CONSOLIDATED BALANCE SHEETS
(dollars in millions except share amounts)

	September 30, 2000	December 31, 1999
ASSETS		
Cash and cash equivalents	$ 2,770	$ 3,835
Investments:		
Securities with fixed maturities	32,293	30,222
Equity securities	36,588	37,772
Other	1,737	1,736
Receivables	9,238	8,558
Inventories	1,444	844
Investments in MidAmerican Energy Holdings Company	1,685	—
Assets of finance and financial products businesses	19,051	24,229
Property, plant and equipment	2,406	1,903
Goodwill of acquired businesses	18,526	18,281
Other assets	4,744	4,036
	$130,482	$131,416
LIABILITIES AND SHAREHOLDERS' EQUITY		
Losses and loss adjustment expenses	$ 29,484	$ 26,802
Unearned premiums	4,273	3,718
Accounts payable, accruals and other liabilities	7,443	7,458
Income taxes, principally deferred	9,201	9,566
Borrowings under investment agreements and other debt	2,634	2,465
Liabilities of finance and financial products businesses	16,735	22,223
	69,770	72,232
Minority shareholders' interests	1,321	1,423
Shareholders' equity:		
Common Stock: *		
Class A Common Stock, $5 par value and Class B Common Stock, $0.1667 par value	8	8
Capital in excess of par value	25,483	25,209
Accumulated other comprehensive income	16,335	17,223
Retained earnings	17,565	15,321
Total shareholders' equity	59,391	57,761
	$130,482	$131,416

* *Class B Common Stock has economic rights equal to one-thirtieth (1/30) of the economic rights of Class A Common Stock. Accordingly, on an equivalent Class A Common Stock basis, there are 1,525,418 shares outstanding at September 30, 2000 and 1,520,562 shares outstanding at December 31, 1999.*

See accompanying Notes to Interim Consolidated Financial Statements

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

	Third Quarter		First Nine Months	
	2000	1999	2000	1999
Revenues:				
Insurance premiums earned	$4,872	$4,603	$11,500	$10,700
Sales and service revenues	1,848	1,397	5,135	4,166
Interest, dividend and other investment income	648	614	1,904	1,721
Income from investments in MidAmerican Energy	40	—	67	—
Income from finance and financial products businesses	110	12	486	147
Realized investment gain	908	425	2,361	1,224
	8,426	7,051	21,453	17,958
Cost and expenses:				
Insurance losses and loss adjustment expenses	4,378	4,182	10,030	8,979
Insurance underwriting expenses	841	793	2,508	2,385
Cost of products and services sold	1,256	986	3,477	2,917
Selling, general and administrative expenses	413	267	1,169	805
Goodwill amortization	124	119	369	356
Interest expense	38	35	105	100
	7,050	6,382	17,658	15,542
Earnings before income taxes and minority interest	1,376	669	3,795	2,416
Income taxes	479	237	1,338	855
Minority interest	100	12	213	28
Net earnings	$ 797	$ 420	$2,244	$1,533
Average shares outstanding *	1,524,170	1,519,954	1,521,977	1,519,506
Net earnings per share *	$ 523	$ 276	$1,474	$1,009

* *Average shares outstanding include average Class A Common shares and average Class B Common shares determined on an equivalent Class A Common Stock basis. Net earnings per share shown above represents net earnings per equivalent Class A Common share. Net earnings per Class B Common share is equal to one-thirtieth (1/30) of such amount.*

See accompanying Notes to Interim Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

	First Nine Months	
	2000	1999
Net cash flows from operating activities	$1,883	$1,328
Cash flows from investing activities:		
Purchases of investments	(20,096)	(18,218)
Proceeds on sales and maturities of investments	18,434	8,741
Loans and investments originated in finance businesses	(429)	(1,433)
Principal collections on loans and investments originated in finance businesses	984	746
Acquisitions of businesses	(1,123)	—
Other	(310)	(437)
Net cash flows from investing activities	(2,540)	(10,601)
Cash flows from financing activities:		
Proceeds from borrowings of finance businesses	57	627
Proceeds from other borrowings	2,405	1,454
Repayments of borrowings of finance businesses	(229)	(330)
Repayments of other borrowings	(2,251)	(1,362)
Other	(110)	(41)
Net cash flows from financing activities	(128)	348
Decrease in cash and cash equivalents	(785)	(8,925)
Cash and cash equivalents at beginning of year*	4,458	14,489
Cash and cash equivalents at end of first nine months*	$ 3,673	$ 5,564
Supplemental cash flow information:		
Cash paid during the period for:		
Income taxes	$ 1,037	$ 2,175
Interest of finance and financial products businesses	655	350
Other interest	124	112
Non-cash investing activity:		
Liabilities assumed in connection with acquisitions of businesses	713	—
Common Stock issued in connection with acquisitions of businesses	223	—
Contingent value of Exchange Notes recognized in earnings	108	30
Value of equity securities used to redeem Exchange Notes	259	133

