10-Q 1 a67077e10-q.txt FORM 10-Q PERIOD ENDED SEPT 30,2000 1 FORM 10-Q SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 (Mark One) [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2000 OR [ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from __________________ to __________________ Commission file number 001-14905 BERKSHIRE HATHAWAY INC. (Exact name of registrant as specified in its charter) Delaware 47-0813844 (State or other jurisdiction of (I.R.S. Employer Identification number) incorporation or organization) 1440 Kiewit Plaza, Omaha, Nebraska 68131 (Address of principal executive office) (Zip Code) (402) 346-1400 (Registrant's telephone number, including area code) -- (Former name, former address and former fiscal year, if changed since last report) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. X --- -- YES NO Number of shares of common stock outstanding as of November 7, 2000: Class A -- 1,344,060 Class B -- 5,449,785 2 FORM 10-Q BERKSHIRE HATHAWAY INC.

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- ~~PART I - FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS Consolidated Balance Sheets -- September 30, 2000 and December 31, 1999 2 Consolidated Statements of Earnings -- Third Quarter and First Nine Months 2000 and 1999 3 Condensed Consolidated Statements of Cash Flows -- First Nine Months 2000 and 1999 4 Notes to Interim Consolidated Financial Statements 5 - 10 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 11 - 17 PART II - OTHER INFORMATION ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K 17~~

1 3 FORM 10-Q BERKSHIRE HATHAWAY INC. PART I FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS CONSOLIDATED BALANCE SHEETS (dollars in millions except share amounts)

September 30, December 31, 2000 1999 ------------- - -----------

~~ASSETS Cash and cash equivalents $~~

~~2,770 $ 3,835 Investments: Securities with fixed maturities 32,293 30,222 Equity securities 36,588 37,772 Other 1,737 1,736 Receivables 9,238 8,558 Inventories 1,444 844 Investments in MidAmerican Energy Holdings Company 1,685 -- Assets of finance and financial products businesses 19,051 24,229 Property, plant and equipment 2,406 1,903 Goodwill of acquired businesses 18,526 18,281 Other assets 4,744 4,036 -------- -------- $130,482 $131,416~~

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~~LIABILITIES AND SHAREHOLDERS' EQUITY Losses and loss adjustment expenses $ 29,484 $ 26,802 Unearned premiums 4,273 3,718 Accounts payable, accruals and other liabilities 7,443 7,458 Income taxes, principally deferred 9,201 9,566 Borrowings under investment agreements and other debt 2,634 2,465 Liabilities of finance and financial products businesses 16,735 22,223 -------- -------- 69,770 72,232 -------- -------- Minority shareholders' interests 1,321 1,423 -------- -------- Shareholders' equity: Common Stock: * Class A Common Stock, $5~~

~~par value and Class B Common Stock, $0.1667 par value 8 8 Capital in excess of par value 25,483 25,209 Accumulated other comprehensive income 16,335 17,223 Retained earnings 17,565 15,321 -------- -------- Total shareholders' equity 59,391 57,761 -------- -------- $130,482 $131,416 ======== ========~~

* Class B Common Stock has economic rights equal to one-thirtieth (1/30) of the economic rights of Class A Common Stock. Accordingly, on an equivalent Class A Common Stock basis, there are 1,525,418 shares outstanding at September 30, 2000 and 1,520,562 shares outstanding at December 31, 1999. See accompanying Notes to Interim Consolidated Financial Statements. 2 4 FORM 10-Q BERKSHIRE HATHAWAY INC. CONSOLIDATED STATEMENTS OF EARNINGS (dollars in millions except per share amounts)

Third Quarter First Nine Months ------ --------------- ------ -------- ----------------- 2000 1999 2000 1999 ---- ---- ---- ----

~~REVENUES: Insurance premiums earned $ 4,872 $ 4,603 $ 11,500 $ 10,700 Sales and service revenues 1,848 1,397 5,135 4,166 Interest, dividend and other investment income 648 614 1,904 1,721 Income from investments in MidAmerican Energy 40 -- 67 -- Income from finance and financial products businesses 110 12 486 147 Realized~~

~~investment gain 908 425 2,361 1,224 ---------- ---------- ---------- ---------- 8,426 7,051 21,453 17,958 ---------- ---------- ---------- ---------- COST AND EXPENSES: Insurance losses and loss adjustment expenses 4,378 4,182 10,030 8,979 Insurance underwriting expenses 841 793 2,508 2,385 Cost of products and services sold 1,256 986 3,477 2,917 Selling, general and administrative expenses 413 267 1,169 805 Goodwill amortization 124 119 369 356 Interest expense 38 35 105 100 ---------- ---------- ---------- ---------- 7,050 6,382 17,658 15,542 ---------- ---------- ---------- ---------- EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST 1,376 669 3,795 2,416 Income taxes 479 237 1,338 855 Minority interest 100~~

~~12 213 28 --- ------- ------- --- ---------- ----------~~
~~NET EARNINGS $ 797 $ 420 $ 2,244 $ 1,533~~
~~========== ========== ========== ==========~~
~~Average shares outstanding * 1,524,170 1,519,954 1,521,977 1,519,506~~
~~NET EARNINGS PER SHARE * $ 523 $ 276 $ 1,474 $ 1,009~~
~~========== ========== ========== ==========~~

* Average shares outstanding include average Class A Common shares and average Class B Common shares determined on an equivalent Class A Common Stock basis. Net earnings per share shown above represents net earnings per equivalent Class A Common share. Net earnings per Class B Common share is equal to one-thirtieth (1/30) of such amount. See accompanying Notes to Interim Consolidated Financial Statements. 3 5 FORM 10-Q BERKSHIRE HATHAWAY INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (dollars in millions)

First Nine Months ----- ------------- ---- 2000 1999 ------- - --------

~~Net cash flows from operating activities $ 1,883 $ 1,328 ------ -- --------~~
~~Cash flows from investing activities: Purchases of investments (20,096) (18,218) Proceeds on sales and maturities of investments 18,434 8,741 Loans and~~

~~investments originated in finance businesses (429) (1,433) Principal collections on loans and investments originated in finance businesses 984 746 Acquisitions of businesses (1,123) -- Other (310) (437) ------- ---------~~

~~Net cash flows from investing activities (2,540) (10,601) --- ----- -------- Cash flows from financing activities: Proceeds from borrowings of finance businesses 57 627 Proceeds from other borrowings 2,405 1,454 Repayments of borrowings of finance businesses (229) (330) Repayments of other borrowings (2,251) (1,362) Other (110) (41) -------- -------- Net cash flows from financing activities (128) 348 -- ------ ------~~

