

Berkshire Hathaway Inc (BRK.B)

Earnings Update

Hold

Dylan Swanson | March 9, 2023

Annual Report/ Letter to Shareholders

“First, we invest in businesses that we control, usually buying 100% of each. Berkshire directs capital allocation at these subsidiaries and selects the CEOs who make day-by-day operating decisions In our second category of ownership, we buy publicly-traded stocks through which we passively own pieces of businesses. Holding these investments, we have no say in management.” – Warren Buffet

Exhibit 1 – Berkshire Hathaway Subsidiaries



(Source: Company filings)

“Our goal in both forms of ownership is to make meaningful investments in businesses with both long-lasting favorable economic characteristics and trustworthy managers Charlie and I are not stock-pickers; we are business-pickers.” – Warren Buffet

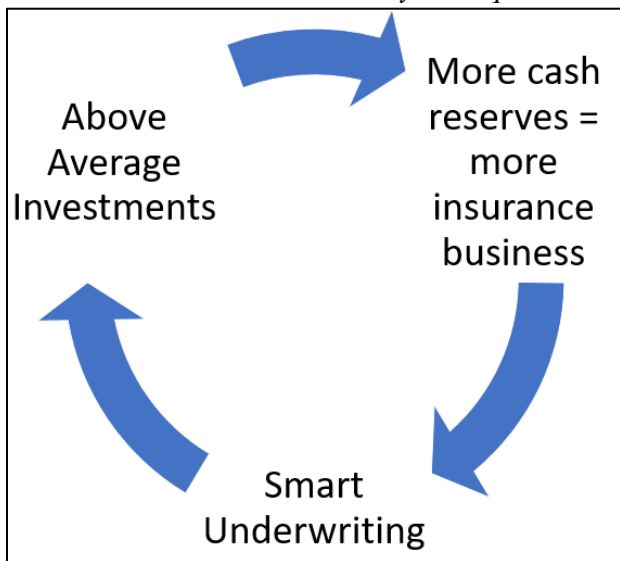
| Company | Ticker | Market value as of 31 December, 2022 | Number of shares | % of total portfolio |
|--|--------|--------------------------------------|------------------|----------------------|
| APPLE INC (COM) | AAPL | 116,305,042,000 | 895,136,175 | 38.90% |
| BANK OF AMERICA CORP (COM) | BAC | 33,454,531,000 | 1,010,100,606 | 11.19% |
| CHEVRON CORP (COM) | CVX | 29,252,523,000 | 162,975,771 | 9.78% |
| COCA COLA CO (COM) | KO | 25,444,000,000 | 400,000,000 | 8.51% |
| AMERICAN EXPRESS CO (COM) | AXP | 22,400,481,000 | 151,610,700 | 7.49% |
| KRAFT HEINZ CO (COM) | KHC | 13,256,593,000 | 325,634,818 | 4.43% |
| OCCIDENTAL PETROLEUM (COM) | OXY | 12,242,210,000 | 194,351,650 | 4.09% |
| MOODYS CORP (COM) | MCO | 6,873,494,000 | 24,669,778 | 2.30% |
| ACTIVISION BLIZZARD INC (COM) | ATVI | 4,035,493,000 | 52,717,075 | 1.35% |
| HP INC. (COM) | HPQ | 2,807,271,000 | 104,476,035 | 0.94% |
| DAVITA HEALTHCARE PARTNERS I (COM) | DVA | 2,695,257,000 | 36,095,570 | 0.90% |
| VERISIGN INC (COM) | VRSN | 2,632,840,000 | 12,815,613 | 0.88% |
| CITIGROUP INC. (COM) | C | 2,494,696,000 | 55,155,797 | 0.83% |
| KROGER CO. (COM) | KR | 2,229,000,000 | 50,000,000 | 0.75% |
| VISA INC (COM CL A) | V | 1,723,880,000 | 8,297,460 | 0.58% |
| LIBERTY MEDIA CORP DELAWARE (COM C SIRIUSXM) | LSXMK | 1,690,740,000 | 43,208,291 | 0.57% |
| GENERAL MTRS CO (COM) | GM | 1,682,000,000 | 50,000,000 | 0.56% |
| PARAMOUNT GLOBAL (COM CL B) | PARA | 1,580,596,000 | 93,637,189 | 0.53% |
| MASTERCARD INC (CL A) | MA | 1,386,277,000 | 3,986,648 | 0.46% |