** Cash and cash equivalents are comprised of the following:*		
Beginning of year —		
Finance and financial products businesses	*$ 623*	*$ 907*
Other	*3,835*	*13,582*
	$ 4,458	*$14,489*
End of first nine months —		
Finance and financial products businesses	*$ 903*	*$ 849*
Other	*2,770*	*4,715*
	$ 3,673	*$ 5,564*

See accompanying Notes to Interim Consolidated Financial Statements

Notes to Interim Consolidated Financial Statements
September 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 ("GAAP").

For a number of reasons, Berkshire's results for interim periods are not normally indicative of results to be expected for the year. The timing and magnitude of catastrophe losses incurred by insurance subsidiaries and the estimation error inherent to the process of determining liabilities for unpaid losses of insurance subsidiaries can be relatively more significant to results of interim periods than to results for a full year. Realized investment gains/losses are recorded when investments are sold, other-than-temporarily impaired or in certain situations, as required by GAAP, when investments are marked-to-market with the corresponding gain or loss included in earnings. Variations in amount and timing of realized investment gains/losses can cause significant variations in periodic net earnings.

In 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 was discussed in Note 1 to the Consolidated Financial Statements in Berkshire's 1999 Annual Report. In June 1999, the FASB issued SFAS No. 137, which delayed the effective date for implementing SFAS No. 133 until the beginning of 2001. In June 2000, the FASB issued SFAS No. 138, which amended certain provisions of SFAS No. 133 with the objective of easing the implementation difficulties expected to arise. Berkshire will adopt SFAS No. 133 as amended by SFAS No. 138 as of the beginning of 2001 and does not anticipate that the adoption of these new standards will have a material effect on its financial position or results of operations.

Note 2. Investment in MidAmerican Energy Holdings Company

On October 24, 1999, Berkshire entered into an agreement along with Walter Scott, Jr. and David L. Sokol, to acquire MidAmerican Energy Holdings Company ("MidAmerican"). Upon obtaining MidAmerican shareholder approval and required regulatory approvals, the transaction closed on March 14, 2000. Pursuant to the terms of the agreement, Berkshire invested approximately $1.24 billion in common stock and a non-dividend paying convertible preferred stock of a newly formed entity that merged with and into MidAmerican, with MidAmerican continuing as the surviving corporation. Such investment gives Berkshire about a 9.7% voting interest and a 76% economic interest in MidAmerican on a fully-diluted basis. Berkshire subsidiaries also acquired approximately $455 million of an 11% non-transferable trust preferred security. Under certain conditions, for a period of up to seven years subsequent to the closing, Berkshire may be required to purchase up to $345 million of additional trust preferred securities. Mr. Scott, a member of Berkshire's Board of Directors, controls approximately 86% of the voting interest in MidAmerican. Mr. Sokol is the CEO of MidAmerican.

Through its retail utility subsidiaries, MidAmerican Energy in the U.S. and Northern Electric in the U.K., MidAmerican provides electric service to approximately 2.0 million customers and natural gas service to 1.2 million customers worldwide. MidAmerican manages, owns interests in and has under contract approximately 9,700 net megawatts of diversified power generation facilities in operation, construction and development.

Berkshire's aggregate investments in MidAmerican are included in the Consolidated Balance Sheet as Investments in MidAmerican Energy Holdings Company. Berkshire is accounting for the common and non-dividend paying convertible preferred stock pursuant to the equity method. The carrying value of these equity method investments totaled $1,230 million at September 30, 2000.

The Consolidated Statements of Earnings reflect, as income from investments in MidAmerican Energy, Berkshire's proportionate share of MidAmerican's net income with respect to the investments accounted for pursuant to the equity method as well as interest earned on the 11% trust preferred security. Income derived from equity method investments totaled $40 million for the period from March 14, 2000 through September 30, 2000.

Note 3. Investments in securities with fixed maturities

Data with respect to investments in securities with fixed maturities (other than securities with fixed maturities held by finance and financial products businesses — See Note 8) are shown in the tabulation below (in millions):

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

Note 4. Investments in equity securities

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

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

Note 5. Deferred income tax liabilities

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

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

Note 6. Common stock

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

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

Note 6. Common stock (Continued)

Each share of Class A Common Stock is convertible, at the option of the holder, into thirty shares of Class B Common Stock. Class B Common Stock is not convertible into Class A Common Stock. Class B Common Stock has economic rights equal to one-thirtieth (1/30) of the economic rights of Class A Common Stock. Accordingly, on an equivalent Class A Common Stock basis, there are 1,525,418 shares outstanding at September 30, 2000 and 1,520,562 shares outstanding at December 31, 1999.