~~-- Decrease in cash and cash equivalents (785) (8,925) Cash and cash equivalents at beginning of year* 4,458 14,489 -------- -------- Cash and cash equivalents at end of first nine months* $ 3,673 $ 5,564~~

~~======== ========~~

~~Supplemental cash flow information: Cash paid during the period for: Income taxes $ 1,037 $ 2,175 Interest of finance and financial products businesses 655 350 Other interest 124 112 Non-cash investing activity: Liabilities assumed in connection with acquisitions of businesses 713 -- Common Stock issued in connection with acquisitions of businesses 223 -- Contingent value of Exchange Notes recognized in~~

~~earnings 108 30 Value of equity securities used to redeem Exchange Notes 259 133 * Cash and cash equivalents are comprised of the following: Beginning of year -- Finance and financial products businesses $ 623 $ 907 Other 3,835 13,582 -------- -------- $ 4,458 $ 14,489~~

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~~End of first nine months -- Finance and financial products businesses $ 903 $ 849 Other 2,770 4,715 -------- -------- $ 3,673 $ 5,564~~

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See accompanying Notes to Interim Consolidated Financial Statements. 4 6 FORM 10-Q BERKSHIRE HATHAWAY INC. NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS NOTE 1. GENERAL The accompanying unaudited consolidated financial statements include the accounts of Berkshire consolidated with the accounts of all its subsidiaries. Reference is made to Berkshire's most recently issued Annual Report that included information necessary or useful to understanding of Berkshire's businesses and financial statement presentations. In particular, Berkshire's significant accounting policies and practices were presented as Note 1 to the Consolidated Financial Statements included in that Report. Financial information in this Report reflects any adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with generally accepted accounting principles ("GAAP"). For a number of reasons, Berkshire's results for interim periods are not normally indicative of results to be expected for the year. The timing and magnitude of catastrophe losses incurred by insurance subsidiaries and the estimation error inherent to the process of determining liabilities for unpaid losses of insurance subsidiaries can be relatively more significant to results of interim periods than to results for a full year. Realized investment gains/losses are recorded when investments are sold, other-than-temporarily impaired or in certain situations, as required by GAAP, when investments are marked-to-market with the corresponding gain or loss included in earnings. Variations in amount and timing of realized investment gains/losses can cause significant variations in periodic net earnings. In 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 was discussed in Note 1 to the Consolidated Financial Statements in Berkshire's 1999 Annual Report. In June 1999, the FASB issued SFAS No. 137, which delayed the effective date for implementing SFAS No. 133 until the beginning of 2001. In June 2000, the FASB issued SFAS No. 138, which amended certain provisions of SFAS No. 133 with the objective of easing the implementation difficulties expected to arise. Berkshire will adopt SFAS No. 133 as amended by SFAS No. 138 as of the beginning of 2001 and does not anticipate that the adoption of these new standards will have a material effect on its financial position or results of operations. NOTE 2. INVESTMENT IN MIDAMERICAN ENERGY HOLDINGS COMPANY On October 24, 1999, Berkshire entered into an agreement along with Walter Scott, Jr. and David L. Sokol, to acquire MidAmerican Energy Holdings Company ("MidAmerican"). Upon obtaining MidAmerican shareholder approval and required regulatory approvals, the transaction closed on March 14, 2000. Pursuant to the terms of the agreement, Berkshire invested approximately $1.24 billion in common stock and a non-dividend paying convertible preferred stock of a newly formed entity that merged with and into MidAmerican, with MidAmerican continuing as the surviving corporation. Such investment gives Berkshire about a 9.7% voting interest and a 76% economic interest in MidAmerican on a fully-diluted basis. Berkshire subsidiaries also acquired approximately $455 million of an 11% non-transferable trust preferred security. Under certain conditions, for a period of up to seven years subsequent to the closing, Berkshire may be required to purchase up to $345 million of additional trust preferred securities. Mr. Scott, a member of Berkshire's Board of Directors, controls approximately 86% of the voting interest in MidAmerican. Mr. Sokol is the CEO of MidAmerican. Through its retail utility subsidiaries, MidAmerican Energy in the U.S. and Northern Electric in the U.K., MidAmerican provides electric service to approximately 2.0 million customers and natural gas service to 1.2 million customers worldwide. MidAmerican manages, owns interests in and has under contract approximately 9,700 net megawatts of diversified power generation facilities in operation, construction and development. Berkshire's aggregate investments in MidAmerican are included in the Consolidated Balance Sheet as Investments in MidAmerican Energy Holdings Company. Berkshire is accounting for the common and non-dividend paying convertible preferred stock pursuant to the equity method. The carrying value of these equity method investments totaled $1,230 million at September 30, 2000. The Consolidated Statements of Earnings reflect, as income from investments in MidAmerican Energy, Berkshire's proportionate share of MidAmerican's net income with respect to the investments accounted for pursuant to the equity method as well as interest earned on the 11% trust preferred security. Income derived from equity method investments totaled $40 million for the period from March 14, 2000 through September 30, 2000. 5 7 FORM 10-Q BERKSHIRE HATHAWAY INC. NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) NOTE 3. INVESTMENTS IN SECURITIES WITH FIXED MATURITIES Data with respect to investments in securities with fixed maturities (other than securities with fixed maturities held by finance and financial products businesses -- See Note 8) are shown in the tabulation below (in millions):

	September 30, 2000	December 31, 1999
Amortized cost	$ 32,748	$ 31,429
Gross unrealized gains	180	51
Gross unrealized losses	(635)	(1,258)
Estimated fair value	$ 32,293	$ 30,222

NOTE 4. INVESTMENTS IN EQUITY SECURITIES Data with respect to investments in equity securities are shown in the tabulation below (in millions):

	September 30, 2000	December 31, 1999
~~Total cost~~	~~$ 10,620~~	~~$ 9,674~~
~~Gross unrealized gains~~	~~26,210~~	~~28,229~~
~~Gross unrealized losses~~	~~(242)~~	~~(131)~~
~~Total fair value~~	~~$ 36,588~~	~~$ 37,772~~
~~Fair value:~~		
~~American Express Company~~	~~$ 9,210~~	~~$ 8,402~~
~~The Coca-Cola Company~~	~~11,026~~	~~11,650~~
~~The Gillette Company~~	~~2,964~~	~~3,954~~
~~Other equity securities~~	~~13,388~~	~~13,766~~
~~Total~~	~~$ 36,588~~	~~$ 37,772~~

NOTE 5. DEFERRED INCOME TAX LIABILITIES The tax effects of significant items comprising Berkshire's net deferred tax liabilities as of September 30, 2000 and December 31, 1999 are as follows (in millions):

	September 30, 2000	December 31, 1999
~~Deferred tax liabilities:~~		
~~Relating to unrealized appreciation of investments~~	~~$ 8,905~~	~~$ 9,383~~
~~Other~~	~~1,327~~	~~1,252~~
	~~10,232~~	~~10,635~~
~~Deferred tax assets~~	~~(1,200)~~	~~(1,042)~~
~~Net deferred tax liabilities~~	~~$ 9,032~~	~~$ 9,593~~

NOTE 6. COMMON STOCK The following table summarizes Berkshire's common stock activity during the first nine months of 2000.

