CONSOLIDATED BALANCE SHEETS

(dollars in millions except share amounts)

	June 30, 1999	December 31, 1998
ASSETS		
Cash and cash equivalents	$ 4,229	$ 13,582
Investments:		
Securities with fixed maturities	30,383	21,246
Equity securities and other investments	38,966	39,761
Receivables	8,058	7,224
Inventories	752	767
Assets of finance and financial products businesses	19,831	16,989
Property, plant and equipment	1,667	1,509
Goodwill of acquired businesses	18,371	18,570
Other assets	2,909	2,589
	$125,166	$122,237
LIABILITIES AND SHAREHOLDERS' EQUITY		
Losses and loss adjustment expenses	$ 23,084	$ 23,012
Unearned premiums	3,920	3,324
Accounts payable, accruals and other liabilities	7,439	7,182
Income taxes, principally deferred	10,254	11,762
Borrowings under investment agreements and other debt	2,594	2,385
Liabilities of finance and financial products businesses	18,327	15,525
	65,618	63,190
Minority shareholders' interests	1,507	1,644
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	25,179	25,121
Accumulated other comprehensive income	17,977	18,510
Retained earnings	14,877	13,764
Total shareholders' equity	58,041	57,403
	$125,166	$122,237

* *Class B Common Stock has economic rights equal to one-thirtieth (1/30) of the economic rights of Class A Common Stock. On an equivalent Class A Common Stock basis, there are 1,519,816 shares outstanding at June 30, 1999 and 1,518,548 shares outstanding on December 31, 1998.*

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS
(dollars in millions except per share amounts)

	Second Quarter		First Half	
	1999	1998	1999	1998
Revenues:				
Insurance premiums earned	$3,027	$1,249	$6,097	$2,616
Sales and service revenues	1,428	1,056	2,769	2,043
Interest, dividend and other investment income	534	269	1,107	505
Income from finance and financial products businesses	76	11	135	23
Realized investment gain	396	1,351	799	2,074
	5,461	3,936	10,907	7,261
Cost and expenses:				
Insurance losses and loss adjustment expenses	2,356	854	4,797	1,948
Insurance underwriting expenses	823	308	1,592	532
Cost of products and services sold	997	661	1,931	1,280
Selling, general and administrative expenses	269	247	538	496
Goodwill amortization	119	24	237	47
Interest expense	32	27	65	54
	4,596	2,121	9,160	4,357
Earnings before income taxes and minority interest	865	1,815	1,747	2,904
Income taxes	291	624	618	987
Minority interest	2	15	16	19
Net earnings	$ 572	$1,176	$1,113	$1,898
Average shares outstanding *	1,519,657	1,241,200	1,519,279	1,240,957
Net earnings per share *	$ 376	$ 947	$ 733	$1,529

* *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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

	First Half	
	1999	1998
Net cash flows from operating activities	$(1,060)	$ (131)
Cash flows from investing activities:		
Purchases of investments	(13,491)	(3,915)
Proceeds on sales and maturities of investments	4,851	10,607
Loans and investments originated in finance businesses	(1,200)	(213)
Principal collections on loans and investments originated in finance businesses	498	128
Acquisition of business	—	(210)
Other	(207)	(104)
Net cash flows from investing activities	(9,549)	6,293
Cash flows from financing activities:		
Proceeds from borrowings of finance businesses	503	61
Proceeds from other borrowings	971	596
Repayments of borrowings of finance businesses	(53)	(65)
Repayments of other borrowings	(907)	(672)
Other	24	—
Net cash flows from financing activities	538	(80)
Increase (decrease) in cash and cash equivalents	(10,071)	6,082
Cash and cash equivalents at beginning of year*	14,489	1,058
Cash and cash equivalents at end of first half*	$ 4,418	$7,140
Supplemental cash flow information:		
Cash paid during the period for:		
Income taxes	$ 1,757	$ 832
Interest	137	60
Non-cash investing activity:		
Liabilities assumed in connection with acquisition of business	—	51
Common shares issued in connection with acquisition of business	—	323
Contingent value of Exchange Notes recognized in earnings	3	17
Value of equity securities used to redeem Exchange Notes	13	106

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

Beginning of year —		
Finance and financial products businesses	*$ 907*	*$ 56*
Other	*13,582*	*1,002*
	$14,489	*$1,058*
End of first half —		
Finance and financial products businesses	*$ 189*	*$ 22*
Other	*4,229*	*7,118*
	$ 4,418	*$7,140*

See accompanying Notes

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.

