*To the Stockholders of Berkshire Hathaway Inc.:*

It is a pleasure to report that operating earnings in 1971, excluding capital gains, amounted to more than 14% of beginning shareholders' equity. This result—considerably above the average of American industry—was achieved in the face of inadequate earnings in our textile operation, making clear the benefits of redeployment of capital inaugurated five years ago. It will continue to be the objective of management to improve return on total capitalization (long term debt plus equity), as well as the return on equity capital. However, it should be realized that merely maintain

throughout

most of the 1960's.

Textile Operations

We, in common with most of the textile industry, continued to struggle throughout 1971 with inadequate gross margins. Strong efforts to hammer down costs and a continuous search for less price-sensitive fabrics produced only marginal profits. However, without these efforts we would have operated substantially in the red. Employment was more stable throughout the year as our program to improve control of inventories achieved reasonable success.

As me

capability and small company accessibility and sensitivity. John Ringwalt has been in overall charge of this operation since inception. Combining hard work with imagination and intelligence, he has transformed an idea into a well organized business. The “home-state” companies are still very small, accounting for a little over $

Warren E. Buffett
*Chairman of the Board*
March 13, 1972