	Class A Common Stock (1,650,000 shares authorized) Issued and Outstanding	Class B Common Stock (55,000,000 shares authorized) Issued and Outstanding
~~Balance at December 31, 1999~~	~~1,341,663~~	~~5,366,955~~
~~Issued for acquisitions of businesses~~	~~3,572~~	~~1,626~~
~~Conversions of Class A Common Stock to Class B Common Stock and other~~	~~(1,131)~~	~~70,846~~
~~Balance at September 30, 2000~~	~~1,344,104~~	~~5,439,427~~

6 8 FORM 10-Q BERKSHIRE HATHAWAY INC. NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) NOTE 6. COMMON STOCK (CONTINUED) Each share of Class A Common Stock is convertible, at the option of the holder, into thirty shares of Class B Common Stock. Class B Common Stock is not convertible into Class A Common STOCK. Class B Common Stock has economic rights equal to one-thirtieth (1/30) of the economic rights of Class A Common Stock. Accordingly, on an equivalent Class A Common Stock basis, there are 1,525,418 shares outstanding at September 30, 2000 and 1,520,562 shares outstanding at December 31, 1999. Each Class A Common share is entitled to one vote per share. Each Class B Common share possesses the voting rights of one-two-hundredth (1/200) of the voting rights of a Class A share. Class A and Class B Common shares vote together as a single class. NOTE 7. COMPREHENSIVE INCOME Berkshire's comprehensive income for the third quarter and first nine months of 2000 and 1999 is shown in the table below (in millions). Other comprehensive income consists of unrealized gains and losses on investments and foreign currency translation adjustments associated with foreign-based business operations.

	Third Quarter 2000	Third Quarter 1999	First Nine Months 2000	First Nine Months 1999
Net earnings	$ 797	$ 420	$ 2,244	$ 1,533
Other comprehensive income:				
Increase (decrease) in unrealized appreciation of investments	1,132	(4,991)	(1,429)	(5,812)
Applicable income taxes and minority interests	(317)	1,813	646	2,113
Foreign currency translation gains (losses)	(50)	23	(141)	(48)
Applicable income taxes and minority interests	1	(11)	36	48
	766	(3,166)	(888)	(3,699)
Comprehensive income (loss)	$ 1,563	$(2,746)	$ 1,356	$(2,166)

NOTE 8. FINANCE AND FINANCIAL PRODUCTS BUSINESSES Assets and liabilities of Berkshire's finance and financial products businesses are summarized below (in millions):

	September 30, 2000	December 31, 1999
ASSETS		
Cash and		

~~cash equivalents $ 903 $ 623 Investments in securities with fixed maturities: Held to maturity, at cost 1,664 2,002 Trading, at fair value 6,048 11,277 Available for sale, at fair value 735 999 Trading account assets 5,444 5,881 Securities purchased under agreements to resell 1,955 1,171 Other 2,302 2,276 ------- -------- $19,051 $24,229~~

~~======= =======~~

~~LIABILITIES Securities sold under agreements to repurchase $ 6,501 $10,216 Securities sold but not yet purchased 593 1,174 Trading account liabilities 5,822 5,930 Notes payable and other borrowings 1,554 1,998 Annuity reserves and policyholder liabilities 861 843 Other 1,404 2,062 ------- -------- $16,735~~

~~$22,223~~

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7 9 FORM 10-Q BERKSHIRE HATHAWAY INC. NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) NOTE 9. BUSINESS SEGMENT DATA A disaggregation of Berkshire's consolidated data for the third quarter and first nine months of each of the two most recent years is as follows. Amounts are in millions.

Third Quarter First Nine Months ------ -------------- --- ----------- ------------ REVENUES 2000 1999 2000 1999 -- ------ -------- - --------- --- ------ -------- -

~~OPERATING SEGMENTS: Insurance: GEICO * $ 1,446 $ 1,222 $ 4,137 $ 3,491 General Re * 2,044 1,889 5,539 5,054 Berkshire Hathaway Reinsurance Group * 1,291 1,421 1,596 1,966 Berkshire Hathaway Direct Insurance Group * 91 71 228 189 Interest, dividend and other investment income 677 664 1,990 1,865 -------- -------- -------- -------- Total insurance revenues 5,549 5,267 13,490 12,565 Flight services 593 456 1,640 1,330 Furniture 415 220 1,146~~

~~620 Scott Fetzer Companies 231 254 733 763 Other businesses 719 479 2,102 1,600 --------- --------- --------- --------- 7,507 6,676 19,111 16,878 Reconciliation of segments to consolidated amounts: Other revenues 41 7 79 24 Realized investment gain 908 425 2,361 1,224 Purchase-accounting adjustments (30) (57) (98) (168) --------- --------- --------- --------- $ 8,426 $ 7,051 $ 21,453 $ 17,958 ========= ========= ========= =========~~ ~~*~~ ~~Represents insurance premiums earned~~

OPERATING PROFIT BEFORE TAXES Third Quarter First Nine Months ----------------------------- ------------------------------- --------------------

OPERATING SEGMENTS: 2000 1999 2000 1999 ---------------- --------- --------- --------- -----

~~---- ---------- Insurance: GEICO ** $ (43) $ 32 $ (194) $ 52 General Re ** (328) (277) (832) (603) Berkshire Hathaway Reinsurance Group ** 21 (132) (15) (87) Berkshire Hathaway Direct Insurance Group ** 3 2 4 3 Interest, dividend and other investment income 673 661 1,977 1,852 ---------------- --------- --------- Total insurance operating profit 326 286 940 1,217 Flight services 53 51 167 163 Furniture 43 20 112 55 Scott Fetzer Companies 26 34 87 96 Other businesses 158 50 595 278 --------- ---------------- --------- 606 441 1,901 1,809 Reconciliation of segments to consolidated amounts: Realized investment gain 908 425 2,361 1,224 Interest expense *** (22) (27) (69) (83) Corporate and other 38~~

