

Berkshire Hathaway Inc.

To My Fellow Berkshire Shareholders,

Warren Buffett is arguably the greatest investor of all time, with generations benefiting from his investment acumen. He has also been a remarkable CEO, executing his vision of building a great insurance business since the acquisition of National Indemnity in 1967, and deploying the float to make successful investments across major sectors of the economy, concentrating in the U.S. (To Warren's great frustration, this letter begins with these observations – yet we all know they are true.)

In the past, Warren has spoken about how he draws inspiration from Ted Williams – the baseball Hall of Fame hitter who divided the strike zone into 77 segments and tried to swing only at pitches in a much smaller “happy zone,” resulting in a .344 career batting average and a historic .406 season in 1941. Similar discipline, patience, and judgment define Warren's investing: determining preferred pitches, waiting for them, then swinging decisively. But he is more than an investing guru. Warren built Berkshire into an enduring enterprise with his business partner Charlie Munger. They combined world-class capital allocation with the vision and leadership to create a business fully equipped to transition from founder-led to one well-positioned for the next 60 years and beyond.

More than these achievements, what endures is how Berkshire treated its shareholders as true partners for 60 years. Warren has frequently expressed his respect and appreciation for Berkshire's long-term shareholders, who represent one of the most remarkable owner bases of any publicly owned business. He invested alongside us, wrote with candor about both mistakes and successes, and welcomed us to Omaha each year for open, unfiltered discussion. His annual shareholder letters and direct interactions at Berkshire's annual shareholder meetings are the clearest expression of Warren's – and Berkshire's – commitment to partnership with our shareholders.

We are fortunate to have Warren as Berkshire's Chairman, in the office five days a week, and available to us as we underwrite insurance, operate our non-insurance businesses, and deploy capital including equity investments. Warren also continues as an owner of Berkshire (although his shares will all go to philanthropy over the 10 years or so following his passing).

To invest in Berkshire has long been a vote of trust in our founder – a trust that now rests with Berkshire. Your capital is commingled with ours, but it does not belong to us. Our role is stewardship. That stewardship has shaped a culture and reinforced a set of values that are not the result of our success, but the reason for it.

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I am honored by our Board's decision to appoint me CEO of Berkshire and humbled to succeed Warren as I write my first annual letter to you. Warren is obviously a very hard act to follow.

Stepping into any leadership role begins with understanding the organization – why it exists, how its culture shapes its people, and what values guide its decisions. While you will see similarities and differences between Warren, Charlie, and me, we share the view that Berkshire is shareholder-oriented to an unusual degree.

My understanding of Berkshire in this way began in 1992, when I moved to Omaha to join CalEnergy, then unaffiliated with Berkshire. CalEnergy was partly owned by Peter Kiewit Sons', and chaired by Walter Scott, Jr., who was also a Berkshire director. Walter had succeeded Peter Kiewit as the firm's CEO and set a standard for leadership that mattered greatly to me.

My specific roles at CalEnergy matter little today. What matters is that it was an extraordinary period of personal development. I felt fortunate to live in Omaha, a city that represented a form of capitalism grounded in fundamentals and advanced by values, anchored in businesses built to last, across industries such as insurance, construction, railroads, manufacturing, and – soon – energy.

I met Warren and Charlie after CalEnergy became MidAmerican Energy Holdings and was acquired by Berkshire. I admired how they worked together to build an enterprise that reflected their beliefs about business and life. Those beliefs fostered Berkshire's culture and values that continue to guide the company today, enabling it to endure through market cycles, disruptions, and change. Our durability comes from knowing who we are and how we operate.

That deep understanding of the role our culture and values play in our success is shared by our unique shareholders – our partners in this enterprise. Through my engagement with you at annual meetings, I recognize how you want us to succeed together, and to do so in the right way.

Berkshire's culture and values form the basis of our operating framework, which shapes the strategy we pursue and the choices we make as we build Berkshire. As CEO, the framework governs how I lead every day.

