

BERKSHIRE HATHAWAY INC

Form 10-Q

August 03, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

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 incorporation or organization)

(I.R.S. Employer Identification Number)

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. YES NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Number of shares of common stock outstanding as of July 27, 2007:

Class A 1,088,878

Class B 13,753,590

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Q/E 6/30/07

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FORM 10-Q
Part I Financial Information
Item 1. Financial Statements
BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(dollars in millions)

Q/E 6/30/07

	June 30, 2007	December 31, 2006
	(Unaudited)	
ASSETS		
<i>Insurance and Other:</i>		
Cash and cash equivalents	\$ 39,936	\$ 37,977
Investments:		
Fixed maturity securities	24,917	25,300
Equity securities	73,610	61,533
Other	802	905
Receivables	14,095	12,881
Inventories	5,598	5,257
Property, plant and equipment	9,645	9,303
Goodwill	25,845	25,678
Deferred charges reinsurance assumed	4,039	1,964
Other	7,154	6,538
	205,641	187,336
<i>Utilities and Energy:</i>		
Cash and cash equivalents	1,178	343
Property, plant and equipment	24,922	24,039
Goodwill	5,570	5,548
Other	6,415	6,560
	38,085	36,490
<i>Finance and Financial Products:</i>		
Cash and cash equivalents	5,836	5,423
Investments in fixed maturity securities	2,875	3,012
Loans and finance receivables	11,953	11,498
Goodwill	1,013	1,012
Other	3,648	3,666
	25,325	24,611
	\$ 269,051	\$ 248,437

See accompanying Notes to Interim Consolidated Financial Statements

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BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(dollars in millions except per share amounts)

Q/E 6/30/07

	June 30, 2007 (Unaudited)	December 31, 2006
LIABILITIES AND SHAREHOLDERS EQUITY		
<i>Insurance and Other:</i>		
Losses and loss adjustment expenses	\$ 56,450	\$ 47,612
Unearned premiums	7,505	7,058
Life and health insurance benefits	3,758	3,600
Other policyholder liabilities	3,937	3,938
Accounts payable, accruals and other liabilities	10,725	9,654
Income taxes, principally deferred	21,112	19,170
Notes payable and other borrowings	3,108	3,698
	106,595	94,730
 <i>Utilities and Energy:</i>		
Accounts payable, accruals and other liabilities	6,245	6,693
Notes payable and other borrowings	18,214	16,946
	24,459	23,639
 <i>Finance and Financial Products:</i>		
Derivative contract liabilities	4,580	3,883
Accounts payable, accruals and other liabilities	3,439	3,543
Notes payable and other borrowings	12,273	11,961
	20,292	19,387
Total liabilities	151,346	137,756
Minority shareholders interests	2,433	2,262
 Shareholders equity:		
Common stock:		
Class A, \$5 par value; Class B, \$0.1667 par value	8	8
Capital in excess of par value	26,927	26,522
Accumulated other comprehensive income	23,684	22,977
Retained earnings	64,653	58,912

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Total shareholders equity	115,272	108,419
	\$ 269,051	\$ 248,437

See accompanying Notes to Interim Consolidated Financial Statements

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FORM 10-Q
BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS
(dollars in millions except per share amounts)

Q/E 6/30/07

	Second Quarter		First Six Months	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Revenues:				
<i>Insurance and Other:</i>				
Insurance premiums earned	\$ 5,950	\$ 5,836	\$ 19,464	\$ 11,358
Sales and service revenues	14,758	12,736	27,981	24,728
Interest, dividend and other investment income	1,284	1,124	2,404	2,155
Investment gains/losses	605	167	1,047	609
	22,597	19,863	50,896	38,850
<i>Utilities and Energy:</i>				
Operating revenues	3,003	2,617	6,227	4,672
Other	57	71	106	209
	3,060	2,688	6,333	4,881
<i>Finance and Financial Products:</i>				
Interest income	429	402	850	800
Investment gains/losses	4	101	5	108
Derivative gains/losses	319	191	462	545
Other	938	940	1,719	1,764
	1,690	1,634	3,036	3,217
	27,347	24,185	60,265	46,948
Costs and expenses:				
<i>Insurance and Other:</i>				
Insurance losses and loss adjustment expenses	3,176	3,517	14,035	6,867
Life and health insurance benefits	380	381	815	796
Insurance underwriting expenses	1,420	1,361	2,713	2,607
Cost of sales and services	11,985	10,437	22,850	20,420
Selling, general and administrative expenses	1,761	1,440	3,402	2,818
Interest expense	37	46	80	90
	18,759	17,182	43,895	33,598