~~4 70 18 Goodwill amortization and other purchase-accounting-adjustments (154) (174) (468) (552) -------- -------- -------- -------- $ 1,376 $ 669 $ 3,795 $ 2,416~~

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** Represents underwriting gain (loss) *** Excludes interest expense allocated to finance businesses and certain identifiable segments 8 10 FORM 10-Q BERKSHIRE HATHAWAY INC. NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) NOTE 10. BUSINESS ACQUISITIONS During the third quarter of 2000, Berkshire consummated three business acquisitions - Ben Bridge Jeweler ("Ben Bridge"), effective July 3, 2000; Justin Industries, Inc. ("Justin"), effective August 1, 2000; and U.S. Investment Corporation ("USIC"), effective August 8, 2000. Shareholders of these three entities received aggregate consideration of approximately $1 billion, consisting of $775 million in cash and the remainder in Class A and Class B Common Stock. Ben Bridge is the leading operator of upscale jewelry stores based in major shopping malls in the Western United States. Justin includes Acme Building Brands - Acme Brick Company, a leading manufacturer of face brick; Featherlite Building Products Corporation, the leading Southwest producer of concrete masonry products; and American Tile Supply Company, a major Texas distributor of ceramic and marble floor and wall tile, and Justin Brands - Justin Boot Company(R), Nocona Boot Company(R), Tony Lama Company(R) and Chippewa Shoe Company(R). USIC is the parent of the United States Liability Insurance Group, one of the premier U.S. writers of specialty insurance products distributed exclusively through the wholesale insurance network. On October 20, 2000, Berkshire announced that it had formally entered into a merger agreement whereby it will acquire approximately 87.3% of Shaw Industries, Inc. common shares for $19 per share, or approximately $2 billion in the aggregate. The closing of the transaction is subject to approval by the shareholders of Shaw Industries and satisfaction of certain regulatory conditions. An investment group consisting, among others, of Robert E. Shaw, Chairman and CEO of Shaw Industries, Julian D. Saul, President of Shaw Industries, certain of Mr. Shaw's family members and related family interests of Messrs. Shaw and Saul, and certain other directors and members of management will acquire the remaining 12.7% of Shaw Industries by contributing common shares of Shaw Industries representing approximately 12.7% of Shaw's current outstanding common stock. Berkshire currently anticipates that the merger transaction will be completed early in January 2001. Shaw is the world's largest manufacturer of tufted broadloom carpet. Headquartered in Dalton, Georgia, Shaw sells carpeting and rugs for residential and commercial applications throughout the United States and exports to most markets worldwide. Shaw markets its residential products under such brand names and trademarks as Cabin Crafts, Couture by Sutton, Cumberland, Expressive Designs, Home Foundations, Philadelphia, Queen, ShawMark, Sutton, TrustMark, Evans & Black, Salem, Tuftex, and Shaw Rugs. Shaw markets its commercial products under the names Shaw Contract, Designweave, Patcraft, and Queen Commercial. Through its network of commercial dealers known as Shaw Contract Flooring Services, Shaw also sells commercial flooring products directly and provides installation and project management services. Shaw also offers laminate flooring through the Decades brand and ceramic tile through Shaw Ceramics. On November 8, 2000, Berkshire entered into an agreement and plan of merger with Benjamin Moore & Co. ("Moore") whereby it will acquire 100% of the outstanding common shares of Moore for $37.82 per share, or approximately $1 billion in the aggregate. The shares will be acquired via a cash tender offer for all of Moore's outstanding stock and is scheduled to commence no later than November 17, 2000. Upon successful completion of the tender offer, the agreement and plan of merger calls for a merger pursuant to which any remaining shareholders will receive cash in the same amount as paid in the tender offer. The tender offer is subject to certain conditions, including the tender of not less than 2/3 of Moore's outstanding common stock on a fully diluted basis, and the obtaining of all necessary government approvals. Moore is a formulator, manufacturer and retailer of a broad range of architectural and industrial coatings, available principally in the United States and Canada. NOTE 11. INFORMATION ABOUT CERTAIN SUBSIDIARIES The accompanying consolidated financial statements include the accounts of OBH Inc. (formerly Berkshire Hathaway Inc.), which became a wholly-owned subsidiary of Berkshire upon completion of the General Re merger. Condensed consolidated balance sheets of OBH Inc. are as follows (dollars in millions):

	Sept. 30, 2000	Dec. 31, 1999
~~ASSETS~~		
~~Cash and cash equivalents~~	~~$ 2,265~~	~~$ 2,661~~
~~Investments in equity and fixed maturity securities~~	~~48,061~~	~~48,635~~
~~Assets of finance and financial products businesses~~	~~9,505~~	~~13,369~~
~~Goodwill of acquired businesses~~	~~4,053~~	~~3,926~~
~~Other assets~~	~~9,450~~	~~7,382~~
	~~$73,334~~	~~$75,973~~

9 11 FORM 10-Q BERKSHIRE HATHAWAY INC. NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) NOTE 11. INFORMATION ABOUT CERTAIN SUBSIDIARIES (CONTINUED)

Sept. 30, Dec. 31, 2000 1999 -------- - --------

~~LIABILITIES AND SHAREHOLDER'S EQUITY Losses and loss adjustment expenses $12,887 $10,637 Unearned premiums, accounts payable and other liabilities 5,086 4,743 Income taxes, principally deferred 9,308 9,689 Borrowings under investment agreements and other debt 2,188 2,156 Liabilities of finance and financial products businesses 7,656 12,094 ------- - -------- 37,125 39,319 ------- ------- -- Total shareholder's equity 36,209 36,654 ---- --- -------- $73,334 $75,973 ======= =======~~

Net earnings of OBH Inc. for the third quarter and first nine months of 2000 and 1999 are summarized below (in millions):

	Third Quarter		First Nine Months	
	2000	1999	2000	1999
Revenues	$ 5,872	$ 4,830	$14,469	$11,895
Cost and expenses	4,366	4,120	10,660	9,560
Earnings before income taxes and minority interest	1,506	710	3,809	2,335
Income taxes and minority interest	603	240	1,476	786
Net earnings	$ 903	$ 470	$ 2,333	$ 1,549

The summarized financial data of the finance and financial products businesses (See Note 8) includes the activities conducted by the Scott Fetzer Financial Group and its subsidiaries ("SFFG"). Assets and liabilities of SFFG are summarized below (in millions).