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.

During the second quarter, the company restated its December 31, 1998 Consolidated Balance Sheet. The restatement resulted from a further review of the opening balance sheet of General Re Corporation which was used as the basis for recording the fair value of the assets and liabilities acquired in connection with the acquisition of General Re Corporation which closed on December 21, 1998. The effect of the restatement was to increase goodwill of acquired businesses by $124 million and to increase property, plant and equipment by $18 million with a corresponding decrease of $142 million in other assets from the amounts previously reported. The restatement had no effect on the previously reported earnings for the year ended December 31, 1998.

In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards No. 137 "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" ("SFAS No. 137"). FASB Statement No. 133 was discussed in Note 1 to the Consolidated Financial Statements in Berkshire's 1998 Annual Report. SFAS No. 137 delays the effective date for implementing SFAS No. 133 and Berkshire will adopt the requirements of SFAS No. 133 as of the beginning of 2001.

Note 2. Business acquisitions

On July 23, 1998, Berkshire signed a merger agreement with Executive Jet, Inc. (“Executive Jet”) and on August 7, 1998, the merger was completed. Under the terms of the Executive Jet agreement, shareholders of Executive Jet received total consideration of approximately $725 million, consisting of $350 million in cash and the remainder in Class A and Class B Common Stock.

Executive Jet is the world’s leading provider of fractional ownership programs for general aviation aircraft. Executive Jet currently operates its NetJets® fractional ownership programs in the United States and Europe. In addition, Executive Jet is pursuing other international activities. The fractional ownership concept was first introduced in 1986. Since then the NetJets program has grown to include nine aircraft types with plans to introduce several more models in the next two years.

On June 19, 1998, Berkshire signed a merger agreement with General Re Corporation (“General Re”) and on December 21, 1998, the merger was completed. Under the terms of the merger agreement, General Re shareholders received at their election either 0.0035 shares of Berkshire Class A Common Stock or 0.105 shares of Berkshire Class B Common Stock for each share of General Re common stock they owned. Berkshire issued approximately 272,200 Class A equivalent shares in exchange for the General Re shares outstanding as of December 21, 1998. The total consideration for the transaction, based upon the closing prices of Berkshire Class A Common Stock for the 10-day period ending June 26, 1998, was approximately $22 billion.

General Re is a holding company for global reinsurance and related risk management operations. It owns General Reinsurance Corporation and National Reinsurance Corporation, the largest professional property and casualty reinsurance group domiciled in the United States. General Re also owns a controlling interest in Kölnische Rückversicherungs-Gesellschaft AG (Cologne Re), a major international reinsurer. Together, General Re and Cologne Re transact reinsurance business as “General & Cologne Re”.

Notes To Interim Consolidated Financial Statements (Continued)

Note 2. Business acquisitions (Continued)

In addition, General Re writes excess and surplus lines insurance through General Star Management Company, provides alternative risk solutions through Genesis Underwriting Management Company, provides reinsurance, real estate, and investment management and brokerage services through a number of affiliated companies. General Re also operates as a dealer in the swap and derivatives market through General Re Financial Products Corporation.

Each of the business acquisitions described above was accounted for under the purchase method. The excess of the purchase cost of the business over the fair value of net assets acquired was recorded as goodwill of acquired businesses.

The results of operations for each of these entities are included in Berkshire's consolidated results of operations from the dates of each merger. The following table sets forth certain consolidated earnings data for the first half of 1998, as if the Executive Jet and General Re acquisitions had been consummated on the same terms at the beginning of 1998. Dollars in millions except per share amount.

