2016 in the financial statements. 2018: Related to adoption of ASC 606 related to revenue recognition (affected fractional ownership interests). 2023: Berkshire retrospectively adopted ASU 2018-12 related to accounting for long-duration contracts.					
2. The issuance of shares primarily relates to prior acquisitions. The 2024 issuance of shares relating to the purchase of the remaining BHE shares is included in transactions with noncontrolling interests.						6. Includes foreign currency translation, transactions relating to pension plans, OCI related to non-controlling interests, other, and amounts applicable to income taxes.					
3. The 2014 transaction was connected to the Graham Holdings tax-free exchange, which included 2,107 Class A shares and 1,278 Class B shares.											
4. Reductions in Berkshire Hathaway shareholders' equity related to the acquisition of noncontrolling interests; the excess of consideration paid over the previously recorded balance sheet carrying amount.											

Sources: Berkshire Hathaway Annual Reports 2014–2024 and author's calculations.