NATIONAL ASSOCIATION OF INVESTORS CORPORATION
INVESTMENT EDUCATION FOR INDIVIDUALS AND CLUBS SINCE 1951

Stock Selection Guide ®

The most widely used aid to good investment judgment

Company BERKSHIRE HATHAWAY -CL A Date 07/18/08

Prepared by jah Data taken from StkCntrl

Where traded NYSE Major product/service Property &

CAPITALIZATION --- Outstanding Amounts Reference

Preferred($M) 0.0		% Insiders	% Institution
Common(M Shares) 1.5		0.0	0.0
Debt($M) 36,177.0	% to Tot.Cap. 74.5	% Potential Dil.	None

BRK-A

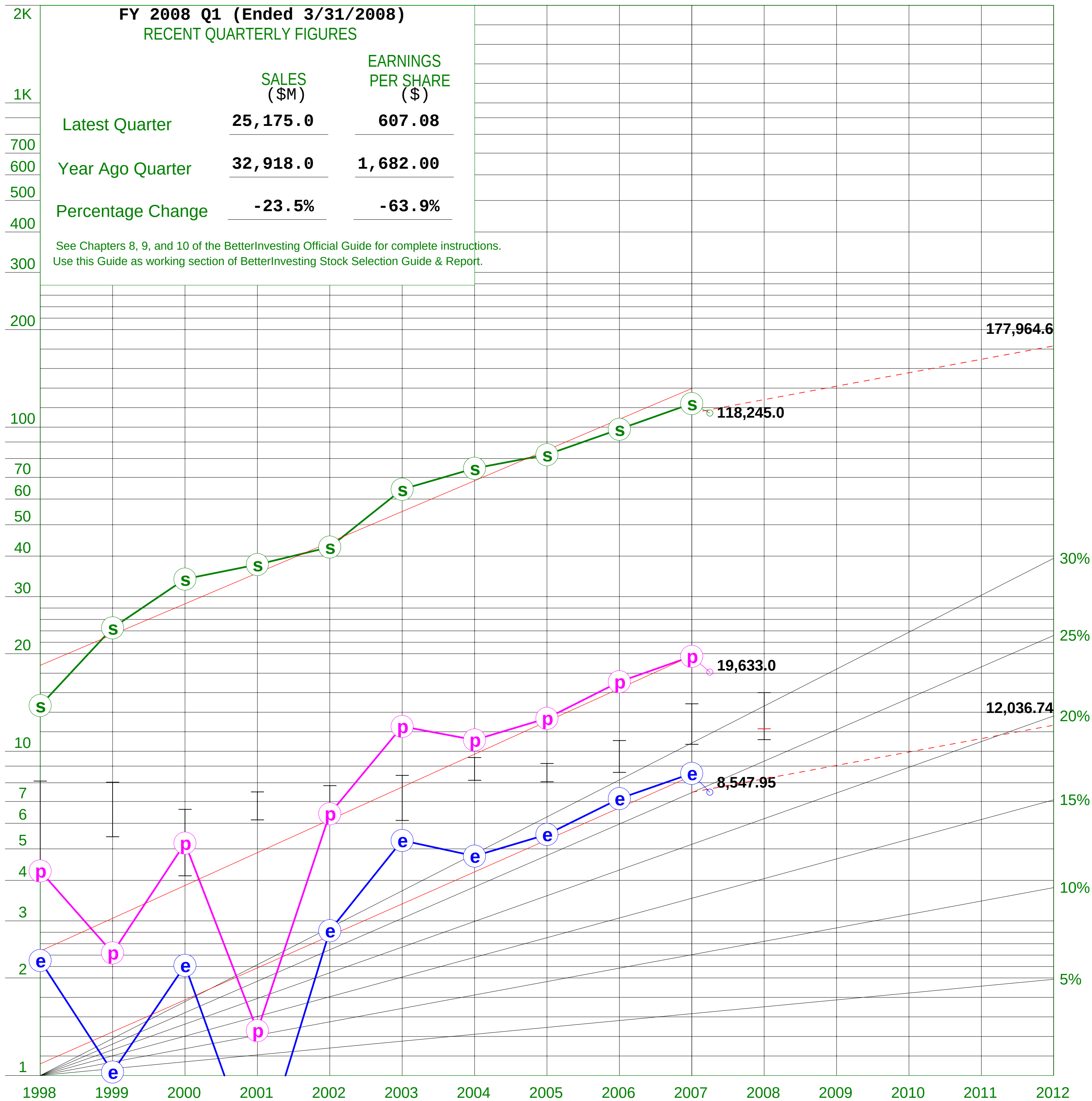
1 VISUAL ANALYSIS of Sales, Earnings and Price

FY 2008 Q1 (Ended 3/31/2008)

RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	25,175.0	607.08
Year Ago Quarter	32,918.0	1,682.00
Percentage Change	-23.5%	-63.9%

See Chapters 8, 9, and 10 of the BetterInvesting Official Guide for complete instructions.
Use this Guide as working section of BetterInvesting Stock Selection Guide & Report.



(1) Historical Sales Growth 24.4 %

(2) Estimated Future Sales Growth 10.0 %

(3) Historical Earnings Per Share Growth 25.5 %

(4) Estimated Future Earnings Per Share Growth 10.0 %

2 EVALUATING MANAGEMENT

Company BERKSHIRE HATHAWAY -CL A (BRK-A) 07/18/08

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	30.9	9.9	15.3	3.7	15.0	18.6	14.5	15.4	16.6	16.6	16.3	EVEN	
B	% Earned on Equity (E/S ÷ Book Value)	25.3	11.9	24.1	6.7	35.0	61.9	51.8	58.5	92.2	106.8	74.2	UP	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE 117,290.000 HIGH THIS YEAR 151,650.000 LOW THIS YEAR 108,600.000

	Year	A PRICE HIGH	B PRICE LOW	C Earnings Per Share	D Price Earnings Ratio HIGH A ÷ C	E Price Earnings Ratio LOW B ÷ C	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
1	2003	84,300.0	61,200.0	5,308.70	15.9	11.5	0.000	0.0	0.0
2	2004	95,650.0	81,400.0	4,752.50	20.1	17.1	0.000	0.0	0.0
3	2005	91,700.0	80,500.0	5,538.47	16.6	14.5	0.000	0.0	0.0
4	2006	107,850.0	86,100.0	7,144.21	15.1	12.1	0.000	0.0	0.0
5	2007	140,100.0	105,100.0	8,547.95	16.4	12.3	0.000	0.0	0.0
6	TOTAL		414,300.0		84.1	67.5		0.0	
7	AVERAGE		82,860.0		16.8	13.5		0.0	
8	AVERAGE PRICE EARNINGS RATIO		15.1	9	CURRENT PRICE EARNINGS RATIO		15.7		