	1998
Insurance premiums earned	$5,562
Sales and service revenues	2,479
Total revenues	11,276
Net earnings	2,177
Earnings per equivalent Class A Common Share	1,434

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).

	June 30, 1999	December 31, 1998
Amortized cost	$30,642	$21,159
Gross unrealized gains	208	94
Gross unrealized losses	(467)	(7)
Estimated fair value	$30,383	$21,246

Note 4. Investments in equity securities and other investments

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

	June 30, 1999	December 31, 1998
Total cost	$10,380	$10,897
Gross unrealized gains	28,676	28,902
Gross unrealized losses	(90)	(38)
Total fair value	$38,966	$39,761
Fair value:		
American Express Company	$ 6,576	$ 5,180
The Coca-Cola Company	12,400	13,400
The Gillette Company	3,936	4,590
Other equity securities	14,379	14,951
Other investments	1,675	1,640
Total	$38,966	$39,761

Note 5. Deferred income tax liabilities

The tax effects of significant items comprising the Company's net deferred tax liabilities as of June 30, 1999 and December 31, 1998 are as follows (in millions):

	June 30, 1999	December 31, 1998
Deferred tax liabilities:		
Relating to unrealized appreciation of investments	$9,874	$10,149
Other	1,437	1,615
	11,311	11,764
Deferred tax assets	(1,150)	(1,008)
Net deferred tax liabilities	$10,161	$10,756

Note 6. Common stock

The following table summarizes Berkshire's common stock activity during the first half of 1999.

	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	1,349,535	5,070,379
Conversions of Class A Common Stock to Class B Common Stock and other	(7,065)	250,004
Balance at June 30, 1999	1,342,470	5,320,383

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 1,519,816 shares outstanding at June 30, 1999 and 1,518,548 shares outstanding on December 31, 1998.

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 second quarter and first half of 1999 and 1998 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.

	Second Quarter		First Half	
	1999	1998	1999	1998
Net earnings	$572	$1,176	$1,113	$1,898
Other comprehensive income:				
Increase(decrease) in unrealized appreciation of investments	(715)	1,477	(821)	5,050
Applicable income taxes and minority interests	255	(516)	300	(1,811)
Foreign currency translation losses	(50)	—	(71)	—
Applicable income taxes and minority interests	54	—	59	—
	(456)	961	(533)	3,239
Comprehensive income	$116	$2,137	$580	$5,137

Note 8. Finance and financial products businesses

Assets and liabilities of Berkshire's finance and financial products businesses are summarized below (in millions).

	June 30, 1999	December 31, 1998
Assets		
Cash and cash equivalents	$ 189	$ 907
Investments in securities with fixed maturities:		
Held to maturity, at cost	1,905	1,227
Trading, at fair value	9,178	5,219
Available for sale, at fair value	873	743
Trading account assets	5,190	6,234
Securities purchased under agreements to resell	1,020	1,083
Other	1,476	1,576
	$19,831	$16,989
Liabilities		
Annuity reserves and policyholder liabilities	$ 830	$ 816
Securities sold under agreements to repurchase	8,158	4,065
Securities sold but not yet purchased	1,300	1,181
Trading account liabilities	4,290	5,834
Notes payable and other borrowings	1,937	1,503
Other	1,812	2,126
	$18,327	$15,525

Note 9. Business Segment Data

A disaggregation of Berkshire's consolidated data for the second quarter and first half of each of the two most recent years is as follows. Amounts are in millions.