Our owners' time horizon extends beyond the tenure of any individual CEO. I will not be your CEO for the next 60 years as simple arithmetic makes that – shall we say – an ambitious plan. However, 20 years from now, when I will have just a fraction of the tenure that Warren had, my intention is that you – or your descendants – will be proud that your company is even stronger.

Culture and Foundational Values

Berkshire's success depends on our nearly 400,000 employees. Their commitment to applying our culture and values across Berkshire's operating businesses – from See's Candies to GEICO and everything in between – and in every circumstance is central to our progress. Our success also benefits from our Board's leadership and ongoing alignment with our focus.

Last month, I sent a letter to our employees to emphasize that Berkshire's culture and values remain unchanged and will continue into perpetuity. It is important to share with you the full articulation of this statement that was provided to them, with additional observations (shown in regular type) about what they mean to me personally, based on my experience at Berkshire. While these values are listed individually, they are mutually reinforcing and inseparable.

Berkshire

Berkshire is a unique conglomerate, intentionally designed to allocate capital rationally and efficiently. Insurance is our core, and we also hold substantial investments in businesses across many other sectors. Our approach underpins our goal to be exceptional stewards of our shareholders' capital, maximizing the growth in Berkshire's intrinsic value per share over the long term.

We are committed to strengthening the great legacy built by Warren Buffett and his business partner Charlie Munger, ensuring it endures through our commitment to excellence.

Our Culture

Our culture begins with a partnership attitude. Our shareholders are our partners whose trust we have earned and must work to keep. Their interests are at the center of our decision-making.

This attitude goes well beyond Berkshire's corporate office in Omaha. It extends across our operating businesses, where employees embrace an ownership mindset, managing our shareholders' assets as if they were their own. We think in decades, act with discipline, and uphold our commitments. Stewardship is embedded in how we operate, reinforcing that our culture is a system for generating long-term performance, not just a set of beliefs.

Charlie's comment on May 1, 2021, that "Greg will keep the culture" will forever resonate with me. It was a reminder that our culture is our most treasured asset, a call to maintain what defines Berkshire, and a challenge to ensure our culture continues.

When I led Berkshire Hathaway Energy (BHE), Berkshire's culture influenced how we operated. When capital was allocated or underlying risks were assessed, Warren's questions consistently cut to the heart of the issue. Beyond that, we were entrusted with real autonomy to run the business, always focusing on our customers, and taking a long-term view. That owner's mindset is expected from every Berkshire leader.

Our Foundational Values

The foundational values that follow are statements of principle that we embrace fully and strive every day to achieve.

Decentralized Model

We seek the best managers to run our operating businesses, who in turn lead talented teams. We operate a decentralized model with autonomy grounded in deserved trust. We minimize bureaucracy to provide our managers the independence to focus relentlessly on their business. In return, we expect accountability and integrity in performance. This autonomy attracts exceptional people to Berkshire.

As I transitioned to Vice Chairman – Non-Insurance Operations in 2018, the leaders of those operating businesses shared a similar question: will the decentralized model and their responsibilities change? I assured them I had lived the culture of autonomy paired with accountability and seen the results. Decisions are made faster, with better knowledge and greater conviction, when they are made by those who are closest to the business and have accountability for its outcomes. This will not change. Our CEOs will never have to navigate layers of bureaucracy or have short-term earnings expectations dictated to them, leading to long-term value destruction.

Our decentralized approach is a competitive advantage, attracting managers who thrive on autonomy and deliver on accountability. Berkshire must have leaders that reflect its principles, and not principles that fit individuals.

Integrity

We uphold Berkshire's reputation for integrity, as demonstrated by alignment between how we think, what we say, and what we do. We make decisions that uphold our culture, communicate with candor and transparency, and deliver on our commitments. The result is a reputation that is earned, not claimed, through cumulative principled conduct. Every action reflects a deliberate effort to deepen the trust placed in Berkshire.