	Sept. 30, 2000	Dec. 31, 1999
~~ASSETS~~		
~~Cash and cash equivalents~~	~~$ 6~~	~~$ 1~~
~~Mortgage-backed securities, installment loans and other receivables*~~	~~193~~	~~196~~
	~~$199~~	~~$197~~
~~LIABILITIES~~		
~~6 3/4% Notes, due 2001 and borrowings under investment agreements~~	~~$137~~	~~$137~~
~~Other~~	~~25~~	~~27~~
	~~$162~~	~~$164~~

* Includes receivables from affiliates of $ 41 million at September 30, 2000 and $40 million at December 31, 1999. Net earnings of SFFG for the third quarter and first nine months are summarized below (in millions):

First Nine Third Quarter Months ----- ----------- -- -------------- 2000 1999 2000 1999 -- -- ---- ---- -- -- ~~Revenues $ 10 $ 139 $ 30 $ 246 Cost and expenses 6 170 17 296 - ---- ----- --- -- ----- Earnings(loss) before income taxes 4 (31) 13 (50) Income taxes 2 (10) 5 (17) ----- - ---- ----- --- -- Net earnings(loss) $ 2 $ (21) $ 8 $ (33)~~
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10 12 FORM 10-Q BERKSHIRE HATHAWAY INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS RESULTS OF OPERATIONS Net earnings for the third quarter and first nine months of 2000 and 1999 are disaggregated in the table that follows. Amounts are after deducting minority interests and income taxes. Dollar amounts are in millions.

Third Quarter First Nine Months ---- ----------- ------ ----- ----------- ---- 2000 1999 2000 1999 ---- - --- ---- ---- ~~Insurance underwriting $ (218) $ (245) $ (680) $ (407) Insurance investment income 475 467 1,398 1,320 Non-insurance businesses 169 93 602 360 Interest~~

~~expense (13) (16) (44) (52) Goodwill amortization and other (141) (147) (426) (482) purchase-accounting-adjustments Other 29 4 50 10 -------- -------- -------- -------- Earnings before realized investment gain 301 156 900 749 Realized investment gain 496 264 1,344 784 -------- -------- -------- -------- Net earnings $ 797 $ 420 $ 2,244 $ 1,533 ======== ======== ======== ========~~

INSURANCE UNDERWRITING A summary follows of underwriting results from Berkshire's insurance businesses for the third quarter and first nine months of 2000 and 1999. Dollar amounts are in millions.

	Third Quarter		First Nine Months	
	2000	1999	2000	1999
~~Underwriting gain (loss) attributable to:~~				
~~GEICO~~	~~$ (43)~~	~~$ 32~~	~~$ (194)~~	~~$ 52~~
~~General Re~~	~~(328)~~	~~(277)~~	~~(832)~~	~~(603)~~
~~Berkshire Hathaway Reinsurance Group~~	~~21~~	~~(132)~~	~~(15)~~	~~(87)~~
~~Berkshire Hathaway Direct Insurance Group~~	~~3~~	~~2~~	~~4~~	~~3~~
~~Pre-tax underwriting loss~~	~~(347)~~	~~(375)~~	~~(1,037)~~	~~(635)~~
~~Income taxes and minority interest~~	~~(129)~~	~~(130)~~	~~(357)~~	~~(228)~~
~~Net underwriting loss~~	~~$ (218)~~	~~$ (245)~~	~~$ (680)~~	~~$ (407)~~

Berkshire engages in both primary insurance and reinsurance of property and casualty risks. Through General Re, Berkshire also reinsures life and health risks. In primary insurance activities, Berkshire subsidiaries assume defined portions of the risks of loss from persons or organizations that are directly subject to the risks. In reinsurance activities, Berkshire subsidiaries assume defined portions of similar or dissimilar risks that other insurers or reinsurers have subjected themselves to in their own insuring activities. Berkshire's principal insurance businesses are: (1) GEICO, the sixth largest auto insurer in the United States, (2) General Re, one of the four largest reinsurers in the world, (3) Berkshire Hathaway Reinsurance Group ("BHRG") and (4) Berkshire Hathaway Direct Insurance Group. GEICO CORPORATION GEICO Corporation through its affiliates ("GEICO") provides private passenger auto insurance to customers in 48 states and the District of Columbia. GEICO policies are marketed mainly through direct response methods, in which insureds apply directly to the company for insurance coverage over the telephone, through the mail or via the Internet. This is a significant element in GEICO's strategy to be a low cost insurer and provide high value to policyholders. 11 13 FORM 10-Q BERKSHIRE HATHAWAY INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS INSURANCE UNDERWRITING (CONTINUED) GEICO's pre-tax underwriting results for the third quarter and first nine months of 2000 and 1999 are summarized in the table below. Dollar amounts are in millions.

	Third Quarter				First Nine Months			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$1,446	100.0	$1,222	100.0	$4,137	100.0	$3,491	100.0
Losses and loss expenses	1,225	84.7	963	78.8	3,548	85.8	2,779	79.6
Underwriting expenses	264	18.3	227	18.6	783	18.9	660	18.9
Total losses and expenses								

~~1,489 103.0 1,190 97.4 4,331 104.7 3,439 98.5 - ----- ═════ ---- -- ═════ -- ---- ═════ ------ ═════~~

~~Underwriting gain (loss) $ (43) $ 32 $ (194) $ 52 ═══════ ═══════ ═══════ ═══════~~