	Revenues			
	Second Quarter		First Half	
	1999	1998	1999	1998
Operating Segments:				
GEICO Corporation *	$1,168	$ 985	$2,269	$ 1,922
Berkshire Hathaway Reinsurance Group *	178	179	545	528
Berkshire Hathaway Primary Insurance Group *	67	85	118	166
General Re *	1,614	—	3,165	—
Buffalo News	39	39	76	75
Flight services	443	120	874	225
Home furnishings	209	184	400	364
International Dairy Queen	144	126	245	224
Jewelry	106	88	192	168
Scott Fetzer Companies	256	259	509	520
See's Candies	53	57	118	114
Shoe group	122	122	247	244
	4,399	2,244	8,758	4,550
Reconciliation of segment amounts to consolidated amounts:				
Other sales and service revenues	56	60	108	109
Interest, dividend and other investment income	608	271	1,218	508
Income from finance and financial products businesses	76	11	135	23
Realized investment gain	396	1,351	799	2,074
Purchase-accounting-adjustments	(74)	(1)	(111)	(3)
	$5,461	$3,936	$10,907	$7,261

* *Represents insurance premiums earned*

Note 9. Business Segment Data (Continued)

	Operating profit before Taxes			
	Second Quarter		First Half	
	1999	1998	1999	1998
Operating Segments:				
GEICO Corporation **	$ 20	$ 93	$ 20	$ 154
Berkshire Hathaway Reinsurance Group **	38	(4)	45	(13)
Berkshire Hathaway Primary Insurance Group **	(1)	(2)	1	(5)
General Re **	(190)	—	(326)	—
Buffalo News	14	14	26	25
Flight services	60	48	112	82
Home furnishings	20	16	35	31
International Dairy Queen	21	19	30	29
Jewelry	7	4	9	5
Scott Fetzer Companies	30	29	62	62
See's Candies	6	8	15	14
Shoe group	3	6	9	13
	28	231	38	397
Reconciliation of segment amounts to consolidated amounts:				
Interest, dividend and other investment income	599	269	1,206	504
Income from finance and financial products businesses	76	11	135	23
Realized investment gain	396	1,351	799	2,074
Interest expense ***	(28)	(25)	(56)	(51)
Corporate and other	7	5	3	11
Goodwill amortization and other purchase-accounting-adjustments	(213)	(27)	(378)	(54)
	$865	$1,815	$1,747	$2,904

** *Represents underwriting profit (loss)*

*** *Excludes interest expense allocated to finance businesses and certain identifiable segments.*

Management's Discussion
June 30, 1999

Results of Operations

Net earnings for the second quarter and first half of 1999 and 1998 are disaggregated in the table that follows. Amounts are after deducting minority interests and income taxes.

	—(dollars in millions)—			
	Second Quarter		First Half	
	1999	1998	1999	1998
Insurance segments - underwriting	$ (76)	$ 57	$ (162)	$ 88
Insurance segments - investment income	426	196	853	369
Non-insurance business segments	96	86	180	159
Interest expense	(18)	(16)	(36)	(32)
Goodwill amortization and other purchase-accounting-adjustments	(186)	(25)	(335)	(51)
Other	57	14	93	31
Earnings before realized investment gain	299	312	593	564
Realized investment gain	273	864	520	1,334
Net earnings	$572	$1,176	$1,113	$1,898

Insurance Segments — Underwriting

A summary follows of underwriting results from Berkshire's insurance segments for the second quarter and first half of 1999 and 1998. Dollar amounts are in millions.

	Second Quarter		First Half	
	1999	1998	1999	1998
Underwriting gain (loss) attributable to:				
GEICO	$ 20	$ 93	$ 20	$ 154
General Re	(190)	—	(326)	—
Berkshire Hathaway Reinsurance Group	38	(4)	45	(13)
Berkshire Hathaway Primary Insurance Group	(1)	(2)	1	(5)
Pre-tax underwriting gain (loss)	(133)	87	(260)	136
Income taxes and minority interest	(57)	30	(98)	48
Net underwriting gain (loss)	$(76)	$ 57	$(162)	$ 88

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) Berkshire Hathaway Reinsurance Group (3) General Re, one of the four largest reinsurers in the world and (4) Berkshire Hathaway Primary Insurance Group. See Note 2 to the Interim Consolidated Financial Statements for information regarding the General Re acquisition.