For over 25 years, at each shareholder meeting we played a clip from Warren's 1991 Salomon Brothers Congressional testimony: "Lose money for the firm, and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless." Our commitment to integrity has always been steadfast and uncompromising. We know integrity is not a quality you admire on a shelf; it is an active quality that must be earned, re-earned, and maintained daily.

We will encounter business successes and setbacks. When we fail, we will say so. Doing the right thing also means rectifying our errors. A great example of both is BNSF's resolution in 2025 of a longstanding dispute with the Swinomish Indian Tribal Community over crude oil shipments across Tribal lands. The BNSF decisions that sparked the dispute were made long ago, but the current BNSF leadership built a partnership rooted in communication, understanding, and respect. BNSF acknowledged its past mistakes and apologized, paving the way for mutually beneficial agreements that allow it to meet customer needs while operating safely on Tribal lands.

Across our operating businesses, we make choices every day about how we conduct ourselves. We have hundreds of thousands of employees who are good people and act with integrity and do the right thing. But in any large organization a small minority will fail to meet our standards. We will not tolerate such behavior. When it occurs, we will act decisively and ruthlessly to address it.

Protecting our integrity and reputation is a never-ending journey. You can rest assured that we will remain relentless in this effort.

Financial Strength

We maintain a fortress-like balance sheet, ensuring Berkshire's foundation is never compromised. We preserve this financial strength by using debt sparingly and prudently. Our substantial liquidity enables us to meet our obligations even under the most adverse conditions and to respond swiftly when opportunities arise.

We are committed to maintaining exceptional financial strength. Our balance sheet is a strategic asset to be deployed at the right time. It allows us to act decisively, invest when others are tentative or fearful, and stand firm when financial storms roll through.

We uphold Berkshire's financial resilience and independence by holding limited levels of debt. We will remain an asset, not a risk, to America and the global financial system. Our cash and U.S. Treasury holdings now exceed \$370 billion. While some of this capital is required to support our insurance operations and protect Berkshire against extreme scenarios, it also constitutes our dry powder.

There will undoubtedly be incremental opportunities to deploy our owners' capital without compromising Berkshire's resilience. My role is to ensure our liquidity levels and capital deployment remain intentional and deliberate. We will always aim for ownership of productive businesses over U.S. Treasuries.

Capital Discipline

We deploy our shareholders' capital to opportunities that generate rewards commensurate with their risk. When we expand existing operations, acquire new operating businesses, invest in equity securities, and repurchase Berkshire stock, we evaluate each opportunity based on its potential to grow Berkshire's intrinsic value per share over a time horizon measured in perpetuity.

Berkshire's capital allocation principles and strategy guide us in identifying opportunities:

- Invest in businesses that we thoroughly understand, with durable advantages and long-term economic prospects;
- Partner with high integrity leaders who understand their customers and act like owners;

- Avoid businesses that undermine the fabric of society or could jeopardize Berkshire’s reputation;
- Act quickly and concentrate our capital in a few high conviction ideas; and
- Maintain discipline and let compounding unfold.

These criteria enable us to effectively and efficiently evaluate opportunities that come our way. Despite our substantial size, we take pride in a nimble culture where big investment opportunities can be confidentially shared with us, with a prompt response assured (and if we like it, no financing contingency attached). We quickly say “no” to those that do not align with our principles, and pursue those that do, knowing there will be many more of the former than the latter.

Many times in Berkshire’s history, some observers have suggested that our substantial cash position signals a retreat from investing. It does not. We continue to evaluate many opportunities and will remain patient and disciplined in pursuing the right ones for the benefit of our owners.

In 2025, our approach resulted in Berkshire announcing the acquisition of two very different businesses: OxyChem and Bell Laboratories.

