Berkshire – Past, Present and Future

In the Beginning

On May 6, 1964, Berkshire Hathaway, then run by a man named Seabury Stanton, sent a letter to its shareholders offering to buy 225,000 shares of its stock for $11.375 per share. I had expected the letter; I was surprised by the price.

Berkshire then had 1,583,680 shares outstanding. About 7% of these were owned by Buffett Partnership Ltd. ("BPL"), an investing entity that I managed and in which I had virtually all of my net worth. Shortly before the tender offer was mailed, Stanton had asked me at what price BPL would sell its holdings. I answered $11.50, and he said, "Fine, we have a deal." Then came Berkshire's letter, offering an eighth of a point less. I bristled at Stanton's behavior and didn't tender.

That was a monumentally stupid decision.

Berkshire was then a northern textile manufacturer mired in a terrible business. The industry in which it operated was heading south, both metaphorically and physically. And Berkshire, for a variety of reasons, was unable to change course.

That was true even though the industry's problems had long been widely understood. Berkshire's own Board minutes of July 29, 1954, laid out the grim facts: "The textile industry in New England started going out of business forty years ago. During the war years this trend was stopped. The trend must continue until supply and demand have been balanced."

About a year after that board meeting, Berkshire Fine Spinning Associates and Hathaway Manufacturing – both with roots in the 19th Century – joined forces, taking the name we bear today. With its fourteen plants and 10,000 employees, the merged company became the giant of New England textiles. What the two managements viewed as a merger agreement, however, soon morphed into a suicide pact. During the seven years following the consolidation, Berkshire operated at an overall loss, and its net worth shrunk by 37%.

Meanwhile, the company closed nine plants, sometimes using the liquidation proceeds to repurchase shares. And that pattern caught my attention.

I purchased BPL's first shares of Berkshire in December 1962, anticipating more closings and more repurchases. The stock was then selling for $7.50, a wide discount from per-share working capital of $10.25 and book value of $20.20. Buying the stock at that price was like picking up a discarded cigar butt that had one puff remaining in it. Though the stub might be ugly and soggy, the puff would be free. Once that momentary pleasure was enjoyed, however, no more could be expected.

Berkshire thereafter stuck to the script: It soon closed another two plants, and in that May 1964 move, set out to repurchase shares with the shutdown proceeds. The price that Stanton offered was 50% above the cost of our original purchases. There it was – my free puff, just waiting for me, after which I could look elsewhere for other discarded butts.

Instead, irritated by Stanton's chiseling, I ignored his offer and began to aggressively buy more Berkshire shares.

By April 1965, BPL owned 392,633 shares (out of 1,017,547 then outstanding) and at an early-May board meeting we formally took control of the company. Through Seabury's and my childish behavior – after all, what was an eighth of a point to either of us? – he lost his job, and I found myself with more than 25% of BPL's capital invested in a terrible business about which I knew very little. I became the dog who caught the car.

Because of Berkshire's operating losses and share repurchases, its net worth at the end of fiscal 1964 had fallen to $22 million from $55 million at the time of the 1955 merger. The full $22 million was required by the textile operation: The company had no excess cash and owed its bank $2.5 million. (Berkshire's 1964 annual report is reproduced on pages 130-142.)

For a time I got lucky: Berkshire immediately enjoyed two years of good operating conditions. Better yet, its earnings in those years were free of income tax because it possessed a large loss carry-forward that had arisen from the disastrous results in earlier years.

Then the honeymoon ended. During the 18 years following 1966, we struggled unremittingly with the textile business, all to no avail. But stubbornness – stupidity? – has its limits. In 1985, I finally threw in the towel and closed the operation.

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Undeterred by my first mistake of committing much of BPL's resources to a dying business, I quickly compounded the error. Indeed, my second blunder was far more serious than the first, eventually becoming the most costly in my career.

Early in 1967, I had Berkshire pay $8.6 million to buy National Indemnity Company ("NICO"), a small but promising Omaha-based insurer. (A tiny sister company was also included in the deal.) Insurance was in my sweet spot: I understood and liked the industry.

Jack Ringwalt, the owner of NICO, was a long-time friend who wanted to sell to me – me, personally. In no way was his offer intended for Berkshire. So why did I purchase NICO for Berkshire rather than for BPL? I've had 48 years to think about that question, and I've yet to come up with a good answer. I simply made a colossal mistake.

If BPL had been the purchaser, my partners and I would have owned 100% of a fine business, destined to form the base for building the company Berkshire has become. Moreover, our growth would not have been impeded for nearly two decades by the unproductive funds imprisoned in the textile operation. Finally, our subsequent acquisitions would have been owned in their entirety by my partners and me rather than being 39%-owned by the legacy shareholders of Berkshire, to whom we had no obligation. Despite these facts staring me in the face, I opted to marry 100% of an excellent business (NICO) to a 61%-owned terrible business (Berkshire Hathaway), a decision that eventually diverted $100 billion or so from BPL partners to a collection of strangers.

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One more confession and then I'll go on to more pleasant topics: Can you believe that in 1975 I bought Waumbec Mills, another New England textile company? Of course, the purchase price was a "bargain" based on the assets we received and the *projected* synergies with Berkshire's existing textile business. Nevertheless – surprise, surprise – Waumbec was a disaster, with the mill having to be closed down not many years later.

And now some good news: The northern textile industry is finally extinct. You need no longer panic if you hear that I've been spotted wandering around New England.

Charlie Straightens Me Out

My cigar-butt strategy worked very well while I was managing small sums. Indeed, the many dozens of free puffs I obtained in the 1950s made that decade by far the best of my life for both relative and absolute investment performance.

Even then, however, I made a few exceptions to cigar butts, the most important being GEICO. Thanks to a 1951 conversation I had with Lorimer Davidson, a wonderful man who later became CEO of the company, I learned that GEICO was a terrific business and promptly put 65% of my $9,800 net worth into its shares. Most of my gains in those early years, though, came from investments in mediocre companies that traded at bargain prices. Ben Graham had taught me that technique, and it worked.

But a major weakness in this approach gradually became apparent: Cigar-butt investing was scalable only to a point. With large sums, it would never work well.

In addition, though marginal businesses purchased at cheap prices may be attractive as short-term investments, they are the wrong foundation on which to build a large and enduring enterprise. Selecting a marriage partner clearly requires more demanding criteria than does dating. (Berkshire, it should be noted, would have been a highly satisfactory “date”: If we had taken Seabury Stanton’s $11.375 offer for our shares, BPL’s weighted annual return on its Berkshire investment would have been about 40%.)

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It took Charlie Munger to break my cigar-butt habits and set the course for building a business that could combine huge size with satisfactory profits. Charlie had grown up a few hundred feet from where I now live and as a youth had worked, as did I, in my grandfather’s grocery store. Nevertheless, it was 1959 before I met Charlie, long after he had left Omaha to make Los Angeles his home. I was then 28 and he was 35. The Omaha doctor who introduced us predicted that we would hit it off – and we did.

If you’ve attended our annual meetings, you know Charlie has a wide-ranging brilliance, a prodigious memory, and some firm opinions. I’m not exactly wishy-washy myself, and we sometimes don’t agree. In 56 years, however, we’ve never had an argument. When we differ, Charlie usually ends the conversation by saying: “Warren, think it over and you’ll agree with me because you’re smart and I’m right.”

What most of you do *not* know about Charlie is that architecture is among his passions. Though he began his career as a practicing lawyer (with his time billed at $15 per hour), Charlie made his first real money in his 30s by designing and building five apartment projects near Los Angeles. Concurrently, he designed the house that he lives in today – some 55 years later. (Like me, Charlie can’t be budged if he is happy in his surroundings.) In recent years, Charlie has designed large dorm complexes at Stanford and the University of Michigan and today, at age 91, is working on another major project.

From my perspective, though, Charlie’s most important architectural feat was the design of today’s Berkshire. The blueprint he gave me was simple: Forget what you know about buying fair businesses at wonderful prices; instead, buy wonderful businesses at fair prices.

Altering my behavior is not an easy task (ask my family). I had enjoyed reasonable success without Charlie's input, so why should I listen to a lawyer who had never spent a day in business school (when – ahem – *I* had attended *three*). But Charlie never tired of repeating his maxims about business and investing to me, and his logic was irrefutable. Consequently, Berkshire has been built to Charlie's blueprint. My role has been that of general contractor, with the CEOs of Berkshire's subsidiaries doing the real work as sub-contractors.

The year 1972 was a turning point for Berkshire (though not without occasional backsliding on my part – remember my 1975 purchase of Waumbec). We had the opportunity then to buy See's Candy for Blue Chip Stamps, a company in which Charlie, I and Berkshire had major stakes, and which was later merged into Berkshire.

See's was a legendary West Coast manufacturer and retailer of boxed chocolates, then annually earning about $4 million pre-tax while utilizing only $8 million of net tangible assets. Moreover, the company had a huge asset that did not appear on its balance sheet: a broad and durable competitive advantage that gave it significant pricing power. That strength was virtually certain to give See's major gains in earnings over time. Better yet, these would materialize with only minor amounts of incremental investment. In other words, See's could be expected to gush cash for decades to come.

The family controlling See's wanted $30 million for the business, and Charlie rightly said it was worth that much. But I didn't want to pay more than $25 million and wasn't all that enthusiastic even at that figure. (A price that was three times net tangible assets made me gulp.) My misguided caution could have scuttled a terrific purchase. But, luckily, the sellers decided to take our $25 million bid.

To date, See's has earned $1.9 billion pre-tax, with its growth having required added investment of only $40 million. See's has thus been able to distribute huge sums that have helped Berkshire buy other businesses that, in turn, have themselves produced large distributable profits. (Envision rabbits breeding.) Additionally, through watching See's in action, I gained a business education about the value of powerful brands that opened my eyes to many other profitable investments.

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Even with Charlie's blueprint, I have made plenty of mistakes since Waumbec. The most gruesome was Dexter Shoe. When we purchased the company in 1993, it had a terrific record and in no way looked to me like a cigar butt. Its competitive strengths, however, were soon to evaporate because of foreign competition. And I simply didn't see that coming.

Consequently, Berkshire paid $433 million for Dexter and, rather promptly, its value went to zero. GAAP accounting, however, doesn't come close to recording the magnitude of my error. The fact is that I gave Berkshire stock to the sellers of Dexter rather than cash, and the shares I used for the purchase are now worth about $5.7 billion. As a financial disaster, this one deserves a spot in the Guinness Book of World Records.

Several of my subsequent errors also involved the use of Berkshire shares to purchase businesses whose earnings were destined to simply limp along. Mistakes of that kind are deadly. Trading shares of a wonderful business – which Berkshire most certainly is – for ownership of a so-so business irreparably destroys value.

We've also suffered financially when this mistake has been committed by companies whose shares Berkshire has owned (with the errors sometimes occurring while I was serving as a director). Too often CEOs seem blind to an elementary reality: The intrinsic value of the shares you give in an acquisition must not be greater than the intrinsic value of the business you receive.

I've yet to see an investment banker quantify this all-important math when he is presenting a stock-for-stock deal to the board of a potential acquirer. Instead, the banker's focus will be on describing "customary" premiums-to-market-price that are currently being paid for acquisitions – an absolutely asinine way to evaluate the attractiveness of an acquisition – or whether the deal will increase the acquirer's earnings-per-share (which in itself should be far from determinative). In striving to achieve the desired per-share number, a panting CEO and his "helpers" will often conjure up fanciful "synergies." (As a director of 19 companies over the years, I've never heard "dis-synergies" mentioned, though I've witnessed plenty of these once deals have closed.) Post mortems of acquisitions, in which reality is honestly compared to the original projections, are rare in American boardrooms. They should instead be standard practice.

I can promise you that long after I'm gone, Berkshire's CEO and Board will carefully make intrinsic value calculations before issuing shares in any acquisitions. You can't get rich trading a hundred-dollar bill for eight tens (even if your advisor has handed you an expensive "fairness" opinion endorsing that swap).

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Overall, Berkshire's acquisitions have worked out well – and *very* well in the case of a few large ones. So, too, have our investments in marketable securities. The latter are always valued on our balance sheet at their market prices so any gains – including those unrealized – are immediately reflected in our net worth. But the businesses we buy outright are never revalued upward on our balance sheet, even when we could sell them for many billions of dollars more than their carrying value. The unrecorded gains in the value of Berkshire's subsidiaries have become huge, with these growing at a particularly fast pace in the last decade.

Listening to Charlie has paid off.

Berkshire Today

Berkshire is now a sprawling conglomerate, constantly trying to sprawl further.

Conglomerates, it should be acknowledged, have a terrible reputation with investors. And they richly deserve it. Let me first explain why they are in the doghouse, and then I will go on to describe why the conglomerate form brings huge and enduring advantages to Berkshire.