Proj. P/E [14.27] Based on Next 4 qtr. EPS [8221.26] Current P/E Based on Last 4 qtr. EPS [7473.87]
PEG=143

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS
Avg. High P/E ~~16.8~~ 24.0 (3D7 as adj.) X Estimate High Earnings/Share 12,036.74 = Forecast High Price $ 288,881.8 (4A1)

B LOW PRICE -- NEXT 5 YEARS
(a) Avg. Low P/E ~~13.5~~ 18.0 (3E7 as adj.) X Estimated Low Earnings/Share ~~8,547.95~~7,473.87 = $ 134,529.7
(b) Avg. Low Price of Last 5 Years = 82,860.0 (3B7)
(c) Recent Severe Market Low Price = 86,100.0
(d) Price Dividend Will Support — Present Divd. 0.000 / High Yield (H) 0.000 = 0.0
Selected Estimate Low Price = $ ~~94,170.8~~ (4B1)

C ZONING
288,881.8 (4A1) High Forecast Price Minus 94,170.8 (4B1) Low Forecast Price Equals 194,711.0 (C) Range. 1/3 of Range = 48,677.8 (4CD)

(4C2) Lower 1/3 = (4B1) 94,170.8 to 142,848.6 (Buy) Note: Ranges changed to 25%/50%/25%
(4C3) Middle 1/3 = 142,848.6 to 240,204.0 (Maybe)
(4C4) Upper 1/3 = 240,204.0 to 288,881.8 (4A1) (Sell)

Present Market Price of 117,290.000 is in the Buy (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)
High Price (4A1) 288,881.8 Minus Present Price 117,290.000 / Present Price 117,290.000 Minus Low Price (4B1) 94,170.8 = 171,591.8 / 23,119.2 = 7.4 (4D) To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)
High Price (4A1) 288,881.8 / Present Market Price 117,290.000 = (2.463) X 100 = (246.3) - 100 = 146.3 (4E) % Appreciation

Relative Value: 104.0% Proj. Relative Value: 94.5%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend $ 0.000 / Present Price of Stock $ 117,290.000 = 0.000 X 100 = 0.0 (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS
Avg. Earnings Per Share Next 5 Years 9,947.72 X Avg. % Payout (3G7) 0.0 = 0.0 / Present Price $ 117,290.000 = 0.0 % (5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS
5 Year Appreciation Potential (4E) 146.3 / 5 = 29.3 %
Average Yield (5B) 0.0 %
Average Total Annual Return Over the Next 5 Years (5C) 29.3 %

	P.A.R.	Tot. Ret.
Average Yield	0.0%	0.0%
Annual Appreciation	16.6%	19.8%
% Compd Ann Rate of Ret	16.6%	19.8%

BERKSHIRE HATH. 'A' NYSE-BRKA

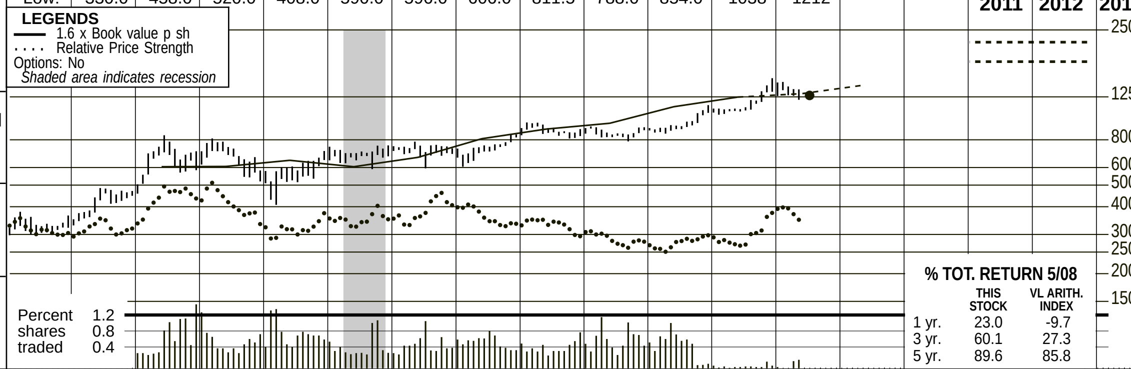
RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
1265.25	22.6 (Trailing: 0.2; Median: NMF)	1.39	Nil	VALUE LINE

TIMELINESS 3 Lowered 3/14/08
SAFETY 1 Raised 12/26/03
TECHNICAL 4 Lowered 6/13/08
BETA .55 (1.00 = Market)

High:	486.0	840.0	811.0	713.0	756.0	785.0	847.0	957.0	920.0	1145	1516	1459
Low:	330.0	458.0	520.0	408.0	590.0	596.0	606.0	811.5	788.0	854.0	1038	1212

Target Price Range 2011 | 2012 | 2013

LEGENDS
— 1.6 x Book value p sh
.... Relative Price Strength
Options: No
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	2200	(+75%)	*15%*
Low	1800	(+40%)	*9%*

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	126	145	121
to Sell	153	145	159
Hld's(000)	295	283	288

% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	23.0	-9.7
3 yr.	60.1	27.3
5 yr.	89.6	85.8

THE PRICE DATA ON THIS PAGE EXPRESSES THE PRICE OF BERKSHIRE HATHAWAY 'A' *IN HUNDREDS*. THE ACTUAL RECENT PRICE IS: *126,250*.

Because of this stock's high price, a "round lot" of Class A shares on the New York Stock Exchange consists of only 10 shares.