| | | | | |
|--|-------|---------------|-------------|-------|
| AON PLC (COM) | AON | 1,319,416,000 | 4,396,000 | 0.44% |
| CHARTER COMMUNICATIONS INC N (CL A) | CHTR | 1,298,394,000 | 3,828,941 | 0.43% |
| BANK OF NEW YORK MELLON CORP (COM) | BK | 1,141,180,000 | 25,069,867 | 0.38% |
| MCKESSON CORP. | MCK | 1,071,160,000 | 2,855,514 | 0.36% |
| CELANESE CORP. (COM) | CE | 992,768,000 | 9,710,183 | 0.33% |
| AMAZON COM INC (COM) | AMZN | 895,944,000 | 10,666,000 | 0.30% |
| SNOWFLAKE INC (COM) | SNOW | 879,236,000 | 6,125,376 | 0.29% |
| LIBERTY SIRIUS XM SERIES A | LSXMA | 794,364,000 | 20,207,680 | 0.27% |
| GLOBE LIFE INC (COM) | GL | 765,942,000 | 6,353,727 | 0.26% |
| T-MOBILE US INC (COM) | TMUS | 733,880,000 | 5,242,000 | 0.25% |
| ALLY FINANCIAL INC. (COM) | ALLY | 728,610,000 | 29,800,000 | 0.24% |
| MARKEL CORP. (COM) | MKL | 616,073,000 | 467,611 | 0.21% |
| RESTORATION HARDWARE HOLDINGS INC (COM) | RH | 630,568,000 | 2,360,000 | 0.21% |
| TAIWAN SEMICONDUCTOR S.A. (COM) | TSM | 617,725,000 | 8,292,724 | 0.21% |
| LIBERTY MEDIA CORP FORMULA ONE (COM SER C) | FWONK | 461,649,000 | 7,722,451 | 0.15% |
| NU HOLDINGS LTD | NU | 435,973,000 | 107,118,784 | 0.15% |
| LOUISIANA-PACIFIC CORP (COM) | LPX | 417,059,000 | 7,044,909 | 0.14% |
| FLOOR & DECOR HOLDINGS (COM) | FND | 332,832,000 | 4,780,000 | 0.11% |

| | | | | |
|--|-------|-----------------|------------|-------|
| US BANCORP DEL (COM NEW) | USB | 290,915,000 | 6,670,835 | 0.10% |
| STONECO LTD (COM CL A) | STNE | 100,965,000 | 10,695,448 | 0.03% |
| JOHNSON & JOHNSON (COM) | JNJ | 57,782,000 | 327,100 | 0.02% |
| MARSH & MCLENNAN | MMC | 67,005,000 | 404,911 | 0.02% |
| PROCTER & GAMBLE CO (COM) | PG | 47,802,000 | 315,400 | 0.02% |
| LIBERTY LATIN AMERICA LTD (COM CL A) | LILA | 19,810,000 | 2,630,792 | 0.01% |
| MONDELEZ INTL INC (CL A) | MDLZ | 38,524,000 | 578,000 | 0.01% |
| SPDR S&P 500 ETF TRUST | SPY | 15,068,000 | 39,400 | 0.01% |
| VANGUARD S&P 500 ETF | VOO | 15,108,000 | 43,000 | 0.01% |
| JEFFERIES FINANCIAL GROUP INC (COM CL C) | JEF | 14,862,000 | 433,558 | 0.00% |
| LIBERTY LATIN AMERICA LTD (COM CL C) | LILAK | 9,759,000 | 1,284,020 | 0.00% |
| UNITED PARCEL SERVICE INC (CL B) | UPS | 10,326,000 | 59,400 | 0.00% |
| Total market value (\$) | | 299,007,623,000 | | |

“In 1965, Berkshire was a one-trick pony, the owner of a venerable – but doomed – New England textile operation. With that business on a death march, Berkshire needed an immediate fresh start. Looking back, I was slow to recognize the severity of its problems. And then came a stroke of good luck: National Indemnity became available in 1967, and we shifted our resources toward insurance and other non-textile operations.”

Exhibit 2 – Berkshire Hathaway’s unique business model



Berkshire Hathaway has operated a business model that many have tried to copycat, but all have been unsuccessful. What has allowed BRK to grow into the battleship it is today, all started with the purchase of reinsurer National Indemnity in 1967. Warren Buffet understood the concept of “float” and how it could be used to exponentially grow a business. Premiums are paid monthly by customers and ideally the claims paid out over the life insurance plan is far less than what is brought in by premiums. The constant cash flows the insurance business provides through premiums is what is called float. However, in most cases this is very short term in nature as claims are being paid out. Taking on smart risk in the insurance business has allowed the float of

Berkshire Hathaway to be very stable in comparison to competitors making way for Warren Buffet to take the cash and invest it into securities with little to no worry of blowing the float in a disaster. In addition, Warren Buffet was able to take the float and consistently outperform the S&P 500.