Since I entered the business world, conglomerates have enjoyed several periods of extreme popularity, the silliest of which occurred in the late 1960s. The drill for conglomerate CEOs then was simple: By personality, promotion or dubious accounting – and often by all three – these managers drove a fledgling conglomerate's stock to, say, 20 times earnings and then issued shares as fast as possible to acquire another business selling at ten-or-so times earnings. They immediately applied "pooling" accounting to the acquisition, which – with not a dime's worth of change in the underlying businesses – automatically increased per-share earnings, and used the rise as proof of managerial genius. They next explained to investors that this sort of talent justified the maintenance, or even the enhancement, of the acquirer's p/e multiple. And, finally, they promised to endlessly repeat this procedure and thereby create ever-increasing per-share earnings.

Wall Street's love affair with this hocus-pocus intensified as the 1960s rolled by. The Street's denizens are always ready to suspend disbelief when dubious maneuvers are used to manufacture rising per-share earnings, particularly if these acrobatics produce mergers that generate huge fees for investment bankers. Auditors willingly sprinkled their holy water on the conglomerates' accounting and sometimes even made suggestions as to how to further juice the numbers. For many, gushers of easy money washed away ethical sensitivities.

Since the per-share earnings gains of an expanding conglomerate came from exploiting p/e differences, its CEO had to search for businesses selling at low multiples of earnings. These, of course, were characteristically mediocre businesses with poor long-term prospects. This incentive to bottom-fish usually led to a conglomerate's collection of underlying businesses becoming more and more junky. That mattered little to investors: It was deal velocity and pooling accounting they looked to for increased earnings.

The resulting firestorm of merger activity was fanned by an adoring press. Companies such as ITT, Litton Industries, Gulf & Western, and LTV were lionized, and their CEOs became celebrities. (These once-famous conglomerates are now long gone. As Yogi Berra said, "Every Napoleon meets his Watergate.")

Back then, accounting shenanigans of all sorts – many of them ridiculously transparent – were excused or overlooked. Indeed, having an accounting wizard at the helm of an expanding conglomerate was viewed as a huge plus: Shareholders in those instances could be sure that *reported* earnings would never disappoint, no matter how bad the operating realities of the business might become.

In the late 1960s, I attended a meeting at which an acquisitive CEO bragged of his "bold, imaginative accounting." Most of the analysts listening responded with approving nods, seeing themselves as having found a manager whose forecasts were certain to be met, whatever the business results might be.

Eventually, however, the clock struck twelve, and everything turned to pumpkins and mice. Once again, it became evident that business models based on the serial issuances of overpriced shares – just like chain-letter models – most assuredly redistribute wealth, but in no way create it. Both phenomena, nevertheless, periodically blossom in our country – they are every promoter's dream – though often they appear in a carefully-crafted disguise. The ending is always the same: Money flows from the gullible to the fraudster. And with stocks, unlike chain letters, the sums hijacked can be staggering.

At both BPL and Berkshire, we have *never* invested in companies that are hell-bent on issuing shares. That behavior is one of the surest indicators of a promotion-minded management, weak accounting, a stock that is overpriced and – all too often – outright dishonesty.

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So what do Charlie and I find so attractive about Berkshire's conglomerate structure? To put the case simply: If the conglomerate form is used judiciously, it is an ideal structure for maximizing long-term capital growth.

One of the heralded virtues of capitalism is that it efficiently allocates funds. The argument is that markets will direct investment to promising businesses and deny it to those destined to wither. That is true: With all its excesses, market-driven allocation of capital is usually far superior to any alternative.

Nevertheless, there are often obstacles to the rational movement of capital. As those 1954 Berkshire minutes made clear, capital withdrawals within the textile industry that should have been obvious were delayed for decades because of the vain hopes and self-interest of managements. Indeed, I myself delayed abandoning our obsolete textile mills for far too long.

A CEO with capital employed in a declining operation seldom elects to massively redeploy that capital into unrelated activities. A move of that kind would usually require that long-time associates be fired and mistakes be admitted. Moreover, it's unlikely *that* CEO would be the manager you would wish to handle the redeployment job even if he or she was inclined to undertake it.

At the shareholder level, taxes and frictional costs weigh heavily on individual investors when they attempt to reallocate capital among businesses and industries. Even tax-free institutional investors face major costs as they move capital because they usually need intermediaries to do this job. A lot of mouths with expensive tastes then clamor to be fed – among them investment bankers, accountants, consultants, lawyers and such capital-reallocators as leveraged buyout operators. Money-shufflers don't come cheap.

In contrast, a conglomerate such as Berkshire is perfectly positioned to allocate capital rationally and at minimal cost. Of course, form itself is no guarantee of success: We have made plenty of mistakes, and we will make more. Our structural advantages, however, are formidable.

At Berkshire, we can – without incurring taxes or much in the way of other costs – move huge sums from businesses that have limited opportunities for incremental investment to other sectors with greater promise. Moreover, we are free of historical biases created by lifelong association with a given industry and are not subject to pressures from colleagues having a vested interest in maintaining the status quo. That's important: If horses had controlled investment decisions, there would have been no auto industry.

Another major advantage we possess is the ability to buy *pieces* of wonderful businesses – a.k.a. common stocks. That's not a course of action open to most managements. Over our history, this strategic alternative has proved to be very helpful; a broad range of options always sharpens decision-making. The businesses we are offered by the stock market every day – in small pieces, to be sure – are often far more attractive than the businesses we are concurrently being offered in their entirety. Additionally, the gains we've realized from marketable securities have helped us make certain large acquisitions that would otherwise have been beyond our financial capabilities.

In effect, the world is Berkshire's oyster – a world offering us a range of opportunities far beyond those realistically open to most companies. We are limited, of course, to businesses whose economic prospects we can evaluate. And that's a serious limitation: Charlie and I have no idea what a great many companies will look like ten years from now. But that limitation is much smaller than that borne by an executive whose experience has been confined to a single industry. On top of that, we can profitably scale to a *far* larger size than the many businesses that are constrained by the limited potential of the single industry in which they operate.

I mentioned earlier that See's Candy had produced huge earnings compared to its modest capital requirements. We would have loved, of course, to intelligently use those funds to expand our candy operation. But our many attempts to do so were largely futile. So, without incurring tax inefficiencies or frictional costs, we have used the excess funds generated by See's to help purchase other businesses. If See's had remained a stand-alone company, its earnings would have had to be distributed to investors to redeploy, sometimes after being heavily depleted by large taxes and, almost always, by significant frictional and agency costs.

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Berkshire has one further advantage that has become increasingly important over the years: We are now the home of choice for the owners and managers of many outstanding businesses.

Families that own successful businesses have multiple options when they contemplate sale. Frequently, the best decision is to do nothing. There are worse things in life than having a prosperous business that one understands well. But sitting tight is seldom recommended by Wall Street. (Don't ask the barber whether you need a haircut.)

When one part of a family wishes to sell while others wish to continue, a public offering often makes sense. But, when owners wish to cash out entirely, they usually consider one of two paths.

The first is sale to a competitor who is salivating at the possibility of wringing "synergies" from the combining of the two companies. This buyer invariably contemplates getting rid of large numbers of the seller's associates, the very people who have helped the owner build his business. A caring owner, however – and there are plenty of them – usually does not want to leave his long-time associates sadly singing the old country song: "*She got the goldmine, I got the shaft.*"

The second choice for sellers is the Wall Street buyer. For some years, these purchasers accurately called themselves "leveraged buyout firms." When that term got a bad name in the early 1990s – remember RJR and *Barbarians at the Gate*? – these buyers hastily relabeled themselves "private-equity."

The name may have changed but that was all: Equity is dramatically *reduced* and debt is piled on in virtually all private-equity purchases. Indeed, the amount that a private-equity purchaser offers to the seller is in part determined by the buyer assessing the *maximum* amount of debt that can be placed on the acquired company.

Later, if things go well and equity begins to build, leveraged buy-out shops will often seek to re-leverage with new borrowings. They then typically use part of the proceeds to pay a huge dividend that drives equity sharply downward, sometimes even to a negative figure.

In truth, "equity" is a dirty word for many private-equity buyers; what they love is debt. And, because debt is currently so inexpensive, these buyers can frequently pay top dollar. Later, the business will be resold, often to another leveraged buyer. In effect, the business becomes a piece of merchandise.

Berkshire offers a third choice to the business owner who wishes to sell: a permanent home, in which the company's people and culture will be retained (though, occasionally, management changes will be needed). Beyond that, any business we acquire dramatically increases its financial strength and ability to grow. Its days of dealing with banks and Wall Street analysts are also forever ended.

Some sellers don't care about these matters. But, when sellers do, Berkshire does not have a lot of competition.

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Sometimes pundits propose that Berkshire spin-off certain of its businesses. These suggestions make no sense. Our companies are worth more as part of Berkshire than as separate entities. One reason is our ability to move funds between businesses or into new ventures instantly and without tax. In addition, certain costs duplicate themselves, in full or part, if operations are separated. Here's the most obvious example: Berkshire incurs nominal costs for its single board of directors; were our dozens of subsidiaries to be split off, the overall cost for directors would soar. So, too, would regulatory and administration expenditures.

Finally, there are sometimes important tax efficiencies for Subsidiary A because we own Subsidiary B. For example, certain tax credits that are available to our utilities are currently realizable only because we generate huge amounts of taxable income at other Berkshire operations. That gives Berkshire Hathaway Energy a major advantage over most public-utility companies in developing wind and solar projects.

Investment bankers, being paid as they are for action, constantly urge acquirers to pay 20% to 50% premiums over market price for publicly-held businesses. The bankers tell the buyer that the premium is justified for "control value" and for the wonderful things that are going to happen once the acquirer's CEO takes charge. (What acquisition-hungry manager will challenge *that* assertion?)

A few years later, bankers – bearing straight faces – again appear and just as earnestly urge spinning off the earlier acquisition in order to "unlock shareholder value." Spin-offs, of course, strip the owning company of its purported "control value" without any compensating payment. The bankers explain that the spun-off company will flourish because its management will be more entrepreneurial, having been freed from the smothering bureaucracy of the parent company. (So much for that talented CEO we met earlier.)

If the divesting company later wishes to reacquire the spun-off operation, it presumably would again be urged by its bankers to pay a hefty "control" premium for the privilege. (Mental "flexibility" of this sort by the banking fraternity has prompted the saying that fees too often lead to transactions rather than transactions leading to fees.)

It's possible, of course, that someday a spin-off or sale at Berkshire would be required by regulators. Berkshire carried out such a spin-off in 1979, when new regulations for bank holding companies forced us to divest a bank we owned in Rockford, Illinois.

Voluntary spin-offs, though, make no sense for us: We would lose control value, capital-allocation flexibility and, in some cases, important tax advantages. The CEOs who brilliantly run our subsidiaries now would have difficulty in being as effective if running a spun-off operation, given the operating and financial advantages derived from Berkshire's ownership. Moreover, the parent and the spun-off operations, once separated, would likely incur moderately greater costs than existed when they were combined.

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Before I depart the subject of spin-offs, let's look at a lesson to be learned from a conglomerate mentioned earlier: LTV. I'll summarize here, but those who enjoy a good financial story should read the piece about Jimmy Ling that ran in the October 1982 issue of *D Magazine*. Look it up on the Internet.

Through a lot of corporate razzle-dazzle, Ling had taken LTV from sales of only $36 million in 1965 to number 14 on the Fortune 500 list just two years later. Ling, it should be noted, had never displayed any managerial skills. But Charlie told me long ago to never underestimate the man who overestimates himself. And Ling had no peer in that respect.

Ling's strategy, which he labeled "project redeployment," was to buy a large company and then partially spin off its various divisions. In LTV's 1966 annual report, he explained the magic that would follow: "Most importantly, acquisitions must meet the test of the 2 plus 2 equals 5 (or 6) formula." The press, the public and Wall Street loved this sort of talk.

In 1967 Ling bought Wilson & Co., a huge meatpacker that also had interests in golf equipment and pharmaceuticals. Soon after, he split the parent into three businesses, Wilson & Co. (meatpacking), Wilson Sporting Goods and Wilson Pharmaceuticals, each of which was to be partially spun off. These companies quickly became known on Wall Street as Meatball, Golf Ball and Goof Ball.

Soon thereafter, it became clear that, like Icarus, Ling had flown too close to the sun. By the early 1970s, Ling's empire was melting, and he himself had been spun off from LTV . . . that is, *fired*.