For the third quarter and first nine months of 2000, premiums earned by GEICO exceeded amounts earned in corresponding 1999 periods by 18.3% and 18.5%, respectively. In response to increased claim costs, GEICO has applied for premium rate increases in many states, some of which were implemented over the past two quarters. As a result of decreased response from advertising, rate increases and tightened underwriting standards, new business sales in the first nine months of 2000 declined from new business written in 1999, and during the third quarter the decline was significant. The increase in earned premiums in 2000 reflects greater numbers of voluntary auto policies in-force. Voluntary auto policies in-force have increased by approximately 13.2% over the past twelve months, as preferred-risk policies in-force grew 11.0% and standard and non-standard risk policies in-force grew 22.0%. As a result of the factors mentioned above, policies-in-force are not expected to grow during the remainder of 2000. GEICO's net underwriting results for the third quarter and first nine months of 2000 deteriorated in comparison with the results for the corresponding 1999 periods. The decline in comparative underwriting results was largely due to increased claim losses in 2000 periods. The loss ratio, which represents the ratio of claim and claim handling costs paid or reserved as a percentage of premiums earned was 84.7% for the third quarter and 85.8% for the first nine months of 2000. In 1999, the loss ratio was 78.8% for the third quarter and 79.6% for the first nine months. The increase in the loss ratio during 2000 periods was due primarily to higher frequency and significantly higher severity for personal injury protection and to increasing cost trends for medical payments and automobile repair costs. It takes from six to twelve months for increased rates and tighter underwriting standards to become fully reflected in earned premiums and underwriting results. Absent a significant adverse change in claim patterns or costs, GEICO's underwriting results are expected to improve in 2001. GENERAL RE General Re and its affiliates conduct a global reinsurance business with operations in the United States and 125 other countries around the world. General Re's principal reinsurance operations are: (1) North American property/casualty, (2) International property/casualty, and (3) Global life/health. The international property/casualty and global life/health operations are conducted primarily through Germany-based Cologne Re and its subsidiaries. At September 30, 2000, General Re had an 88% economic ownership interest in Cologne Re. Underwriting conditions within the reinsurance industry during 2000 remain difficult, although there are signs of improvement in certain markets. General Re's overall underwriting results during 2000 and 1999 were unsatisfactory in both the property and casualty and life and health businesses. The substandard results reflected the effects of inadequate rates charged in recent years on many lines of business. General Re management continues to take underwriting actions to address these matters with the objective of returning underwriting results to acceptable levels. Due to the inherent time lag between when underwriting (including pricing) decisions are made and when the effects of such decisions are evident in the financial statements, General Re's overall underwriting results are likely to remain unsatisfactory over the remainder of 2000. However, absent a mega-catastrophe or the significant adverse development of reserves established for claims, Berkshire expects that General Re's underwriting results will improve over the next few quarters. The underwriting results of each General Re business segment follow. Dollar amounts are in millions. 12 14 FORM 10-Q BERKSHIRE HATHAWAY INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) INSURANCE UNDERWRITING (CONTINUED) North American property/casualty

Third Quarter First Nine Months ---- --------- --- ------------- - 2000 1999 2000 1999 - ------------- - ----------- ---- -------- ------- ----- ---------- Amount % Amount %

	Amount	%	Amount	%				
~~Premiums earned~~	~~$ 991~~	~~100.0~~	~~$ 793~~	~~100.0~~	~~$2,399~~	~~100.0~~	~~$2,060~~	~~100.0~~
~~Losses and loss expenses~~	~~1,013~~	~~102.2~~	~~753~~	~~94.9~~	~~2,195~~	~~91.5~~	~~1,611~~	~~78.2~~
~~Underwriting expenses~~	~~216~~	~~21.8~~	~~198~~	~~25.0~~	~~599~~	~~25.0~~	~~680~~	~~33.0~~
~~Total losses and expenses~~	~~1,229~~	~~124.0~~	~~951~~	~~119.9~~	~~2,794~~	~~116.5~~	~~2,291~~	~~111.2~~
~~Underwriting loss~~	~~$ (238)~~		~~$ (158)~~		~~$ (395)~~		~~$ (231)~~	

North American property/casualty operations underwrite predominantly excess reinsurance across multiple lines of business. For the third quarter and first nine months of 2000, premiums earned from North American reinsurance businesses exceeded amounts earned during the 1999 periods by $198 million (25.0%) and $339 million (16.5%), respectively. The most significant increases in premium volume occurred in the national multi-line, excess and surplus reinsurance lines and individual risk businesses. This growth resulted from a combination of new business and the effects of rate increases. In addition, a significant increase in premiums earned in 2000 periods was generated from a single aggregate excess treaty. Finally, the increases in premiums earned in 2000, in part, reflected reductions in reinsurance premiums ceded to members of the Berkshire Hathaway Reinsurance Group. The North American property/casualty operations produced net underwriting losses of $238 million and $395 million for the third quarter and first nine months of 2000, respectively. Underwriting results for the third quarter and first nine months of 2000 included a $135 million net underwriting loss in connection with the aforementioned aggregate excess treaty. The treaty, while producing a current-year underwriting loss, is accepted because of the large investable funds generated, which, in turn, are expected to produce a meaningful increase in future investment income. In addition, during the first nine months of 2000, adverse development (reserve increases) of prior years' claim estimates emerged, primarily in the medical malpractice, commercial umbrella and property individual risk reinsurance lines. Whereas, in 1999, underwriting results benefited from modest reductions (or favorable development) of loss reserves established for previous years. Partially offsetting these unfavorable underwriting results were improved current accident year results for property lines, which benefited from lower amounts of catastrophe and large property losses, and the initial effects of underwriting actions on both property and casualty lines. Losses arising from catastrophic events and other large property losses added 4.1 points to the North American property/casualty loss and loss expense ratio for the first nine months of 2000, as compared to 7.2 points for the same period of 1999. While the potential for catastrophe and large property losses are factors normally considered in underwriting decisions, the timing and magnitude of such losses can cause significant volatility in periodic underwriting results, particularly quarterly results. International property/casualty

	Third Quarter				First Nine Months			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$ 653	100.0	$ 587	100.0	$1,881	100.0	$1,701	100.0
Losses and loss expenses	521	79.8	497	84.7	1,631	86.7	1,391	81.8
Underwriting expenses	202	30.9	195	33.2	611	32.5	569	33.4

~~- ------ Total losses and expenses 723 110.7 692 117.9 2,242 119.2 1,960 115.2 ----- ______ ---- - ______ --- --- ______ - ----- ______~~

~~Underwriting loss $ (70) $(105) $ (361) $ (259) ______ ______ _______ _______~~

The international property/casualty operations write primarily quota-share and, to a lesser degree, excess reinsurance on risks around the world. In recent years, the largest international markets have been in Germany and Western Europe. International reinsurance business includes a significant level of property reinsurance. Premiums earned in the third quarter and first nine months of 2000 increased over 1999 levels by 11.2% and 10.6%, respectively. Adjusting for the effects of overall declining foreign exchange rates, earned premiums in local currencies grew 21.3% during the third quarter and 21.4% for first nine months of 2000, respectively. The growth in earned premiums was primarily due to increased premiums in European markets outside Germany, premiums due from cedants to reinstate coverage as a result of fourth quarter 1999 European winter storm losses, new business in South America, and from DP Mann's Syndicate 435 at Lloyd's of London. 13 15 FORM 10-Q BERKSHIRE HATHAWAY INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) INSURANCE UNDERWRITING (CONTINUED) International property/casualty (continued) Underwriting results of the international property/casualty segment for the first nine months of 2000 remained very poor, despite the fact that the third quarter 2000's results improved considerably in comparison with 1999's third quarter and the first half of 2000 due primarily to lower levels of catastrophe losses. The increase in the loss ratio for the first nine months of 2000 was primarily due to adverse development in the first half of 2000 from the December 1999 European winter storms and inadequate premium rates in many international property/casualty markets. The effect of catastrophes, including development from 1999 events, and other large property losses represented 8.1 points of the loss and loss expense ratio for the first nine months of 2000, compared to 4.9 points for the same period of 1999. Consequently, periodic underwriting results for the international property/casualty business can be volatile, given the significant level of property business written. Global life/health