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 or through the mail. This is a significant element in GEICO's strategy to be a low cost insurer and still provide high value to customers.

***Insurance Segments - Underwriting* (Continued)**

GEICO's underwriting results for the second quarter and first half of 1999 and 1998 are summarized in the table below. Dollar amounts are in millions.

	Second Quarter		First Half	
	1999	1998	1999	1998
Premiums earned	$1,168	$ 985	$2,269	$1,922
Losses and loss expenses	921	716	1,816	1,419
Underwriting expenses	227	176	433	349
Underwriting gain	$ 20	$ 93	$ 20	$ 154

The increased premium volume in 1999 was attributed to the continuing growth of voluntary automobile policies in-force, offset by the effects of premium rate reductions taken over the past two years in certain states. Over the past twelve months, the total number of policies in-force has grown 23.3%, reflecting increases of 18.9% in the preferred-risk market and 44.6% in the standard and non-standard markets. Competitive premium rates and ongoing marketing efforts are expected to produce additional growth during the remainder of 1999.

As shown in the table above, GEICO's net underwriting gains in 1999 periods were considerably lower than the corresponding periods in 1998. Rate reductions caused losses and loss expenses to grow relative to premiums. Additionally, claim costs in 1999 periods also include the effects of higher frequency of physical damage claims and higher numbers of new bodily injury cases.

GEICO's underwriting expenses incurred during the second quarter and first half of 1999 exceeded corresponding prior year amounts by 29.0% and 24.1%, respectively. The increased expenses were largely caused by higher promotional and other costs associated with the generation of policy growth.

Berkshire Hathaway Reinsurance Group

Berkshire Hathaway Reinsurance Group ("BHRG") provides principally excess reinsurance of property and casualty risks located throughout the world. In recent years BHRG has written significant levels of catastrophe excess reinsurance which indemnify policyholders against primarily property losses arising from single catastrophic events such as an earthquake or hurricane.

Premiums earned during the second quarter of 1999 of $178 million by BHRG were essentially unchanged from the second quarter of 1998. For the first half, premiums earned in 1999 of $545 million exceeded 1998 by 3.2%. Premiums earned during the first half of both 1999 and 1998 include approximately $280 million from retroactive reinsurance contracts, which indemnify ceding companies with respect to past loss occurrences.

In July 1999, BHRG entered into a significant retroactive reinsurance agreement with an affiliate of a major property/casualty insurer. The agreement provides that BHRG indemnify the reinsured for losses in excess of a fixed amount retained by the reinsured. BHRG anticipates that a significant level of asbestos and environmental claims will arise under this agreement. Premiums earned during the third quarter 1999 will include approximately $1.2 billion from this agreement but there will be little effect on earnings. A deferred charge representing the excess of loss reserves established over the premiums received will be recorded and subsequently amortized against income over the estimated claim settlement period.

The retroactive reinsurance business, which includes contracts that indemnify reinsureds with respect to past loss events or that provide periodic payments with respect to settled claims, is normally expected to produce net underwriting losses. Premiums for this business are based in part on time-value-of-money concepts, especially when lengthy claim settlement periods are anticipated. Underwriting losses are recognized over time through the recurring amortization of deferred charges and accretion of discounted structured settlement liabilities. During the first half of both 1999 and 1998, underwriting losses totaled approximately $45 million. The level of underwriting losses attributed to retroactive reinsurance is expected to increase in future periods as a result of the amortization of deferred charges established in connection with contracts recently written, in particular the July transaction referenced above. Nevertheless, this business is accepted because of the large levels of investable policyholder funds produced.

***Insurance Segments - Underwriting* (Continued)**

Premiums earned with respect to catastrophe reinsurance contracts during 1999 were $152 million in the second quarter and $173 million in the first half. This compares to premiums earned of $110 million and $133 million in the comparable 1998 periods. Catastrophe losses incurred during each period were relatively minor. During the first half of 1999, BHRG's catastrophe business produced net underwriting gains of about $101 million as compared to a net underwriting gain of $64 million for the first half of 1998. While BHRG has not suffered a truly large loss during the first half of 1999, very significant exposure to catastrophe losses remains. BHRG's greatest catastrophe exposures currently pertain to a major earthquake in California or hurricane affecting the United States.