Periodically, financial markets will become divorced from reality – you can count on that. More Jimmy Lings will appear. They will look and sound authoritative. The press will hang on their every word. Bankers will fight for their business. What they are saying will recently have "worked." Their early followers will be feeling very clever. Our suggestion: Whatever their line, never forget that 2+2 will always equal 4. And when someone tells you how old-fashioned that math is --- zip up your wallet, take a vacation and come back in a few years to buy stocks at cheap prices.

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Today Berkshire possesses (1) an unmatched collection of businesses, most of them now enjoying favorable economic prospects; (2) a cadre of outstanding managers who, with few exceptions, are unusually devoted to both the subsidiary they operate *and* to Berkshire; (3) an extraordinary diversity of earnings, premier financial strength and oceans of liquidity that we will maintain under *all* circumstances; (4) a first-choice ranking among many owners and managers who are contemplating sale of their businesses and (5) in a point related to the preceding item, a culture, distinctive in many ways from that of most large companies, that we have worked 50 years to develop and that is now rock-solid.

These strengths provide us a wonderful foundation on which to build.

The Next 50 Years at Berkshire

Now let's take a look at the road ahead. Bear in mind that if I had attempted 50 years ago to gauge what was coming, certain of my predictions would have been far off the mark. With that warning, I will tell you what I would say to my family today if they asked me about Berkshire's future.

- First and definitely foremost, I believe that the chance of permanent capital loss for patient Berkshire shareholders is as low as can be found among single-company investments. That's because our per-share *intrinsic business value* is almost certain to advance over time.

  This cheery prediction comes, however, with an important caution: If an investor's entry point into Berkshire stock is unusually high – at a price, say, approaching double book value, which Berkshire shares have occasionally reached – it may well be many years before the investor can realize a profit. In other words, a sound investment can morph into a rash speculation if it is bought at an elevated price. Berkshire is not exempt from this truth.

  Purchases of Berkshire that investors make at a price modestly above the level at which the company would repurchase its shares, however, should produce gains within a reasonable period of time. Berkshire's directors will only authorize repurchases at a price they believe to be *well below* intrinsic value. (In our view, that is an essential criterion for repurchases that is often ignored by other managements.)

  For those investors who plan to sell within a year or two after their purchase, I can offer *no* assurances, whatever the entry price. Movements of the general stock market during such abbreviated periods will likely be far more important in determining your results than the concomitant change in the intrinsic value of your Berkshire shares. As Ben Graham said many decades ago: "In the short-term the market is a voting machine; in the long-run it acts as a weighing machine." Occasionally, the voting decisions of investors – amateurs and professionals alike – border on lunacy.

  Since I know of no way to reliably predict market movements, I recommend that you purchase Berkshire shares *only* if you expect to hold them for at least five years. Those who seek short-term profits should look elsewhere.

  Another warning: Berkshire shares should not be purchased with borrowed money. There have been three times since 1965 when our stock has fallen about 50% from its high point. Someday, something close to this kind of drop will happen again, and no one knows when. Berkshire will almost certainly be a satisfactory holding for *investors*. But it could well be a disastrous choice for speculators employing leverage.

- I believe the chance of any event causing Berkshire to experience financial problems is essentially zero. We will always be prepared for the thousand-year flood; in fact, if it occurs we will be selling life jackets to the unprepared. Berkshire played an important role as a "first responder" during the 2008-2009 meltdown, and we have since more than doubled the strength of our balance sheet and our earnings potential. Your company is the Gibraltar of American business and will remain so.

  Financial staying power requires a company to maintain three strengths under *all* circumstances: (1) a large and reliable stream of earnings; (2) massive liquid assets and (3) *no* significant near-term cash requirements. Ignoring that last necessity is what usually leads companies to experience unexpected problems: Too often, CEOs of profitable companies feel they will always be able to refund maturing obligations, however large these are. In 2008-2009, many managements learned how perilous that mindset can be.

  Here's how we will *always* stand on the three essentials. First, our earnings stream is huge and comes from a vast array of businesses. Our shareholders now own many large companies that have durable competitive advantages, and we will acquire more of those in the future. Our diversification assures Berkshire's continued profitability, even if a catastrophe causes insurance losses that far exceed any previously experienced.

Next up is cash. At a healthy business, cash is sometimes thought of as something to be minimized – as an unproductive asset that acts as a drag on such markers as return on equity. Cash, though, is to a business as oxygen is to an individual: never thought about when it is present, the only thing in mind when it is absent.

American business provided a case study of that in 2008. In September of that year, many long-prosperous companies suddenly wondered whether their checks would bounce in the days ahead. Overnight, their financial oxygen disappeared.

At Berkshire, our "breathing" went uninterrupted. Indeed, in a three-week period spanning late September and early October, we supplied $15.6 *billion* of fresh money to American businesses.

We could do that because we always maintain at least $20 billion – and usually far more – in cash equivalents. And by that we mean U.S. Treasury bills, not other substitutes for cash that are claimed to deliver liquidity and actually do so, *except* when it is truly needed. When bills come due, only cash is legal tender. Don't leave home without it.

Finally – getting to our third point – we will never engage in operating or investment practices that can result in sudden demands for large sums. That means we will not expose Berkshire to short-term debt maturities of size nor enter into derivative contracts or other business arrangements that could require large collateral calls.

Some years ago, we became a party to certain derivative contracts that we believed were significantly mispriced and that had only minor collateral requirements. These have proved to be quite profitable. Recently, however, newly-written derivative contracts have required full collateralization. And that ended our interest in derivatives, regardless of what profit potential they might offer. We have not, for some years, written these contracts, except for a few needed for operational purposes at our utility businesses.

Moreover, we will not write insurance contracts that give policyholders the right to cash out at their option. Many *life* insurance products contain redemption features that make them susceptible to a "run" in times of extreme panic. Contracts of that sort, however, do not exist in the property-casualty world that we inhabit. If our premium volume should shrink, our float would decline – but only at a very slow pace.

The reason for our conservatism, which may impress some people as extreme, is that it is entirely predictable that people will occasionally panic, but not at all predictable when this will happen. Though practically all days are relatively uneventful, tomorrow is *always* uncertain. (I felt no special apprehension on December 6, 1941 or September 10, 2001.) And if you can't predict what tomorrow will bring, you must be prepared for whatever it does.

A CEO who is 64 and plans to retire at 65 may have his own special calculus in evaluating risks that have only a tiny chance of happening in a given year. He may, in fact, be "right" 99% of the time. Those odds, however, hold no appeal for us. We will never play financial Russian roulette with the funds you've entrusted to us, even if the metaphorical gun has 100 chambers and only one bullet. In our view, it is madness to risk losing what you *need* in pursuing what you simply *desire*.

- Despite our conservatism, I think we will be able *every* year to build the underlying per-share earning power of Berkshire. That does *not* mean operating earnings will increase each year – far from it. The U.S. economy will ebb and flow – though mostly flow – and, when it weakens, so will our current earnings. But we will continue to achieve organic gains, make bolt-on acquisitions and enter new fields. I believe, therefore, that Berkshire will annually add to its *underlying* earning power.

  In some years the gains will be substantial, and at other times they will be minor. Markets, competition, and chance will determine when opportunities come our way. Through it all, Berkshire will keep moving forward, powered by the array of solid businesses we now possess and the new companies we will purchase. In most years, moreover, our country's economy will provide a strong tailwind for business. We are blessed to have the United States as our home field.

- The bad news is that Berkshire's long-term gains – measured by percentages, not by dollars – cannot be dramatic and *will not come close* to those achieved in the past 50 years. The numbers have become too big. I think Berkshire will outperform the average American company, but our advantage, if any, won't be great.

  Eventually – probably between ten and twenty years from now – Berkshire's earnings and capital resources will reach a level that will not allow management to intelligently reinvest all of the company's earnings. At that time our directors will need to determine whether the best method to distribute the excess earnings is through dividends, share repurchases or both. If Berkshire shares are selling below intrinsic business value, massive repurchases will almost certainly be the best choice. You can be comfortable that your directors will make the right decision.

- No company will be more shareholder-minded than Berkshire. For more than 30 years, we have annually reaffirmed our Shareholder Principles (see page 117), always leading off with: "Although our form is corporate, our attitude is partnership." This covenant with you is etched in stone.

  We have an extraordinarily knowledgeable and business-oriented board of directors ready to carry out that promise of partnership. None took the job for the money: In an arrangement almost non-existent elsewhere, our directors are paid only token fees. They receive their rewards instead through ownership of Berkshire shares and the satisfaction that comes from being good stewards of an important enterprise.

  The shares that they and their families own – which, in many cases, are worth very substantial sums – were *purchased* in the market (rather than their materializing through options or grants). In addition, unlike almost all other sizable public companies, we carry no directors and officers liability insurance. At Berkshire, directors walk in your shoes.

  To further ensure continuation of our culture, I have suggested that my son, Howard, succeed me as a *non-executive* Chairman. My only reason for this wish is to make change easier if the wrong CEO should ever be employed and there occurs a need for the Chairman to move forcefully. I can assure you that this problem has a *very* low probability of arising at Berkshire – likely as low as at any public company. In my service on the boards of nineteen public companies, however, I've seen how hard it is to replace a mediocre CEO if that person is also Chairman. (The deed usually gets done, but almost always very late.)

  If elected, Howard will receive no pay and will spend no time at the job other than that required of all directors. He will simply be a safety valve to whom any director can go if he or she has concerns about the CEO and wishes to learn if other directors are expressing doubts as well. Should multiple directors be apprehensive, Howard's chairmanship will allow the matter to be promptly and properly addressed.

- Choosing the right CEO is all-important and is a subject that commands much time at Berkshire board meetings. Managing Berkshire is primarily a job of capital allocation, coupled with the selection and retention of outstanding managers to captain our operating subsidiaries. Obviously, the job also requires the replacement of a subsidiary's CEO when that is called for. These duties require Berkshire's CEO to be a rational, calm and decisive individual who has a broad understanding of business and good insights into human behavior. It's important as well that he knows his limits. (As Tom Watson, Sr. of IBM said, "I'm no genius, but I'm smart in spots and I stay around those spots.")

  Character is crucial: A Berkshire CEO must be "all in" for the company, not for himself. (I'm using male pronouns to avoid awkward wording, but gender should never decide who becomes CEO.) He can't help but earn money far in excess of any possible need for it. But it's important that neither ego nor avarice motivate him to reach for pay matching his most lavishly-compensated peers, even if his achievements far exceed theirs. A CEO's behavior has a huge impact on managers down the line: If it's clear to them that shareholders' interests are paramount to him, they will, with few exceptions, also embrace that way of thinking.

My successor will need one other particular strength: the ability to fight off the ABCs of business decay, which are arrogance, bureaucracy and complacency. When these corporate cancers metastasize, even the strongest of companies can falter. The examples available to prove the point are legion, but to maintain friendships I will exhume only cases from the distant past.

In their glory days, General Motors, IBM, Sears Roebuck and U.S. Steel sat atop huge industries. Their strengths seemed unassailable. But the destructive behavior I deplored above eventually led each of them to fall to depths that their CEOs and directors had not long before thought impossible. Their one-time financial strength and their historical earning power proved no defense.

Only a vigilant and determined CEO can ward off such debilitating forces as Berkshire grows ever larger. He must never forget Charlie's plea: "Tell me where I'm going to die, so I'll never go there." If our non-economic values were to be lost, much of Berkshire's economic value would collapse as well. "Tone at the top" will be key to maintaining Berkshire's special culture.

Fortunately, the structure our future CEOs will need to be successful is firmly in place. The extraordinary delegation of authority now existing at Berkshire is the ideal antidote to bureaucracy. In an operating sense, Berkshire is not a giant company but rather a collection of large companies. At headquarters, we have never had a committee nor have we ever required our subsidiaries to submit budgets (though many use them as an important internal tool). We don't have a legal office nor departments that other companies take for granted: human relations, public relations, investor relations, strategy, acquisitions, you name it.

We do, of course, have an active audit function; no sense being a damned fool. To an unusual degree, however, we trust our managers to run their operations with a keen sense of stewardship. After all, they were doing exactly that before we acquired their businesses. With only occasional exceptions, furthermore, our trust produces better results than would be achieved by streams of directives, endless reviews and layers of bureaucracy. Charlie and I try to interact with our managers in a manner consistent with what we would wish for, if the positions were reversed.

- Our directors believe that our future CEOs should come from internal candidates whom the Berkshire board has grown to know well. Our directors also believe that an incoming CEO should be relatively young, so that he or she can have a long run in the job. Berkshire will operate best if its CEOs average well over ten years at the helm. (It's hard to teach a new dog old tricks.) And they are not likely to retire at 65 either (or have you noticed?).

  In both Berkshire's business acquisitions and large, tailored investment moves, it is important that our counterparties be both familiar with and feel comfortable with Berkshire's CEO. Developing confidence of that sort and cementing relationships takes time. The payoff, though, can be huge.