Each Class A Common share is entitled to one vote per share. Each Class B Common share possesses the voting rights of one-two-hundredth (1/200) of the voting rights of a Class A share. Class A and Class B Common shares vote together as a single class.

Note 7. Comprehensive income

Berkshire's comprehensive income for the third quarter and first nine months of 2000 and 1999 is shown in the table below (in millions). Other comprehensive income consists of unrealized gains and losses on investments and foreign currency translation adjustments associated with foreign-based business operations.

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

Note 8. Finance and financial products businesses

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

	September 30, 2000	December 31, 1999
Assets		
Cash and cash equivalents	$ 903	$ 623
Investments in securities with fixed maturities:		
Held to maturity, at cost	1,664	2,002
Trading, at fair value	6,048	11,277
Available for sale, at fair value	735	999
Trading account assets	5,444	5,881
Securities purchased under agreements to resell	1,955	1,171
Other	2,302	2,276
	$19,051	$24,229
Liabilities		
Securities sold under agreements to repurchase	$ 6,501	$10,216
Securities sold but not yet purchased	593	1,174
Trading account liabilities	5,822	5,930
Notes payable and other borrowings	1,554	1,998
Annuity reserves and policyholder liabilities	861	843
Other	1,404	2,062
	$16,735	$22,223

Notes To Interim Consolidated Financial Statements (Continued)

Note 9. Business Segment Data

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

	Third Quarter		First Nine Months	
Revenues	2000	1999	2000	1999
Operating Segments:				
Insurance:				
GEICO *	$ 1,446	$ 1,222	$ 4,137	$ 3,491
General Re *	2,044	1,889	5,539	5,054
Berkshire Hathaway Reinsurance Group *	1,291	1,421	1,596	1,966
Berkshire Hathaway Direct Insurance Group *	91	71	228	189
Interest, dividend and other investment income	677	664	1,990	1,865
Total insurance revenues	5,549	5,267	13,490	12,565
Flight services	593	456	1,640	1,330
Furniture	415	220	1,146	620
Scott Fetzer Companies	231	254	733	763
Other businesses	719	479	2,102	1,600
	7,507	6,676	19,111	16,878
Reconciliation of segments to consolidated amounts:				
Other revenues	41	7	79	24
Realized investment gain	908	425	2,361	1,224
Purchase-accounting-adjustments	(30)	(57)	(98)	(168)
	$8,426	$7,051	$21,453	$17,958

* *Represents insurance premiums earned*

	Third Quarter		First Nine Months	
Operating profit before Taxes				
Operating Segments:	2000	1999	2000	1999
Insurance:				
GEICO **	$ (43)	$ 32	$ (194)	$ 52
General Re **	(328)	(277)	(832)	(603)
Berkshire Hathaway Reinsurance Group **	21	(132)	(15)	(87)
Berkshire Hathaway Direct Insurance Group **	3	2	4	3
Interest, dividend and other investment income	673	661	1,977	1,852
Total insurance operating profit	326	286	940	1,217
Flight services	53	51	167	163
Furniture	43	20	112	55
Scott Fetzer Companies	26	34	87	96
Other businesses	158	50	595	278
	606	441	1,901	1,809
Reconciliation of segments to consolidated amounts:				
Realized investment gain	908	425	2,361	1,224
Interest expense ***	(22)	(27)	(69)	(83)
Corporate and other	38	4	70	18
Goodwill amortization and other purchase-accounting-adjustments	(154)	(174)	(468)	(552)
	$1,376	$ 669	$3,795	$2,416

** *Represents underwriting gain (loss)*

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

Note 10. Business Acquisitions

During the third quarter of 2000, Berkshire consummated three business acquisitions – Ben Bridge Jeweler ("Ben Bridge"), effective July 3, 2000; Justin Industries, Inc. ("Justin"), effective August 1, 2000; and U.S. Investment Corporation ("USIC"), effective August 8, 2000. Shareholders of these three entities received aggregate consideration of approximately $1 billion, consisting of $775 million in cash and the remainder in Class A and Class B Common Stock.