General Re

On December 21,1998 General Re became a wholly-owned subsidiary of Berkshire upon completion of the merger of the two companies. General Re's results of operations are included in Berkshire's consolidated results beginning as of that date. The discussion that follows provides comparative results for 1998 although such results are not included in Berkshire's 1998 second quarter and first half consolidated results.

General Re and its affiliates conduct a global reinsurance business with operations in the United States and 124 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.

North American property/casualty operations underwrite predominantly excess reinsurance across various lines of business. The international property/casualty operations write quota-share and excess reinsurance on risks around the world. The global life/ health operations reinsure such risks world-wide. The international property/casualty and global life/health operations are conducted primarily through Germany-based Cologne Re and its subsidiaries. At June 30,1999, General Re had an 83% economic ownership interest in Cologne Re, subsequently increased to 87%.

General Re's consolidated premiums earned during the second quarter totaled $1,614 million in 1999 and $1,472 million in 1998. For the first half of 1999, consolidated premiums earned were $3,165 million as compared to $2,946 million in 1998. General Re produced a consolidated net underwriting loss for the second quarter and first half of 1999 of $190 million and $326 million, respectively, compared with a consolidated net underwriting loss of $5 million in the second quarter and a net underwriting gain of $12 million in the first half of 1998.

Premiums earned from General Re's North American property/casualty operations were $635 million during the second quarter of 1999, compared with $649 million in the second quarter of 1998. For the first half, premiums earned from the North American property/casualty operations totaled $1,267 million in 1999 and $1,296 million in 1998. For the first half of 1999, decreases in the national account reinsurance and affiliate business exceeded growth in the regional account, specialty and facultative reinsurance businesses. In addition, a comparative decline in premium volume occurred in General Re's excess, surplus and specialty insurance operations due primarily to reductions in facilities, excess property, excess liability and workers compensation business.

The North American property/casualty operations produced a second quarter 1999 net underwriting loss of $44 million compared to a net underwriting profit of $10 million during the second quarter of 1998. For the first half of 1999, the North American property/casualty operations produced a net underwriting loss of $73 million, compared with an underwriting profit of $24 million in the same period of 1998. The decline in underwriting results primarily derives from underwriting losses in 1999 related to property lines of business, reduced amounts of favorable development recognized with respect to prior year loss estimates and expense accruals associated with General Re's new long-term incentive plan. Underwriting results of property lines of business were adversely affected by two large loss events in 1999.

Premiums earned from General Re's International property/casualty reinsurance businesses were $571 million in the second quarter of 1999 compared with $536 million in the same period in 1998. International property/casualty premiums earned for the first half were $1,114 million in 1999 and $1,056 million in 1998. The growth in earned premiums was due primarily to (1) inclusion for the first time of General Re's participation in a Lloyd's syndicate, which is managed by General Re's recently acquired underwriting manager, DP Mann, (2) stronger foreign currency rates and (3) elimination of certain retrocessional agreements with General Re's North American property/casualty operations.

***Insurance Segments - Underwriting* (Continued)**

The International property/casualty operations produced a net underwriting loss of $97 million during the second quarter and $154 million during the first half of 1999, compared to losses of $12 million and $8 million in the respective periods of 1998. Underwriting results for the International property/casualty segment have been adversely affected by higher levels of property losses, which included the effects of a major hailstorm in Australia, and poor experience in excess liability and motor business.

Premiums earned from General Re's Global life/health reinsurance businesses were $408 million and $287 million for the second quarter of 1999 and 1998, respectively. For the first six months, Global life/health premiums earned were $784 million in 1999 and $594 million in 1998. The growth in premiums earned was primarily attributable to increased business written by Cologne Re's U.S. life/health subsidiary ("CLR") and higher international health premiums.