To put this dynamic into perspective Berkshire Hathaway Reinsurance writes 7% of premium volume globally but holds 40% of the cash reserves globally.

FY22

Berkshire Hathaway posted strong results amidst a challenging a macroeconomic environment, growing operating earnings by 10.7% compared to the prior year. Operating earnings per share grew 12% for the full year and management repurchased \$6.9B worth of stock or roughly 1% of the company.

Exhibit 3 – Income Statement Variance Table

| <i>(in millions)</i> | 2022 | 2021 | Variance |
|--------------------------------------|-------------------|-------------------|--------------|
| Revenue: | | | |
| Insurance premiums | \$ 74,645 | \$ 69,478 | 7.4% |
| Sales and services | \$ 157,518 | \$ 145,043 | 8.6% |
| Leasing | \$ 7,514 | \$ 5,988 | 25.5% |
| Interest, dividends, and investments | \$ 10,263 | \$ 7,465 | 37.5% |
| Freight rail transportation | \$ 25,802 | \$ 23,177 | 11.3% |
| Energy | \$ 21,023 | \$ 18,891 | 11.3% |
| Service and others | \$ 5,324 | \$ 6,161 | -13.6% |
| Total revenues | \$ 302,089 | \$ 276,203 | 9.4% |
| Operating earnings: | | | |
| Insurance | \$ (98) | \$ 936 | -110.5% |
| Burlington Northern Santa Fe | \$ 5,946 | \$ 5,990 | -0.7% |
| Energy & Utilities | \$ 3,904 | \$ 3,572 | 9.3% |
| Manufacturing | \$ 12,512 | \$ 11,120 | 12.5% |
| Service and retailing | \$ 5,042 | \$ 4,711 | 7.0% |
| Investment Income | \$ 6,484 | \$ 4,807 | 34.9% |
| Other | \$ 2,037 | \$ 1,238 | 64.5% |
| Total operating earnings | \$ 35,827 | \$ 32,374 | 10.7% |
| Operating earnings per share | \$ 15.39 | \$ 13.74 | 12.0% |
| Shares outstanding | 2265 | 2203 | 2.8% |
| Margins: | | | |
| Adj. operating margin | 11.9% | 11.7% | 1.2% |
| Adj. net margin | 8.9% | 9.8% | -9.2% |
| Free cash flow margin | 7.2% | 9.4% | -23.4% |
| Balance sheet: | | | |
| Cash & equivalents | \$ 125,034 | \$ 143,854 | -13.1% |
| Free cash flow | \$ 21,760 | \$ 26,145 | -16.8% |
| Obligation ratio | -3.9 | 0.3 | -1400.0% |

(Source: Company Filings)

