CONSOLIDATED BALANCE SHEETS
(dollars in millions except share amounts)

	June 30, 2000	December 31, 1999
ASSETS		
Cash and cash equivalents	$ 1,907	$ 3,835
Investments:		
Securities with fixed maturities	31,559	30,222
Equity securities	35,624	37,772
Other	3,029	1,736
Receivables	10,074	8,558
Inventories	1,117	844
Assets of finance and financial products businesses	26,917	24,229
Property, plant and equipment	2,182	1,903
Goodwill of acquired businesses	18,285	18,281
Other assets	4,103	4,036
	$134,797	$131,416
LIABILITIES AND SHAREHOLDERS' EQUITY		
Losses and loss adjustment expenses	$27,131	$ 26,802
Unearned premiums	4,294	3,718
Accounts payable, accruals and other liabilities	8,556	7,458
Income taxes, principally deferred	8,811	9,566
Borrowings under investment agreements and other debt	2,446	2,465
Liabilities of finance and financial products businesses	24,671	22,223
	75,909	72,232
Minority shareholders' interests	1,300	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	25,243	25,209
Accumulated other comprehensive income	15,569	17,223
Retained earnings	16,768	15,321
Total shareholders' equity	57,588	57,761
	$134,797	$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 1,521,347 shares outstanding at June 30, 2000 and 1,520,562 shares outstanding at December 31, 1999.*

See accompanying Notes to Interim Consolidated Financial Statements

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

	Second Quarter		First Half	
	2000	1999	2000	1999
Revenues:				
Insurance premiums earned	$ 3,408	$ 3,027	$ 6,628	$ 6,097
Sales and service revenues	1,685	1,428	3,287	2,769
Interest, dividend and other investment income	649	534	1,283	1,107
Income from finance and financial products businesses	94	76	376	135
Realized investment gain	717	396	1,453	799
	6,553	5,461	13,027	10,907
Cost and expenses:				
Insurance losses and loss adjustment expenses	2,975	2,356	5,652	4,797
Insurance underwriting expenses	796	823	1,667	1,592
Cost of products and services sold	1,133	997	2,221	1,931
Selling, general and administrative expenses	378	269	756	538
Goodwill amortization	123	119	245	237
Interest expense	34	32	67	65
	5,439	4,596	10,608	9,160
Earnings before income taxes and minority interest	1,114	865	2,419	1,747
Income taxes	395	291	859	618
Minority interest	79	2	113	16
Net earnings	$ 640	$ 572	$1,447	$1,113
Average shares outstanding *	1,521,057	1,519,657	1,520,869	1,519,279
Net earnings per share *	$ 421	$ 376	$ 951	$ 733

* *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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions)

	First Half	
	2000	1999
Net cash flows from operating activities	$ 943	$(1,060)
Cash flows from investing activities:		
Purchases of investments	(14,508)	(13,491)
Proceeds on sales and maturities of investments	12,337	4,851
Loans and investments originated in finance businesses	(363)	(1,200)
Principal collections on loans and investments originated in finance businesses	872	498
Acquisition of businesses	(381)	—
Other	(242)	(207)
Net cash flows from investing activities	(2,285)	(9,549)
Cash flows from financing activities:		
Proceeds from borrowings of finance businesses	56	503
Proceeds from other borrowings	970	971
Repayments of borrowings of finance businesses	(2)	(53)
Repayments of other borrowings	(860)	(907)
Other	(67)	24
Net cash flows from financing activities	97	538
Decrease in cash and cash equivalents	(1,245)	(10,071)
Cash and cash equivalents at beginning of year*	4,458	14,489
Cash and cash equivalents at end of first half*	$ 3,213	$ 4,418
Supplemental cash flow information:		
Cash paid during the period for:		
Income taxes	$ 641	$ 1,757
Interest of finance and financial products businesses	473	71
Other interest	72	66
Non-cash investing activity:		
Liabilities assumed in connection with acquisition of businesses	162	—
Contingent value of Exchange Notes recognized in earnings	90	3
Value of equity securities used to redeem Exchange Notes	224	13

* *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*
End of first half —		
Finance and financial products businesses	*$1,306*	*$ 189*
Other	*1,907*	*4,229*
	$3,213	*$ 4,418*

See accompanying Notes to Interim Consolidated Financial Statements

Notes to Interim Consolidated Financial Statements
June 30, 2000

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.