Third Quarter First Nine Months ---- --------- --- ------------ - 2000 1999 2000 1999 - ------------ ------------ -- ---------- ----- ------- ----------

Amount % Amount % Amount % Amount % - --- ----- --- - ----- ----- - ----- ----- - -----

~~Premiums earned $400~~

~~100.0 $509~~
~~100.0~~
~~$1,259~~
~~100.0~~
~~$1,293~~
~~100.0 -----~~
~~---- ---- ---~~
~~-- ------ ---~~
~~-- ------ ---~~
~~-- Losses~~
~~and loss~~
~~expenses~~
~~311 77.8~~
~~406 79.8~~
~~1,041 82.7~~
~~1,087 84.0~~
~~Underwriting~~
~~expenses~~
~~109 27.2~~
~~117 23.0~~
~~294 23.3~~
~~319 24.7 ---~~
~~------ ---- -~~
~~---- ------ -~~
~~---- ------ -~~
~~---- Total~~
~~losses and~~
~~expenses~~
~~420 105.0~~
~~523 102.8~~
~~1,335 106.0~~
~~1,406 108.7~~
~~---- =====~~
~~---- =====~~
~~------~~
~~===== ----~~
~~-- =====~~
~~Underwriting~~
~~loss $(20)~~
~~$(14) $ (76)~~
~~$ (113)~~
~~==== ====~~
~~======~~
~~======~~

Global life/health net earned premiums decreased 21.4% for the third quarter and 2.6% in the first nine months of 2000. The decreases in premiums in 2000 periods resulted primarily from reduced premiums on run-off business written by GCL's former London-based managing underwriter. Adjusting for the effects of the run-off business, global life/health earned premiums increased 2.3% for the third quarter and 6.0% for the first nine months of 2000. The global life/health operations produced improved but still unsatisfactory underwriting results for the first nine months of 2000 and 1999. Underwriting results weakened in the international life/health business, while the U.S. life/health operations have continued to show improvement during the third quarter and year-to-date 2000. BERKSHIRE HATHAWAY REINSURANCE GROUP Premiums earned of $1,291 million and $1,596 million during the third quarter and first nine months of 2000 declined from the third quarter and first nine months of 1999 by 9.1% and 18.8% respectively. Much of the premium volume generated in the past two years by BHRG derived from retroactive reinsurance and property catastrophe excess-of loss policies. Retroactive reinsurance refers to policies that indemnify ceding companies for losses arising under contracts written in the past by the ceding companies. It is often anticipated that a significant level of environmental and latent injury claims will arise under these contracts. Catastrophe policies indemnify ceding companies against specific losses or the accumulation of losses arising out of specified catastrophic events. For the first nine months, premiums earned from retroactive coverage totaled $1,227 million in 2000 and $1,508 million in 1999. Of such amount $1,201 million and $1,227 million were earned during the third quarters of 2000 and 1999 respectively. BHRG is actively negotiating additional retroactive reinsurance contracts, which, if such transactions are consummated, will produce additional premiums in excess of $3 billion. It is not anticipated that these contracts will be finalized until 2001. Premiums earned from catastrophe policies for the third quarter and first nine months of 2000 were $61 million and $263 million. For the third quarter and first nine months of 1999, premiums earned from catastrophe policies were $87 million and $222 million. Premiums earned from BHRG's other non-catastrophe reinsurance businesses were $106 million and $236 million for the first nine months of

2000 and 1999 respectively. The decline in premiums earned was attributed to the expiration and non-renewal in 1999 of a large excess-casualty reinsurance agreement and to a comparative decline in business assumed from General Re's North American Reinsurance operation. 14 16 FORM 10-Q BERKSHIRE HATHAWAY INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) INSURANCE UNDERWRITING (CONTINUED) BERKSHIRE HATHAWAY REINSURANCE GROUP (CONTINUED) For the third quarter and first nine months of 2000, BHRG's catastrophe reinsurance produced net underwriting gains of $73 million and $120 million. For comparative prior year periods, this business generated net underwriting gains of $69 million for the third quarter and $132 million for the first nine months. Although Berkshire's catastrophe reinsurance business has generated meaningful underwriting gains in recent years, considerable potential for future underwriting losses currently remains. Significant exposure to catastrophe losses exists with respect to hurricane risks in the eastern U.S. and earthquake risks in California. Consequently, underwriting results for the catastrophe business are subject to exceptional volatility. Net underwriting losses for the first nine months from other non-catastrophe reinsurance activities were $5 million in 2000 and $130 million in 1999. The improvement in net underwriting results in 2000 compared to 1999 was primarily attributed to a decline in losses assumed under the previously mentioned large casualty excess treaty and reduced losses from General Re's North American property/casualty business. INSURANCE SEGMENTS - INVESTMENT INCOME After-tax net investment income produced by Berkshire's insurance and reinsurance businesses for the third quarter and first nine months of 2000 and 1999 is summarized in the table below. Dollars are in millions.

	Third Quarter		First Nine Months	
	2000	1999	2000	1999
Net investment income before taxes and minority interests	$ 673	$ 661	$1,977	$1,852
Income taxes and minority interests	198	194	579	532
Net investment income	$ 475	$ 467	$1,398	$1,320

Pre-tax net investment income earned by Berkshire's insurance and reinsurance businesses during the third quarter and first nine months of 2000 exceeded amounts earned during the corresponding 1999 periods by 1.8% and 6.7%, respectively. Berkshire's insurance and reinsurance businesses maintain significant levels of invested assets, approximately $73 billion at September 30, 2000. Invested assets derive from significant amounts of shareholder capital, including reinvested earnings as well as large amounts of policyholder float. "Float" represents the approximate aggregate amount of funds available for investment that is temporarily held by an insurance business for the benefit of its policyholders. The level of float at September 30, 2000 was approximately $27.1 billion, compared to $25.3 billion at December 31, 1999. The increase in float during 2000 was largely attributed to new float generated by BHRG's, retroactive reinsurance activities. Berkshire's average cost of float, as measured by the pre-tax underwriting losses to average float, for the first nine months of 2000 was approximately 5.3%. As discussed previously, BHRG is currently negotiating additional new retroactive reinsurance arrangements. If and when such transactions are consummated, the level of float could rise substantially. NON-INSURANCE BUSINESSES Results of operations of Berkshire's diverse non-insurance businesses for the third quarter and first nine months of 2000 and 1999 are shown in the following table. Dollar amounts are in millions.