The "Book Value" line is *in hundreds* for consistency.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
3606.0	9412.0	12642.0	11702.6	12537	13998	13700	14284	15561	20505	**17095**	**18840**	Premiums Earned p sh	**22580**
690.0	1637.0	1824.0	1861.0	2000.7	2024.8	1829.8	3514.0	1711	3554	**1000**	**2000**	Investment Inc p sh E	**2000**
169.0	d917.0	d1035.0	d2661.0	d268.6	1109.8	999.5	34.4	2599	2133	**1540**	**1695**	Underwriting Inc p sh	**2485**
1021.0	442.0	614.0	d30.0	2545.5	3531.3	3283.0	3705	5777	5697	**5600**	**6075**	Operating Earnings p sh A	**7420**
--	--	--	--	--	--	--	--	--	--	**Nil**	**Nil**	Div'ds Decl'd per sh	**Nil**
37814	38001	40442	37876	41727	50538	55815	59425	70401	77892	**80645**	**88385**	Book Value per sh D	**116130**
1.52	1.52	1.53	1.53	1.53	1.53	1.54	1.54	1.54	1.55	**1.55**	**1.55**	Common Shs Outst'g A C	**1.55**
169%	175%	141%	181%	173%	146%	158%	145%	135%	150%			Price to Book Val. per sh	**170%**
NMF	NMF	NMF	NMF	NMF	20.8	26.9	23.2	16.4	20.5	*Bold figures are*		Avg Ann'l P/E Ratio	**NMF**
NMF	NMF	NMF	NMF	NMF	1.20	1.43	1.23	.89	1.08	*Value Line*		Relative P/E Ratio	**NMF**
--	--	--	--	--	--	--	--	--	--	*estimates*		Avg Ann'l Div'd Yield	**Nil**
5481.0	14306	19343	17905	19182	21493	21085	21997	23964	31783	**26500**	**29200**	Premiums Earned	**35000**
73.7%	87.5%	89.6%	102.7%	79.6%	69.5%	70.3%	77.8%	61.3%	71.7%	**71.0%**	**71.0%**	Loss to Prem Earned	**70.0%**
20.6%	21.7%	18.6%	19.0%	22.5%	22.6%	22.4%	21.9%	22.0%	17.9%	**20.0%**	**20.0%**	Expense to Prem Writ	**19.0%**
5.7%	d9.2%	d8.2%	d21.7%	d2.1%	7.9%	7.3%	0.3%	16.7%	10.4%	**9.0%**	**9.0%**	Underwriting Margin	**11.0%**
33.8%	27.3%	36.1%	NMF	33.2%	31.7%	32.6%	32.5%	32.8%	32.7%	**30.0%**	**31.0%**	Income Tax Rate	**32.0%**
2830.0	1557.0	3328.0	795	4286	8151	7308	8528	11015	13213	**12250**	**15850**	Net Profit ($mill)	**19400**
1277.0	671.0	936.0	d47.0	3903	5422	5049	5705	8897	8830	**8680**	**9415**	Operating Profit B	**11500**
122237	131416	135792	162752	169544	180559	188874	198325	248437	273160	**305000**	**335000**	Total Assets ($mill)	**420000**
57403	57761	61724	57950	64037	77596	85900	91484	108419	120733	**125000**	**137000**	Shr. Equity ($mill) D	**180000**
4.9%	2.7%	5.4%	1.4%	6.7%	10.5%	8.5%	9.3%	10.2%	10.9%	**10.0%**	**11.5%**	Return on Shr. Equity B	**11.0%**
4.9%	2.7%	5.4%	1.4%	6.7%	10.5%	8.5%	9.3%	10.2%	10.9%	**10.0%**	**11.5%**	Retained to Com Eq	**11.0%**
--	--	--	--	--	--	--	--	--	--	**Nil**	**Nil**	All Div'ds to Net Prof	**Nil**

EQUITY INVESTMENTS as of 3/31/08
Positions of $1.3 billion or more:

American Express	(151,610,700 shares)
The Coca-Cola Co.	(199,088,000 shares)
Procter & Gamble Co.	(105,847,000 shares)
Wells Fargo	(352,259.868 shares)
Moody's Corporation	(48,000,000 shares)
The Washington Post Co.	(1,727,765 shares)
Anheuser-Busch Co.	(35,563,200 shares)
Johnson & Johnson	(61,754,448 shares)
Kraft Foods Inc.	(138,272,500 shares)
Wesco Financial Corp.	(5,703,087 shares)
ConocoPhillips	(17,508,700 shares)
U.S. Bancorp.	(68,631,026 shares)
Burlington Northern Santa Fe	(63,785,418 shares)

Market Value of all equities: $66.5 bill.
Common Shares 1,080,213 Class A shares C
14,059,262 class B shares ($4,225 per share).
MARKET CAP: $195 billion (Large Cap)

FINANCIAL POSITION ($MILL.)	2006	2007	3/31/08
Bonds	25300	28515	31775
Stocks	61533	74999	72554
Cash	37977	44329	35566
Other	114849	125317	141152
Total Assets	248437	273160	281047
Unearned Prems	7058	6680	8004
Reserves	47612	56002	56442
Other	83086	87077	92955
Total Liabilities	137756	149759	157401

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Oper Earnings	24.0%	25.0%	*7.0%*
Dividends	--	--	*Nil*
Book Value	19.0%	6.0%	*10.0%*

Cal-endar	NET PREMIUMS EARNED($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	5331	5196	5779	5691	21997
2006	5522	5836	6359	6247	23964
2007	13514	5950	6020	6299	31783
2008	6209	***6500***	***6800***	***6991***	***26500***
2009	***7000***	***7200***	***7400***	***7600***	***29200***

Cal-endar	OPERATING EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	926	1024	131	1624	3705
2006	1084	1284	1659	1750	5777
2007	1378	1537	1358	1424	5697
2008	1395	***1425***	***1300***	***1480***	***5600***
2009	***1500***	***1525***	***1500***	***1550***	***6075***

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	NO DIVIDENDS BEING PAID				
2007					
2008					

BUSINESS: Berkshire Hathaway Inc. is a holding company owning subsidiaries engaged in property and casualty insurance on a direct and reinsurance basis through *GEICO*, *General Re* and *Berkshire Reinsurance*. Business activities include flight training services, candy manufacturing, ice cream, building products, newspapers, retailing, fine jewelry, cleaning and other products. Also, fractional ownership programs for general aviation *(NetJets)*, energy *(Mid-American Energy)*. Has approximately 232,781 employees. Officers & directors control 33.1% of voting power (3/08 proxy). Chairman & CEO: Warren E. Buffett. Vice Chrmn.: Charles T. Munger. Incorporated: DE. Addr.: 1440 Kiewit Plaza, Omaha, Nebraska. 68131. Tel.: 402-346-1400. Internet: www.berkshirehathaway.com.