In 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("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"). On January 27, 2000, the transaction was approved by the shareholders of MidAmerican. All regulatory approvals were subsequently received and the transaction closed 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 transaction, 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 investments in MidAmerican common and non-dividend paying convertible preferred stock are included in the accompanying Consolidated Balance Sheet as a component of other investments. Berkshire is accounting for these investments pursuant to the equity method. Accordingly, Berkshire's proportionate share of MidAmerican's net income is included in the Consolidated Statement of Earnings as a component of interest, dividend and other investment income.

The investments in MidAmerican's 11% trust preferred securities are reflected in the Consolidated Balance Sheet as a component of investments in securities with fixed maturities. Income derived from these investments is included in the Consolidated Statement of Earnings as a component of interest, dividend and other investment income.

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).

	June 30, 2000	December 31, 1999
Amortized cost	$32,254	$31,429
Gross unrealized gains	100	51
Gross unrealized losses	(795)	(1,258)
Estimated fair value	$31,559	$30,222

Note 4. Investments in equity securities

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

	June 30, 2000	December 31, 1999
Total cost	$10,572	$ 9,674
Gross unrealized gains	25,379	28,229
Gross unrealized losses	(327)	(131)
Total fair value	$35,624	$37,772
Fair value:		
American Express Company	$ 7,903	$ 8,402
The Coca-Cola Company	11,487	11,650
The Gillette Company	3,354	3,954
Other equity securities	12,880	13,766
Total	$35,624	$37,772

Note 5. Deferred income tax liabilities

The tax effects of significant items comprising Berkshire's net deferred tax liabilities as of June 30, 2000 and December 31, 1999 are as follows (in millions):

	June 30, 2000	December 31, 1999
Deferred tax liabilities:		
Relating to unrealized appreciation of investments	$ 8,795	$ 9,383
Other	1,035	1,252
	9,830	10,635
Deferred tax assets	(1,173)	(1,042)
Net deferred tax liabilities	$ 8,657	$ 9,593

Note 6. Common stock

The following table summarizes Berkshire's common stock activity during the first half 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
Conversions of Class A Common Stock to Class B Common Stock and other	(824)	48,278
Balance at June 30, 2000	1,340,839	5,415,233

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 1,521,347 shares outstanding at June 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 second quarter and first half 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.

	Second Quarter		First Half	
	2000	1999	2000	1999
Net earnings	$ 640	$ 572	$ 1,447	$ 1,113
Other comprehensive income:				
Increase (decrease) in unrealized appreciation of investments	975	(715)	(2,561)	(821)
Applicable income taxes and minority interests	(289)	255	963	300
Foreign currency translation losses	(66)	(50)	(91)	(71)
Applicable income taxes and minority interests	15	54	35	59
	635	(456)	(1,654)	(533)
Comprehensive income	$ 1,275	$ 116	$ (207)	$ 580

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, 2000	December 31, 1999
Assets		
Cash and cash equivalents	$ 1,306	$ 623
Investments in securities with fixed maturities:		
Held to maturity, at cost	1,661	2,002
Trading, at fair value	11,059	11,277
Available for sale, at fair value	776	999
Trading account assets	5,545	5,881
Securities purchased under agreements to resell	2,617	1,171
Other	3,953	2,276
	$26,917	$24,229
Liabilities		
Securities sold under agreements to repurchase	$13,449	$10,216
Securities sold but not yet purchased	785	1,174
Trading account liabilities	5,590	5,930
Notes payable and other borrowings	1,849	1,998
Annuity reserves and policyholder liabilities	857	843
Other	2,141	2,062
	$24,671	$22,223

Notes To Interim Consolidated Financial Statements (Continued)

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.