Exhibit 4 – Insurance Variance Table

| (in millions) | 2022 | | 2021 | | Variance |
|---|------|---------|------|---------|----------|
| Geico | | | | | |
| Premiums written | \$ | 39,107 | \$ | 38,395 | 1.9% |
| Premiums earned | \$ | 38,984 | \$ | 37,706 | 3.4% |
| Loss ratio | | 93.1% | | 82.2% | 13.3% |
| Expense ratio | | 11.7% | | 14.4% | -18.8% |
| Combined ratio | | 104.8% | | 96.6% | 8.5% |
| BH Primary | | | | | |
| Premiums written | \$ | 14,619 | \$ | 12,595 | 16.1% |
| Premiums earned | \$ | 13,746 | \$ | 11,575 | 18.8% |
| Loss ratio | | 71.9% | | 70.0% | 2.7% |
| Expense ratio | | 25.2% | | 24.8% | 1.6% |
| Combined ratio | | 97.1% | | 94.8% | 2.4% |
| BH reinsurance property/casualty | | | | | |
| Premiums written | \$ | 16,962 | \$ | 14,149 | 19.9% |
| Premiums earned | \$ | 16,040 | \$ | 13,740 | 16.7% |
| Loss ratio | | 66.1% | | 71.9% | -8.1% |
| Expense ratio | | 20.3% | | 23.2% | -12.5% |
| Combined ratio | | 86.4% | | 95.1% | -9.1% |
| BH reinsurance life/health | | | | | |
| Premiums written | \$ | 5,185 | \$ | 5,621 | -7.8% |
| Premiums earned | \$ | 5,279 | \$ | 5,648 | -6.5% |
| Loss ratio | | 75.8% | | 87.3% | -13.2% |
| Expense ratio | | 18.7% | | 20.2% | -7.4% |
| Combined ratio | | 94.5% | | 107.5% | -12.1% |
| Total | | | | | |
| Premiums written | \$ | 75,873 | \$ | 70,760 | 7.2% |
| Premiums earned | \$ | 74,049 | \$ | 68,669 | 7.8% |
| Loss ratio | | 82.1% | | 78.5% | 4.6% |
| Expense ratio | | 16.5% | | 18.4% | -10.3% |
| Combined ratio | | 98.6% | | 96.9% | 1.8% |
| Investment Income | | | | | |
| Dividend income | \$ | 6,039 | \$ | 5,060 | 19.3% |
| Dividend yield | | 2.0% | | 1.5% | 33.3% |
| Interest income | \$ | 1,685 | \$ | 589 | 186.1% |
| Interest yield | | 6.7% | | 3.6% | 86.1% |
| Total investment income | \$ | 6,484 | \$ | 4,807 | 34.9% |
| Float | \$ | 164,000 | \$ | 147,000 | 11.6% |
| Assets | \$ | 725,989 | \$ | 741,993 | -2.2% |
| Liabilities | \$ | 290,625 | \$ | 255,711 | 13.7% |
| Equity | \$ | 435,364 | \$ | 486,282 | -10.5% |
| Book value per share | \$ | 60.23 | \$ | 60.44 | -0.3% |

(Source: Company Filings)

Geico - Premiums written increased \$712 million or 1.9% in 2022 compared to 2021, reflecting increases in average premiums per auto policy due to rate increases, which were substantially offset by a decrease in policies. Policies declined 8.9% in 2022 compared to 2021 while average premiums per voluntary auto policy increased 11.3%. Premiums earned increased \$1.3 billion or 3.4% in 2022 compared to 2021, partially attributable to a reduction in 2021 of approximately \$475 million from the remaining impact of the GEICO Giveback program. The 10.9% increase was primarily attributable to higher claims frequencies and severities, as well as lower reductions of ultimate loss estimates for prior years' events.

BH Primary - Premiums written increased \$2.0 billion or 16.1% in 2022 compared to 2021, reflecting increases at BH Specialty of 16%, USLI 16%, BHHC 15% and MedPro Group 10%, and from the inclusion of Alleghany Insurance \$435 million. BH Primary's loss ratio increased 1.9 percentage points compared to 2021, which decreased 4.1 percentage points versus 2020. Incurred losses from significant catastrophe events were \$641 million in 2022 driven by \$554 million from Hurricane Ian.

BH Reinsurance Property & Casualty - Premiums written increased \$2.8 billion (19.9%) in 2022 compared to 2021, primarily due to net increases in new property business and higher rates, and the inclusion of the TransRe Group of \$986 million, partially offset by unfavorable foreign currency translation effects. Losses incurred from significant catastrophe events were \$2.0 billion in 2022 from \$1.6 billion from Hurricane Ian.

BH Reinsurance Life & Health - Life/health premiums written decreased \$436 million or 7.8% in 2022 compared to 2021 which decreased 3.9% from 2020. The decrease in 2022 was primarily due to unfavorable foreign currency translation effects (\$289 million) and decreased volume in the Asia Pacific region. Life and health benefits declined \$929 million (18.8%) in 2022 compared to 2021, primarily due to relatively high pandemic-related mortality claims in the U.S.

Investments - Dividend income increased \$979 million or 19.3% in 2022 compared to 2021 and increased \$170 million or 3.5% in 2021 versus 2020. The increase in 2022 reflected an overall increase in equity security investments during 2022. Dividend income also varies from period to period due to changes in the investment portfolio and the frequency and timing of dividends from certain investees. Dividend income included \$46 million in 2022. Interest and other investment income increased \$1.1 billion (186.1%) in 2022 compared to 2021, primarily due to significant increases in interest income due to interest rate increases during the year, as well as the inclusion of interest income on assets of Alleghany's insurance subsidiaries.

Investments (Continued) - Berkshire Hathaway's investment portfolio consist of 49 companies and has marketable value of 299 billion.