OxyChem is a well-run industrial chemicals business we first encountered through our investment in Occidental. The chlorine and caustic soda it produces serve essential markets, led by construction and core industrial uses. Management prioritizes efficient execution over volume, supported by an integrated asset base and access to low-cost raw materials. For Berkshire, this translates into cash flows from a compelling addition to our operating businesses.

Last year, Warren received a letter from Steve Levy, Bell Laboratories’ CEO, asking that we look at the family-owned business he manages for the daughters of founder Malcolm Stack. Steve’s letter was perfect. Bell Laboratories meets a persistent need: rodent control. In Steve’s words, it possesses “high operating margins, very good historical growth and future growth potential, easy to understand and always needed, and a strong management team.” In our words: a business with durable advantages and long-term economic prospects run by excellent managers. We only wish it had been ten times bigger.

These investments now join Berkshire’s strong set of operating businesses. Some of them require little incremental investment and return excess cash to Berkshire; others present compelling investment opportunities that will compound over time.

Share repurchases are another important capital allocation option. We will buy back Berkshire shares when they trade below our estimate of intrinsic value, conservatively determined, ensuring that repurchases enhance per-share value for continuing owners. We may also purchase large blocks of shares directly from major holders when the opportunity presents itself. These purchases allow shareholders to own an incrementally larger piece of Berkshire’s businesses, without deploying any additional capital of their own.

Our approach to cash dividends continues to be that Berkshire will not pay dividends so long as more than one dollar of market value for shareholders is reasonably likely to be created by each dollar of retained earnings. On an annual basis, the Board reviews our policy.

Our capital discipline guides us, whether we seek to purchase an entire business, a portion of equity in a publicly traded company, or our own shares. We maintain this approach regardless of the size of our cash and U.S. Treasury holdings. We will assess value carefully, act patiently, and hold for the long term – preferably forever.

Risk Management

We identify risks and strive to manage the level of risk across our organization. Our approach is decentralized, suited to each operating business's scale and complexity. We focus on risks that could threaten Berkshire's reputation, financial strength, or ability to realize opportunities for the long term.

Risk management is central to Berkshire. The CEO is responsible for serving as Chief Risk Officer – there is no more important duty.

An important part of fulfilling that responsibility is having the best on our team. When it comes to risk, Ajit wrote the playbook. His rigor in managing and pricing risk sets the standard in insurance. Any contract can be subject to legal challenge, and new coverages are particularly dangerous. We often set a price today for a cost that may not be known for many years. Pricing insurance risk correctly is essential, and we will walk away when the price is wrong. This approach is core to our insurance business, and Ajit is simply peerless at doing it.

As a result, our insurance operations are a global powerhouse, able to accept risks others cannot, and pay claims without hesitation. Our unmatched financial strength allows us to retain underwriting risk and preserve the full economics for our owners, rather than dilute it through the purchase of reinsurance.

Of course, understanding and managing risk is also essential for our non-insurance businesses. Each must thoroughly assess its specific risks and plan for new risks before pursuing new or incremental opportunities.

Across all our businesses, our responsibility is to understand the risks and actively manage them.

Operational Excellence

We pursue operational excellence across our operating businesses. Our employees continuously strive to exceed customer expectations, improve efficiency to better compete and prepare for challenges to our operating models, and reinvest prudently in their operations. We recognize that performance fluctuates year to year, so we assess a business's success not by short-term results but by its ability over the long term to maintain and strengthen its competitive position and improve its economic prospects.

Operational excellence at Berkshire is not a program. It is the result of disciplined decision making across our businesses. That work starts with safety and carries through to how we serve customers, make products, and compete – every day.

In February 2025, Precision Castparts' response to a major fire at its Jenkintown, Pennsylvania facility showed Berkshire at its best. All employees on site were evacuated safely. The team then worked closely with first responders, providing site layouts and identifying potential hazards. In the aftermath, Precision Castparts supported the local volunteer fire department, assisted the city, and conducted extensive environmental testing that confirmed the area was safe.