	Second Quarter		First Half	
Revenues	2000	1999	2000	1999
Operating Segments:				
Insurance:				
GEICO *	$1,383	$1,168	$2,691	$2,269
General Re *	1,815	1,614	3,495	3,165
Berkshire Hathaway Reinsurance Group *	141	178	305	545
Berkshire Hathaway Direct Insurance Group *	69	67	137	118
Interest, dividend and other investment income	659	598	1,313	1,201
Total insurance revenues	4,067	3,625	7,941	7,298
Buffalo News	40	39	77	76
Flight services	539	443	1,047	874
Furniture	394	209	731	400
International Dairy Queen	141	144	254	245
Jewelry	111	106	213	192
Scott Fetzer Companies	239	256	502	509
See's Candies	61	53	120	118
Shoe group	106	122	232	247
	5,698	4,997	11,117	9,959
Reconciliation of segments to consolidated amounts:				
Other revenues	170	142	525	260
Realized investment gain	717	396	1,453	799
Purchase-accounting-adjustments	(32)	(74)	(68)	(111)
	$ 6,553	$5,461	$13,027	$10,907

* *Represents insurance premiums earned*

	Second Quarter		First Half	
Operating profit before Taxes				
Operating Segments:	2000	1999	2000	1999
Insurance:				
GEICO **	$ (65)	$ 20	$ (151)	$ 20
General Re **	(231)	(190)	(504)	(326)
Berkshire Hathaway Reinsurance Group **	(68)	38	(36)	45
Berkshire Hathaway Direct Insurance Group **	2	(1)	1	1
Interest, dividend and other investment income	653	591	1,304	1,191
Total insurance operating profit	291	458	614	931
Buffalo News	14	14	26	26
Flight services	56	60	114	112
Furniture	39	20	69	35
International Dairy Queen	20	21	3	31
Jewelry	8	7	13	9
Scott Fetzer Companies	26	30	61	62
See's Candies	7	6	11	15
Shoe group	(4)	3	(1)	9
	457	619	910	1,230
Reconciliation of segments to consolidated amounts:				
Realized investment gain	717	396	1,453	799
Interest expense ***	(23)	(28)	(47)	(56)
Corporate and other	119	91	417	152
Goodwill amortization and other purchase-accounting-adjustments	(156)	(213)	(314)	(378)
	$1,114	$ 865	$ 2,419	$1,747

** *Represents underwriting gain (loss)*

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

Note 10. Business Acquisitions Subsequent to June 30, 2000

Subsequent to June 30, 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 $985 million, 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®, Nocona Boot Company®, Tony Lama Company® and Chippewa Shoe Company®. 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.

Management's Discussion
June 30, 2000

Results of Operations

Net earnings for the second quarter and first half 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.

	Second Quarter		First Half	
	2000	1999	2000	1999
Insurance segments – underwriting	$(250)	$ (76)	$ (462)	$ (162)
Insurance segments – investment income	471	426	923	853
Non-insurance business segments	100	97	179	181
Interest expense	(17)	(18)	(31)	(36)
Goodwill amortization and other purchase-accounting-adjustments	(143)	(186)	(285)	(335)
Other	84	56	275	92
Earnings before realized investment gain	245	299	599	593
Realized investment gain	395	273	848	520
Net earnings	$ 640	$ 572	$1,447	$ 1,113

Insurance Segments — Underwriting

A summary follows of underwriting results from Berkshire's insurance segments for the second quarter and first half of 2000 and 1999. Dollar amounts are in millions.

	Second Quarter		First Half	
	2000	1999	2000	1999
Underwriting gain (loss) attributable to:				
GEICO	$ (65)	$ 20	$ (151)	$ 20
General Re	(231)	(190)	(504)	(326)
Berkshire Hathaway Reinsurance Group	(68)	38	(36)	45
Berkshire Hathaway Direct Insurance Group	2	(1)	1	1
Pre-tax underwriting loss	(362)	(133)	(690)	(260)
Income taxes and minority interest	(112)	(57)	(228)	(98)
Net underwriting loss	$ (250)	$ (76)	$ (462)	$(162)

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.