  Both the board and I believe we now have the right person to succeed me as CEO – a successor ready to assume the job the day after I die or step down. In certain important respects, this person will do a better job than I am doing.

- Investments will always be of great importance to Berkshire and will be handled by several specialists. They will report to the CEO because their investment decisions, in a broad way, will need to be coordinated with Berkshire's operating and acquisition programs. Overall, though, our investment managers will enjoy great autonomy. In this area, too, we are in fine shape for decades to come. Todd Combs and Ted Weschler, each of whom has spent several years on Berkshire's investment team, are first-rate in all respects and can be of particular help to the CEO in evaluating acquisitions.

  All told, Berkshire is ideally positioned for life after Charlie and I leave the scene. We have the right people in place – the right directors, managers and prospective successors to those managers. Our culture, furthermore, is embedded throughout their ranks. Our system is also regenerative. To a large degree, both good and bad cultures self-select to perpetuate themselves. For very good reasons, business owners and operating managers with values similar to ours will continue to be attracted to Berkshire as a one-of-a-kind and *permanent* home.

- I would be remiss if I didn't salute another key constituency that makes Berkshire special: our shareholders. Berkshire truly has an owner base unlike that of any other giant corporation. That fact was demonstrated in spades at last year's annual meeting, where the shareholders were offered a proxy resolution:

  > RESOLVED: Whereas the corporation has more money than it needs and since the owners unlike Warren are not multi billionaires, the board shall consider paying a meaningful annual dividend on the shares.

  The sponsoring shareholder of that resolution never showed up at the meeting, so his motion was not officially proposed. Nevertheless, the proxy votes had been tallied, and they were enlightening.

  Not surprisingly, the A shares – owned by relatively few shareholders, each with a large economic interest – voted "no" on the dividend question by a margin of 89 to 1.

  The remarkable vote was that of our B shareholders. They number in the hundreds of thousands – perhaps even totaling one million – and they voted 660,759,855 "no" and 13,927,026 "yes," a ratio of about 47 to 1.

  Our directors recommended a "no" vote but the company did not otherwise attempt to influence shareholders. Nevertheless, 98% of the shares voting said, in effect, "Don't send us a dividend but instead reinvest all of the earnings." To have our fellow owners – large and small – be so in sync with our managerial philosophy is both remarkable and rewarding.

  I am a lucky fellow to have you as partners.

Warren E. Buffett

Vice Chairman's Thoughts – Past and Future

To the shareholders of Berkshire Hathaway Inc.:

I closely watched the 50-year history of Berkshire's uncommon success under Warren Buffett. And it now seems appropriate that I independently supplement whatever celebratory comment comes from him. I will try to do five things.

(1) Describe the management system and policies that caused a small and unfixably-doomed commodity textile business to morph into the mighty Berkshire that now exists,

(2) Explain how the management system and policies came into being,

(3) Explain, to some extent, why Berkshire did so well,

(4) Predict whether abnormally good results would continue if Buffett were soon to depart, and

(5) Consider whether Berkshire's great results over the last 50 years have implications that may prove useful elsewhere.

The management system and policies of Berkshire under Buffett (herein together called "the Berkshire system") were fixed early and are described below:

(1) Berkshire would be a diffuse conglomerate, averse only to activities about which it could not make useful predictions.
(2) Its top company would do almost all business through separately incorporated subsidiaries whose CEOs would operate with very extreme autonomy.
(3) There would be almost nothing at conglomerate headquarters except a tiny office suite containing a Chairman, a CFO, and a few assistants who mostly helped the CFO with auditing, internal control, etc.
(4) Berkshire subsidiaries would always prominently include casualty insurers. Those insurers as a group would be expected to produce, in due course, dependable underwriting gains while also producing substantial "float" (from unpaid insurance liabilities) for investment.
(5) There would be no significant system-wide personnel system, stock option system, other incentive system, retirement system, or the like, because the subsidiaries would have their own systems, often different.
(6) Berkshire's Chairman would reserve only a few activities for himself.

(i) He would manage almost all security investments, with these normally residing in Berkshire's casualty insurers.

(ii) He would choose all CEOs of important subsidiaries, and he would fix their compensation and obtain from each a private recommendation for a successor in case one was suddenly needed.

(iii) He would deploy most cash not needed in subsidiaries after they had increased their competitive advantage, with the ideal deployment being the use of that cash to acquire new subsidiaries.

(iv) He would make himself promptly available for almost any contact wanted by any subsidiary's CEO, and he would require almost no additional contact.

(v) He would write a long, logical, and useful letter for inclusion in his annual report, designed as he would wish it to be if he were only a passive shareholder, and he would be available for hours of answering questions at annual shareholders' meetings.

(vi) He would try to be an exemplar in a culture that would work well for customers, shareholders, and other incumbents for a long time, both before and after his departure.

(vii) His first priority would be reservation of much time for quiet reading and thinking, particularly that which might advance his determined learning, no matter how old he became; and

(viii) He would also spend much time in enthusiastically admiring what others were accomplishing.

(7) New subsidiaries would usually be bought with cash, not newly issued stock.

(8) Berkshire would not pay dividends so long as more than one dollar of market value for shareholders was being created by each dollar of retained earnings.

(9) In buying a new subsidiary, Berkshire would seek to pay a fair price for a good business that the Chairman could pretty well understand. Berkshire would also want a good CEO in place, one expected to remain for a long time and to manage well without need for help from headquarters.

(10) In choosing CEOs of subsidiaries, Berkshire would try to secure trustworthiness, skill, energy, and love for the business and circumstances the CEO was in.

(11) As an important matter of preferred conduct, Berkshire would almost never sell a subsidiary.

(12) Berkshire would almost never transfer a subsidiary's CEO to another unrelated subsidiary.

(13) Berkshire would never force the CEO of a subsidiary to retire on account of mere age.

(14) Berkshire would have little debt outstanding as it tried to maintain (i) virtually perfect creditworthiness under all conditions and (ii) easy availability of cash and credit for deployment in times presenting unusual opportunities.

(15) Berkshire would always be user-friendly to a prospective seller of a large business. An offer of such a business would get prompt attention. No one but the Chairman and one or two others at Berkshire would ever know about the offer if it did not lead to a transaction. And they would never tell outsiders about it.

Both the elements of the Berkshire system and their collected size are quite unusual. No other large corporation I know of has half of such elements in place.

How did Berkshire happen to get a corporate personality so different from the norm?

Well, Buffett, even when only 34 years old, controlled about 45% of Berkshire's shares and was completely trusted by all the other big shareholders. He could install whatever system he wanted. And he did so, creating the Berkshire system.

Almost every element was chosen because Buffett believed that, under him, it would help maximize Berkshire's achievement. He was not trying to create a one-type-fits-all system for other corporations. Indeed, Berkshire's subsidiaries were not required to use the Berkshire system in their own operations. And some flourished while using different systems.

What was Buffett aiming at as he designed the Berkshire system?

Well, over the years I diagnosed several important themes:

(1) He particularly wanted continuous maximization of the rationality, skills, and devotion of the most important people in the system, starting with himself.
(2) He wanted win/win results everywhere--in gaining loyalty by giving it, for instance.
(3) He wanted decisions that maximized long-term results, seeking these from decision makers who usually stayed long enough in place to bear the consequences of decisions.
(4) He wanted to minimize the bad effects that would almost inevitably come from a large bureaucracy at headquarters.
(5) He wanted to personally contribute, like Professor Ben Graham, to the spread of wisdom attained.

When Buffett developed the Berkshire system, did he foresee all the benefits that followed? No. Buffett stumbled into some benefits through practice evolution. But, when he saw useful consequences, he strengthened their causes.

Why did Berkshire under Buffett do so well?

Only four large factors occur to me:

(1) The constructive peculiarities of Buffett,
(2) The constructive peculiarities of the Berkshire system,
(3) Good luck, and
(4) The weirdly intense, contagious devotion of some shareholders and other admirers, including some in the press.

I believe all four factors were present and helpful. But the heavy freight was carried by the constructive peculiarities, the weird devotion, and their interactions.

In particular, Buffett's decision to limit his activities to a few kinds and to maximize his attention to them, and to keep doing so for 50 years, was a lollapalooza. Buffett succeeded for the same reason Roger Federer became good at tennis.

Buffett was, in effect, using the winning method of the famous basketball coach, John Wooden, who won most regularly after he had learned to assign virtually all playing time to his seven best players. That way, opponents always faced his best players, instead of his second best. And, with the extra playing time, the best players improved more than was normal.

And Buffett much out-Woodened Wooden, because in his case the exercise of skill was concentrated in one person, not seven, and his skill improved and improved as he got older and older during 50 years, instead of deteriorating like the skill of a basketball player does.

Moreover, by concentrating so much power and authority in the often-long-serving CEOs of important subsidiaries, Buffett was also creating strong Wooden-type effects there. And such effects enhanced the skills of the CEOs and the achievements of the subsidiaries.

Then, as the Berkshire system bestowed much-desired autonomy on many subsidiaries and their CEOs, and Berkshire became successful and well known, these outcomes attracted both more and better subsidiaries into Berkshire, and better CEOs as well.

And the better subsidiaries and CEOs then required less attention from headquarters, creating what is often called a "virtuous circle."

How well did it work out for Berkshire to always include casualty insurers as important subsidiaries?

Marvelously well. Berkshire's ambitions were unreasonably extreme and, even so, it got what it wanted.

Casualty insurers often invest in common stocks with a value amounting roughly to their shareholders' equity, as did Berkshire's insurance subsidiaries. And the S&P 500 Index produced about 10% per annum, pre-tax, during the last 50 years, creating a significant tailwind.

And, in the early decades of the Buffett era, common stocks within Berkshire's insurance subsidiaries greatly outperformed the index, exactly as Buffett expected. And, later, when both the large size of Berkshire's stockholdings and income tax considerations caused the index-beating part of returns to fade to insignificance (perhaps not forever), other and better advantage came. Ajit Jain created out of nothing an immense reinsurance business that produced both a huge "float" and a large underwriting gain. And all of GEICO came into Berkshire, followed by a quadrupling of GEICO's market share. And the rest of Berkshire's insurance operations hugely improved, largely by dint of reputational advantage, underwriting discipline, finding and staying within good niches, and recruiting and holding outstanding people.

Then, later, as Berkshire's nearly unique and quite dependable corporate personality and large size became well known, its insurance subsidiaries got and seized many attractive opportunities, not available to others, to buy privately issued securities. Most of these securities had fixed maturities and produced outstanding results.

Berkshire's marvelous outcome in insurance was not a natural result. Ordinarily, a casualty insurance business is a producer of mediocre results, even when very well managed. And such results are of little use. Berkshire's better outcome was so astoundingly large that I believe that Buffett would now fail to recreate it if he returned to a small base while retaining his smarts and regaining his youth.

Did Berkshire suffer from being a diffuse conglomerate? No, its opportunities were usefully enlarged by a widened area for operation. And bad effects, common elsewhere, were prevented by Buffett's skills.

Why did Berkshire prefer to buy companies with cash, instead of its own stock? Well, it was hard to get anything in exchange for Berkshire stock that was as valuable as what was given up.

Why did Berkshire's acquisition of companies outside the insurance business work out so well for Berkshire shareholders when the normal result in such acquisitions is bad for shareholders of the acquirer?

Well, Berkshire, by design, had methodological advantages to supplement its better opportunities. It never had the equivalent of a "department of acquisitions" under pressure to buy. And it never relied on advice from "helpers" sure to be prejudiced in favor of transactions. And Buffett held self-delusion at bay as he underclaimed expertise while he knew better than most corporate executives what worked and what didn't in business, aided by his long experience as a passive investor. And, finally, even when Berkshire was getting much better opportunities than most others, Buffett often displayed almost inhuman patience and seldom bought. For instance, during his first ten years in control of Berkshire, Buffett saw one business (textiles) move close to death and two new businesses come in, for a net gain of one.

What were the big mistakes made by Berkshire under Buffett? Well, while mistakes of commission were common, almost all huge errors were in not making a purchase, including not purchasing Walmart stock when that was sure to work out enormously well. The errors of omission were of much importance. Berkshire's net worth would now be at least $50 billion higher if it had seized several opportunities it was not quite smart enough to recognize as virtually sure things.

The next to last task on my list was: Predict whether abnormally good results would continue at Berkshire if Buffett were soon to depart.

The answer is yes. Berkshire has in place in its subsidiaries much business momentum grounded in much durable competitive advantage.

Moreover, its railroad and utility subsidiaries now provide much desirable opportunity to invest large sums in new fixed assets. And many subsidiaries are now engaged in making wise "bolt-on" acquisitions.