At the same time, the fire created a significant operational challenge. The facility produced more than 700 parts that were sole-sourced and critical to major aerospace customers. Mark Donegan, Precision Castparts' CEO, and his team quickly redistributed production across U.S. and international sites, doing so without compromising safety, quality, or delivery standards. No customer experienced a production line stoppage. The episode reflected our model at work: decentralized leadership, clear accountability, and exceptional execution under pressure.

The daily pursuit of excellence must be never-ending. By focusing on customers, efficiency, and continuous improvement, we create value over the long term.

Taken together, the foundational values listed above built Berkshire, and equip us to succeed in the decades ahead. While we have set them out explicitly this year, we will publish them as an attachment to future letters, with each letter discussing how we practiced those values across Berkshire.

Their impact is also very evident in the operating performance of our businesses today.

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Berkshire's Performance

Berkshire delivered operating earnings of \$44.5 billion in 2025, below \$47.4 billion in 2024 and above the \$37.5 billion we have averaged over the past five years, a result that underscored the durability of our operating businesses, while also reflecting the fact that we have opportunities for further improvement.

Before diving into details, it is worth reiterating a Berkshire belief: our GAAP net earnings – with its sometimes-large annual swings from realized and unrealized investment gains and losses – must be assessed with caution. These gains and losses matter over the long run, but when evaluating Berkshire’s annual business performance, we believe operating earnings remains the best measure.

Equally important is the cash our businesses generate. In 2025, Berkshire produced \$46 billion of net cash flows from operating activities, compared to a five-year average of more than \$40 billion, underscoring our ability to invest in opportunities across our businesses.

Insurance Operations

In 2025, Berkshire’s insurance operations accomplished their fundamental goals: grow underwriting profits and float in a disciplined manner.

We own an extraordinary group of insurance businesses, each managed with a long-term orientation. Their performance reflected both their inherent strengths and an industry that, after several years of needed adjustments to pricing and policy terms, in 2025 began to experience a deceleration or reversal of these trends, particularly in the latter half of the year. This likely means we will write less property and casualty business for a period of time.

Although the year began with significant wildfire-related losses in Los Angeles, the Atlantic hurricane season was unusually benign. For the first time in a decade, no hurricane made landfall in the U.S., our largest region of global exposure for our primary insurance and reinsurance businesses – a reminder that nature controls the winds, not Warren and certainly not me.

We produced a combined ratio of 87.1% across our property and casualty businesses in 2025, comparing favorably with our five-year average of 90.7%, ten-year average of 93.0% and twenty-year average of 92.2%, an exceptional underwriting result for an insurer of our scale. (Our retroactive reinsurance business, which does not receive regular premiums, is excluded from these figures.)

No discussion of our insurance businesses would be complete without again acknowledging and appreciating Ajit. For nearly four decades, his judgment and discipline have shaped our ability to underwrite large and complex risks with care and precision. The organization and team he built understand both the limits and the opportunities inherent in very large risks, and his example continues to guide our teams. Their steadiness benefits us all.

GEICO

GEICO has been a significant contributor to the group's lower combined ratio. Over the past few years, GEICO has improved its cost structure, strengthened its underwriting discipline, and enhanced its ability to segment customers and the related pricing of risk. Industrywide rate increases from the end of 2022 through 2024 continued to positively impact performance in 2025. While these increases varied by product and jurisdiction, the pricing environment remained firm, and GEICO benefited accordingly.

GEICO's broad rate increases in recent years have restored margins but come at the cost of lower retention. Competitors' rate reductions may extend that pressure into 2026. The GEICO team remains focused on pricing risks correctly for both existing and new customers. Restoring retention while maintaining underwriting discipline will take time.

Alongside retaining its customer base with a more nuanced pricing strategy, GEICO is investing in technology to improve efficiency and service, while preserving its position as the industry's low-cost provider.