Utilities and Energy:

Cost of sales and operating expenses	2,408	2,147	4,896	3,741
Interest expense	280	263	552	444
	2,688	2,410	5,448	4,185

Finance and Financial Products:

Interest expense	152	137	300	274
Other	932	854	1,734	1,676
	1,084	991	2,034	1,950
	22,531	20,583	51,377	39,733

Earnings before income taxes and minority interests

Income taxes	4,816	3,602	8,888	7,215
Minority shareholders' interests	1,617	1,208	3,005	2,450
	81	47	170	105

Net earnings	\$ 3,118	\$ 2,347	\$ 5,713	\$ 4,660
Average common shares outstanding *	1,545,206	1,541,641	1,544,008	1,541,286
Net earnings per common share *	\$ 2,018	\$ 1,522	\$ 3,700	\$ 3,023

* 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

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FORM 10-Q
BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

Q/E 6/30/07

	First Six Months	
	2007	2006
	(Unaudited)	
Net cash flows from operating activities	\$ 7,432	\$ 3,451
Cash flows from investing activities:		
Purchases of fixed maturity securities	(3,352)	(4,693)
Purchases of equity securities	(11,456)	(4,648)
Sales of fixed maturity securities	4,454	1,218
Redemptions and maturities of fixed maturity securities	6,265	4,928
Sales of equity securities	2,092	1,581
Purchases of loans and finance receivables	(276)	(158)
Principal collections on loans and finance receivables	379	595
Acquisitions of businesses, net of cash acquired	(1,218)	(5,759)
Purchases of property, plant and equipment	(2,552)	(1,830)
Other	184	773
Net cash flows from investing activities	(5,480)	(7,993)
Cash flows from financing activities:		
Proceeds from borrowings of finance businesses	401	29
Proceeds from borrowings of utilities and energy businesses	1,948	1,711
Proceeds from other borrowings	54	130
Repayments of borrowings of finance businesses	(184)	(214)
Repayments of borrowings of utilities and energy businesses	(217)	(245)
Repayments of other borrowings	(551)	(188)
Change in short term borrowings	(580)	201
Other	384	169
Net cash flows from financing activities	1,255	1,593
Increase (decrease) in cash and cash equivalents	3,207	(2,949)
Cash and cash equivalents at beginning of year *	43,743	45,018
Cash and cash equivalents at end of first six months *	\$ 46,950	\$ 42,069

Supplemental cash flow information:

Cash paid during the period for:

Income taxes	\$ 1,367	\$ 2,327
Interest of finance and financial products businesses	287	260
Interest of utilities and energy businesses	562	434
Interest of insurance and other businesses	80	89
Non-cash investing activity:		
Investments received in connection with the Equitas reinsurance transaction	6,529	
Liabilities assumed in connection with acquisitions of businesses	184	9,659

** Cash and cash equivalents are comprised of the following:**Beginning of year*

<i>Insurance and Other</i>	\$ 37,977	\$ 40,471
<i>Utilities and Energy</i>	343	358
<i>Finance and Financial Products</i>	5,423	4,189
	\$ 43,743	\$ 45,018

End of first six months

<i>Insurance and Other</i>	\$ 39,936	\$ 37,269
<i>Utilities and Energy</i>	1,178	394
<i>Finance and Financial Products</i>	5,836	4,406
	\$ 46,950	\$ 42,069