Provided that most of the Berkshire system remains in place, the combined momentum and opportunity now present is so great that Berkshire would almost surely remain a better-than-normal company for a very long time even if (1) Buffett left tomorrow, (2) his successors were persons of only moderate ability, and (3) Berkshire never again purchased a large business.

But, under this Buffett-soon-leaves assumption, his successors would not be "of only moderate ability." For instance, Ajit Jain and Greg Abel are proven performers who would probably be under-described as "world-class." "World-leading" would be the description I would choose. In some important ways, each is a better business executive than Buffett.

And I believe neither Jain nor Abel would (1) leave Berkshire, no matter what someone else offered or (2) desire much change in the Berkshire system.

Nor do I think that desirable purchases of new businesses would end with Buffett's departure. With Berkshire now so large and the age of activism upon us, I think some desirable acquisition opportunities will come and that Berkshire's $60 billion in cash will constructively decrease.

My final task was to consider whether Berkshire's great results over the last 50 years have implications that may prove useful elsewhere.

The answer is plainly yes. In its early Buffett years, Berkshire had a big task ahead: turning a tiny stash into a large and useful company. And it solved that problem by avoiding bureaucracy and relying much on one thoughtful leader for a long, long time as he kept improving and brought in more people like himself.

Compare this to a typical big-corporation system with much bureaucracy at headquarters and a long succession of CEOs who come in at about age 59, pause little thereafter for quiet thought, and are soon forced out by a fixed retirement age.

I believe that versions of the Berkshire system should be tried more often elsewhere and that the worst attributes of bureaucracy should much more often be treated like the cancers they so much resemble. A good example of bureaucracy fixing was created by George Marshall when he helped win World War II by getting from Congress the right to ignore seniority in choosing generals.

Sincerely,

Charles T. Munger

BERKSHIRE HATHAWAY INC.
NEWS RELEASE

FOR IMMEDIATE RELEASE **February 18, 2025**

OMAHA, NE—Berkshire Hathaway Inc.'s 2024 Annual Report to the shareholders will be posted on the Internet on Saturday, February 22, 2025, at approximately 8:00 a.m. eastern time where it can be accessed at www.berkshirehathaway.com. Concurrent with the posting of the Annual Report, Berkshire will also issue an earnings release.

The Annual Report will include Warren Buffett's annual letter to shareholders as well as information about Berkshire's financial position and results of operations. The Annual Report will also include information regarding Berkshire's Shareholders Meeting to be held on Saturday, May 3, 2025 and related events.

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

— END —

Contact
Marc D. Hamburg
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BERKSHIRE HATHAWAY INC.

NEWS RELEASE

FOR IMMEDIATE RELEASE **February 22, 2025**

Omaha, NE (BRK.A; BRK.B) –

Berkshire's operating results for the fourth quarter and full year of 2024 and 2023 are summarized in the following paragraphs. However, we urge investors and reporters to read our 2024 Annual Report, which has been posted at www.berkshirehathaway.com. *The limited information that follows in this press release is not adequate for making an informed investment judgment*.

Earnings of Berkshire Hathaway Inc. and its consolidated subsidiaries for the fourth quarter and full year of 2024 and 2023 are summarized below. Earnings are stated on an after-tax basis. (Dollar amounts are in millions, except for per share amounts).

	Fourth Quarter		Full Year	
	2024	2023	2024	2023
Net earnings attributable to Berkshire shareholders	$ 19,694	$ 37,574	$ 88,995	$ 96,223
Net earnings includes:				
Investment gains/losses	5,167	29,093	41,558	58,873
Operating earnings	14,527	8,481	47,437	37,350
Net earnings attributable to Berkshire shareholders	$ 19,694	$ 37,574	$ 88,995	$ 96,223
Net earnings per average equivalent Class A Share	$ 13,695	$ 26,043	$ 61,900	$ 66,412
Net earnings per average equivalent Class B Share	$ 9.13	$ 17.36	$ 41.27	$ 44.27
Average equivalent Class A shares outstanding	1,438,022	1,442,785	1,437,720	1,448,880
Average equivalent Class B shares outstanding	2,157,034,121	2,164,177,636	2,156,580,296	2,173,319,709

Note: Per share amounts for the Class B shares are 1/1,500th of those shown for the Class A.

Generally Accepted Accounting Principles ("GAAP") require that we include the changes in unrealized gains/losses of our equity security investments as a component of investment gains/losses in our earnings statements. In the table above, investment gains/losses in 2024 include after-tax gains of $2.1 billion in the fourth quarter and after-tax losses of $38.1 billion in the full year and in 2023 include after-tax gains of $29.5 billion in the fourth quarter and $53.0 billion in the full year due to *changes* during the fourth quarter and the full year in the *unrealized* gains that existed in our equity security investment holdings. Investment gains/losses in 2024 include after-tax *realized* gains of $3.1 billion in the fourth quarter and $79.6 billion for the full year and in 2023 include after-tax *realized* losses on sales of investments of $330 million in the fourth quarter and after-tax realized gains of $3.6 billion in the full year. In 2023 investment gains also include a net remeasurement gain of approximately $2.4 billion related to Berkshire's acquisition of an additional 41.4% interest in Pilot Travel Centers.

The amount of investment gains/losses in any given quarter is usually meaningless and delivers figures for net earnings per share that can be extremely misleading to investors who have little or no knowledge of accounting rules.

An analysis of Berkshire's operating earnings follows (dollar amounts are in millions).

	Fourth Quarter		Full Year	
	2024	2023	2024	2023
Insurance-underwriting	$ 3,409	$ 848	$ 9,020	$ 5,428
Insurance-investment income	4,088	2,759	13,670	9,567
BNSF	1,278	1,355	5,031	5,087
Berkshire Hathaway Energy Company	729	632	3,730	2,331
Other controlled businesses	3,262	3,270	13,072	13,362
Non-controlled businesses	695	421	1,519	1,750
Other*	1,066	(804)	1,395	(175)
Operating earnings	$14,527	$ 8,481	$47,437	$37,350

* *Includes foreign currency exchange gains related to non-U.S. Dollar denominated debt of approximately $1.2 billion in the fourth quarter and $1.1 billion in the full year 2024 and in 2023 includes foreign currency exchange losses of approximately $684 million in the fourth quarter and gains of approximately $211 million in the full year.*

Berkshire used approximately $2.9 billion to repurchase Berkshire shares during 2024. On December 31, 2024 there were 1,438,223 Class A equivalent shares outstanding. At December 31, 2024, insurance float (the net liabilities we assume under insurance contracts) was approximately $171 billion, an increase of $2 billion since yearend 2023.

Use of Non-GAAP Financial Measures

This press release includes certain non-GAAP financial measures. The reconciliations of such measures to the most comparable GAAP figures in accordance with Regulation G are included herein.

Berkshire presents its results in the way it believes will be most meaningful and useful, as well as most transparent, to the investing public and others who use Berkshire's financial information. That presentation includes the use of certain non-GAAP financial measures. In addition to the GAAP presentations of net earnings, Berkshire shows operating earnings defined as net earnings exclusive of investment gains/losses.

Although the investment of insurance and reinsurance premiums to generate investment income and investment gains or losses is an integral part of Berkshire's operations, the generation of investment gains or losses is independent of the insurance underwriting process. Moreover, as previously described, under applicable GAAP accounting requirements, we are required to include the changes in unrealized gains/losses of our equity security investments as a component of investment gains/losses in our periodic earnings statements. In sum, investment gains/losses for any particular period are not indicative of quarterly business performance.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

Cautionary Statement

Certain statements contained in this press release are "forward looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guaranties of future performance and actual results may differ materially from those forecasted.

— END —

Contact
Marc D. Hamburg
402-346-1400

BERKSHIRE HATHAWAY INC.

NEWS RELEASE

FOR IMMEDIATE RELEASE **March 24, 2025**

Omaha, NE (BRK.A; BRK.B) –

Berkshire Hathaway Inc. is pleased to announce that an employee of FlightSafety International Inc.is the winner of Berkshire's 2025 Bracket Contest. The contest winner will be receiving the winning prize of $1,000,000 as a result of correctly picking the winners of 31 out of 32 games of the NCAA Men's Basketball Tournament that were completed last Thursday and Friday.

The winner of the contest along with eleven other Berkshire subsidiary employee entrants correctly picked the winners of 31 of the 32 games. Our winner selected the first 29 games correctly from the start of the tournament before incorrectly picking the winner of game 30 (Xavier vs. Illinois). The eleven runners up entrants who each selected fewer consecutive games correctly from the start of the tournament last Thursday will each receive $100,000.

The winner's credentials were further burnished on Saturday and Sunday by the prediction of 13 straight winners and bringing the winner's overall record for the first 45 games to 44 winners and one loss.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

— END —

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BERKSHIRE HATHAWAY INC.

NEWS RELEASE

FOR IMMEDIATE RELEASE **April 4, 2025**

Omaha, NE (BRK.A; BRK.B) –

There are reports currently circulating on social media (including Twitter, Facebook and Tik Tok) regarding comments allegedly made by Warren E. Buffett. All such reports are false.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

— END —

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BERKSHIRE HATHAWAY INC.
Information Regarding First Quarter Earnings Release
and 2025 Annual Shareholders Meeting

FOR IMMEDIATE RELEASE **April 30, 2025**

Omaha, NE (BRK.A; BRK.B) – Berkshire Hathaway Inc.'s first quarter earnings release and its quarterly report on Form 10-Q will be posted on the Internet on Saturday, May 3, 2025, at approximately 7:00 a.m. Central time where it can be accessed at www.berkshirehathaway.com.

Berkshire Hathaway will hold its 2025 Annual Shareholders Meeting on Saturday May 3, 2025. Prior to the Annual Shareholders Meeting, Warren Buffett, Berkshire's Chairman and Chief Executive Officer, Greg Abel, Vice Chairman Non-Insurance Operations and Ajit Jain, Vice Chairman Insurance Operations, will hold a question-and-answer session that will commence at 8:00 a.m. Central time. The question-and-answer session will be broadcast on CNBC and webcast on CNBC.com. The broadcast on CNBC and webcast will begin at 7:30 a.m. Central time. Visit www.cnbc.com/brklive.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, freight rail transportation, utilities and energy, manufacturing services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

Cautionary Statement

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— END —

Contact
Marc D. Hamburg
402-346-1400

BERKSHIRE HATHAWAY INC.

FIRST QUARTER 2025 EARNINGS RELEASE

FOR IMMEDIATE RELEASE **May 3, 2025**

Omaha, NE (BRK.A; BRK.B) –

Berkshire's operating results for the first quarters of 2025 and 2024 are summarized in the following paragraphs. However, we urge investors and reporters to read our 10-Q, which has been posted at www.berkshirehathaway.com. *The limited information that follows in this press release is not adequate for making an informed investment judgment.*

Earnings of Berkshire Hathaway Inc. and its consolidated subsidiaries for the first quarters of 2025 and 2024 are summarized below. Earnings are stated on an after-tax basis. (Dollar amounts are in millions, except for per share amounts).

	First Quarter	
	2025	2024
Net earnings attributable to Berkshire shareholders	$ 4,603	$ 12,702
Net earnings includes:		
Investment gains (losses)	(5,038)	1,480
Operating earnings	9,641	11,222
Net earnings attributable to Berkshire shareholders	$ 4,603	$ 12,702
Net earnings per average equivalent Class A Share	$ 3,200	$ 8,825
Net earnings per average equivalent Class B Share*	$ 2.13	$ 5.88
Average equivalent Class A shares outstanding	1,438,223	1,439,370
Average equivalent Class B shares outstanding	2,157,335,139	2,159,055,134

* *Per share amounts for the Class B shares are 1/1,500th of those shown for Class A.*

Generally Accepted Accounting Principles ("GAAP") require that we include the changes in unrealized gains/losses of our equity security investments as a component of investment gains (losses) in our earnings statements. In the table above, investment gains (losses) include losses of approximately $7.4 billion in the first quarter of 2025 and $9.7 billion in the first quarter of 2024 due to *changes* during the first quarters of 2025 and 2024 in the amount of *unrealized* gains that existed in our equity security investment holdings. Investment gains (losses) also include after-tax *realized* gains on sales of investments of $2.4 billion in the first quarter of 2025 and $11.2 billion in the first quarter of 2024.

The amount of investment gains (losses) in any given quarter is usually meaningless and delivers figures for net earnings per share that can be extremely misleading to investors who have little or no knowledge of accounting rules.

An analysis of Berkshire's operating earnings follows (dollar amounts are in millions).