Primary Group

Across our other primary property and casualty businesses, demand entering 2025 was solid, and pricing in most commercial insurance business segments was adequate or improving. As the year progressed, additional capital entered the market, resulting in lower pricing or decelerating rate increases in several important lines. We have always prioritized underwriting discipline over volume, and as pricing became less attractive, our premium growth plateaued. We expect these primary insurance businesses to face continued headwinds in 2026, and potentially beyond.

Reinsurance Group

Our reinsurance operations face similar dynamics. The reinsurance sector has attracted significant increases in available capital from both the traditional and alternative markets, which together with a more benign reinsured catastrophe loss burden in 2025 in most major regions has led to significant price declines in property reinsurance. In most casualty reinsurance segments, claims inflation continued to outpace pricing. As long as these phases of the cycle endure, we expect to write less reinsurance premium.

Our insurance team will remain patient because of Berkshire's structural strengths:

1. We have significant capital, enabling us to underwrite large and unusual risks.
2. We give our insurance managers autonomy to run their businesses, without quarterly earnings targets or growth mandates that might otherwise distort their underwriting judgment.

3. We insist on underwriting discipline as the most important ingredient in insurance success.
4. We focus on the long term, resisting temporary industry enthusiasms and exuberances.

The environment ahead will reward insurers whose focus remains on growing underwriting profit sustainably, not volume; customer trust and loyalty, not temporary spikes in market share; and long-term resilience, not short-lived opportunism.

At year-end, our insurance float – the capital we hold to pay future losses and, in the meantime, invest for Berkshire’s benefit – stood at \$176 billion. That amount increased from \$171 billion at the end of 2024 and from \$88 billion at the end of 2015.

Our insurance businesses’ ability to declare ordinary dividends to Berkshire is restricted by insurance statutes and regulations, permitting up to \$31 billion during 2025 without prior regulatory approval. The insurance businesses ultimately returned \$29 billion to Berkshire in the year, underscoring the continued strength of their capital base.

Non-Insurance Operations

Our non-insurance group is composed of strong businesses operating within the railroad, utilities and energy, manufacturing, service and retailing industries. It also includes Pilot and McLane.

Berkshire’s approach with its 51 non-insurance operating businesses is markedly different from most conglomerates. There are no layers of management and no allocated goals or targets set by Berkshire. Each business is accountable to its CEO, who is expected to pursue operational excellence relentlessly and close performance gaps. Capital allocation decisions for these businesses ultimately reside with me as Berkshire’s CEO and are based on each business’s opportunities and related risks. Most operate with no debt, and will remain that way.

Across these businesses, we have made progress in the fundamentals that drive long-term value but also have a clear understanding of where we need to improve performance. Regardless of industry, our expectations are the same: managers who think like owners and rigorous execution – measured by results, not intentions.

We are fortunate to have Adam Johnson now serving as president of our consumer products, service, and retailing businesses. Adam, who has lived the Berkshire culture for nearly 30 years (10 as CEO of NetJets), is now responsible for a group consisting of 32 companies. Adam and his team at NetJets think like owners and earned their reputation for operational excellence over the past decade. Their work transformed NetJets from a challenged business model into a successful enterprise that delivers value for Berkshire shareholders. That same approach – accountability and a focus on avoiding complacency – will guide how he works with the CEOs across his portfolio.

BNSF

As one of the six major freight railroads in North America, BNSF is a key part of the transportation backbone of the U.S. economy. Berkshire acquired this iconic business in 2010 with an equity value of \$34.5 billion. In 2025, BNSF produced \$8.1 billion in net operating cash flows and returned \$4.4 billion of that cash to Berkshire through dividends. For context, its average annual dividend over the past five years was \$4.1 billion.

Safe operations, reliable service, and a competitive cost structure ultimately determine a railroad's success – and accordingly how we assess management's performance. BNSF has focused on improving each of these. Safety remains the top priority, and BNSF has been the industry leader for the past decade. In 2025, shipments spent less time idling at terminals and moved through the network faster than in nearly any year in the company's history.