Ben Bridge is the leading operator of upscale jewelry stores based in major shopping malls in the Western United States. Justin includes Acme Building Brands – Acme Brick Company, a leading manufacturer of face brick; Featherlite Building Products Corporation, the leading Southwest producer of concrete masonry products; and American Tile Supply Company, a major Texas distributor of ceramic and marble floor and wall tile, and Justin Brands – Justin Boot Company®, 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.

On October 20, 2000, Berkshire announced that it had formally entered into a merger agreement whereby it will acquire approximately 87.3% of Shaw Industries, Inc. common shares for $19 per share, or approximately $2 billion in the aggregate. The closing of the transaction is subject to approval by the shareholders of Shaw Industries and satisfaction of certain regulatory conditions. An investment group consisting, among others, of Robert E. Shaw, Chairman and CEO of Shaw Industries, Julian D. Saul, President of Shaw Industries, certain of Mr. Shaw's family members and related family interests of Messrs. Shaw and Saul, and certain other directors and members of management will acquire the remaining 12.7% of Shaw Industries by contributing common shares of Shaw Industries representing approximately 12.7% of Shaw's current outstanding common stock. Berkshire currently anticipates that the merger transaction will be completed early in January 2001.

Shaw is the world's largest manufacturer of tufted broadloom carpet. Headquartered in Dalton, Georgia, Shaw sells carpeting and rugs for residential and commercial applications throughout the United States and exports to most markets worldwide. Shaw markets its residential products under such brand names and trademarks as *Cabin Crafts*, *Couture by Sutton*, *Cumberland*, *Expressive Designs*, *Home Foundations*, *Philadelphia*, *Queen*, *ShawMark*, *Sutton*, *TrustMark*, *Evans & Black*, *Salem*, *Tuftex*, and *Shaw Rugs*. Shaw markets its commercial products under the names *Shaw Contract*, *Designweave*, *Patcraft*, and *Queen Commercial*. Through its network of commercial dealers known as Shaw Contract Flooring Services, Shaw also sells commercial flooring products directly and provides installation and project management services. Shaw also offers laminate flooring through the *Decades* brand and ceramic tile through Shaw Ceramics.

On November 8, 2000, Berkshire entered into an agreement and plan of merger with Benjamin Moore & Co. ("Moore") whereby it will acquire 100% of the outstanding common shares of Moore for $37.82 per share, or approximately $1 billion in the aggregate. The shares will be acquired via a cash tender offer for all of Moore's outstanding stock and is scheduled to commence no later than November 17, 2000. Upon successful completion of the tender offer, the agreement and plan of merger calls for a merger pursuant to which any remaining shareholders will receive cash in the same amount as paid in the tender offer. The tender offer is subject to certain conditions, including the tender of not less than 2/3 of Moore's outstanding common stock on a fully diluted basis, and the obtaining of all necessary government approvals. Moore is a formulator, manufacturer and retailer of a broad range of architectural and industrial coatings, available principally in the United States and Canada.

Management's Discussion
September 30, 2000

Results of Operations

Net earnings for the third quarter and first nine months of 2000 and 1999 are disaggregated in the table that follows. Amounts are after deducting minority interests and income taxes. Dollar amounts are in millions.

	Third Quarter		First Nine Months	
	2000	1999	2000	1999
Insurance underwriting	$ (218)	$ (245)	$ (680)	$ (407)
Insurance investment income	475	467	1,398	1,320
Non-insurance businesses	169	93	602	360
Interest expense	(13)	(16)	(44)	(52)
Goodwill amortization and other purchase-accounting-adjustments	(141)	(147)	(426)	(482)
Other	29	4	50	10
Earnings before realized investment gain	301	156	900	749
Realized investment gain	496	264	1,344	784
Net earnings	$ 797	$ 420	$ 2,244	$ 1,533

Insurance Underwriting

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

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

Berkshire engages in both primary insurance and reinsurance of property and casualty risks. Through General Re, Berkshire also reinsures life and health risks. In primary insurance activities, Berkshire subsidiaries assume defined portions of the risks of loss from persons or organizations that are directly subject to the risks. In reinsurance activities, Berkshire subsidiaries assume defined portions of similar or dissimilar risks that other insurers or reinsurers have subjected themselves to in their own insuring activities. Berkshire's principal insurance businesses are: (1) GEICO, the sixth largest auto insurer in the United States, (2) General Re, one of the four largest reinsurers in the world, (3) Berkshire Hathaway Reinsurance Group ("BHRG") and (4) Berkshire Hathaway Direct Insurance Group.

GEICO Corporation

GEICO Corporation through its affiliates ("GEICO") provides private passenger auto insurance to customers in 48 states and the District of Columbia. GEICO policies are marketed mainly through direct response methods, in which insureds apply directly to the company for insurance coverage over the telephone, through the mail or via the Internet. This is a significant element in GEICO's strategy to be a low cost insurer and provide high value to policyholders.

