

BERKSHIRE HATHAWAY INC
Form 10-Q
November 04, 2016
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from to

Commission file number 001-14905

BERKSHIRE HATHAWAY INC.

(Exact name of registrant as specified in its charter)

Delaware **47-0813844**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification Number)**
3555 Farnam Street, Omaha, Nebraska 68131
(Address of principal executive office)
(Zip Code)
(402) 346-1400
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Number of shares of common stock outstanding as of October 27, 2016:

Class A

784,669

Class B

1,289,055,322

Table of Contents

BERKSHIRE HATHAWAY INC.

| | Page No. |
|---|-----------------|
| <u>Part I Financial Information</u> | |
| <u>Item 1. Financial Statements</u> | |
| <u>Consolidated Balance Sheets September 30, 2016 and December 31, 2015</u> | 2 |
| <u>Consolidated Statements of Earnings Third Quarter and First Nine Months 2016 and 2015</u> | 4 |
| <u>Consolidated Statements of Comprehensive Income Third Quarter and First Nine Months 2016 and 2015</u> | 5 |
| <u>Consolidated Statements of Changes in Shareholders Equity First Nine Months 2016 and 2015</u> | 5 |
| <u>Consolidated Statements of Cash Flows First Nine Months 2016 and 2015</u> | 6 |
| <u>Notes to Consolidated Financial Statements</u> | 7-24 |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 25-43 |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | 44 |
| <u>Item 4. Controls and Procedures</u> | 44 |
| <u>Part II Other Information</u> | |
| <u>Item 1. Legal Proceedings</u> | 44 |
| <u>Item 1A. Risk Factors</u> | 44 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Repurchases of Equity Securities</u> | 44 |
| <u>Item 3. Defaults Upon Senior Securities</u> | 44 |
| <u>Item 4. Mine Safety Disclosures</u> | 44 |
| <u>Item 5. Other Information</u> | 44 |
| <u>Item 6. Exhibits</u> | 45 |
| <u>Signature</u> | 45 |

Table of Contents**Part I Financial Information****Item 1. Financial Statements****BERKSHIRE HATHAWAY INC.****and Subsidiaries****CONSOLIDATED BALANCE SHEETS***(dollars in millions)*

| | September 30, 2016 (Unaudited) | December 31, 2015 |
|---|--------------------------------------|----------------------|
| ASSETS | | |
| <i>Insurance and Other:</i> | | |
| Cash and cash equivalents | \$ 68,269 | \$ 61,181 |
| Investments: | | |
| Fixed maturity securities | 24,613 | 25,988 |
| Equity securities | 100,757 | 110,212 |
| Other | 15,415 | 15,998 |
| Investments in The Kraft Heinz Company (Fair Value: September 30, 2016 \$29,130; December 31, 2015 \$32,042) | 15,711 | 23,424 |
| Receivables | 27,544 | 23,303 |
| Inventories | 15,763 | 11,916 |
| Property, plant and equipment | 19,326 | 15,540 |
| Goodwill | 53,832 | 37,188 |
| Other intangible assets | 35,034 | 9,148 |
| Deferred charges reinsurance assumed | 7,505 | 7,687 |
| Other | 8,685 | 6,697 |
| | 392,454 | 348,282 |
| <i>Railroad, Utilities and Energy:</i> | | |
| Cash and cash equivalents | 3,893 | 3,437 |
| Property, plant and equipment | 123,005 | 120,279 |
| Goodwill | 24,186 | 24,178 |
| Regulatory assets | 4,369 | 4,285 |
| Other | 14,219 | 12,833 |
| | 169,672 | 165,012 |
| <i>Finance and Financial Products:</i> | | |
| Cash and cash equivalents | 12,673 | 7,112 |
| Investments in equity and fixed maturity securities | 336 | 411 |

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| | | |
|---|------------|------------|
| Other investments | 2,078 | 5,719 |
| Loans and finance receivables | 13,213 | 12,772 |
| Property, plant and equipment and assets held for lease | 9,737 | 9,347 |
| Goodwill | 1,374 | 1,342 |
| Other | 2,501 | 2,260 |
| | 41,912 | 38,963 |
| | \$ 604,038 | \$ 552,257 |