These gains matter, but they are not enough; more progress is needed to translate operational improvements into stronger financial results. We view operating margin (the inverse of the industry's operating ratio) as the best measure of performance. In 2025, BNSF's operating margin improved to 34.5% from 32.0% in 2024. It remained only modestly above its five-year average.

The gap to the industry's best remains too wide and closing it will require continued improvements in efficiency and service. Each one-percentage-point improvement in operating margin generates approximately \$230 million of incremental operating cash flow for our owners. The team recognizes the significance of this opportunity, and we will be disappointed if we do not deliver a substantial improvement over the next few years.

Alongside BNSF's own improvements, there is also potential consolidation in the rail industry with the proposed Union Pacific–Norfolk Southern merger. Berkshire has been clear that it is not interested in acquiring one of the other Class I railroads, since the current economics would not work in our shareholders' favor. BNSF's focus on the proposed merger has been to ensure BNSF can continue to offer customers a compelling value proposition, including full and competitive access to Eastern rail markets.

BHE

BHE's objective is straightforward: to deliver affordable and reliable energy service for its customers. That responsibility has grown as the industry enters a significant investment cycle, driven by rising electricity demand from artificial intelligence computing and by increasing wildfire risk, particularly in the Western U.S. Growth is welcome, but it will not come at the expense of affordability or reliability for households, small businesses, and industrial users.

BHE is proud that it continues to offer meaningful value to customers in the markets it serves – averaging 24% below the national retail electric rate level, with all its markets priced at least in the double-digit range beneath that benchmark. Infrastructure built for hyperscalers and data centers must be paid for by those customers and reflect the risks tied to step-changes in long-term demand. BHE will pursue this incremental growth and invest our shareholders’ capital only when those risks and rewards are appropriately balanced.

On wildfire risk, BHE has taken a leadership role, working with regulators, public officials, and the communities it serves. Its mitigation programs are among the most comprehensive in the industry. When a BHE utility is responsible for a wildfire, it has acknowledged that responsibility, including PacifiCorp’s settlements related primarily to the 2020 Labor Day fires. At the same time, PacifiCorp is not an insurer of last resort and should not be treated as a deep pocket. Where responsibility does not exist, it will continue to seek judicial relief. Accountability, paired with principled opposition to unwarranted liability, is essential to preserving the regulatory compact that governs utilities.

BHE is rebalancing as the team positions it to move forward. In 2025, BHE produced \$8.4 billion in net cash flows from operating activities, consistent with its five-year average, even as it absorbed these challenges. Our willingness to invest capital depends on the continued functioning of the regulatory compact through which utilities earn a reasonable return on invested capital. Near-term opportunities are significant, and BHE will pursue them selectively.

Manufacturing – Industrial Products

The macro environment in 2025 for our industrial products businesses was challenging, yet the businesses delivered earnings results that demonstrated underlying resilience. Operational execution was strong across the group, and specifically at Precision Castparts, Marmon, IMC, and Lubrizol, which positions all of them well to pursue incremental opportunities.

The Lubrizol team, led by Rebecca Liebert, was integral to the acquisition of OxyChem and its planned integration as a standalone operating business within Berkshire. Rebecca has assumed responsibility for OxyChem in addition to her role as CEO of Lubrizol, working in partnership with OxyChem CEO Wade Alleman and his leadership team.

Our largest industrial manufacturing business, Precision Castparts, spent much of the past decade navigating a difficult period for the aerospace industry. Aircraft production slowed materially, volumes declined, and a series of disruptions – most notably the pandemic, when air travel effectively stopped – put sustained pressure on earnings.