The Global life/health businesses produced a net underwriting loss of $49 million for the second quarter of 1999, compared to a loss of $3 million in the same period of 1998. For the first six months, these businesses produced net underwriting losses of $99 million and $4 million in 1999 and 1998, respectively. The net underwriting losses were primarily attributable to strengthening of CLR's group health reserves as a result of a thorough review of its claim reserves over the first half of 1999. In addition, CLR had unfavorable claims experience in its individual life and health business. The estimated loss provision of $275 million, which was established in 1998 on business underwritten by a London-based managing underwriter for CLR's life/health operation, remained unchanged.

Insurance Segments - Investment Income

After-tax net investment income produced by Berkshire's insurance and reinsurance businesses is summarized in the table below. Dollars are in millions.

	Second Quarter		First Half	
	1999	1998	1999	1998
Net Investment income before taxes and minority interests	$591	$262	$1,191	$488
Taxes and minority interests	165	66	338	119
Investment income	$426	$196	$ 853	$369

For 1999 periods, net investment income from Berkshire's insurance and reinsurance operations includes the investment income of General Re. Pre-tax net investment income of General Re for the second quarter and first half of 1999 totaled $327 million and $672 million, respectively. Invested assets of insurance operations increased by approximately $25 billion as a result of the acquisition of General Re in December 1998.

Berkshire's insurance businesses produce considerable amounts of investment income derived from shareholder capital as well as large amounts of policyholder float. "Float" represents an estimate of the net balance of funds payable to policyholders that is available for investment by Berkshire's insurance operations. As of June 30,1999, float was approximately $22.8 billion, essentially unchanged from December 31,1998. During the first half of 1999, float attributable to GEICO and BHRG increased slightly and was offset by a decline in float of General Re. Float is expected to increase in the third quarter of 1999 due to the previously discussed significant retroactive reinsurance contract entered into by BHRG in July.

Non-Insurance Business Segments

Results of operations of Berkshire's diverse non-insurance business segments are shown in the following table. Dollar amounts are in millions.

	Second Quarter				First Half			
	1999		1998		1999		1998	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues	$1,372	100.0	$995	100.0	$2,661	100.0	$1,934	100.0
Costs and expenses	1,211	88.3	852	85.6	2,363	88.8	1,674	86.6
Earnings before income taxes and minority interest	161	11.7	143	14.4	298	11.2	260	13.4
Applicable income taxes and minority interest	65	4.7	57	5.7	118	4.4	101	5.2
Net earnings	$ 96	7.0	$ 86	8.7	$ 180	6.8	$ 159	8.2

***Non-Insurance Business Segments* (Continued)**

Revenues from these several and diverse business activities during 1999's second quarter and first half were greater by $377 million (37.9%) and $727 million (37.6%), respectively, than revenues during the corresponding 1998 period. A significant portion of the increase relates to the acquisition of Executive Jet, Inc. ("Executive Jet") which was completed on August 7, 1998. Executive Jet is the world's leading provider of fractional ownership programs for general aviation aircraft. Executive Jet currently operates its NetJets® fractional ownership programs in the United States and Europe. The fractional ownership concept was first introduced in 1986. Since then the NetJets program has grown to include nine aircraft types with plans to introduce several more models in the next two years.

Net earnings from this group of businesses were greater by $10 million (11.6%) and $21 million (13.2%), respectively, than net earnings reported in the corresponding prior year periods. The flight services segment which is comprised of Executive Jet and FlightSafety accounts for most of the comparative increase.

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). The increase in such charges during the second quarter and first half of 1999 as compared to 1998 periods is primarily due to the acquisition of General Re on December 21, 1998.

Realized Investment Gain/Loss

Realized investment gain/loss has been a recurring element in Berkshire's net earnings for many years. Such amounts — recorded when investments are sold, other than temporarily impaired or 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 $273 million and $864 million for the second quarter of 1999 and 1998, respectively. For the first half, after-tax realized investment gains were $520 million in 1999 and $1,334 million in 1998.