It appears that not even Berkshire Hathaway is immune to the weak U.S. economy. The company recently reported uninspiring financial results for the March quarter. Share earnings increased by just 1%. The market for property/casualty insurance remains sluggish, as ongoing, fierce competition hurts pricing. In addition, Berkshire, along with a number of other insurers, continues to limit operations in the southeast of the U.S. and other high-risk regions. Although this may lead to reduced catastrophe losses, premium growth will be impacted. Thus,

We expect a small share-net decline this year. Along with a decrease in net premiums, profits will likely be hurt by some of the company's noninsurance businesses. The U.S. housing market remains weak, and Berkshire owns several companies that build and furnish homes. The housing market has shown few signs of rebounding, and we believe that these businesses will limit BRKA's profitability this year. All told, we believe that Berkshire will post share net of $5,500 in 2008, a more-than-3% decline compared to last year's tally. On the bright side,

The company's prospects out to 2011–2013 appear solid. By then, the domestic economy and housing industry will have likely rebounded, and Berkshire should register profit gains in most of its noninsurance businesses. The company should also continue to benefit from its GEICO division. This entity has been successful at attracting new customers, because it can often offer cheaper rates than its competitors. Several successful advertising campaigns have also helped. Lastly, as always, Berkshire will continue to seek acquisitions in an effort to diversify its asset portfolio and increase profits. In sum, we estimate that the company will achieve high single-digit annual share-net advances out to 2011–2013. However,

This issue does not stand out for the short or long term. The sluggish U.S. economy will likely lead to a share-net decline this year. In addition, looking long term, although Berkshire possesses healthy growth prospects, this equity has increased in price by 15% over the past year and now offers only decent appreciation potential to 2011–2013.

Ian Gendler *June 20, 2008*

(A) Based on avg. shares outstanding. Next earnings report due in early Aug.
(B) Net profit (and return on equity) does not include investment gains/losses.
(C) In mill. Class B issued in '96, has 1/200th vote of A shrs. Each A shr. conv. to 30 B shrs.
(D) Incl. goodwill. In '07, $32.8 billion; $2125.96/share. Assumes rising equity portfolio beyond 2005 (but also reflects 2001 decline).
(E) Pretax.

Company's Financial Strength	A+
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	5

ManifestInvesting

Fundamental Forecasts

Enter a ticker or a company name and click on Go.

Company	Ticker	Industry	Quality	PAR
Berkshire Hathaway B	BRK.B	Insurance (Prop/Cas.)	64.8	17.5%

Current Price (07/18)	$3,914.00
CAPS Rating (Rate this stock on CAPS)	★★★★★

Expected Income Statement	
Current Shareholder Equity	2,643.93
Shareholder Equity Growth Forecast	9.5%
Return on Equity	11.1%
Projected Shares Outstanding	46.5
EPS - Five Year Forecast	$461.16
Average P/E Ratio	19.0
Projected Average Price	$8,762.08
Price Appreciation (Annualized)	17.5%
Annual Dividend Yield	0.0%
Projected Annual Return	17.5%

Quality		
Financial Strength	86	21.5
EPS Stability	70	17.5
Industry Shareholder Equity Growth Rate	9.0%	13.2
Industry Return on Equity	11.0%	12.6
Calculated Quality Rating		64.8

Fool CAPS

Total Players
3186 Outperforms 44 Underperforms

All-Stars
1031 Outperforms (99.1%) 9 Underperforms

Fundamental Data Updated: 06/20/2008

Berkshire Hathaway Inc. BRK.B [NYSE]

Morningstar Rating	Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat	Stewardship Grade	Industry	Sector
★★★★★	3914.00	5100.00	4335.00	6120.00	Low	Wide	A	Insurance (General)	Financial Services

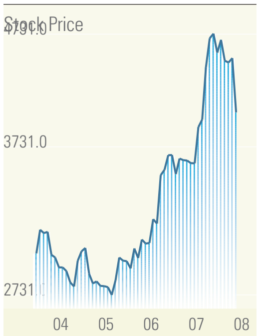
Per share prices in USD

Berkshire Hathaway remains a bastion of financial strength.

by Justin Fuller, CFA
Equities Strategist
Analysts covering this company do not own its stock.

Report updated on April 29, 2008.
Data and Rating updated as of July 18, 2008.

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.



Thesis Apr. 29, 2008

For decades, Berkshire Hathaway has been a wealth-creating machine for owners, and while we expect some eventual changes at the top, we still believe the conglomerate will do well by its shareholders for decades to come.

The key question surrounding Berkshire has been what will happen to the firm once longtime chairman Warren Buffett and his partner, Charlie Munger, either step aside or pass on. While we readily acknowledge that it is highly unlikely that whoever succeeds this duo will be able to replicate their success--in part because of Berkshire's massive size now--we still think the model that Buffett has built will give his eventual successor a leg up on the competition.

For example, on the operating side of the business, Berkshire is run in a decentralized fashion, which obviates the need for layers of management control and pushes responsibility down to the subsidiary level, where managers are empowered to make their own decisions. To us, this makes intuitive sense, given that these managers know the most about their respective businesses. As such, we expect the bulk of the responsibility for whoever eventually takes on the CEO role will be determining incentives for each business and monitoring succession planning at the subsidiary level.

On the investing side, while we admit it's unlikely that Buffett's eventual replacement will be able to outshine his results, we think the organization's patient culture and long-term time horizon will give this person a slight edge over peers on investing Berkshire's prodigious cash flow in equities or business acquisitions. Regarding the latter, we think Berkshire's model of "buying forever" creates an advantage vis-a-vis private-equity firms, as many entrepreneurs seek to find a home for their life's work and often offer a buyer like Berkshire an attractive entry price, helping to boost Berkshire's long-term returns.

For some time we had been aware of a dearth of investment opportunities for Berkshire, given the abundance of capital that had elevated asset prices. But now, with tight credit markets, we think Berkshire stands ready to deploy some of its large cash hoard into marketable securities or businesses in need of liquidity, which we suspect will allow Buffett to extract very favorable terms. We expect that Berkshire's investment returns will moderately increase over the next few years, which should help accelerate the conglomerate's continued wealth creation for owners.