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

GEICO's pre-tax underwriting results for the second quarter and first half of 2000 and 1999 are summarized in the table below. Dollar amounts are in millions.

	Second Quarter				First Half			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$1,383	100.0	$1,168	100.0	$2,691	100.0	$2,269	100.0
Losses and loss expenses	1,192	86.2	921	78.9	2,323	86.3	1,816	80.0
Underwriting expenses	256	18.5	227	19.4	519	19.3	433	19.1
Total losses and expenses	1,448	104.7	1,148	98.3	2,842	105.6	2,249	99.1
Underwriting gain (loss)	$ (65)		$ 20		$ (151)		$ 20	

Premiums earned in the second quarter of 2000 were $1,383 million, up 18.4% from $1,168 million in 1999. For the first half of 2000, premiums earned were $2,691 million, up 18.6% from $2,269 million in 1999. The growth in first half premiums earned for voluntary auto was 19.4% reflecting an 18.0% increase in policies-in-force during the past year. In response to increased losses in 2000, GEICO has implemented rate increases and additional increases are expected in many states during the remainder of the year. However, it takes six to twelve months for the full effect of rate increases to be reflected in premiums earned.

Policy growth over the last twelve months was 14.3% in the preferred-risk auto market and 33.2% in the standard and nonstandard auto lines. Voluntary auto new business sales increased 7.3% over 1999. Additional growth in policies-in-force is expected over the remainder of the year, but it is anticipated that the rate of growth will continue to decline from the growth rates experienced in recent years.

Losses and loss adjustment expenses incurred increased 29.4% to $1,192 million in the second quarter of 2000 and 27.9% to $2,323 million in the first half of 2000. GEICO's loss ratio was 86.3% in the first half of 2000 compared to 80.0% a year ago. The increased loss ratio reflects higher frequency and severity for both auto damage and personal injury protection coverages. The increases in claim costs during 2000 were greater than anticipated and resulted in larger than expected underwriting losses. Catastrophe losses contributed slightly over one percentage point to the loss ratio in both 2000 and 1999.

Underwriting expenses incurred during the second quarter of 2000 increased $29 million (12.8%) over 1999. In the first half of 2000, underwriting expenses increased $86 million (19.9%) over 1999. The increases reflect additional advertising and other costs related to new business growth, partially offset by reduced employee profit sharing expense. The unit cost of acquiring new business has increased significantly in 2000 reflecting higher costs and a lower closure ratio.

GEICO and its affiliates are defendants in several class action lawsuits related to the use of collision repair parts not produced by the original auto manufacturers. Management intends to vigorously defend GEICO's position over the use of these after-market parts. However, these lawsuits are in early stages of development and the ultimate outcome cannot be reasonably determined.

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 June 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 the first half of 2000 were unsatisfactory in both the property and casualty and life and health businesses and reflected the effects of inadequate rates charged in recent years on many lines of business. General Re management continues to take actions to address these matters with the objective of returning underwriting results to acceptable levels. Due to the inherent time lag between when pricing decisions are made and when the effects of such decisions are evident in the financial statements, overall underwriting results are likely to remain unsatisfactory during the remainder of 2000. However, absent a mega-catastrophe, Berkshire expects that General Re's underwriting results will be improved during the second half of 2000 as compared to the first half of 2000. The underwriting results of each General Re business segment follow. Dollar amounts are in millions.