See accompanying Notes to Interim Consolidated Financial Statements

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FORM 10-Q
BERKSHIRE HATHAWAY INC.
and Subsidiaries
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

Q/E 6/30/07

Note 1. General

The accompanying unaudited Consolidated Financial Statements include the accounts of Berkshire Hathaway Inc. (Berkshire or Company) consolidated with the accounts of all its subsidiaries and affiliates in which Berkshire holds a controlling financial interest as of the financial statement date. Reference is made to Berkshire's most recently issued Annual Report on Form 10-K (Annual Report) that included information necessary or useful to understanding 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 the Annual Report. Certain amounts in 2006 have been reclassified to conform with the current year presentation. 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. Investment gains/losses are recorded when investments are sold, other-than-temporarily impaired or in instances as required under GAAP, when investments are marked-to-market. Variations in the amounts and timing of investment gains/losses can cause significant variations in periodic net earnings.

Note 2. Business acquisitions

Berkshire's long-held acquisition strategy is to purchase businesses with consistent earnings, good returns on equity, able and honest management and at sensible prices. In 2006, Berkshire completed several business acquisitions. On March 21, 2006, the acquisition of PacifiCorp, a regulated electric utility providing service to customers in six Western states, was completed for approximately \$5.1 billion in cash through 88%-owned MidAmerican Energy Holdings Company. On July 5, 2006, Berkshire acquired 80% of the Iscar Metalworking Companies (IMC) for cash in a transaction that valued IMC at \$5 billion. IMC is an industry leader in the metal cutting tools business through its Iscar, TaeguTec, Ingersoll and other IMC companies. IMC provides a comprehensive range of tools for metalworking applications.

In 2006, Berkshire also acquired three relatively smaller businesses. On February 28, 2006, the acquisition of Business Wire, a leading global distributor of corporate news, multimedia and regulatory filings, was completed. On May 19, 2006, the acquisition of 85% of Applied Underwriters (Applied), an industry leader in integrated workers compensation solutions, was completed. Under certain conditions, existing minority shareholders of Applied may acquire up to an additional 4% interest in Applied from Berkshire. On August 2, 2006, the acquisition of Russell Corporation, a leading branded athletic apparel and sporting goods business, was completed. The aggregate consideration for these three businesses was approximately \$1.4 billion.

On March 30, 2007, Berkshire completed the acquisition of TTI, Inc., a privately held electronic components distributor headquartered in Fort Worth, Texas. TTI, Inc. is a leading distributor specialist of passive, interconnect and electromechanical components.

The results of operations for each of these businesses are included in Berkshire's consolidated results from the effective date of each acquisition. The following table sets forth certain unaudited pro forma consolidated earnings data for the first six months of 2006, as if each acquisition was consummated on the same terms at the beginning of that year. Pro forma consolidated revenues and net earnings for the first six months of 2007 were not materially different from the amounts reported. Amounts are in millions, except earnings per share.

	2006
Total revenues	\$50,296
Net earnings	4,730
Earnings per equivalent Class A common share	3,069

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Data with respect to investments in fixed maturity securities follows (in millions).

	Insurance and other		Finance and financial products	
	June 30, 2007	Dec. 31, 2006	June 30, 2007	Dec. 31, 2006
Amortized cost	\$ 23,914	\$ 23,796	\$ 1,280	\$ 1,439
Gross unrealized gains	1,238	1,636	94	102
Gross unrealized losses	(235)	(132)	(5)	(4)
Fair value	\$ 24,917	\$ 25,300	\$ 1,369	\$ 1,537

Certain other fixed maturity investments of finance businesses are classified as held-to-maturity, which are carried at amortized cost. The carrying value and fair value of these investments totaled \$1,506 million and \$1,575 million at June 30, 2007, respectively. At December 31, 2006, the carrying value and fair value of held-to-maturity securities totaled \$1,475 million and \$1,627 million, respectively. Unrealized losses at June 30, 2007 and December 31, 2006 included \$114 million and \$69 million, respectively, related to securities that have been in an unrealized loss position for 12 months or more. Berkshire has the ability and intent to hold these securities until fair value recovers.