Valuation

We've modestly increased our fair value estimate for Berkshire by $100 to $5,100 per class B share. About half of this increase was due to profits accrued since our last Analyst Report, while the other half was primarily due to the continued appreciation of Berkshire's equity portfolio, which we mark to our Morningstar fair value estimates. We continue to forecast that the growth and profitability of Berkshire's insurance operations will slow in almost all lines of business, due to falling insurance prices across the board. In aggregate, we project Berkshire's combined ratio will creep up to about 101% by 2012, which is still a decent result. These declining results are partially offset by our higher return assumption on Berkshire's investment portfolio, which we forecast will slowly rise to 9.25% by 2012. If this return assumption were to increase by 200 basis points, our fair value estimate would increase by about $400 per share; if it were to decrease by 200 basis points, our fair value estimate would fall by about $300 per share. Our extant return assumptions incorporate Berkshire's recently announced intention to acquire a minority stake in Wm. Wrigley. Our analysis uses a discounted cash-flow model and a 10% cost of equity assumption.

Risk

Berkshire is one of the largest reinsurers of

Berkshire Hathaway Inc. BRK.B [NYSE]

Morningstar Rating	Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat	Stewardship Grade	Industry	Sector
★★★★★	3914.00	5100.00	4335.00	6120.00	Low	Wide	A	Insurance (General)	Financial Services

Per share prices in USD

Close Competitors	Currency(Mil)	Market Cap	TTM Sales	Oper Income	Net Income
Berkshire Hathaway Inc.	USD	182,049	110,502	19,465	11,558
General Electric Company	USD	286,893	175,811	50,367	21,941
Progressive Corporation	USD	13,266	14,586	—	1,058

Morningstar data as of July 18, 2008.

megacatastrophe risks, so if a major hurricane or earthquake strikes North America, large losses are to be expected. However, given Berkshire's financial strength and management's intense focus on underwriting, we expect the firm to weather any potential losses. While we think that the risks of succession at the holding company are overblown, investors should be aware of succession at the operating subsidiaries, as many of these managers are entrepreneurs who have built their respective businesses over a long time, and they themselves might be nearing retirement. Even though we believe that these managers operate under an incentive program that encourages them to plan for eventual succession, there hasn't been an abundance of communication to owners about subsidiary succession.

Bulls Say

- Berkshire's large cash hoard, combined with the institution's patience, allows Buffett to make investments when there is tumult in the public or private markets. Thus, for shareholders, an investment in Berkshire can be thought of as an effective put option on a market decline.
- General Re is the world's only AAA rated reinsurer, which yields an enormous competitive edge in the market to reinsure complex, long-duration risks.
- Berkshire's positioning as a long-term buyer, coupled with the opportunity to work for Buffett, helps the firm avoid much of the brutal competition for private business acquisitions.
- Berkshire's deal to assume the liabilities of Equitas--Lloyd's of London's run-off operation--is a classic Buffett deal that will boost Berkshire's investment income for years to come.

Bears Say

- Despite recent market volatility, several private-equity funds are still prospecting for acquisitions. This could continue to hurt Berkshire's efforts to deploy its excess capital.
- Berkshire's balance sheet suffers from highly uncertain liabilities, including potential asbestos claims, which might ultimately cost more than the stated values.
- Berkshire's insurance businesses face highly competitive and cyclical markets--which are currently in decline--and will occasionally produce large losses.
- Berkshire is a large conglomerate, and its accounting is complicated by the firm's size and frequent acquisitions. This makes our fair value more uncertain and subject to estimation error.

Financial Overview

Growth: Top-line growth in Berkshire's insurance operations has slowed as the conglomerate has pulled back its writings in the face of marked price declines in several insurance markets. Given that insurance is a cyclical business, we've already expected this for some time now.

Profitability: Berkshire's profitability remained healthy in 2007, as the insurance conglomerate's aggregate combined ratio was a solid 89% last year. While we're pleased by the result, we don't think Berkshire's underwriting margin will be this stellar again anytime soon.

Financial Health: Berkshire sports AAA credit, little holding company debt, and Warren Buffett at the helm. In our view, Berkshire remains a pillar of financial strength.

Company Overview

Profile: Diversified holding company Berkshire Hathaway owns and operates more than 70 businesses and also invests widely in undervalued equities and bonds. Berkshire owns large stakes in Coke, Moody's, and American Express. Berkshire is the world's only AAA rated reinsurer; its insurance businesses include Geico, General Re, and National Indemnity. Berkshire also owns stakes in several private businesses, including Medical Protective, Forest River, and Justin Brands.

Strategy: Berkshire buys businesses cheaply, then finances them at low cost. The firm relies on the chairman's investment skill and markets itself as an attractive buyer to owners who wish to sell private businesses, avoiding auctions and intense competition in the private-equity market. Berkshire diversifies widely and avoids debt to improve its claim and debt/capital ratios, lowering debt costs.

Management: Chairman and CEO Warren Buffett's decision to begin gifting his Berkshire stake to a group of charitable foundations run by his children and board member Bill Gates does not affect our Stewardship Grade for the firm. In our view, Buffett's interests remain sharply aligned with those of shareholders. In addition, now that Buffett has identified one person to handle the operating side of the business, and potentially four people to handle the investing side of the house, we are more comfortable about Berkshire's ultimate succession plans. We also continue to be impressed by Berkshire's managerial incentives. Berkshire's managers are handsomely rewarded for increasing free cash flows relative to the capital invested, which is exactly what should drive compensation. Berkshire's managers are also rewarded by the opportunity to work for--and be praised by--Buffett, but with a degree of autonomy rarely awarded to the managers of acquired firms. This autonomy also obviates dependence on headquarters, freeing senior management to concentrate on investment opportunities.

Berkshire Hathaway Inc. BRK.B [NYSE]

Morningstar Rating	Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat	Stewardship Grade	Industry	Sector
★★★★★	3914.00	5100.00	4335.00	6120.00	Low	Wide	A	Insurance (General)	Financial Services

Per share prices in USD

Analyst Notes

Apr. 28, 2008

Berkshire to Finance Wrigley Deal

On Monday, Berkshire Hathaway indicated that it is a financier in privately held candymaker Mars' deal to acquire Wm. Wrigley Jr.. We think this is a classic Warren Buffett move, as Berkshire becomes part owner in yet another iconic American consumer brand.

Under the deal structure, Berkshire will invest $2.1 billion in Wrigley once the Mars deal is consummated, becoming a minority owner in the company. In addition, Berkshire will also be one of the financiers of the deal, providing $4.4 billion in subordinated debt to help fund the acquisition. At first blush, we like this deal, as it allows Berkshire to add another "wonderful business" to its ownership registry. In addition, the deal soaks up about $6.5 billion of Berkshire's sizable cash hoard, which had approximated $43 billion at the beginning of the year. We think that over time this deal will prove to be modestly accretive to Berkshire's shareholders, so we anticipate very modestly boosting our fair value estimate.