***Insurance Underwriting* (Continued)**

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

	Third Quarter				First Nine Months			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$1,446	100.0	$1,222	100.0	$4,137	100.0	$3,491	100.0
Losses and loss expenses	1,225	84.7	963	78.8	3,548	85.8	2,779	79.6
Underwriting expenses	264	18.3	227	18.6	783	18.9	660	18.9
Total losses and expenses	1,489	103.0	1,190	97.4	4,331	104.7	3,439	98.5
Underwriting gain (loss)	$ (43)		$ 32		$ (194)		$ 52	

For the third quarter and first nine months of 2000, premiums earned by GEICO exceeded amounts earned in corresponding 1999 periods by 18.3% and 18.5%, respectively. In response to increased claim costs, GEICO has applied for premium rate increases in many states, some of which were implemented over the past two quarters. As a result of decreased response from advertising, rate increases and tightened underwriting standards, new business sales in the first nine months of 2000 declined from new business written in 1999, and during the third quarter the decline was significant.

The increase in earned premiums in 2000 reflects greater numbers of voluntary auto policies in-force. Voluntary auto policies in-force have increased by approximately 13.2% over the past twelve months, as preferred-risk policies in-force grew 11.0% and standard and non-standard risk policies in-force grew 22.0%. As a result of the factors mentioned above, policies-in-force are not expected to grow during the remainder of 2000.

GEICO's net underwriting results for the third quarter and first nine months of 2000 deteriorated in comparison with the results for the corresponding 1999 periods. The decline in comparative underwriting results was largely due to increased claim losses in 2000 periods. The loss ratio, which represents the ratio of claim and claim handling costs paid or reserved as a percentage of premiums earned was 84.7% for the third quarter and 85.8% for the first nine months of 2000. In 1999, the loss ratio was 78.8% for the third quarter and 79.6% for the first nine months. The increase in the loss ratio during 2000 periods was due primarily to higher frequency and significantly higher severity for personal injury protection and to increasing cost trends for medical payments and automobile repair costs.

It takes from six to twelve months for increased rates and tighter underwriting standards to become fully reflected in earned premiums and underwriting results. Absent a significant adverse change in claim patterns or costs, GEICO's underwriting results are expected to improve in 2001.

General Re

General Re and its affiliates conduct a global reinsurance business with operations in the United States and 125 other countries around the world. General Re's principal reinsurance operations are: (1) North American property/casualty, (2) International property/casualty, and (3) Global life/health. The international property/casualty and global life/health operations are conducted primarily through Germany-based Cologne Re and its subsidiaries. At September 30, 2000, General Re had an 88% economic ownership interest in Cologne Re.

Underwriting conditions within the reinsurance industry during 2000 remain difficult, although there are signs of improvement in certain markets. General Re's overall underwriting results during 2000 and 1999 were unsatisfactory in both the property and casualty and life and health businesses. The substandard results reflected the effects of inadequate rates charged in recent years on many lines of business. General Re management continues to take underwriting actions to address these matters with the objective of returning underwriting results to acceptable levels.

Due to the inherent time lag between when underwriting (including pricing) decisions are made and when the effects of such decisions are evident in the financial statements, General Re's overall underwriting results are likely to remain unsatisfactory over the remainder of 2000. However, absent a mega-catastrophe or the significant adverse development of reserves established for claims, Berkshire expects that General Re's underwriting results will improve over the next few quarters. The underwriting results of each General Re business segment follow. Dollar amounts are in millions.

Management's Discussion (Continued)

***Insurance Underwriting* (Continued)**

North American property/casualty

	Third Quarter				First Nine Months			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$ 991	100.0	$ 793	100.0	$2,399	100.0	$2,060	100.0
Losses and loss expenses	1,013	102.2	753	94.9	2,195	91.5	1,611	78.2
Underwriting expenses	216	21.8	198	25.0	599	25.0	680	33.0
Total losses and expenses	1,229	124.0	951	119.9	2,794	116.5	2,291	111.2
Underwriting loss	$ (238)		$(158)		$ (395)		$ (231)	

North American property/casualty operations underwrite predominantly excess reinsurance across multiple lines of business. For the third quarter and first nine months of 2000, premiums earned from North American reinsurance businesses exceeded amounts earned during the 1999 periods by $198 million (25.0%) and $339 million (16.5%), respectively. The most significant increases in premium volume occurred in the national multi-line, excess and surplus reinsurance lines and individual risk businesses. This growth resulted from a combination of new business and the effects of rate increases. In addition, a significant increase in premiums earned in 2000 periods was generated from a single aggregate excess treaty. Finally, the increases in premiums earned in 2000, in part, reflected reductions in reinsurance premiums ceded to members of the Berkshire Hathaway Reinsurance Group.