Third Quarter First Nine Months ------------- ----------------
2000 1999 2000 1999 ------- ---- ---- Amount % Amount % Amount % Amount % ------ ----- ------ ----- ------ ----- ------ -----
~~Revenues $1,958 100.0 $1,409 100.0 $5,621 100.0 $4,313 100.0 Costs and expenses 1,678 85.7 1,254 89.0 4,660 82.9 3,721 86.3 ------ ----- ------ ----- ------ ----- ------ -----~~
~~Earnings before taxes/minority 280 14.3 155 11.0 961 17.1 592 13.7 interest Income taxes and minority interest 111 5.7 62 4.4 359 6.4 232 5.4 ------ ----- ------ ----- ------ ----- ------ -----~~
~~Net earnings $ 169 8.6 $~~

~~93 6.6 $ 602~~
~~10.7 $ 360~~
~~8.3~~

15 17 FORM 10-Q BERKSHIRE HATHAWAY INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) NON-INSURANCE BUSINESSES (CONTINUED) As shown in the preceding table, revenues and net earnings of Berkshire's numerous and diverse non-insurance businesses for 2000 periods exceeded revenues and net earnings for 1999 periods by a considerable margin. Combined revenues for the third quarter and first nine months of 2000 exceeded 1999 amounts by $549 million (39.0%) and $1,308 million (30.3%), respectively. Net earnings for the third quarter and first nine months of 2000 exceeded 1999 amounts by $76 million (81.7%) and $242 million (67.2%), respectively. The inclusion of the results from four business acquisitions, which closed during the period between November 1999 and August 2000, account for a significant portion of the comparative increases in revenues and net earnings during the 2000 periods. Jordan's Furniture, Inc., acquired in November 1999, CORT Business Services, acquired in February 2000, Ben Bridge Jeweler, acquired July 2000 and Justin Industries (Acme Building Brands and Justin Brands), acquired August 2000 is each included in Berkshire's non insurance business results from its respective date of acquisition. In the aggregate, these businesses accounted for $314 million and $583 million of the revenue increase during the third quarter and first nine months of 2000, respectively. Such businesses were responsible for $20 million and $36 million of the additional net earnings generated by the non-insurance businesses during the third quarter and first nine months of 2000, respectively. Included in this diverse group of businesses are Berkshire's finance businesses. Net earnings from these businesses increased $61 million during the third quarter of 2000 and $226 million during the first nine months of 2000 over amounts recorded in the comparable 1999 periods. Much of the increase was attributable to the recognition of gains on a large portfolio of trading securities. Such securities have been sold and/or matured and there can be no guarantee that similar results will be reported in future periods. GOODWILL AMORTIZATION AND OTHER PURCHASE-ACCOUNTING-ADJUSTMENTS Goodwill amortization and other purchase-accounting-adjustments reflect the after-tax effect on net earnings with respect to the amortization of goodwill of acquired businesses and the amortization of fair value adjustments to certain assets and liabilities which were recorded at the acquisition dates of certain businesses (principally General Re and GEICO). Other purchase-accounting-adjustments pertain primarily to the amortization of the excess of market value over historical cost of General Re's fixed maturity investments that existed at the date of the merger. Such excess is included in Berkshire's cost of the investments and is being amortized over the remaining lives of the investments. The unamortized excess remaining in the cost of fixed maturity investments totaled $778 million at September 30, 2000, compared to $988 million at September 30, 1999. REALIZED INVESTMENT GAIN/LOSS Realized investment gain/loss has been a recurring element in Berkshire's net earnings for many years. Such amounts -- recorded (1) when investments are sold; (2) other than temporarily impaired; and (3) in certain situations, as provided under GAAP, when investments are marked-to-market with a corresponding gain or loss included in earnings -- may fluctuate significantly from period to period, resulting in a meaningful effect on reported net earnings. The Consolidated Statements of Earnings include after-tax realized investment gains of $1,344 million and $784 million for the first nine months of 2000 and 1999, respectively. FINANCIAL CONDITION Berkshire's balance sheet continues to reflect significant liquidity and a strong capital base. Consolidated shareholders' equity at September 30, 2000 totaled $59.4 billion. Consolidated cash and invested assets, excluding assets of finance and financial products businesses totaled approximately $75 billion at September 30, 2000. During 2000, Berkshire has deployed approximately $2.8 billion in cash for business acquisitions and investments in MidAmerican. In addition, during the remainder of 2000 and in early 2001, Berkshire expects to employ approximately $3 billion in cash to consummate the Shaw Industries and Benjamin Moore acquisitions. It is expected that the cash for these acquisitions will be derived from internally generated funds. The net amount of borrowings under investment agreements and other debt increased $169 million during the first nine months of 2000. The increase was due to the inclusion of debt of subsidiaries assumed in connection with business acquisitions during 2000 and an increase in debt employed by certain Berkshire subsidiaries in their business operations, partially offset by a decline in corporate debt. 16 18 FORM 10-Q BERKSHIRE HATHAWAY INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) FORWARD-LOOKING STATEMENTS Investors are cautioned that certain statements contained in this document as well as some statements in periodic press releases and some oral statements of Berkshire officials during presentations about Berkshire, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, which include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or similar expressions. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Berkshire actions, which may be provided by management are also forward-looking statements as defined by the Act. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about Berkshire, economic and market factors and the industries in which Berkshire does business, among other things. These statements are not guaranties of future performance and Berkshire has no specific intention to update these statements. Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause Berkshire's actual performance and future events and actions to differ materially from such forward-looking statements, include, but are not limited to, changes in market prices of Berkshire's significant equity investees, the occurrence of one or more catastrophic events, such as an earthquake or hurricane that causes losses insured by Berkshire's insurance subsidiaries, changes in insurance laws or regulations, changes in Federal income tax laws, and changes in general economic and market factors that affect the prices of securities or the industries in which Berkshire and its affiliates do business, especially those affecting the property and casualty insurance industry. PART II OTHER

INFORMATION ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K a. Exhibits Exhibit 27 -- Financial Data Schedule b. Reports on Form 8-K SIGNATURE Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized. BERKSHIRE HATHAWAY INC. (Registrant) Date November 13, 2000 /s/ Marc D. Hamburg ----------------- ------------------------------- (Signature) Marc D. Hamburg, Vice President and Principal Financial Officer 17