Management's Discussion (Continued)

Insurance Segments - Underwriting **(Continued)**

North American property/casualty

	Second Quarter				First Half			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$ 739	100.0	$ 635	100.0	$1,408	100.0	$1,267	100.0
Losses and loss expenses	612	82.8	451	71.0	1,182	83.9	858	67.7
Underwriting expenses	197	26.7	228	35.9	383	27.2	482	38.1
Total losses and expenses	809	109.5	679	106.9	1,565	111.1	1,340	105.8
Underwriting loss	$ (70)		$ (44)		$ (157)		$ (73)	

North American property/casualty operations underwrite predominantly excess reinsurance across multiple lines of business. For the second quarter and first half of 2000, premiums earned from North American reinsurance businesses exceeded amounts earned during the 1999 periods by $104 million (16.4%) and $141 million (11.1%), respectively. The most significant increases occurred in the national multi-line, excess and surplus reinsurance lines and individual risk businesses. In addition, premiums earned in 2000 reflected reductions in ceded reinsurance premiums principally related to amounts ceded to members of the Berkshire Hathaway Reinsurance Group.

The North American property/casualty operations produced net underwriting losses of $70 million and $157 million for the second quarter and first half of 2000, respectively. These underwriting results compare unfavorably to underwriting results for the same periods of 1999. During the first half of 2000, adverse reserve development (reserve increases) of prior years' claim estimates emerged, primarily in the medical malpractice and commercial umbrella reinsurance lines. Underwriting results in 1999 periods benefited from reductions (or favorable development) of loss reserves established for previous years. In addition, underwriting results in 2000 periods were adversely affected by increased losses with respect to casualty lines.

Partially offsetting the deterioration in the casualty business were improved property reinsurance results, which benefited from lower claims experience and the initial effects of underwriting actions in under-performing areas. Losses arising from catastrophic events and other large property losses added 5.2 points to the North American property/casualty loss and loss expense ratio for the first half of 2000, as compared to 7.6 points for the same period of 1999.

Although underwriting results have been and continue to remain unsatisfactory, the North American property/casualty underwriting results for the second quarter improved from the first quarter of 2000. In the absence of major catastrophe losses over the remainder of 2000, underwriting results for the full year are expected to be better than 1999.

International property/casualty

	Second Quarter				First Half			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$ 617	100.0	$ 571	100.0	$1,228	100.0	$1,114	100.0
Losses and loss expenses	547	88.7	470	82.3	1,110	90.4	894	80.2
Underwriting expenses	195	31.6	198	34.7	409	33.3	374	33.6
Total losses and expenses	742	120.3	668	117.0	1,519	123.7	1,268	113.8
Underwriting loss	$(125)		$ (97)		$ (291)		$ (154)	

The international property/casualty operations write quota-share and excess reinsurance on risks around the world. Premiums earned for the second quarter and first half of 2000 increased over 1999 levels by 8.1% and 10.2%, respectively. Adjusting for the effect of foreign exchange, earned premiums in local currencies grew 19.0% during the second quarter and 21.4% for first half of 2000, respectively. The growth in earned premiums was primarily due to premiums due from cedants to reinstate coverage as a result of fourth quarter 1999 European winter storm losses and growth in both proportional and non-proportional casualty businesses. Premium growth also resulted from new business in South America and from DP Mann's Syndicate 435 at Lloyd's of London.

Second quarter and first half 2000 underwriting results of the international property/casualty segment remained very poor. The increase in the loss ratio for the first half of 2000 was primarily due to continued adverse development from the December 1999 European winter storms, higher frequency of major losses, and inadequate premium rates in the international property/casualty markets. The effect of catastrophes, including development from 1999 events, and other large property losses, including the aforementioned adverse development, represented 11.1 points of the loss and loss expense ratio for the first half of 2000, compared to 2.4 points for the same period of 1999.

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

Global life/health

	Second Quarter				First Half			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$ 459	100.0	$ 408	100.0	$859	100.0	$784	100.0
Losses and loss expenses	410	89.3	351	86.0	730	85.0	682	87.0
Underwriting expenses	85	18.5	106	26.0	185	21.5	201	25.6
Total losses and expenses	495	107.8	457	112.0	915	106.5	883	112.6
Underwriting loss	$ (36)		$ (49)		$ (56)		$ (99)	

Global life/health net earned premiums grew 12.5% for the second quarter and 9.6% in the first half of 2000. The year-to-date growth was primarily attributable to increased growth in U.S. life and individual health business, and expansion of Asian life and Western European business.