The North American property/casualty operations produced net underwriting losses of $238 million and $395 million for the third quarter and first nine months of 2000, respectively. Underwriting results for the third quarter and first nine months of 2000 included a $135 million underwriting loss in connection with the aforementioned aggregate excess treaty. The treaty, while producing a current-year underwriting loss, is accepted because of the large amount of investable funds generated, which, in turn, are expected to produce a meaningful increase in future investment income.

In addition, during the first nine months of 2000, adverse development (reserve increases) of prior years’ claim estimates emerged, primarily in the medical malpractice, commercial umbrella and property individual risk reinsurance lines. Whereas, in 1999, underwriting results benefited from modest reductions (or favorable development) of loss reserves established for previous years.

Partially offsetting these unfavorable underwriting results were improved current accident year results for property lines, which benefited from lower amounts of catastrophe and large property losses, and the initial effects of underwriting actions on both property and casualty lines. Losses arising from catastrophic events and other large property losses added 4.1 points to the North American property/casualty loss and loss expense ratio for the first nine months of 2000, as compared to 7.2 points for the same period of 1999. While the potential for catastrophe and large property losses are factors normally considered in underwriting decisions, the timing and magnitude of such losses can cause significant volatility in periodic underwriting results, particularly quarterly results.

International property/casualty

	Third Quarter				First Nine Months			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$ 653	100.0	$ 587	100.0	$1,881	100.0	$1,701	100.0
Losses and loss expenses	521	79.8	497	84.7	1,631	86.7	1,391	81.8
Underwriting expenses	202	30.9	195	33.2	611	32.5	569	33.4
Total losses and expenses	723	110.7	692	117.9	2,242	119.2	1,960	115.2
Underwriting loss	$ (70)		$(105)		$ (361)		$ (259)	

The international property/casualty operations write primarily quota-share and, to a lesser degree, excess reinsurance on risks around the world. In recent years, the largest international markets have been in Germany and Western Europe. International reinsurance business includes a significant level of property reinsurance. Premiums earned in the third quarter and first nine months of 2000 increased over 1999 levels by 11.2% and 10.6%, respectively. Adjusting for the effects of overall declining foreign exchange rates, earned premiums in local currencies grew 21.3% during the third quarter and 21.4% for the first nine months of 2000. The growth in earned premiums was primarily due to increased premiums in European markets outside Germany, premiums due from cedants to reinstate coverage as a result of fourth quarter 1999 European winter storm losses, new business in South America, and from DP Mann’s Syndicate 435 at Lloyd’s of London.

***Insurance Underwriting* (Continued)**

International property/casualty (continued)

Underwriting results of the international property/casualty segment for the first nine months of 2000 remained very poor, despite the fact that the third quarter 2000's results improved considerably in comparison with 1999's third quarter and the first half of 2000 due primarily to lower levels of catastrophe losses. The increase in the loss ratio for the first nine months of 2000 was primarily due to adverse development in the first half of 2000 from the December 1999 European winter storms and inadequate premium rates in many international property/casualty markets. The effect of catastrophes, including development from 1999 events, and other large property losses represented 8.1 points of the loss and loss expense ratio for the first nine months of 2000, compared to 4.9 points for the same period of 1999. Consequently, periodic underwriting results for the international property/casualty business can be volatile, given the significant level of property business written.

Global life/health

	Third Quarter				First Nine Months			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums earned	$ 400	100.0	$ 509	100.0	$1,259	100.0	$1,293	100.0
Losses and loss expenses	311	77.8	406	79.8	1,041	82.7	1,087	84.0
Underwriting expenses	109	27.2	117	23.0	294	23.3	319	24.7
Total losses and expenses	420	105.0	523	102.8	1,335	106.0	1,406	108.7
Underwriting loss	$ (20)		$ (14)		$ (76)		$ (113)	

Global life/health net earned premiums decreased 21.4% for the third quarter and 2.6% in the first nine months of 2000. The decreases in premiums in 2000 periods resulted primarily from reduced premiums on run-off business written by GCL's former London-based managing underwriter. Adjusting for the effects of the run-off business, global life/health earned premiums increased 2.3% for the third quarter and 6.0% for the first nine months of 2000.

The global life/health operations produced improved but still unsatisfactory underwriting results for the first nine months of 2000 and 1999. Underwriting results weakened in the international life/health business, while the U.S. life/health operations have continued to show improvement during the third quarter and year-to-date 2000.