For the related Stock Analyst Note on Wrigley, please click here.

Apr. 14, 2008

CEO Out at General Re

Joe Brandon, CEO of Berkshire Hathaway subsidiary General Re, has resigned amid the fallout from the investigation of a reinsurance contract that General Re entered into with American International Group several years ago. While we had been impressed by Brandon's abilities, this move wasn't entirely unexpected, as several executives of the two companies have been forced out over the past few years. Furthermore, we think General Re and Berkshire have deep benches of talented insurance executives to take the reins, led by Tad Montross at General Re and Ajit Jain at Berkshire. Our fair value estimate for Berkshire is unchanged.

Feb. 29, 2008

Another Solid Year for Berkshire

Investment conglomerate Berkshire Hathaway reported good 2007 earnings on Friday, slightly ahead of our expectations. We may very modestly boost our fair value estimate for the shares.

Berkshire's insurance earnings were fueled by another benign year of catastrophe claims, as well as continued good results from auto insurer GEICO. Primarily thanks to the tranquil weather last year, Berkshire Hathaway Reinsurance posted a combined ratio of 57%, excluding the $7.1 billion retroactive reinsurance policy with Equitas earlier in the year. Underwriting results in General Re were also good, with the underwriting margin in this unit at a solid 9.1%. Given these good results in the reinsurance businesses, and considering the continued capital build of the industry, we expect lower pricing over the next few years to cause these results to deteriorate.

As for GEICO, while the firm's policies-in-force grew by 8.8%, earned premium grew only by 6.6%, indicating continued pressure on auto insurance rates. Despite these slowly declining prices, though, the underwriting margin was still solid at 9.4%. Given this, we believe pricing is still adequate for decent premium growth at GEICO over the next few years. We further believe this growth will be augmented over time by GEICO's new partnership with subsidiary National Indemnity to write commercial auto policies--an area previously untapped by GEICO.

Berkshire's utility operations showed good growth with Berkshire's share of the earnings increasing 25% in 2007. On balance, Berkshire's operating businesses produced satisfactory results, with earnings climbing by 12.2% in 2007, partly due to previous years' acquisitions being fully reflected in this year's financial results. On the positive side, McLane and NetJets posted good growth, while Shaw Industries and some of the retailing businesses struggled amid the current headwinds in the housing industry. Given the diverse set of businesses Berkshire owns, we expect that in aggregate earnings will grow by the low double digits over our forecast horizon, which is somewhat consistent with this year's results.

Despite putting some capital to work in new equity investments, Berkshire ended the 2007 campaign with nearly $40 billion of cash on its balance sheet. Its pending acquisition of The Marmon Group will absorb $4.5 billion, and Berkshire also maintains at least $10 billion of cash on hand for insurance regulatory purposes, which still leaves the conglomerate with more than $24 billion available for additional business acquisitions. Given the tumultuous credit markets, we expect Berkshire will have opportunities to put more of this capital to work over time, although we think that some of this expectation has already been reflected in the shares given their run-up over the last few months.

Feb. 12, 2008

Buffett Makes Reinsurance Offer

Berkshire Hathaway chairman Warren Buffett indicated in an interview with CNBC that he has offered the three major bond insurers--Ambac Financial, Financial Guaranty Insurance Company, and MBIA--a deal whereby Berkshire would reinsure about $800 billion worth of their municipal debt for a premium of 1.5 times the premium these firms are currently receiving. At first blush, we think it is very unlikely that the bond insurers will agree to this deal, and according to Buffett, one of them has already turned down his offer.

Essentially, this deal would allow Buffett to cherry-pick the bond insurers' best business, given that municipal bond default rates are very low. And better yet for Berkshire, the conglomerate would receive additional premium from the insurers to assume their already good books of business. For the bond insurers, this deal would free up some capital, but would essentially leave their existing shareholders with their most risky contracts. We think it would also be the equivalent of the bond insurers raising a white flag to Berkshire's new municipal bond insurer, Berkshire Hathaway Assurance, as most municipalities would probably be more apt to renew their policies with Berkshire rather than one of the legacy carriers. If the bond insurers did eventually agreed to this deal, we would be likely to raise our fair value estimate for Berkshire. However, given that agreeing to it would essentially transfer most of the bond insurers' current and future economic profits to another entity, we think the likelihood of this is very small. We think Berkshire also recognizes the low probability of this deal getting done, as it took the unusual (for Berkshire, at least) step of announcing the offer publicly, perhaps hoping that public sentiment would force the bond insurers to eventually capitulate.

Berkshire Hathaway Inc. BRK.B

Sales Mil	Mkt Cap Mil	Industry	Sector
$110,502	$182,049	Insurance (General)	Financial Services

Morningstar Rating	Last Price	Fair Value	Uncertainty	Economic Moat	Stewardship Grade
★★★★★	$3914.00	$5100.00	Low	Wide	A

Diversified holding company Berkshire Hathaway owns and operates more than 70 businesses and also invests widely in undervalued equities and bonds. Berkshire owns large stakes in Coke, Moody's, and American Express. Berkshire is the world's only AAA rated reinsurer; its insurance businesses include Geico, General Re, and National Indemnity. Berkshire also owns stakes in several private businesses, including Medical Protective, Forest River, and Justin Brands.