Note 4. Investments in equity securities

Data with respect to investments in equity securities are shown in the tabulation below (in millions).

	June 30, 2007	December 31, 2006
Total cost	\$ 39,152	

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENT, that I, GEORGE SOROS, hereby make, constitute and appoint each of MARYANN CANFIELD, JODYE ANZALOTTA, JAY SCHOENFARBER THOMAS O'GRADY, REGAN O'NEILL and ROBERT SOROS, acting individually, as my agent and attorney-in-fact for the purpose of executing in my name, (a) in my personal capacity or (b) in my capacity as Chairman of, member of or in other capacities with Soros Fund Management LLC ("SFM LLC") and each of its affiliates or entities advised by me or SFM LLC, all documents, certificates, instruments, statements, filings and agreements ("documents") to be filed with or delivered to any foreign or domestic governmental or regulatory body or required or requested by any other person or entity pursuant to any legal or regulatory requirement relating to the acquisition, ownership, management or disposition of securities, futures contracts or other investments, and any other documents relating or ancillary thereto, including without limitation all documents relating to filings with the Commodities Futures Trading Commission and National Futures Association, the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933 or the Securities Exchange Act of 1934 (the "Act") and the rules and regulations promulgated thereunder, including all documents relating to the beneficial ownership of securities required to be filed with the SEC pursuant to Section 13(d) or Section 16(a) of the Act and any information statements on Form 13F required to be filed with the SEC pursuant to Section 13(f) of the Act.

All past acts of these attorneys-in-fact in furtherance of the foregoing are hereby ratified and confirmed.

Execution of this power of attorney revokes that certain Power of Attorney dated as of the 26th day of June, 2009 with respect to the same matters addressed above.

This power of attorney shall be valid from the date hereof until revoked by me.

IN WITNESS WHEREOF, I have executed this instrument as of the 24th day of November, 2015.

GEORGE SOROS

/s/ Daniel Eule

Daniel Eule

Attorney-in-Fact for George Soros

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EXHIBIT C

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENT, that I, ROBERT SOROS, hereby make, constitute and appoint each of MARYANN CANFIELD, JODYE ANZALOTTA, JAY SCHOENFARBER, THOMAS O'GRADY and REGAN O'NEILL, acting individually, as my agent and attorney-in-fact for the purpose of executing in my name, (a) in my personal capacity or (b) in my capacity as Deputy Chairman of, member of or in other capacities with Soros Fund Management LLC ("SFM LLC") and each of its affiliates or entities advised by me or SFM LLC, all documents, certificates, instruments, statements, filings and agreements ("documents") to be filed with or delivered to any foreign or domestic governmental or regulatory body or required or requested by any other person or entity pursuant to any legal or regulatory requirement relating to the acquisition, ownership, management or disposition of securities, futures contracts or other investments, and any other documents relating or ancillary thereto, including without limitation all documents relating to filings with the Commodities Futures Trading Commission and National Futures Association, the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933 or the Securities Exchange Act of 1934 (the "Act") and the rules and regulations promulgated thereunder, including all documents relating to the beneficial ownership of securities required to be filed with the SEC pursuant to Section 13(d) or Section 16(a) of the Act and any information statements on Form 13F required to be filed with the SEC pursuant to Section 13(f) of the Act.

All past acts of these attorneys-in-fact in furtherance of the foregoing are hereby ratified and confirmed.

Execution of this power of attorney revokes that certain Power of Attorney dated as of the 3rd day of October, 2007 with respect to the same matters addressed above.

This power of attorney shall be valid from the date hereof until revoked by me.

IN WITNESS WHEREOF, I have executed this instrument as of the 30th day of November, 2015.

ROBERT SOROS

/s/ Robert Soros