Berkshire Hathaway Reinsurance Group

Premiums earned of $1,291 million and $1,596 million during the third quarter and first nine months of 2000 declined from the third quarter and first nine months of 1999 by 9.1% and 18.8% respectively. Much of the premium volume generated in the past two years by BHRG derived from retroactive reinsurance and property catastrophe excess-of loss policies. Retroactive reinsurance refers to policies that indemnify ceding companies for losses arising under contracts written in the past by the ceding companies. It is often anticipated that a significant level of environmental and latent injury claims will arise under these contracts. Catastrophe policies indemnify ceding companies against specific losses or the accumulation of losses arising out of specified catastrophic events.

For the first nine months, premiums earned from retroactive coverage totaled $1,227 million in 2000 and $1,508 million in 1999. Of such amount $1,201 million and $1,227 million were earned during the third quarters of 2000 and 1999 respectively. BHRG is actively negotiating additional retroactive reinsurance contracts, which, if such transactions are consummated, will produce additional premiums in excess of $3 billion. It is not anticipated that these contracts will be finalized until 2001.

Premiums earned from catastrophe policies for the third quarter and first nine months of 2000 were $61 million and $263 million. For the third quarter and first nine months of 1999, premiums earned from catastrophe policies were $87 million and $222 million.

Premiums earned from BHRG's other non-catastrophe reinsurance businesses were $106 million and $236 million for the first nine months of 2000 and 1999 respectively. The decline in premiums earned was attributed to the expiration and non-renewal in 1999 of a large excess-casualty reinsurance agreement and to a comparative decline in business assumed from General Re's North American reinsurance operation.

Management's Discussion (Continued)

Insurance Underwriting **(Continued)**

Berkshire Hathaway Reinsurance Group (Continued)

The underwriting results of BHRG include significant recurring charges associated with the amortization of deferred charges established in connection with retroactive reinsurance activities and accretion of discounted structured settlement liabilities. Time-value-of-money concepts are an important element in determining the premiums for these businesses, because corresponding claim payments are expected to occur over lengthy periods of time. The periodic amortization and accretion charges reflect the recognition of such time value of money concepts and are included as losses incurred over the estimated claim settlement periods.

In 2000, net underwriting losses from retroactive reinsurance totaled $51 million for the third quarter and $130 million for the first nine months. For the third quarter and first nine months of 1999, net underwriting losses were $43 million and $88 million. Amortization and accretion charges are expected to rise considerably over the remainder of 2000 and into 2001 due to the increased level of new retroactive reinsurance accepted.

For the third quarter and first nine months of 2000, BHRG's catastrophe reinsurance produced net underwriting gains of $73 million and $120 million. For comparative prior year periods, this business generated net underwriting gains of $69 million for the third quarter and $132 million for the first nine months. Although Berkshire's catastrophe reinsurance business has generated meaningful underwriting gains in recent years, considerable potential for future underwriting losses currently remains. Significant exposure to catastrophe losses exists with respect to hurricane risks in the eastern U.S. and earthquake risks in California. Consequently, underwriting results for the catastrophe business are subject to exceptional volatility.

Net underwriting losses for the first nine months from other non-catastrophe reinsurance activities were $5 million in 2000 and $131 million in 1999. The improvement in net underwriting results in 2000 compared to 1999 was primarily attributed to a decline in losses assumed under the previously mentioned large casualty excess treaty and reduced losses from General Re's North American property/casualty business.

Insurance Investment Income

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

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

Pre-tax net investment income earned by Berkshire's insurance and reinsurance businesses during the third quarter and first nine months of 2000 exceeded amounts earned during the corresponding 1999 periods by 1.8% and 6.7%, respectively.

Berkshire's insurance and reinsurance businesses maintain significant levels of invested assets, approximately $73 billion at September 30, 2000. Invested assets derive from significant amounts of shareholder capital, including reinvested earnings as well as large amounts of policyholder float. "Float" represents the approximate aggregate amount of funds available for investment that is temporarily held by an insurance business for the benefit of its policyholders.

The level of float at September 30, 2000 was approximately $27.1 billion, compared to $25.3 billion at December 31, 1999. The increase in float during 2000 was largely attributed to new float generated by BHRG's, retroactive reinsurance activities. Berkshire's average cost of float, as measured by the pre-tax underwriting losses to average float, for the first nine months of 2000 was approximately 5.3%.

As discussed previously, BHRG is currently negotiating additional new retroactive reinsurance arrangements. If and when such transactions are consummated, the level of float could rise substantially.