See accompanying Notes to Consolidated Financial Statements

Table of Contents

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(dollars in millions)

| | September 30, 2016 (Unaudited) | December 31, 2015 |
|--|--------------------------------------|----------------------|
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| <i>Insurance and Other:</i> | | |
| Losses and loss adjustment expenses | \$ 75,469 | \$ 73,144 |
| Unearned premiums | 15,223 | 13,311 |
| Life, annuity and health insurance benefits | 15,405 | 14,497 |
| Other policyholder liabilities | 7,259 | 7,123 |
| Accounts payable, accruals and other liabilities | 22,426 | 17,879 |
| Notes payable and other borrowings | 27,514 | 14,599 |
| | 163,296 | 140,553 |
| <i>Railroad, Utilities and Energy:</i> | | |
| Accounts payable, accruals and other liabilities | 11,590 | 11,994 |
| Regulatory liabilities | 3,094 | 3,033 |
| Notes payable and other borrowings | 58,811 | 57,739 |
| | 73,495 | 72,766 |
| <i>Finance and Financial Products:</i> | | |
| Accounts payable, accruals and other liabilities | 1,616 | 1,398 |
| Derivative contract liabilities | 3,973 | 3,836 |
| Notes payable and other borrowings | 15,473 | 11,951 |
| | 21,062 | 17,185 |
| Income taxes, principally deferred | 73,570 | 63,126 |
| Total liabilities | 331,423 | 293,630 |
| Shareholders' equity: | | |
| Common stock | 8 | 8 |
| Capital in excess of par value | 35,730 | 35,620 |
| Accumulated other comprehensive income | 29,798 | 33,982 |
| Retained earnings | 205,491 | 187,703 |
| Treasury stock, at cost | (1,763) | (1,763) |

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| | | |
|---|------------|------------|
| Berkshire Hathaway shareholders' equity | 269,264 | 255,550 |
| Noncontrolling interests | 3,351 | 3,077 |
| Total shareholders' equity | 272,615 | 258,627 |
| | \$ 604,038 | \$ 552,257 |

See accompanying Notes to Consolidated Financial Statements

Table of Contents**BERKSHIRE HATHAWAY INC.****and Subsidiaries****CONSOLIDATED STATEMENTS OF EARNINGS***(dollars in millions except per share amounts)*

| | Third Quarter | | First Nine Months | |
|--|----------------------|-------------|--------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | (Unaudited) | | (Unaudited) | |
| Revenues: | | | | |
| <i>Insurance and Other:</i> | | | | |
| Insurance premiums earned | \$ 11,364 | \$ 10,514 | \$ 33,287 | \$ 30,454 |
| Sales and service revenues | 30,536 | 27,436 | 89,357 | 80,169 |
| Interest, dividend and other investment income | 1,276 | 1,132 | 4,284 | 3,758 |
| Investment gains/losses | 735 | 8,339 | 3,221 | 8,571 |
| | 43,911 | 47,421 | 130,149 | 122,952 |
| <i>Railroad, Utilities and Energy:</i> | | | | |
| Revenues | 10,330 | 10,697 | 28,026 | 30,454 |
| <i>Finance and Financial Products:</i> | | | | |
| Sales and service revenues | 1,588 | 1,379 | 4,557 | 3,984 |
| Interest, dividend and other investment income | 366 | 329 | 1,109 | 1,077 |
| Investment gains/losses | 2,415 | (73) | 2,422 | 154 |
| Derivative gains/losses | 458 | (764) | (332) | 380 |
| | 4,827 | 871 | 7,756 | 5,595 |
| | 59,068 | 58,989 | 165,931 | 159,001 |
| Costs and expenses: | | | | |
| <i>Insurance and Other:</i> | | | | |
| Insurance losses and loss adjustment expenses | 7,615 | 6,831 | 22,325 | 19,524 |
| Life, annuity and health insurance benefits | 1,339 | 1,165 | 3,747 | 4,083 |
| Insurance underwriting expenses | 2,001 | 1,875 | 5,948 | 5,505 |
| Cost of sales and services | 24,472 | 22,297 | 71,617 | 65,145 |
| Selling, general and administrative expenses | 3,959 | 3,721 | 11,747 | 10,177 |
| Interest expense | 259 | 88 | 674 | 449 |
| | 39,645 | 35,977 | 116,058 | 104,883 |
| <i>Railroad, Utilities and Energy:</i> | | | | |
| Cost of sales and operating expenses | 6,763 | 7,018 | 19,421 | 20,985 |

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| | | | | |
|---|--------|--------|---------|---------|
| Interest expense | 681 | 672 | 1,962 | 1,957 |
| | 7,444 | 7,690 | 21,383 | 22,942 |
| <i>Finance and Financial Products:</i> | | | | |
| Cost of sales and services | 886 | 736 | 2,529 | 2,134 |
| Selling, general and administrative expenses | 465 | 409 | 1,301 | 1,176 |
| Interest expense | 103 | 105 | 307 | 301 |
| | 1,454 | 1,250 | 4,137 | 3,611 |
| | 48,543 | 44,917 | 141,578 | 131,436 |
| Earnings before income taxes | 10,525 | 14,072 | 24,353 | 27,565 |
| Income tax expense | 3,192 | 4,545 | 6,281 | 8,698 |
| Net earnings | 7,333 | 9,527 | 18,072 | 18,867 |
| Less: Earnings attributable to noncontrolling interests | 135 | 99 | 284 | 262 |