To the Stockholders of Berkshire Hathaway Inc.:

Berkshire's per-share book value has grown from $19.50 in 1981 to $38.00 in 1990. Over the years, the increases have been quite substantial. The growth is particularly encouraging because we have not made any acquisitions and have therefore remained independent while others, including some of our insurers, have grown dependent on us.

In 1990, we made two major deals - the largest of which was our $3.8 billion deal to sell Kraft Heinz for $8 billion. Our partners, including Dan Lyons, Bill Lyons and Tom Nerney, have made this deal - which will also be reported on later - with great success.

Our second deal, a larger one, was the sale of a key insurance operation that will be reported on in later sections. We have now run out of growth opportunities, and our results will suffer as a result.

We have an insurance operation in the hands of Bob Kirby, a manager who, along with Bob and Marc Hamburg, Bob's partner, has been a key asset to Berkshire. Bob has managed, over the years, to add value both to Berkshire and to insure value for us.

Bob has no financial need to work.

I'm sure he will be able to handle the responsibility of managing both businesses at the same time. Indeed, I can understand why he would choose that route.

The next deal to report involves a deal we initiated in 1984. At that time, we bought National Indemnity for $2 million. The company's net worth at the time was $1.5 million.

The company's growth in net worth has since been well under the $2 million mark, and the value of the business has been reduced by the purchase, in large part, of a company that we believe is worth more than that figure.

We will not be able to capitalize on this reduction by buying more insurance, but we will be able to capitalize on the reduction in net worth.

In the past decade, a number of insurance companies have been acquired by their own CEOs, who have then used their earnings to repurchase shares that now sell for $200,000 or more. In the end, the CEOs realized their gains, and the cost of the repurchases was borne by the CEOs. It is clear that "free" rebalancing has worked.

Berkshire's insurance subsidiaries, however, have made only token progress in their acquisition efforts.

Over the years, we've learned that the time for acquisitions is over. We've made a few new deals, but the ones we have initiated are far from a real moneymaker.

We've found it increasingly difficult to find companies with a long-term competitive advantage. We've therefore focused our efforts on smaller acquisitions.

Warren E. Buffett, Chairman

To the Stockholders of Berkshire Hathaway Inc.:

Berkshire's gain in net worth during 2016 was $19.9 billion, which increased the per-share book value of both the Class A and Class B stock by 18.2%. During the last 24 years (that is, since present management took over), per-share book value has grown from $1 to $22,374, a rate of 19.9% compounded annually.*

In addition, we have several outstanding managers in the business. I am especially grateful to Jeff Immelt and his team for their efforts in rebuilding Berkshire after the 2008 financial crisis.

Their efforts are crucial in understanding why our economic model is far more attractive than it was a year ago. I'm pleased that the managers, as well as I, have received a dividend of $2.5 per share and, in effect, have received a performance measure that reflects the profits they have achieved during the recovery.

Finally, I am pleased that the managers have known each other for at least five years, and I like their lives, too. We realize that the managers have withstood the economic storm, and in a way that makes me feel good.

As the years have passed, we have faced many economic challenges. At times these have proved challenging, but we have always expected them to eventually end.

We have also encountered some major business and administrative challenges, both of which, in their turn, have proved challenging. What is more, our management team has come up with many innovative ideas to cope with the challenges. That's one reason why we have the second-largest managers' collective bargaining agreement in the country.

In many ways, the managers are akin to the investors in the story that the entrepreneurs in the novel The Alchemist, who had lost their son to a disease that was cured by a bee-smoking physician. The entrepreneur had been on his way to becoming a successful physician, but the physician had gone on to be a successful businessman. The entrepreneur, therefore, had a second son, whose name was Albert, and he was now becoming an entrepreneur. The son, Albert, was then in his mid-50s and had just started to make his mark on his profession.

The second son had a job that he loved, managing a large operation that also managed to be a good-sized manager. Albert had much in common with his son. Albert had traveled the same roads as his son, and the two were once again on the same page about the future of their businesses. Albert was now running a large operation, and Albert's son, who was then 58, was now in his early forties.

The second son had a new son, also from his family, who was now in his early forties. The two were again on the same page, and the new son had been a successful entrepreneur, managing a large operation that also managed to be a good-sized manager. Albert had once again gone on to be a successful businessman, and the new son had been very successful as a manager. The son, however, had become ill with Huntington's disease, and was now in his early forties.

Warren E. Buffett, Chairman

To the Stockholders of Berkshire Hathaway Inc.:

The most important of our businesses, however, was our vast, multi-stored business in equities and bonds, whose results we would have liked to have. In our view, these businesses would have been much better off had the market not crashed. The collapse was severe and long-lasting.

At Berkshire, we will continue to operate in an environment of strong economic performance. We will continue to have the right people in the right places at the right times. We will be able to deploy capital effectively and will be able to use a variety of assets. We will be able to operate at multiple levels of profitability, and we will have the right people in the right places at all of those levels. We will also have the right managers in the right places, and, most important, we will have the right people in charge.

We have an interesting story about a company that I have worked with for many years: The Boeing Company. In that company's case, the story is not about the right people. It is about the right place.

The story starts in 1947, when a new airline, Air America, was launched by John W. Shoup. He would be a friend of mine for many years. I had known John for many years, and I knew he had a knack for aviation operations. John had a very good idea: He wanted a low-cost airline to compete with the low-cost carriers used by major corporations. His idea was to use Boeing 737s, the same plane that had been used by the first Air America. After some research, I realized that there were some similarities between this model and the 747.