Non-Insurance Businesses

Results of operations of Berkshire's diverse non-insurance businesses for the third quarter and first nine months of 2000 and 1999 are shown in the following table. Dollar amounts are in millions.

	Third Quarter				First Nine Months			
	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues	$1,958	100.0	$1,409	100.0	$5,621	100.0	$4,313	100.0
Costs and expenses	1,678	85.7	1,254	89.0	4,660	82.9	3,721	86.3
Earnings before taxes/minority interest	280	14.3	155	11.0	961	17.1	592	13.7
Income taxes and minority interest	111	5.7	62	4.4	359	6.4	232	5.4
Net earnings	$ 169	8.6	$ 93	6.6	$ 602	10.7	$ 360	8.3

As shown in the preceding table, revenues and net earnings of Berkshire’s numerous and diverse non-insurance businesses for 2000 periods exceeded revenues and net earnings for 1999 periods by a considerable margin. Combined revenues for the third quarter and first nine months of 2000 exceeded 1999 amounts by $549 million (39.0%) and $1,308 million (30.3%), respectively. Net earnings for the third quarter and first nine months of 2000 exceeded 1999 amounts by $76 million (81.7%) and $242 million (67.2%), respectively.

The inclusion of the results from four business acquisitions, which closed during the period between November 1999 and August 2000, account for a significant portion of the comparative increases in revenues and net earnings during the 2000 periods. Jordan’s Furniture, Inc., acquired in November 1999, CORT Business Services, acquired in February 2000, Ben Bridge Jeweler, acquired July 2000 and Justin Industries (Acme Building Brands and Justin Brands), acquired August 2000 is each included in Berkshire’s non-insurance business results from its respective date of acquisition. In the aggregate, these businesses accounted for $314 million and $583 million of the revenue increase during the third quarter and first nine months of 2000, respectively. Such businesses were responsible for $20 million and $36 million of the additional net earnings generated by the non-insurance businesses during the third quarter and first nine months of 2000, respectively.

Included in this diverse group of businesses are Berkshire’s finance businesses. Net earnings from these businesses increased $61 million during the third quarter of 2000 and $226 million during the first nine months of 2000 over amounts recorded in the comparable 1999 periods. Much of the increase was attributable to the recognition of gains on a large portfolio of trading securities. Such securities have been sold and/or matured and there can be no guarantee that similar results will be reported in future periods.

Goodwill amortization and other purchase-accounting-adjustments

Goodwill amortization and other purchase-accounting-adjustments reflect the after-tax effect on net earnings with respect to the amortization of goodwill of acquired businesses and the amortization of fair value adjustments to certain assets and liabilities which were recorded at the acquisition dates of certain businesses (principally General Re and GEICO).

Other purchase-accounting-adjustments pertain primarily to the amortization of the excess of market value over historical cost of General Re’s fixed maturity investments that existed at the date of the merger. Such excess is included in Berkshire’s cost of the investments and is being amortized over the remaining lives of the investments. The unamortized excess remaining in the cost of fixed maturity investments totaled $778 million at September 30, 2000, compared to $988 million at September 30, 1999.

Realized Investment Gain/Loss

Realized investment gain/loss has been a recurring element in Berkshire's net earnings for many years. Such amounts — recorded (1) when investments are sold; (2) other than temporarily impaired; and (3) in certain situations, as provided under GAAP, when investments are marked-to-market with a corresponding gain or loss included in earnings — may fluctuate significantly from period to period, resulting in a meaningful effect on reported net earnings. The Consolidated Statements of Earnings include after-tax realized investment gains of $1,344 million and $784 million for the first nine months of 2000 and 1999, respectively.

Financial Condition

Berkshire's balance sheet continues to reflect significant liquidity and a strong capital base. Consolidated shareholders' equity at September 30, 2000 totaled $59.4 billion. Consolidated cash and invested assets, excluding assets of finance and financial products businesses totaled approximately $75 billion at September 30, 2000. During 2000, Berkshire has deployed approximately $2.8 billion in cash for business acquisitions and investments in MidAmerican. In addition, during the remainder of 2000 and in early 2001, Berkshire expects to employ approximately $3 billion in cash to consummate the Shaw Industries and Benjamin Moore acquisitions. It is expected that the cash for these acquisitions will be derived from internally generated funds. The net amount of borrowings under investment agreements and other debt increased $169 million during the first nine months of 2000. The increase was due to the inclusion of debt of subsidiaries assumed in connection with business acquisitions during 2000 and an increase in debt employed by certain Berkshire subsidiaries in their business operations, partially offset by a decline in corporate debt.

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.