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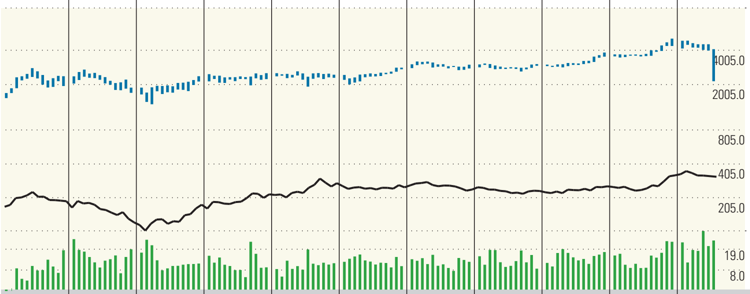
Omaha, NE 68131
Phone: 1 402 346-1400 Website: http://www.berkshirehathaway.com

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	YTD	
2795	2713	2375	2525	2620	2821	3195	3067	3825	5059	4858	Annual Price High
1529	1701	1351	1977	1926	2015	2685	2612	2839	3460	2147	Low
											Recent Splits



Price Volatility
Monthly High/Low
Rel Strength to S&P 500
52 week High/Low $
5059.00 - 2147.48
10 Year High/Low $
5059.00 - 1351.00
Bear-Market Rank
1 (10=worst)
Trading Volume Thousand

Growth Rates Compound Annual

Grade: B	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	20.0	16.7	22.8	—
Operating Income %	19.3	24.6	26.4	—
Earnings/Share %	19.6	21.6	25.1	18.7
Dividends %	—	—	—	—
Book Value/Share %	11.0	11.8	13.3	18.9
Stock Total Return %	7.3	12.0	10.4	4.4
+/- Industry	17.3	6.0	3.3	4.1
+/- Market	25.8	10.9	5.5	3.2

Stock Performance

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	YTD	Stock Performance
52.7	-22.1	28.6	7.3	-4.0	16.2	4.3	0.0	24.9	29.2	-17.4	Total Return %
26.0	-41.6	38.7	20.3	19.4	-10.2	-4.7	-3.0	11.3	25.7	-3.3	+/- Market
8.3	10.1	2.3	13.4	7.3	-5.5	-1.3	-6.7	5.0	19.5	0.0	+/- Industry
—	—	—	—	—	—	—	—	—	—	—	Dividend Yield %
—	83485	107854	115862	111637	129840	135606	135778	169806	220097	182049	Market Cap $Mil

Profitability Analysis

Grade: C	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	9.7	10.5	12.4	21.4
Return on Assets %	4.1	4.6	3.4	8.4
Revenue/Employee $K	474.3	482.0	645.5	952.5

Financials

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	TTM	Financials
5481	14306	19343	17905	19182	21493	21085	21997	23964	31783	24478	Premiums
3464	3679	6641	4128	3698	7227	6312	8895	7017	10488	8440	Investment Income
4887	6043	7992	15635	19473	35139	46985	50771	67558	75974	77584	Fees & Other
13832	24028	33976	37668	42353	63859	74382	81663	98539	118245	110502	Total Revenue
4423	2584	5731	1678	6843	12063	11420	13135	18502	22071	19465	Operating Income $Mil
32.0	10.8	16.9	4.5	16.2	18.9	15.4	16.1	18.8	18.7	17.6	Operating Margin %
2830	1557	3328	795	4286	8151	7308	8528	11015	13213	11558	Net Income
75.32	34.13	72.76	17.35	93.07	176.79	158.27	184.42	237.90	284.65	248.85	Earnings Per Share $
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Dividends $
37	45	45	45	46	46	46	46	46	46	46	Shares Mil
—	1266.12	1347.17	1262.91	1389.87	1682.32	1859.82	1977.87	2340.69	2580.05	2566.47	Book Value/Share $

Financial Position

Grade: A	12-07 $Mil	03-08 $Mil
Total Investments	118929	124149
Cash	44329	35566
Receivables	—	—
Def Policy Acquisition Cost	—	—
Accrued Inv Income	—	—
Other Assets	109902	121332
Total Assets	273160	281047
Claims Reserve	63895	64579
Unearned Premiums	6680	8004
Debt	33826	36177
Other Liabilities	48026	52915
Total Liabilities	152427	161675
Total Equity	120733	119372

Profitability

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	TTM	Profitability
3.2	1.2	2.5	0.5	2.6	4.7	4.0	4.4	4.9	5.1	4.1	Return on Assets %
6.4	2.7	5.6	1.3	7.0	11.5	8.9	9.6	11.0	11.5	9.7	Return on Equity %
20.5	6.5	9.8	2.1	10.1	12.8	9.8	10.4	11.2	11.2	10.5	Net Margin %
0.16	0.19	0.25	0.25	0.25	0.36	0.40	0.42	0.44	0.45	0.39	Asset Turnover
2.1	2.3	2.2	2.8	2.6	2.3	2.2	2.2	2.3	2.3	2.4	Financial Leverage

Financial Health

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	03-08	Financial Health
0.15	0.06	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.13	Book Value/Prem
2385	2465	2663	3485	9288	9119	8837	14451	32605	33826	36177	Long-Term Debt $Mil
57403	57761	61724	57950	64037	77596	85900	91484	108419	120733	119372	Total Equity $Mil
0.04	0.04	0.04	0.06	0.15	0.12	0.10	0.16	0.30	0.28	0.30	Debt/Equity

Valuation

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	TTM	Valuation
31.1	53.5	32.4	144.9	26.0	15.9	18.6	15.9	15.4	15.9	15.7	Price/Earnings
—	1.9	1.3	6.1	1.3	0.8	1.0	0.9	0.9	1.0	0.8	P/E vs. Market
6.4	3.5	3.2	3.1	2.6	2.0	1.8	1.7	1.7	1.9	1.6	Price/Sales
—	1.5	1.8	2.0	1.7	1.7	1.6	1.5	1.6	1.8	1.5	Price/Book

Valuation Analysis

	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	15.7	16.3	26.0	18.8
Forward P/E	—	—	—	13.5
Price/Cash Flow	16.1	16.2	9.7	12.4
Dividend Yield %	—	—	—	2.7
Price/Book	1.5	1.6	3.1	3.9
Price/Sales	1.6	1.8	1.7	2.6
PEG Ratio	—	—	—	1.2

Quarterly Results

Revenue $Mil	Jun 07	Sep 07	Dec 07	Mar 08
Most Recent Period	27347.0	29937.0	28043.0	25175.0
Prior Year Period	24185.0	25360.0	26231.0	32918.0

Rev Growth %	Jun 07	Sep 07	Dec 07	Mar 08
Most Recent Period	13.1	18.1	6.9	-23.5
Prior Year Period	33.4	23.5	3.4	44.6

Earnings Per Share $	Jun 07	Sep 07	Dec 07	Mar 08
Most Recent Period	67.20	97.97	63.40	20.21
Prior Year Period	50.68	59.84	77.36	56.01

Industry Peers by Market Cap

	Mkt Cap $Mil	Rev $Mil	P/E	ROE%
Berkshire Hathaway I	182049	110502	15.7	9.7
General Electric Com	286893	175811	13.8	18.9
Progressive Corporat	13266	14586	13.0	22.3

Major Fund Holders

	% of shares
	—
	—
	—

Morningstar's Approach to Rating Stocks

Our Key Investing Concepts

- Economic Moat
- Discounted Cash Flow
- Discount Rate
- Fair Value
- Uncertainty
- Margin of Safety
- Consider Buying/Consider Selling
- Stewardship Grades

At Morningstar, we evaluate stocks as pieces of a business, not as pieces of paper. We think that purchasing shares of superior businesses at discounts to their intrinsic value and allowing them to compound their value over long periods of time is the surest way to create wealth in the stock market.