Quarterly movements:

- Adds: Louisiana Pacific Corp (0.02%), Apple Inc (0.1%), Viamcombs Inc (0.01%).
- Reduced: Kroger Co (0.01%), Ally Financial (0.01%) , Chevron (0.14%), McKesson Corp (.04%), Activision Blizzard (0.19%), Bank of New York Melon (0.57%), Taiwan Semi-Conductors (1.29%), US Bancorp (1.04%)

Exhibit 5 – Burlington Northern Santa Fe Variance Table

| <i>(in millions)</i> | 2022 | 2021 | Variance |
|--------------------------------------|----------|-----------|----------|
| Burlington Northern Santa Fe: | | | |
| Consumer | \$ 5,202 | \$ 5,673 | -8.3% |
| Industrial | \$ 1,618 | \$ 1,709 | -5.3% |
| Agricultural | \$ 1,200 | \$ 1,224 | -2.0% |
| Coal | \$ 1,529 | \$ 1,529 | 0.0% |
| Total revenue | \$ 9,549 | \$ 10,135 | -5.8% |
| Operating margin | 34.1% | 39.1% | -12.8% |
| Operating ratio | 65.9% | 60.9% | 8.2% |
| Net margin | 23.60% | 26.60% | -11.3% |

(Source: Company Filings)

Railroad operating revenues increased 11.9% in 2022 compared to 2021, reflecting an 18.9% increase in average revenue per car/unit, including the impact from higher fuel surcharge revenue driven by higher fuel prices, partially offset by lower volumes of 5.8%. BNSF's pre-tax earnings decreased 1.9% in 2022 from 2021. Pre-tax earnings in 2022 were impacted by lower volumes and higher fuel and other operating costs, offset by higher yield and fuel surcharge revenue. Railroad operating expenses were \$16.6 billion in 2022, an increase of \$2.9 billion (21.2%) compared to 2021. Our ratio of railroad operating expenses to railroad operating revenues increased 5.0 percentage points to 65.9% in 2022 versus 2021. The operating expense increase was primarily attributable to significant increases in the cost of fuel, as well as higher compensation and benefits expense.

Consumer - Operating revenues from consumer products increased 11.8% in 2022 to \$9.2 billion compared to 2021, reflecting higher average revenue per car/unit, partially offset by a volume decrease of 8.3%. The volume decrease was primarily due to lower intermodal shipments, resulting from supply chain disruptions and lower west coast imports during the second half of the year.

Industrial - Operating revenues from industrial products were \$5.6 billion in 2022, an increase of 5.6% from 2021, reflecting higher average revenue per car/unit, partially offset by a volume decrease of 5.3%. The volume decrease was primarily due to a decrease in petroleum products related to lower demand for shipments of crude by rail and lower building products, steel and taconite shipments, partially offset by increased mineral shipments.

Agricultural - Operating revenues from agricultural products increased 12.6% to \$5.7 billion in 2022 compared to 2021. The revenue increase reflected higher revenue per car/unit partially offset by lower volumes of 2.0%. The decrease in volumes was primarily due to lower grain exports and fertilizer shipments, partially offset by higher volumes of domestic grains, renewable diesel and feedstocks.

Coal - Operating revenues from coal increased 21.7% to \$3.9 billion in 2022 compared to 2021, attributable to higher average revenue per car/unit. Coal volumes were unchanged compared to 2021.

Exhibit 6 – Energy & Utilities Variance Tables

| (in millions) | 2022 | | 2021 | | Variance |
|-----------------------|------|--------|------|--------|----------|
| Revenue: | | | | | |
| Energy | \$ | 21,069 | \$ | 18,935 | 11.3% |
| Realestate | \$ | 5,268 | \$ | 6,215 | -15.2% |
| Total | \$ | 26,393 | \$ | 25,096 | 5.2% |
| Operating earnings: | | | | | |
| U.S utilities | \$ | 2,295 | \$ | 2,211 | 3.8% |
| Natural gas pipeline | \$ | 1,040 | \$ | 807 | 28.9% |
| Other energy | \$ | 1,338 | \$ | 979 | 36.7% |
| Real estate brokerage | \$ | 100 | \$ | 387 | -74.2% |
| Energy Earnings | \$ | 4,673 | \$ | 3,997 | 16.9% |
| Margin % | | 22% | | 21% | 5.1% |
| Realestate earnings | \$ | 100 | \$ | 387 | -74.2% |
| Margin % | | 2% | | 6% | -69.5% |
| Total earnings | \$ | 4,352 | \$ | 4,047 | 7.5% |

(Source: Company Filings)

Energy - The U.S. utilities' earnings increased 16.9% in 2022, an increase of \$676 million compared to 2021. The increase reflected higher operating revenue from favorable retail and wholesale pricing and increases in retail customer volumes, partially offset by increases in thermal generation and purchased power costs. Retail customer volumes increased 2.4% (1.6% at PacifiCorp, 4.3% at MEC and 2.2% at NV Energy) in 2022 compared to 2021, primarily due to higher customer usage, an increase in the average number of customers and the favorable impact of weather.