Financial Condition

Berkshire's balance sheet continues to reflect significant liquidity and above average capital strength. Shareholders' equity at June 30, 1999, was $58.0 billion, or $38,189 per equivalent share of Class A Common Stock.

Year 2000 Issue

Many computer systems in use today may be unable to correctly process data or may not operate at all after December 31, 1999 because those systems recognize the year within a date only by the last two digits. Some computer programs may interpret the year "00" as 1900, instead of as 2000, causing errors in calculations or the value "00" may be considered invalid by the computer program, causing the system to fail. Year 2000 issues affect: (1) Information Technology (IT) utilized in Berkshire's widely diversified business information systems, (2) non-IT systems utilized by the Company, such as communications, facilities management, and manufacturing and service equipment containing embedded computer chips, and (3) IT and non-IT systems of significant customers, suppliers, business partners and equity investees.

Berkshire and its subsidiaries could be adversely affected if Year 2000 issues are not resolved by Berkshire or its significant customers, suppliers, business partners or equity investees before the Year 2000. Possible adverse consequences include but are not limited to: (1) the inability to obtain products or services used in business operations, (2) the inability to transact business with key customers, (3) the inability to execute transactions through the financial markets, (4) the inability to manufacture or deliver goods or services sold to customers, (5) the decline in economic value of one or more of Berkshire's significant equity investees and (6) the occurrence of Year 2000 related losses under property and casualty insurance and reinsurance contracts entered into by subsidiaries. Berkshire's management believes that at least some minor disruptions due to Year 2000 issues will occur. On a worst case basis, if Berkshire, one or more of its significant business partners, equity investees or key governmental bodies are unable to implement timely and effective solutions to the Year 2000 issues, Berkshire could suffer material adverse effects. The financial impact of such effects cannot currently be estimated.

Although Berkshire's business operations are diverse, they all rely on computers to conduct daily business activities. Because of the diversity of those operations, Year 2000 issues are independently managed at each of Berkshire's operating units. Berkshire and its subsidiaries have been working on Year 2000 readiness issues in varying degrees for several years and considerable progress has been achieved.

Year 2000 Issue (Continued)

Generally, the stages involved in managing Year 2000 issues include (a) identifying the IT and non-IT systems that are non-compliant, (b) formulating strategies to remedying the problems, (c) making the changes necessary through purchasing compliant systems or fixing existing systems, (d) testing the changes and (e) developing contingency plans. The identification and formulation stages are essentially complete. Many systems have been purchased, upgraded or corrected to make them Year 2000 compliant. In certain instances the certifications of Year 2000 compliance have been obtained from the manufacturers of systems in use. Management continues to believe that by the end of 1999, all critical systems that are not currently Year 2000 compliant will be corrected or replaced.

Testing of systems that are believed to be Year 2000 compliant has been completed in many instances. Significant levels of testing will continue throughout 1999. Berkshire has contacted a large number of its business partners to obtain information regarding their own progress on Year 2000 issues. While all business partners have not fully completed their own Year 2000 projects, Berkshire is currently not aware of any significant business partner whose Year 2000 issues will not be resolved in a timely manner. However, there is no assurance that significant Year 2000 related problems will not ultimately arise with its business partners.

Berkshire and its subsidiaries expect to ultimately incur about $60 million in identification, remediation and testing of Year 2000 issues. Approximately $51 million of this amount was incurred as of June 30, 1999. Year 2000 related costs are expensed as incurred. Berkshire management does not believe that any significant IT projects have been delayed due to Year 2000 efforts.

Berkshire and its subsidiaries have begun to develop contingency plans to deal with certain Year 2000 issues in the event that remediation efforts are unsuccessful. Such plans will be more fully developed in 1999 to address specific areas of need.

Forward-Looking Statements

Investors are cautioned that certain statements contained in this document, including but not limited to those under the caption Year 2000 Issues 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 ability of Berkshire and its significant business partners and equity investees to successfully implement timely Year 2000 solutions, 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.

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