We rate stocks 1 through 5 stars, with 5 the best and 1 the worst. Our star rating is based on our analyst's estimate of how much a company's business is worth per share. Our analysts arrive at this "fair value estimate" by forecasting how much excess cash--or "free cash flow"--the firm will generate in the future, and then adjusting the total for timing and risk. Cash generated next year is worth more than cash generated several years down the road, and cash from a stable and consistently profitable business is worth more than cash from a cyclical or unsteady business.

Stocks trading at meaningful discounts to our fair value estimates will receive high star ratings. For high-quality businesses, we require a smaller discount than for mediocre ones, for a simple reason: We have more confidence in our cash-flow forecasts for strong companies, and thus in our value estimates. If a stock's market price is significantly above our fair value estimate, it will receive a low star rating, no matter how wonderful we think the business is. Even the best company is a bad deal if an investor overpays for its shares.

Our fair value estimates don't change very often, but market prices do. So, a stock may gain or lose stars based just on movement in the share price. If we think a stock's fair value is $50, and the shares decline to $40 without much change in the value of the business, the star rating will go up. Our estimate of what the business is worth hasn't changed, but the shares are more attractive as an investment at $40 than they were at $50.

Because we focus on the long-term value of businesses, rather than short-term movements in stock prices, at times we may appear out of step with the overall stock market. When stocks are high, relatively few will receive our highest rating of 5 stars. But when the market tumbles, many more will likely garner 5 stars. Although you might expect to see more 5-star stocks as the market rises, we find assets more attractive when they're cheap.

We calculate our star ratings nightly after the markets close, and issue them the following business day, which is why the rating date on our reports will always be the previous business day. We update the text of our reports as new information becomes available, usually about once or twice per quarter. That is why you'll see two dates on every Morningstar stock report. Of course, we monitor market events and all of our stocks every business day, so our ratings always reflect our analyst's current opinion.

Economic Moat

This is our assessment of a firm's ability to earn returns consistently above its cost of capital in the future, usually by virtue of some competitive advantage. Competition tends to drive down such economic profits, but companies

Morningstar Research Methodology for Valuing Companies

Competitive Analysis →	**Economic Moat Rating** →	Company Valuation →	**Fair Value Estimate** →	Uncertainty Assessment →	★★★★★
Analyst conducts company and industry research: • Management interviews • Conference calls • Trade-show visits • Competitor, supplier, distributor, and customer interviews	The depth of the firm's competitive advantage is rated: • None • Narrow • Wide	Analyst considers company financial statements and competitive position to forecast future cash flows. Assumptions are input into a discounted cash-flow model.	DCF model leads to the firm's Fair Value Estimate, which anchors the rating framework.	An uncertainty assessment establishes the margin of safety required for the stock rating.	★ ★★ ★★★ ★★★★ ★★★★★ The current stock price relative to fair value, adjusted for uncertainty, determines the rating.

that can earn them for an extended time by creating a competitive advantage possess an economic moat. We see these companies as superior investments.

We're big fans of companies that are low-cost producers, create high switching costs for their customers, or have strong brands or long-lasting patents, because all of these characteristics allow companies to protect their competitive position. For example, Tiffany is far more profitable than a run-of-the-mill jewelry chain because it has a strong brand that creates a moat around its business, allowing it to charge more than competitors.

Discounted Cash Flow

This is a method for valuing companies that involves projecting the amount of cash a business will generate in the future, subtracting the amount of cash that the company will need to reinvest in its business, and using the result to calculate the worth of the firm. We use this technique to value nearly all of the companies we cover.

Discount Rate

We use this number to adjust the value of our forecasted cash flows for the risk that they may not materialize. For a profitable company in a steady line of business, we'll use a lower discount rate, also known as "cost of capital," than for a firm in a cyclical business with fierce competition, since there's less risk clouding the firm's future.

Fair Value

This is the output of our discounted cash-flow valuation models, and is our per-share estimate of a company's intrinsic worth. We adjust our fair values for off-balance sheet liabilities or assets that a firm might have--for example, we deduct from a company's fair value if it has issued a lot of stock options or has an under-funded pension plan. Our fair value estimate differs from a "target price" in two ways. First, it's an estimate of what the business is worth, whereas a price target typically reflects what other investors may pay for the stock. Second, it's a long-term estimate, whereas price targets generally focus on the next two to 12 months.

Uncertainty

To generate the Morningstar Uncertainty Rating, analysts consider factors such as sales predictability, operating leverage, and financial leverage. Analysts then classify their ability to bound the fair value estimate for the stock into one of several uncertainty levels: Low, Medium, High, Very High, or Extreme. The greater the level of uncertainty, the greater the discount to fair value required before a stock can earn 5 stars, and the greater the premium to fair value before a stock earns a 1-star rating.

Margin of Safety

This is the discount to fair value we would require before recommending a stock. We think it's always prudent to buy stocks for less than they're worth.The margin of safety is like an insurance policy that protects investors from bad news or overly optimistic fair value estimates. We require larger margins of safety for less predictable stocks, and smaller margins of safety for more predictable stocks.

Consider Buying/Consider Selling

The consider buying price is the price at which a stock would be rated 5 stars, and thus the point at which we would consider the stock an extremely attractive purchase. Conversely, consider selling is the price at which a stock would have a 1 star rating, at which point we'd consider the stock overvalued, with low expected returns relative to its risk.

Stewardship Grades

We evaluate the commitment to shareholders demonstrated by each firm's board and management team by assessing transparency, shareholder friendliness, incentives, and ownership. We aim to identify firms that provide investors with insufficient or potentially misleading financial information, seek to limit the power of minority shareholders, allow management to abuse its position, or which have management incentives that are not aligned with the interests of long-term shareholders. The grades are assigned on an absolute scale--not relative to peers--and can be interpreted as follows: A means "Excellent," B means "Good," C means "Fair," D means "Poor," and F means "Very Poor."