Real estate - Real estate brokerage after-tax earnings decreased \$287 million in 2022 compared to 2021. The decrease reflected lower brokerage services revenues and margins, primarily due to an 11% reduction in closed brokerage transaction volumes, as well as lower mortgage services revenues and margins from a 40% decrease in closed transaction volumes, attributable to lower homeowner refinancing activity resulting from rising interest rates.

Exhibit 7 – Service & Retailing Variance Table

| Income Statement - Service & Retailing Variance Table | | | | | |
|---|------|--------|------|--------|----------|
| (in millions) | 2022 | | 2021 | | Variance |
| Revenues: | | | | | |
| Service | \$ | 19,006 | \$ | 15,872 | 19.7% |
| Retailing | \$ | 19,297 | \$ | 18,960 | 1.8% |
| McLane | \$ | 53,209 | \$ | 49,450 | 7.6% |
| Total | \$ | 91,512 | \$ | 84,282 | 8.6% |
| Operating earnings: | | | | | |
| Service | \$ | 3,047 | \$ | 2,672 | 14.0% |
| Margin % | | 16.0% | | 16.8% | -4.8% |
| Retailing | \$ | 1,724 | \$ | 1,809 | -4.7% |
| Margin % | | 8.9% | | 9.5% | -6.4% |
| McLane | \$ | 271 | \$ | 230 | 17.8% |
| Margin % | | 0.5% | | 0.5% | 9.5% |
| Total | \$ | 5,042 | \$ | 4,711 | 7.0% |

(Source: Company Filings)

Service – Service group revenues increased \$3.1 billion or 19.7% in 2022 compared to 2021, primarily attributable to revenue increases from TTI and the aviation services businesses, as well as the impact of the IPS acquisition. Revenues from TTI increased 17.4% in 2022 versus 2021. However, in the third quarter, new orders began to slow in certain regions and markets and the slowing of new orders was observed across nearly all regions in the fourth quarter. Pre-tax earnings of our service business group increased \$375 million or 14.0% in 2022 to \$3.0 billion. Pre-tax earnings of the group as a percentage of revenues were 16.0% in 2022, a decrease of 0.8 percentage points compared to 2021. The earnings increase in 2022 was attributable to TTI (19.4%) and aviation services (3.4%), as well as increased earnings from several of our smaller services businesses.

Retailing – Retailing group revenues in 2022 increased \$337 million (1.8%) compared to 2021, reflecting an increase at BHA, partially offset by combined lower revenues from our other retailers. BHA’s revenues in 2022 increased 6.1% compared to 2021. Revenues from new and used retail vehicle sales increased 5.9% compared to 2021, attributable to higher average vehicle transaction prices, partly offset by a 4.5% decline in total retail units sold. New vehicle unit sales continue to be constrained by relatively low new vehicle production, although production gradually trended higher during 2022. Pre-tax earnings in 2022 of the retailing group decreased \$85 million or 4.7% from 2021.

McLane – Revenues of \$53.2 billion in 2022 increased \$3.8 billion or 7.6% compared to 2021. Revenues from the grocery business increased 4.4%, while revenues from the foodservice and beverage businesses increased 14.1% and 6.0%, respectively. Pre-tax earnings increased \$41 million or 17.8% in 2022 as compared to 2021. The increase reflected slightly higher gross margin rates in the grocery and foodservice businesses, partly offset by higher personnel costs, fuel expense and insurance costs.

Exhibit 8 – Manufacturing Variance Table

| (in millions) | 2022 | | 2021 | | Variance |
|---------------------|------|--------|------|--------|----------|
| Revenues: | | | | | |
| Industrial | \$ | 30,824 | \$ | 28,176 | 9.4% |
| Building | \$ | 28,896 | \$ | 24,974 | 15.7% |
| Consumer | \$ | 16,061 | \$ | 15,580 | 3.1% |
| Total | \$ | 75,781 | \$ | 68,730 | 10.3% |
| Operating earnings: | | | | | |
| Industrial | \$ | 4,862 | \$ | 4,469 | 8.8% |
| Margin % | | 15.8% | | 15.9% | -0.6% |
| Building | \$ | 4,789 | \$ | 3,390 | 41.3% |
| Margin % | | 16.6% | | 13.6% | 22.1% |
| Consumer | \$ | 1,526 | \$ | 1,982 | -23.0% |
| Margin % | | 9.5% | | 12.7% | -25.3% |
| Total | \$ | 11,177 | \$ | 9,841 | 13.6% |