The global life/health operations produced unsatisfactory underwriting results for the first six months of 2000 and 1999. Second quarter and first half 2000 results were adversely affected by weak results in the international life segments and losses in the U.S. group health segment.

Berkshire Hathaway Reinsurance Group

Premiums earned by the Berkshire Hathaway Reinsurance Group ("BHRG") include amounts earned from retroactive reinsurance contracts. Such contracts, generally, indemnify ceding companies for losses in excess of specified amounts retained by the ceding company with respect to past loss events. Losses assumed are subject to aggregate limits that are often sizable in amount. Premiums earned from retroactive contracts for the first half aggregated $25 million in 2000 and $280 million in 1999. In each year, nearly all of such premiums were earned in the first quarter. In July 2000, the BHRG entered into a new retroactive reinsurance agreement that generated additional premiums of $337 million.

Premiums earned from other reinsurance activities during the second quarter were $115 million in 2000 and $182 million in 1999. For the first half, other reinsurance premiums earned totaled $280 million in 2000 and $265 million in 1999. For the first half, an increase in premiums earned from catastrophe policies was offset by a decline in other reinsurance premiums, which included lower amounts assumed from contracts with General Re's North American property and casualty reinsurance businesses.

Underwriting results of the BHRG include amortization of deferred charges on retroactive reinsurance contracts and accretion of discounted structured settlement liabilities. These recurring charges recognize time-value-of-money concepts that are inherent in the pricing of such contracts. It is normally anticipated that claims ultimately paid will exceed premiums received at inception. Deferred charges and discounts related to structured settlement liabilities are established at inception and subsequently charged to losses incurred over the expected claims settlement periods. Underwriting losses from structured settlement and retroactive reinsurance contracts totaled $38 million in the second quarter of 2000 and $27 million in 1999. Underwriting losses from these contracts for the first half were $79 million in 2000 and $46 million in 1999. It is expected that underwriting losses from this business over the remainder of 2000 will exceed underwriting losses in 1999 periods by a considerable margin. Nevertheless, this business is accepted because of the large amounts of policyholder float generated for investment.

Other reinsurance activities produced a second quarter underwriting loss of $30 million in 2000 compared to an underwriting gain of $65 million in 1999. For the first half, underwriting gains from other reinsurance were $ 43 million in 2000 compared to $91 million in 1999. The catastrophe reinsurance business produced lower net underwriting gains due primarily to increased amounts of catastrophe losses. Underwriting gains from this business were $24 million in the second quarter and $47 million in the first half of 2000 as compared to $49 million and $63 million in the comparable 1999 periods. Other non-catastrophe reinsurance activities produced underwriting losses of $54 million for the second quarter and $4 million for the first half of 2000 compared to underwriting gains of $16 million and $28 million during the comparable 1999 periods due to lower premiums and increased losses related to contracts assumed from General Re's North American property and casualty operation. Most of the losses associated with the other non-catastrophe reinsurance activities derived from contracts that generated significant amounts of very long-term float.

Management's Discussion (Continued)

Insurance Segments - Investment Income

After-tax net investment income produced by Berkshire's insurance and reinsurance businesses for the second quarter and first half of 2000 and 1999 is summarized in the table below. Dollars are in millions.

	Second Quarter		First Half	
	2000	1999	2000	1999
Net investment income before taxes and minority interests	$653	$591	$1,304	$1,191
Taxes and minority interests	182	165	381	338
Net investment income	$471	$426	$ 923	$ 853

Pre-tax net investment income earned by Berkshire's insurance and reinsurance businesses during the second quarter and first half of 2000 exceeded amounts earned during the corresponding 1999 periods by $62 million (10.5%) and $113 million (9.5%).