	First Quarter	
	2025	2024
Insurance-underwriting	$ 1,336	$ 2,598
Insurance-investment income	2,893	2,598
BNSF	1,214	1,143
Berkshire Hathaway Energy Company	1,097	717
Manufacturing, service and retailing businesses	3,060	3,088
Other*	41	1,078
Operating earnings	$ 9,641	$11,222

* *Includes foreign currency exchange losses of approximately $713 million in 2025 and foreign currency exchange gains of approximately $597 million in 2024 related to non-U.S. Dollar denominated debt. Also includes interest and dividend income related to U.S. Treasury Bills and other investments not directly owned by a Berkshire insurance subsidiary or certain non-insurance operating companies of $869 million in 2025 and $303 million in 2024.*

On March 31, 2025, there were 1,438,223 Class A equivalent shares outstanding. At March 31, 2025, insurance float (the net liabilities we assume under insurance contracts) was approximately $173 billion, an increase of $2 billion since yearend 2024.

Use of Non-GAAP Financial Measures

This press release includes certain non-GAAP financial measures. The reconciliations of such measures to the most comparable GAAP figures in accordance with Regulation G are included herein.

Berkshire presents its results in the way it believes will be most meaningful and useful, as well as most transparent, to the investing public and others who use Berkshire's financial information. That presentation includes the use of certain non-GAAP financial measures. In addition to the GAAP presentations of net earnings, Berkshire shows operating earnings defined as net earnings exclusive of investment gains (losses).

Although the investment of insurance and reinsurance premiums to generate investment income and investment gains or losses is an integral part of Berkshire's operations, the generation of investment gains or losses is independent of the insurance underwriting process. Moreover, as previously described, under applicable GAAP accounting requirements, we are required to include the changes in unrealized gains (losses) of our equity security investments as a component of investment gains (losses) in our periodic earnings statements. In sum, investment gains (losses) for any particular period are not indicative of quarterly business performance.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, freight rail transportation, utilities and energy, manufacturing services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

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— END —

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BERKSHIRE HATHAWAY INC.

NEWS RELEASE

FOR IMMEDIATE RELEASE **May 5, 2025**

Omaha, NE (BRK.A; BRK.B) –

At a question and answer session that preceded Berkshire Hathaway's Annual Shareholders Meeting that was held on May 3, 2025, Warren Buffett Berkshire's Chairman and CEO announced that he was going to recommend to Berkshire's Board of Directors at its meeting to be held on the next day that Greg Abel, Berkshire's Vice Chairman Non-Insurance Operations be appointed Berkshire's Chief Executive Officer to become effective on January 1, 2026. On May 4, 2025, Berkshire's Board of Directors voted unanimously to appoint Greg Abel to become Berkshire's President and CEO effective on January 1, 2026. Warren Buffett will remain the Chairman of the Board of Directors.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

— END —

Contact
Marc D. Hamburg
402-346-1400

BERKSHIRE HATHAWAY INC.
Information Regarding Second Quarter Earnings Release

FOR IMMEDIATE RELEASE **July 30, 2025**

Omaha, NE (BRK.A; BRK.B) – Berkshire Hathaway Inc.'s second quarter earnings release and its quarterly report on Form 10-Q will be posted on the Internet on Saturday, August 2, 2025, at approximately 7:00 a.m. Central time where it can be accessed at www.berkshirehathaway.com.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

Cautionary Statement

Certain statements contained in this press release are "forward looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Berkshire assumes no obligation and does not intend to update these forward-looking statements.

— END —

Contact
Marc D. Hamburg
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Berkshire Hathaway Inc. to Acquire OxyChem

OMAHA and HOUSTON, October 2, 2025 – Berkshire Hathaway (NYSE: BRK) and Occidental (NYSE: OXY) today announced a definitive agreement for Berkshire Hathaway to acquire Occidental's chemical business, OxyChem, in an all-cash transaction for $9.7 billion, subject to customary purchase price adjustments. OxyChem is a global manufacturer of commodity chemicals vital to quality of life, with applications in water treatment, pharmaceuticals, healthcare and commercial and residential development.

"This transaction strengthens our financial position and catalyzes a significant resource opportunity we've been building in our oil and gas business for the last decade. I'm incredibly proud of the impressive work the team has done to create this strategic opportunity that will unlock 20+ years of low-cost resource runway and deliver meaningful near and long-term value," said Vicki Hollub, President and Chief Executive Officer. "OxyChem has grown under Occidental into a well-run, safely operated business with best-in-class employees, and we are confident the business and those employees will continue to thrive under Berkshire Hathaway's ownership."

"Berkshire is acquiring a robust portfolio of operating assets, supported by an accomplished team," said Greg Abel, Vice Chairman of Non-Insurance Operations at Berkshire. "We look forward to welcoming OxyChem as an operating subsidiary within Berkshire. We commend Vicki and the Occidental team for their commitment to Occidental's long-term financial stability, as demonstrated by their plan to use proceeds to reinforce the company's balance sheet."

Transaction Details

Under the terms of the agreement, Occidental will sell OxyChem to Berkshire Hathaway for cash consideration of $9.7 billion, subject to customary purchase price adjustments. Occidental expects to use $6.5 billion of the transaction proceeds to reduce debt and achieve the target of principal debt below $15 billion set following the December 2023 announcement of its CrownRock acquisition. An Occidental subsidiary will retain OxyChem's legacy environmental liabilities, and Glenn Springs Holdings Inc. will continue to manage existing remedial projects for that subsidiary. The transaction is expected to close in the fourth quarter of 2025, subject to regulatory approvals and other customary closing conditions. Additional details are available in a presentation on the investor section of Occidental's website.

About Berkshire Hathaway

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

About Occidental

Occidental is an international energy company with assets primarily in the United States, the Middle East and North Africa. We are one of the largest oil and gas producers in the U.S., including a leading producer in the Permian and DJ basins, and offshore Gulf of America. Our midstream and marketing segment provides flow assurance and maximizes the value of our oil and gas, and includes our Oxy Low Carbon Ventures subsidiary, which is advancing leading-edge technologies and business solutions that economically grow our business while reducing emissions. Our chemical subsidiary OxyChem manufactures the building blocks for life-enhancing products. We are dedicated to using our global leadership in carbon management to advance a lower-carbon world. Visit oxy.com for more information.

Advisors

Occidental's financial advisor is Barclays and its legal counsel is Cravath, Swaine & Moore LLP.

Occidental's Cautionary Note Regarding Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements about Occidental's expectations, beliefs, plans or forecasts, including the proposed sale of Occidental's chemical business to Berkshire Hathaway Inc. (Berkshire) and the benefits of such sale. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Actual outcomes or results may differ from anticipated results, sometimes materially. Factors that could cause results to differ from those projected or assumed in any forward-looking statement include, but are not limited to: Occidental's ability to consummate the proposed transaction with Berkshire (the Transaction); the possibility that any or all of the conditions to the Transaction may not be satisfied or waived, including the failure to obtain the regulatory approvals required for the Transaction on the terms expected or on the anticipated schedule or at all; the occurrence of any event, change or other circumstance that could give rise to the termination of the purchase agreement relating to the Transaction; the effect of the announcement or pendency of the Transaction on our ability to attract, motivate or retain key executives and employees, our ability to maintain relationships with our customers, vendors, service providers and others with whom we do business, or our operating results and business generally; risks related to the Transaction diverting management's attention from our ongoing business operations; that the Transaction may not achieve some or all or any of the anticipated benefits or be completed in accordance with expected plans and timelines; general economic conditions, including slowdowns and recessions, domestically or internationally; Occidental's indebtedness and other payment obligations, including the need to generate sufficient cash flows to fund operations; Occidental's ability to successfully monetize select assets and repay or refinance debt and the impact of changes in Occidental's credit ratings or future increases in interest rates; assumptions about energy markets; global and local commodity and commodity-futures pricing fluctuations and volatility; supply and demand considerations for, and the prices of, Occidental's products and services; actions by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC oil producing countries; results from operations and competitive conditions; future impairments of Occidental's proved and unproved oil and gas properties or equity investments, or write-downs of productive assets, causing charges to earnings; unexpected changes in costs; government actions (including the effects of announced or future tariff increases and other geopolitical, trade, tariff, fiscal and regulatory uncertainties), war (including the Russia-Ukraine war and conflicts in the Middle East) and political conditions and events; inflation, its impact on markets and economic activity and related monetary policy actions by governments in response to inflation; availability of capital resources, levels of capital expenditures and contractual obligations; the regulatory approval environment, including Occidental's ability to timely obtain or maintain permits or other government approvals, including those necessary for drilling and/or development projects; Occidental's ability to successfully complete, or any material delay of, field developments, expansion projects, capital expenditures, efficiency projects, acquisitions or divestitures; risks associated with acquisitions, mergers and joint ventures, such as difficulties integrating businesses, uncertainty associated with financial projections or projected synergies, restructuring, increased costs and adverse tax consequences; uncertainties and liabilities associated with acquired and divested properties and businesses; uncertainties about the estimated quantities of oil, natural gas liquids (NGL) and natural gas reserves; lower-than-expected production from development projects or acquisitions; Occidental’s ability to realize the anticipated benefits from prior or future streamlining actions to reduce fixed costs, simplify or improve processes and improve Occidental’s competitiveness; exploration, drilling and other operational risks; disruptions to, capacity constraints in, or other limitations on the pipeline systems that deliver Occidental’s oil and natural gas and other processing and transportation considerations; volatility in the securities, capital or credit markets, including capital market disruptions and instability of financial institutions; health, safety and environmental (HSE) risks, costs and liability under existing or future federal, regional, state, provincial, tribal, local and international HSE laws, regulations and litigation (including related to climate change or remedial actions or assessments); legislative or regulatory changes, including changes relating to hydraulic fracturing or other oil and natural gas operations, retroactive royalty or production tax regimes, and deep-water and onshore drilling and permitting regulations; Occidental’s ability to recognize intended benefits from its business strategies and initiatives, such as Occidental’s low-carbon ventures businesses or announced greenhouse gas emissions reduction targets or net-zero goals; changes in government grant or loan programs; potential liability resulting from pending or future litigation, government investigations and other proceedings; disruption or interruption of production or manufacturing or facility damage due to accidents, chemical releases, labor unrest, weather, power outages, natural disasters, cyber-attacks, terrorist acts or insurgent activity; the scope and duration of global or regional health pandemics or epidemics and actions taken by government authorities and other third parties in connection therewith; the creditworthiness and performance of Occidental’s counterparties, including financial institutions, operating partners and other parties; failure of risk management; Occidental’s ability to retain and hire key personnel; supply, transportation and labor constraints; reorganization or restructuring of Occidental’s operations; changes in state, federal or international tax rates, deductions, incentives or credits; and actions by third parties that are beyond Occidental's control. Words such as “estimate,” “project,” “predict,” “will,” “would,” “should,” “could,” “may,” “might,” “anticipate,” “plan,” “intend,” “believe,” "think," "envision," “expect,” “aim,” “goal,” “target,” “objective,” “commit,” “advance,” “guidance,” “priority,” “focus,” “assumption,” “likely” or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release unless an earlier date is specified. Unless legally required, Occidental does not undertake any obligation to update, modify or withdraw any forward-looking statement as a result of new information, future events or otherwise. Other factors that could cause actual results to differ from those described in any forward-looking statement appear in Part I, Item 1A “Risk Factors” of Occidental’s Annual Report on Form 10-K for the year ended December 31, 2024 and in Occidental’s other filings with the U.S. Securities and Exchange Commission.

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BERKSHIRE HATHAWAY INC.
Information Regarding Third Quarter Earnings Release

FOR IMMEDIATE RELEASE **October 29, 2025**

Omaha, NE (BRK.A; BRK.B) – Berkshire Hathaway Inc.'s third quarter earnings release and its quarterly report on Form 10-Q will be posted on the Internet on Saturday, November 1, 2025, at approximately 7:00 a.m. Central time where it can be accessed at www.berkshirehathaway.com.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

Cautionary Statement

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— END —

Contact
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BERKSHIRE HATHAWAY INC.

NEWS RELEASE

FOR IMMEDIATE RELEASE **November 1, 2025**

Omaha, NE (BRK.A; BRK.B) –

Berkshire's operating results for the third quarter and first nine months of 2025 and 2024 are summarized in the following paragraphs. However, we urge investors and reporters to read our 10-Q, which has been posted at www.berkshirehathaway.com. *The limited information that follows in this press release is not adequate for making an informed investment judgment.*

Earnings of Berkshire Hathaway Inc. and its consolidated subsidiaries for the third quarter and first nine months of 2025 and 2024 are summarized below. Earnings are stated on an after-tax basis. (Dollar amounts are in millions, except for per share amounts).