(Source: Company Filings)

Industrial – Revenues of the industrial products group in 2022 increased \$2.6 billion or 9.4% and pre-tax earnings increased \$393 million or 8.8% compared to 2021. Pre-tax earnings as a percentage of revenues in 2022 was 15.8%, a decrease of 0.1 percentage points compared 2021. Driven by PCC (1.6%), Lubrizol (48.6%) due to insurance recoveries of \$242 from a fire, Marmon (11.3%), IMC (-2.5%)

Building – Revenues of the building products group increased \$3.9 billion or 15.7% in 2022 and pre-tax earnings increased \$1.4 billion or 41.3% compared to 2021 driven by increases in home prices. Pre-tax earnings as percentages of revenues were 16.6% in 2022 and 13.6% in 2021. During 2021 and much of 2022, the businesses experienced strong customer demand and higher sales volumes. The building products businesses benefited in recent years from the low interest rate environment. However, interest rates in the U.S. increased significantly during 2022, which contributed to slowing demand for new home construction in the fourth quarter. As such, revenues and earnings in the near term will likely decline from current levels. Driven by Clayton (40.7%).

Consumer - Consumer products group revenues increased \$481 million or 3.1% in 2022 versus 2021, reflecting an 8.0% increase from Forest River and the impact of the Jazwares acquisition, substantially offset by lower apparel and footwear and Duracell revenues. In the fourth quarter of 2022, consumer products revenues before the impact of the Jazwares acquisition declined 15.7%, driven by significant declines in recreational vehicle unit sales. The declines in apparel and footwear revenues were driven by lower volumes, as major retailers reduced orders in response to rising inventories. Duracell's revenue decline was primarily due to lower volumes and unfavorable foreign currency translation effects of the stronger U.S. Dollar. Consumer products group pre-tax earnings declined \$456 million (23.0%) in 2022 compared to 2021 and as a percentage of revenues in 2022 decreased 3.2 percentage points to 9.5%. The earnings decline reflected lower aggregate earnings from the apparel and footwear businesses (68.0%) and Duracell (30.6%), partially offset by higher earnings from Forest River (7.6%).

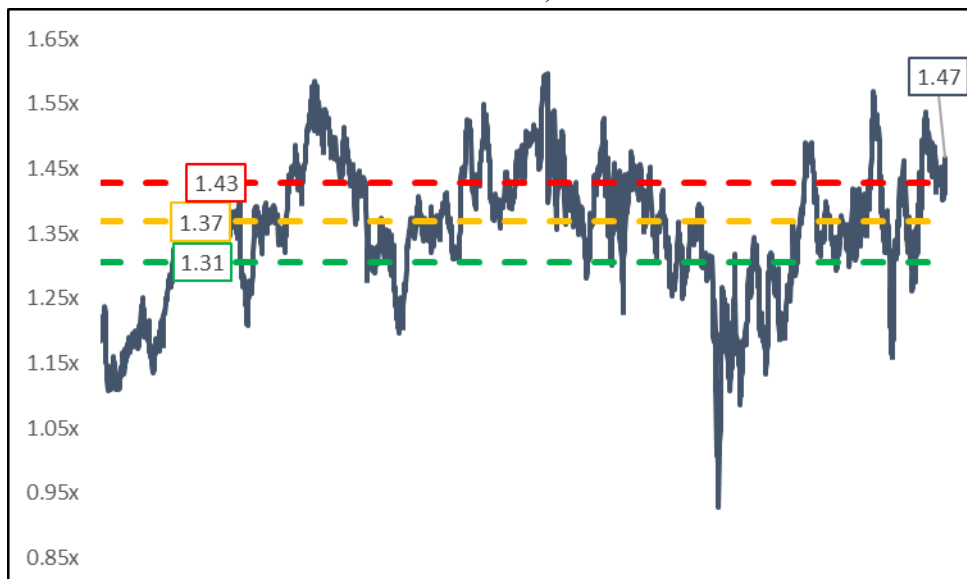
Valuation

The estimated fair value for Berkshire is \$378 per share. The fair value has been derived using a Sum of The Parts valuation model which assigns individual values for Berkshire's equity portfolio, insurance businesses, Burlington Northern Santa Fe, BH Energy, and Manufacturing, Retail, & Services segment. The fair value estimate implies 17% upside in the base case.