On March 7, 1956, I went to see John. I had a Boeing 737. I had flown it in the past, but that was it. I did not know John personally, nor did I know his family. But I did know that the company was his. I did not want to miss a chance to work with a genius.

In 1960, the Shoup family bought a controlling interest in Boeing, and John was promoted to CEO. After that, I knew nothing about him. I went to see him, however, and he told me about the business. I asked him how he did so. He told me about his family, its business history, and its strengths. I then thought, "That's it. I'm in."

Boeing, then, was the most important operation in the aviation world. The company had four major subsidiaries that provided the engines for more than half the world's aircraft. Its businesses were also a richly-deserved gold mine, with its shares worth about $5,000 in 1964. And then, in 1966, a major change occurred: Shoup had a new passion: flying. He then became a pilot, flying Boeing 737s, and then a 737-200, the world's second-largest jet. That company had been started in 1931 and had been operating since the early 1950s.

Boeing had a very low-cost operation, and its management was outstanding. The company's managers had the talent and the motivation to operate at the world's lowest cost. In doing so, they excelled in a very important respect: The company had no debt. In fact, it had borrowed to increase its earnings, then reinvested the proceeds.

Warren E. Buffett, Chairman

To the Stockholders of Berkshire Hathaway Inc.:

Our gain in net worth during 2005 was $4.1 billion, a gain that increased our per-share book value by 10.0%. Over the last 33 years (that is, since present management took over) per-share book value has grown from $19 to $58,851, a rate of 23.6% compounded annually.*

The per-share gain at Berkshire last year was a record, and the annual rate of gain is certain to be far in excess of the gain in book value. Berkshire's marketable stocks will be worth far more in the future than the book value of our stock.

But our stock is a storehouse for knowledge. In the world of investment, knowledge is far more valuable than markets.

If our shareholders want to understand their investments, they must own stock in companies that have substantial holdings of their own (and that are run by intelligent and high-grade managers). Charlie and I believe that Berkshire shares will be very valuable over time. We have no special ability to forecast how the stock market will do. We simply know that Berkshire's price will be way above the next high price.

A few years ago, to get to those conclusions, we would have owned a large number of stocks. Now we own only a few that we feel are worth a few points above. We have no special insights about investing that would lead us to buy other stocks. We simply know that our preferred investments are likely to be worth a great deal more than the market price of their value.

Charlie and I have been wrong before: We were wrong in 1964 when the Dow was 100.7, and we are wrong again now.

A few years ago, buying stocks at a price far above the value of their intrinsic value would have seemed wildly irresponsible. But now that price is far below the value of a large part of the stock market.

The value of our stock is determined, in large part, by the performance of its managers. The performance of these men is highly satisfactory.

Investors, therefore, have become much more selective, focusing primarily on the performance of companies they know and admire. Their decisions are guided by a desire to be sure to own companies with good managers.

The choice is easy. The problem is that investors are no longer sure what to own.

Investors should not be complacent: They are now running the largest equity mutual fund in the country, with over $5 billion of assets. They should also be very wary. When the index fund began to behave erratically in the mid-1970s, it cost shareholders $10 million.

Warren E. Buffett, Chairman

To the Stockholders of Berkshire Hathaway Inc.:

Charlie and I enjoy working with you and have no plans to stop. The important thing for us is to find a way to keep doing what we do rather than to find a way that will let us do what we don't do.

In the meantime, we have to be careful: If we act too soon, we may well cause problems that will cause our performance to be far below that required by the accounting principles we follow.

A few years back, our compensation committees looked at the compensation of managers of publicly-traded companies and concluded that it was inappropriate to include options for buyout of long-term "payoffs." Now they are back to the same conclusion, though it has been extended to include "cash flow from operations."

Berkshire's compensation policies are set forth in our proxy statement, and it is difficult for us to make changes without the approval of our own compensation committees. We believe that it is wrong for us to pay executives "bonuses," or to consider options for buyout of long-term "payoffs." We have already made a lot of payoffs in the past. If we are lucky, they will return the favor in the future.

We can make a small contribution to the reduction of executive pay by our not holding options. But I've yet to see one that we have exercised. And, if we must hold long-term options, they should be exercised by someone who has been promoted. And, if we are lucky, the person who will be promoted will be someone who can be trusted to hold the options.

A shareholder's view is all-important in determining whether a company should continue to have long-term options or should simply discontinue issuing them. In our view, the only way to get a company to continue to have long-term options would be to vote with your feet. That vote should be a simple one. If there are no more options outstanding, the company should be sold, and if that should be the case, the shareholders who voted with their feet should receive either a bonus or a lump sum.

This is not what we want at Berkshire. We want a company's future management to act with a clear mind, and we have no desire to see those methods being lacking. Our shareholder-designated contributions program gives people with certain financial needs a way to give in without incurring taxes or having to rely on an IRS refund.

We hope, however, that other corporations and investors will follow our advice and make an accounting change so that their managers will be properly incentivized to act. If they do so, we should be able to continue our present practices without much difficulty.

In the meantime, we will continue to follow our own pay-to-play policies and will continue to receive no bonuses or a lump sum.

Warren E. Buffett, Chairman