Berkshire's insurance and reinsurance businesses maintain considerable levels of invested assets, approximately $70 billion as of June 30, 2000. Invested assets derive from shareholder capital, including reinvested earnings from the business, as well as policyholder "float". Float represents an estimate of the net balance of funds held by the insurance group, that does not belong to shareholders. Float includes unpaid losses and loss adjustment expenses, unearned premiums and reinsurance balances held less premiums receivable, deferred acquisition costs, deferred charges related to retroactive reinsurance, reinsurance receivables and related prepaid income taxes. The aggregate amount of float at June 30, 2000 was approximately $25.8 billion, an increase of about $0.5 billion since year-end 1999. A much greater increase in float is expected during the second half of 2000. The annualized cost of float for the first half of 2000 was approximately 5.4%, down slightly from 1999's full year cost of 5.8%. Absent a mega-catastrophe, the cost of float should fall moderately during the second half.

Non-Insurance Business Segments

Results of operations of Berkshire's diverse non-insurance business segments for the second quarter and first half of 2000 and 1999 are shown in the following table. Dollar amounts are in millions.

	Second Quarter				First Half			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues	$1,631	100.0	$1,372	100.0	$3,176	100.0	$2,661	100.0
Costs and expenses	1,465	89.8	1,211	88.3	2,880	90.7	2,362	88.8
Earnings before taxes/minority interest	166	10.2	161	11.7	296	9.3	299	11.2
Income taxes and minority interest	66	4.1	64	4.7	117	3.7	118	4.4
Net earnings	$ 100	6.1	$ 97	7.0	$ 179	5.6	$ 181	6.8

Revenues from these several and diverse business activities during 2000's second quarter and first half were greater by $259 million (18.9%) and $515 million (19.4%), respectively than revenues during the corresponding 1999 periods. The Furniture segment accounts for a significant portion of the increase. This segment's revenues increased $185 million in the second quarter and $331 million in the first half. The inclusion of Jordan's Furniture, Inc. ("Jordan's"), acquired November 13, 1999, and CORT Business Services ("CORT"), acquired February 18, 2000, in this segment during the 2000 periods account for much of the increased Furniture segment's revenues. Jordan's is the largest furniture retailer in Massachusetts and New Hampshire. CORT is the nation's leading provider of rental furniture, accessories and related services in the "rent to rent" segment of the furniture industry. Revenues also increased significantly in the Flight services segment during both the second quarter and first half of 2000 as compared to the 1999 periods.

Net earnings of these businesses were relatively unchanged both in the second quarter and first half as compared to the 1999 periods. During the second quarter, increased earnings of the Furniture segment were largely offset by reductions in the Shoe, Scott Fetzer and Flight services segments. For the first half, increased earnings of the Furniture segment were largely offset by a decline in the earnings of Dairy Queen. Dairy Queen's first half 2000 results include non-recurring pre-tax charges of approximately $27 million associated with the estimated amount to be incurred in connection with the settlement of litigation (that pre-dated Berkshire's acquisition of Dairy Queen) by certain franchisees and provisions for losses in connection with the bankruptcy of a major distributor.

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 $824 million at June 30, 2000, compared to $1,032 million at June 30, 1999.

Other

Other activities not identified with business segments include a number of finance businesses conducted through several subsidiaries. Pre-tax income in the first half from finance and financial products businesses was $376 million in 2000 versus $135 million in 1999. The increased income of these businesses during 2000 as compared to 1999 was primarily attributed to net realized and unrealized gains of investments classified as held for trading purposes. The net realized and unrealized gains of these securities are included as a component of Income from finance and financial products businesses in the accompanying Consolidated Statements of Earnings. Accordingly, the level of income earned in a given period is subject to considerable volatility.

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 $848 million and $520 million for the first half of 2000 and 1999, respectively.

Financial Condition

Berkshire's balance sheet continues to reflect significant liquidity and above average capital strength. Shareholders' equity at June 30, 2000, was $57.6 billion, or $37,853 per equivalent share of Class A Common Stock.

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.