	Third Quarter		First Nine Months	
	2025	2024	2025	2024
Net earnings attributable to Berkshire shareholders	$ 30,796	$ 26,251	$ 47,769	$ 69,301
Net earnings includes:				
Investment gains (losses)	17,311	16,161	17,243	36,391
Other-than-temporary impairment of investment in Kraft Heinz	—	—	(3,760)	—
Operating earnings	13,485	10,090	34,286	32,910
Net earnings attributable to Berkshire shareholders	$ 30,796	$ 26,251	$ 47,769	$ 69,301
Net earnings per average equivalent Class A Share	$ 21,413	$ 18,272	$ 33,214	$ 48,205
Net earnings per average equivalent Class B Share	$ 14.28	$ 12.18	$ 22.14	$ 32.14
Average equivalent Class A shares outstanding	1,438,223	1,436,706	1,438,223	1,437,619
Average equivalent Class B shares outstanding	2,157,335,139	2,155,058,383	2,157,335,139	2,156,427,917

Note: Per share amounts for the Class B shares are 1/1,500th of those shown for the Class A.

Generally Accepted Accounting Principles ("GAAP") require that we include the changes in unrealized gains (losses) of our equity security investments as a component of investment gains (losses) in our earnings statements. In the table above, investment gains (losses) in 2025 include gains of $9.2 billion in the third quarter and $3.3 billion in the first nine months and in 2024 include losses of $2.2 billion in the third quarter and $40.1 billion in the first nine months due to *changes* during the third quarter and the first nine months in the *unrealized* gains that existed in our equity security investment holdings. Investment gains (losses) in 2025 also include after-tax realized gains on sales of investments of $8.2 billion in the third quarter and $14.8 billion in the first nine months and in 2024 include gains of $18.4 billion in the third quarter and $76.5 billion in the first nine months.

The amount of investment gains (losses) in any given quarter is usually meaningless and delivers figures for net earnings per share that can be extremely misleading to investors who have little or no knowledge of accounting rules.

An analysis of Berkshire's operating earnings follows (dollar amounts are in millions).

	Third Quarter		First Nine Months	
	2025	2024	2025	2024
Insurance-underwriting	$ 2,369	$ 750	$ 5,697	$ 5,611
Insurance-investment income	3,181	3,664	9,441	9,582
BNSF	1,449	1,383	4,129	3,753
Berkshire Hathaway Energy Company	1,489	1,629	3,288	3,001
Manufacturing, service and retailing	3,616	3,342	10,277	9,810
Other*	1,381	(678)	1,454	1,153
Operating earnings	$13,485	$10,090	$34,286	$32,910

* (1) *Includes foreign currency exchange gains related to non-U.S. Dollar denominated debt in 2025 of approximately $331 million in the third quarter and losses of $1.3 billion in the first nine months and in 2024 includes foreign currency exchange losses related to non-U.S. Dollar denominated debt of approximately $1.1 billion in the third quarter and $98 million in the first nine months.*

(2) *Includes after-tax interest, dividend and other investment income of Berkshire Hathaway (parent company) and certain other related entities in 2025 of $904 million in the third quarter and $2.6 billion in the first nine months and in 2024 includes $371 million in the third quarter and $995 million in the first nine months.*

On September 30, 2025 there were 1,438,223 Class A equivalent shares outstanding. At September 30, 2025, insurance float (the net liabilities we assume under insurance contracts) was approximately $176 billion, an increase of $5 billion since yearend 2024.

Use of Non-GAAP Financial Measures

This press release includes certain non-GAAP financial measures. The reconciliations of such measures to the most comparable GAAP figures in accordance with Regulation G are included herein.

Berkshire presents its results in the way it believes will be most meaningful and useful, as well as most transparent, to the investing public and others who use Berkshire's financial information. That presentation includes the use of certain non-GAAP financial measures. In addition to the GAAP presentations of net earnings, Berkshire shows operating earnings defined as net earnings exclusive of investment gains (losses), impairments of goodwill and intangible assets and other-than-temporary impairments of equity method investments.

Although the investment of insurance and reinsurance premiums to generate investment income and investment gains or losses is an integral part of Berkshire's operations, the generation of investment gains or losses is independent of the insurance underwriting process. Moreover, as previously described, under applicable GAAP accounting requirements, we are required to include the changes in unrealized gains/losses of our equity security investments as a component of investment gains/losses in our periodic earnings statements. In sum, investment gains/losses for any particular period are not indicative of quarterly business performance.

About Berkshire

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Cautionary Statement

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— END —

Contact
Marc D. Hamburg
402-346-1400

BERKSHIRE HATHAWAY INC.

NEWS RELEASE

FOR IMMEDIATE RELEASE **November 10, 2025**

Omaha, NE (BRK.A; BRK.B) –

Today, Warren E. Buffett converted 1,800 A shares into 2,700,000 B shares in order to give these B shares to four family foundations: 1,500,000 shares to The Susan Thompson Buffett Foundation and 400,000 shares to each of The Sherwood Foundation, The Howard G. Buffett Foundation and NoVo Foundation. These donations have been delivered today.

Mr. Buffett's comments to his fellow shareholders follow:

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

To My Fellow Shareholders:

I will no longer be writing Berkshire's annual report or talking endlessly at the annual meeting. As the British would say, I'm "going quiet."

Sort of.

Greg Abel will become the boss at yearend. He is a great manager, a tireless worker and an honest communicator. Wish him an extended tenure.

I will continue talking to you and my children about Berkshire via my annual Thanksgiving message. Berkshire's individual shareholders are a *very* special group who are unusually generous in sharing their gains with others less fortunate. I enjoy the chance to keep in touch with you. Indulge me this year as I first reminisce a bit. After that, I will discuss the plans for distribution of my Berkshire shares. Finally, I will offer a few business and personal observations.

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

As Thanksgiving approaches, I'm grateful and surprised by my luck in being alive at 95. When I was young, this outcome did *not* look like a good bet. Early on, I nearly died.

It was 1938 and Omaha hospitals were then thought of by its citizens as either Catholic or Protestant, a classification that seemed natural at the time.

Our family doctor, Harley Hotz, was a friendly Catholic who made house calls toting a black bag. Dr. Hotz called me Skipper and never charged much for his visits. When I experienced a bad bellyache in 1938, Dr. Hotz came by and, after probing a bit, told me I would be OK in the morning.

He then went home, had dinner and played a little bridge. Dr. Hotz couldn't, however, get my somewhat peculiar symptoms out of his mind and later that night he dispatched me to St. Catherine's Hospital for an emergency appendectomy. During the next three weeks, I felt like I was in a nunnery, and began enjoying my new "podium." I liked to talk – yes, even then – and the nuns embraced me.

To top things off, Miss Madsen, my third-grade teacher, told my 30 classmates to each write me a letter. I probably threw away the letters from the boys but read and reread those from the girls; hospitalization had its rewards.

The highlight of my recovery – which actually was dicey for much of the first week – was a gift from my wonderful Aunt Edie. She brought me a very professional-looking fingerprinting set, and I promptly fingerprinted all of my attending nuns. (I was probably the first Protestant kid they had seen at St. Catherine's and they didn't know what to expect.)

My theory – totally nutty, of course – was that someday a nun would go bad and the FBI would find that they had neglected to fingerprint nuns. The FBI and its director, J. Edgar Hoover, had become revered by Americans in the 1930s, and I envisioned Mr. Hoover, himself, coming to Omaha to inspect my invaluable collection. I further fantasized that J. Edgar and I would quickly identify and apprehend the wayward nun. National fame seemed certain.

Obviously, my fantasy never materialized. But, ironically, some years later it became clear that I should have fingerprinted J. Edgar himself as he became disgraced for misusing his post.

Well, that was Omaha in the 1930s, when a sled, a bicycle, a baseball glove and an electric train were coveted by me and my friends. Let's look at a few other kids from that era, who grew up very nearby and greatly influenced my life *but* of whom I was for long unaware.

I'll begin with Charlie Munger, my best pal for 64 years. In the 1930s, Charlie lived a block away from the house I have owned and occupied since 1958.

Early on, I missed befriending Charlie by a whisker. Charlie, 6 ⅔ years older than I, worked in the summer of 1940 at my grandfather's grocery store, earning $2 for a 10-hour day. (Thrift runs deep in Buffett blood.) The following year I did similar work at the store, but I never met Charlie until 1959 when he was 35 and I was 28.

After serving in World War II, Charlie graduated from Harvard Law and then moved permanently to California. Charlie, however, forever talked of his early years in Omaha as formative. For more than 60 years, Charlie had a huge impact on me and could not have been a better teacher and protective "big brother." We had differences but *never* had an argument. "I told you so" was not in his vocabulary.

In 1958, I bought my first and only home. Of course, it was in Omaha, located about two miles from where I grew up (loosely defined), less than two blocks from my in-laws, about six blocks from the Buffett grocery store and a 6-7-minute drive from the office building where I have worked for 64 years.

Let's move on to another Omahan, Stan Lipsey. Stan sold the Omaha Sun Newspapers (weeklies) to Berkshire in 1968 and a decade later moved to Buffalo at my request. The Buffalo Evening News, owned by a Berkshire affiliate, was then locked in a battle to the death with its morning competitor who published Buffalo's *only* Sunday paper. And we were losing.

Stan eventually built our new Sunday product, and for some years our paper – formerly hemorrhaging cash – earned over 100% annually (pre-tax) on our $33 million investment. This was important money to Berkshire in the early 1980s.

Stan grew up about five blocks from my home. One of Stan's neighbors was Walter Scott, Jr. Walter, you will remember, brought MidAmerican Energy to Berkshire in 1999. He was also a valued Berkshire director until his death in 2021 and a very close friend. Walter was Nebraska's philanthropic leader for decades and both Omaha and the state carries his imprint.

Walter attended Benson High School, which I was scheduled to attend as well – until my dad surprised everyone in 1942 by beating a four-term incumbent in a Congressional race. Life is full of surprises.

Wait, there's more.

In 1959, Don Keough and his young family lived in a home located directly across the street from my house and about 100 yards away from where the Munger family had lived. Don was then a coffee salesman but was destined to become president of Coca-Cola as well as a devoted director of Berkshire.

When I met Don, he was earning $12,000 a year while he and his wife Mickie were raising five children, all destined for Catholic schools (with tuition requirements).

Our families became fast friends. Don came from a farm in northwest Iowa and graduated from Omaha's Creighton University. Early on, he married Mickie, an Omaha girl. After joining Coke, Don went on to become legendary around the globe.

In 1985, when Don was president of Coke, the company launched its ill-fated New Coke. Don made a famous speech in which he apologized to the public and reinstated "Old" Coke. This change of heart took place after Don explained that Coke incoming mail addressed to "Supreme Idiot" was promptly delivered to his desk. His "withdrawal" speech is a classic and can be viewed on YouTube. He cheerfully acknowledged that, in truth, the Coca-Cola product belonged to the public and not to the company. Sales subsequently soared.

You can watch Don on CharlieRose.com in a wonderful interview. (Tom Murphy and Kay Graham have a couple of gems as well.) Like Charlie Munger, Don forever remained a Midwestern boy, enthusiastic, friendly and American to the core.

Finally, Ajit Jain, born and raised in India, as well as Greg Abel, our Canadian CEO-to-be, each lived in Omaha for several years late in the 20th Century. Indeed, in the 1990s, Greg lived only a few blocks away from me on Farnam Street, though we never met at the time.

Can it be that there is some magic ingredient in Omaha's water?

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I lived a few teenage years in Washington, DC (when my dad was in Congress) and in 1954 I took what I thought would be a permanent job in Manhattan. There I was treated wonderfully by Ben Graham and Jerry Newman and made many life-long friends. New York had unique assets – and still does. Nevertheless, in 1956, after only 1½ years, I returned to Omaha, never to wander again.

Subsequently, my three children, as well as several grandchildren, were raised in Omaha. My children always attended public schools (graduating from the same high school that educated my dad (class of 1921), my first wife, Susie (class of 1950) as well as Charlie, Stan Lipsey, Irv and Ron Blumkin, who were key to growing Nebraska Furniture Mart, and Jack Ringwalt (class of 1923), who founded National Indemnity and sold it to Berkshire in 1967 where it became the base upon which our huge P/C operation was constructed.

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Our country has many great companies, great schools, great medical facilities and each definitely has its own special advantages along with talented people. But I feel very lucky to have had the good fortune to make many lifelong friends, to meet both of my wives, to receive a great start in education at public schools, to meet many interesting and friendly adult Omahans when I was very young, and to make a wide variety of friends in the Nebraska National Guard. In short, Nebraska has been home.

Looking back I feel that both Berkshire and I did better because of our base in Omaha than if I had resided anywhere else. The center of the United States was a very good place to be born, to raise a family, and to build a business. Through dumb luck, I drew a ridiculously long straw at birth.