Exhibit 9 – Sum of The Parts Valuation Model

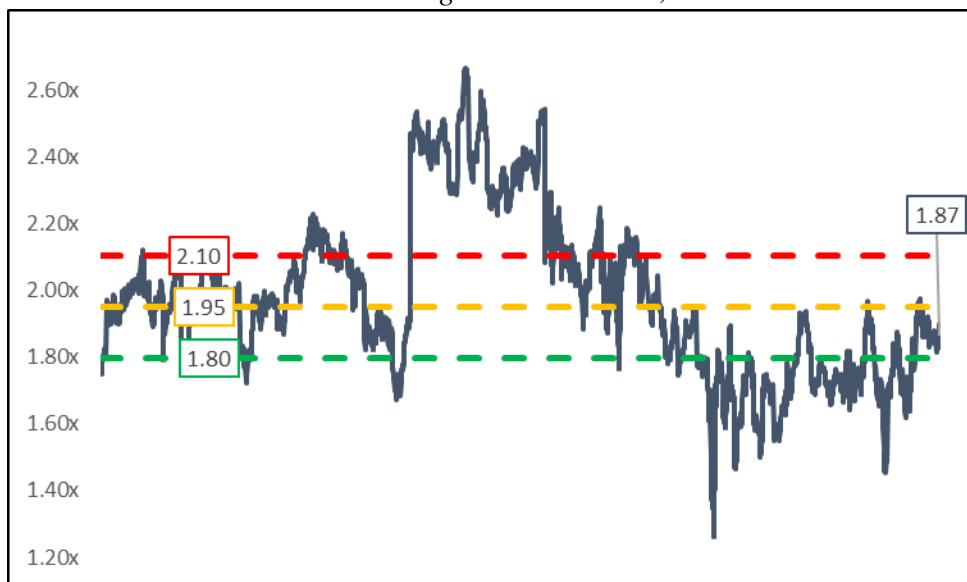
| | Bear | Base | Bull |
|---|-------------------|--------------------------|---------------|
| Equity portfolio | \$ 116.16 | \$ 132.00 | \$ 147.84 |
| Insurance | \$ 36.00 | \$ 54.00 | \$ 70.00 |
| Burlington Northern Santa Fe | \$ 37.09 | \$ 58.28 | \$ 81.24 |
| Energy & utilities | \$ 23.18 | \$ 39.74 | \$ 55.19 |
| Manufacturing, retail & services | \$ 52.54 | \$ 94.30 | \$ 39.74 |
| Fair Value | \$ 264.96 | \$ 378.32 | \$ 394.00 |
| Current Price | \$ 311.35 | \$ 311.35 | \$ 311.35 |
| MoS % | -18% | 18% | 21% |
| | | | |
| Equity portfolio | Value | Growth | Target |
| Bear | \$ 132 | -12% | \$ 116.16 |
| Base | \$ 132 | 0% | \$ 132.00 |
| Bull | \$ 132 | 12% | \$ 147.84 |
| | | | |
| Insurance | Book Value | Price/ Book value | Target |
| Bear | \$ 40 | 0.9 | \$ 36.00 |
| Base | \$ 45 | 1.2 | \$ 54.00 |
| Bull | \$ 50 | 1.4 | \$ 70.00 |
| | | | |
| Burlington Northern Santa Fe | EBIT | EV/EBIT | Target |
| Bear | \$ 8,400 | 10 | \$ 37.09 |
| Base | \$ 8,800 | 15 | \$ 58.28 |
| Bull | \$ 9,200 | 20 | \$ 81.24 |
| | | | |
| Energy & utilities | EBIT | EV/EBIT | Target |
| Bear | \$ 3,500 | 15 | \$ 23.18 |
| Base | \$ 4,500 | 20 | \$ 39.74 |
| Bull | \$ 5,000 | 25 | \$ 55.19 |
| | | | |
| Manufacturing, retail & services | EBIT | EV/EBIT | Target |
| Bear | \$ 17,000 | 7 | \$ 52.54 |
| Base | \$ 17,800 | 12 | \$ 94.30 |
| Bull | \$ 18,500 | 17 | \$ 138.85 |

Exhibit 10 – 10 Year Price to Book Value, Value Bands



(Source: Y charts)

Exhibit 11 – 10 Year Price to Tangible Book Value, Value Bands



(Source: Y charts)