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Now let's move on to my advanced age. My genes haven't been particularly helpful – the family's all-time record for longevity (admittedly family records get fuzzy as you work backwards) was 92 until I came along. But I have had wise, friendly and dedicated Omaha doctors, starting with Harley Hotz, and continuing to this day. At least three times, my life has been saved, each with doctors based within a few miles from my home. (I have given up fingerprinting nurses, however. You can get away with many eccentricities at 95 . . . . . but there *are* limits.)

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Those who reach old age need a huge dose of good luck, daily escaping banana peels, natural disasters, drunk or distracted drivers, lightning strikes, you name it.

But Lady Luck is fickle and – *no* other term fits – *wildly unfair*. In many cases, our leaders and the rich have received far more than their share of luck – which, too often, the recipients prefer not to acknowledge. Dynastic inheritors have achieved lifetime financial independence the moment they emerged from the womb, while others have arrived, facing a hell-hole during their early life or, worse, disabling physical or mental infirmities that rob them of what I have taken for granted. In many heavily-populated parts of the world, I would likely have had a miserable life and my sisters would have had one even worse.

I was born in 1930 healthy, reasonably intelligent, white, male and in America. Wow! Thank you, Lady Luck. My sisters had equal intelligence and better personalities than I but faced a much different outlook. Lady Luck continued to drop by during much of my life, but she has better things to do than work with those in their 90s. Luck has its limits.

Father Time, to the contrary, now finds me *more* interesting as I age. And he is undefeated; for him, everyone ends up on his score card as "wins." When balance, sight, hearing and memory are all on a persistently downward slope, you *know* Father Time is in the neighborhood.

I was late in becoming old – its onset materially varies – but once it appears, it is not to be denied.

To my surprise, I generally feel good. Though I move slowly and read with increasing difficulty, I am at the office five days a week where I work with wonderful people. Occasionally, I get a useful idea or am approached with an offer we might not otherwise have received. Because of Berkshire's size and because of market levels, ideas are few – but not zero.

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My unexpected longevity, however, has unavoidable consequences of major importance to my family and the achievement of my charitable objectives.

Let's explore them.

What Comes Next

My children are all above normal retirement age, having reached 72, 70 and 67. It would be a mistake to wager that all three – now at their peak in many respects – will enjoy my exceptional luck in delayed aging. To improve the probability that they will dispose of what will essentially be my entire estate before alternate trustees replace them, I need to step up the pace of lifetime gifts to their three foundations. My children are now at their prime in respect to experience and wisdom but have yet to enter old age. That "honeymoon" period will not last forever.

Fortunately, a course correction is easy to execute. There is, however, one additional factor to consider: I would like to keep a significant amount of "A" shares until Berkshire shareholders develop the comfort with Greg that Charlie and I long enjoyed. That level of confidence shouldn't take long. My children are already 100% behind Greg as are the Berkshire directors.

All three children now have the maturity, brains, energy and instincts to disburse a large fortune. They will also have the advantage of being above ground when I am long gone and, if necessary, can adopt policies both anticipatory and reactive to federal tax policies or other developments affecting philanthropy. They may well need to adapt to a significantly changing world around them. Ruling from the grave does not have a great record, and I have never had an urge to do so.

Fortunately, all three children received a dominant dosage of their genes from their mother. As the decades have passed, I have also become a better model for their thinking and behavior. I will never, however, achieve parity with their mother.

My children have three alternate trustees in case of any premature deaths or disabilities. The alternates are not ranked or tied to a specific child. All three are exceptional humans and wise in the ways of the world. They have no conflicting motives.

I have assured my children that they do *not* need to perform miracles nor fear failures or disappointments. These are inevitable, and I have made my share. They simply need to improve somewhat upon what generally is achieved by government activities and/or private philanthropy, recognizing these other methods of redistribution of wealth have shortcomings as well.

Early on, I contemplated various grand philanthropic plans. Though I was stubborn, these did not prove feasible. During my many years, I've also watched ill-conceived wealth transfers by political hacks, dynastic choices and, yes, inept or quirky philanthropists.

If my children simply do a decent job, they can be certain that their mother and I would be pleased. Their instincts are good and they *each* have had years of practice with very small sums initially that have been irregularly increased to more than $500 million annually.

All three *like* working long hours to help others, each in their own way.

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The acceleration of my lifetime gifts to my children's foundations in no way reflects any change in my views about Berkshire's prospects. Greg Abel has more than met the high expectations I had for him when I first thought he should be Berkshire's next CEO. He understands many of our businesses and personnel far better than I now do, and he is a very fast learner about matters many CEOs don't even consider. I can't think of a CEO, a management consultant, an academic, a member of government – you name it – that I would select over Greg to handle your savings and mine.

Greg understands, for example, far more about both the upside potential and the dangers of our P/C insurance business than do a great many long-time P/C executives. My hope is that his health remains good for several decades. With a little luck, Berkshire should require only five or six CEOs over the next century. It should particularly avoid those whose goal is to retire at 65, to become look-at-me rich or to initiate a dynasty.

One unpleasant reality: Occasionally, a wonderful and loyal CEO of the parent or a subsidiary will succumb to dementia, Alzheimer's or another debilitating and long-term disease.

Charlie and I encountered this problem several times and failed to act. This failure can be a huge mistake. The Board *must* be alert to this possibility at the CEO level and the CEO must be alert to the possibility at subsidiaries. This is easier said than done; I could cite a few examples from the past at major companies. Directors should be alert and speak up is all that I can advise.

During my lifetime, reformers sought to *embarrass* CEOs by requiring the disclosure of the compensation of the boss compared to what was being paid to the average employee. Proxy statements promptly ballooned to 100-plus pages compared to 20 or less earlier.

But the good intentions didn't work; instead they backfired. Based on the majority of my observations – the CEO of company "A" looked at his competitor at company "B" and subtly conveyed to his board that he should be worth more. Of course, he also boosted the pay of directors and was careful who he placed on the compensation committee. The new rules produced envy, not moderation.

The ratcheting took on a life of its own. What often bothers very wealthy CEOs – they are human, after all – is that other CEOs are getting even richer. Envy and greed walk hand in hand. And what consultant ever recommended a serious cut in CEO compensation or board payments?

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In aggregate, Berkshire's businesses have moderately better-than-average prospects, led by a few non-correlated and sizable gems. However, a decade or two from now, there will be many companies that have done better than Berkshire; our size takes its toll.

Berkshire has less chance of a devastating disaster than any business I know. And, Berkshire has a more shareholder-conscious management and board than almost *any* company with which I am familiar (and I've seen a lot). Finally, Berkshire will always be managed in a manner that will make its existence an asset to the United States and eschew activities that would lead it to become a supplicant. Over time, our managers should grow quite wealthy – they have important responsibilities – but do not have the desire for dynastic or look-at-me wealth.

Our stock price will move capriciously, occasionally falling 50% or so as has happened three times in 60 years under present management. Don't despair; America will come back and so will Berkshire shares.

A Few Final Thoughts

One perhaps self-serving observation. I'm happy to say I feel better about the second half of my life than the first. My advice: Don't beat yourself up over past mistakes – learn at least a little from them and move on. It is never too late to improve. Get the right heroes and copy them. You can start with Tom Murphy; he was the best.

Remember Alfred Nobel, later of Nobel Prize fame, who – reportedly – read his *own* obituary that was mistakenly printed when his brother died and a newspaper got mixed up. He was horrified at what he read and realized he should change his behavior.

Don't count on a newsroom mix-up: Decide what you would like your obituary to say and live the life to deserve it.

Greatness does *not* come about through accumulating great amounts of money, great amounts of publicity or great power in government. When you help someone in any of thousands of ways, you help the world. Kindness is costless but also priceless. Whether you are religious or not, it's hard to beat The Golden Rule as a guide to behavior.

I write this as one who has been thoughtless countless times and made many mistakes but also became very lucky in learning from some wonderful friends how to behave better (still a long way from perfect, however). Keep in mind that the cleaning lady is as much a human being as the Chairman.

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I wish all who read this a very happy Thanksgiving. Yes, even the jerks; it's never too late to change. Remember to thank America for maximizing your opportunities. But it is – inevitably – capricious and sometimes venal in distributing its rewards.

Choose your heroes very carefully and then emulate them. You will never be perfect, but you can always be better.

About Berkshire

Berkshire Hathaway and its subsidiaries engage in diverse business activities including insurance and reinsurance, utilities and energy, freight rail transportation, manufacturing, services and retailing. Common stock of the company is listed on the New York Stock Exchange, trading symbols BRK.A and BRK.B.

– End –

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BERKSHIRE HATHAWAY INC.

Berkshire Hathaway Announces Leadership Appointments

FOR IMMEDIATE RELEASE **December 8, 2025**

Omaha, NE (BRK.A; BRK.B) –

Berkshire Hathaway Inc. today announced the following leadership appointments across its non-insurance and insurance operations, as well as in corporate:

Non-Insurance Operations

Adam M. Johnson, CEO of NetJets, has been appointed President of the Consumer Products, Service and Retailing businesses of Berkshire Hathaway, effective immediately, while continuing in his role at NetJets. Mr. Johnson brings nearly three decades of experience at NetJets, including 10 years as CEO, where he strengthened operations and built enduring customer relationships across a global platform.

"Adam is an accomplished leader with a proven ability to deliver long-term shareholder value," said Gregory E. Abel, Vice Chairman – Non-Insurance Operations. "In his new role, he will support the outstanding CEOs of our 32 consumer products, service and retailing businesses, and uphold Berkshire's culture and values."

The remaining non-insurance businesses – including industrial products, building products, BNSF, Berkshire Hathaway Energy, Pilot and McLane – will remain under Mr. Abel's direct oversight as he assumes the role of President and CEO of Berkshire Hathaway on January 1, 2026.

Insurance Operations

Nancy L. Pierce has been appointed CEO of GEICO, effective immediately. Ms. Pierce currently serves as Chief Operating Officer of GEICO and, since joining the company in 1986, has held leadership roles across claims, underwriting, product management and regional operations.

"Nancy knows the business inside and out. She's practical, decisive and focused on results. I have full confidence in her ability to move GEICO forward," said Ajit Jain, Vice Chairman – Insurance Operations.

As part of this transition, Todd A. Combs will conclude his tenure at Berkshire Hathaway and join JPMorgan Chase & Co., where he has served as a Director of its Board since 2016. Warren E. Buffett, Berkshire's Chairman, added: "Todd A. Combs, CEO of GEICO since 2020, has resigned to accept an interesting and important job at JPMorgan, which they describe in a press release that will be available very soon on their website. Todd made many great hires at GEICO and broadened its horizons. JPMorgan, as usually is the case, has made a good decision."

Corporate

Chief Financial Officer

Marc D. Hamburg, Senior Vice President and Chief Financial Officer, will retire from Berkshire Hathaway on June 1, 2027, after 40 years of service. Berkshire Hathaway extends its gratitude to Mr. Hamburg for his exceptional leadership and dedication since joining the company in 1987.

“Marc has been indispensable to Berkshire and to me. His integrity and judgment are priceless. He has done more for this company than many of our shareholders will ever know,” said Mr. Buffett. “His impact has been extraordinary.”

Charles C. Chang will succeed him as Senior Vice President and Chief Financial Officer of Berkshire Hathaway, effective June 1, 2026. Mr. Hamburg and Mr. Chang will work together to ensure a smooth and seamless transition period. Mr. Chang will be based in Omaha. He currently serves as Senior Vice President and Chief Financial Officer of Berkshire Hathaway Energy, a role he has held since 2024. Prior to joining Berkshire Hathaway Energy, Mr. Chang was a partner at PricewaterhouseCoopers. He has more than three decades of experience in public company financial reporting and mergers and acquisitions, serving some of PricewaterhouseCoopers’s largest clients.

General Counsel

Michael J. O’Sullivan has been appointed Senior Vice President and General Counsel, effective January 1, 2026. He will also be based in Omaha. Mr. O’Sullivan joins Berkshire Hathaway from Snap Inc., where he has served as general counsel since 2017. Previously, he practiced law at Munger, Tolles & Olson for more than two decades, advising companies on corporate governance matters, litigation and mergers and acquisitions.

His appointment marks the creation of a new position at Berkshire Hathaway, which has for decades primarily utilized external legal counsel for corporate matters.

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These leadership appointments reflect Berkshire Hathaway’s practice of selecting leaders who are stewards of the company’s culture, demonstrate strong business acumen and judgment and enable Berkshire’s distinctive way of operating. Berkshire remains well positioned for the future.

About Berkshire

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Cautionary Statement

Certain statements contained in this press release are "forward looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guaranties of future performance and actual results may differ materially from those forecasted.

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