The Precision Castparts team has now worked through the most challenging part of that period. Air travel has recovered, aircraft orders have resumed, and demand for the company's components has normalized and is growing. The business has remained disciplined throughout, with management focused on translating a healthier industry backdrop into margins that better reflect its long-term potential. In 2025, Precision Castparts generated \$2.4 billion of net cash flows from operating activities, compared to an average of \$0.9 billion in 2021 and 2022 and \$1.7 billion in 2015, the last full fiscal year before our acquisition.

Manufacturing – Building Products

Our building products businesses span the U.S. housing and commercial building landscape, from the homes Clayton builds to the materials and finishes our other companies supply. As in any market, end-consumer preferences can evolve, and our businesses must adapt accordingly to meet those changing demands.

Shaw has navigated a challenging period as consumers moved away from soft-surface flooring (carpets), and some of its difficulties were self-inflicted. As it expanded hard-surface production, execution slipped, affecting quality and service. Shaw is now rebuilding its manufacturing organization and restoring the operational discipline needed to regain customer confidence.

Clayton leads the group in size. Its business model – centered on efficient manufacturing and construction of well-built homes, supported by integrated financing – has proven resilient through short-term shifts in the broader housing market. This approach enables Clayton to meet the ongoing need for quality, affordable housing nationwide.

While activity in this building-products sector varies from year to year with broader construction trends, the long-term needs for housing and commercial buildings remain strong, positioning the group, which also includes Johns Manville and MiTek, well for the future. This durable demand underpins these operations, which are distinguished by disciplined and knowledgeable management, a strong focus on customers, and well-established operating models.

Manufacturing – Consumer Products; and Service and Retailing

As highlighted earlier in the letter, Adam is president of Berkshire's consumer products, service, and retailing businesses. These businesses performed well overall in 2025, recognizing certain consumer segments faced a very challenging environment.

NetJets is the largest business in our service group. NetJets maintains a relentless focus on safety and exceptional service to reinforce its position as a premium offering. That foundation has enabled NetJets to attract many customers, and today it operates nearly 1,100 aircraft in over 150 countries around the world. It is a prized asset in a very tough industry.

Pilot

Pilot continues to strengthen its operations. As the largest operator of travel centers in North America, it competes on location, service, and reliability. Management has focused on execution at the store level – improving customer experience for both professional drivers and everyday travelers, investing in store upgrades, food offerings, and customer loyalty. Since 2023, Pilot has increased capital spending to modernize facilities and expand its electric vehicle charging network. These efforts are reflected in Pilot’s Pro Preference score – a third-party study of how often professional drivers choose Pilot over travel center competitors – which rose from 27% in 2022 to 35% in 2025, placing the business second in the industry. We should be #1 and we will not be pleased until that standard is achieved. We first invested in Pilot in 2017; however, our ability to manage it was contractually delayed until 2023. That mistake will not happen again.

The underlying economics of the business are reflected in its cash generation. In 2025, Pilot delivered \$1.7 billion of net cash flow from operating activities, an improvement from 2024. As operations continue to strengthen and capital needs normalize, we expect more cash to be returned to Berkshire.

Equity Investments

We apply the same fundamental value of capital discipline to Berkshire’s portfolio of equity securities as we do to our operating businesses. A large portion of our portfolio is concentrated in a small number of American companies such as Apple, American Express, Coca-Cola, and Moody’s – businesses we understand well, have a high regard for their leaders, and expect will compound over decades. This concentrated approach will continue, with limited activity in these holdings, though we may significantly adjust a holding if we see fundamental changes in its long-term economic prospects.

(Dollars in millions)

<i>Company</i>	<i>December 31, 2025</i>			
	<i>Percentage of Company Owned</i>	<i>Cost Basis</i>	<i>Market Value</i>	<i>2025 Dividends</i>
Apple Inc.	1.6%	\$ 6,255	\$ 61,962	\$ 280
American Express Company	22.1%	1,287	56,088	479
The Coca-Cola Company	9.3%	1,299	27,964	816
Moody’s Corporation	13.9%	248	12,603	93
Total		\$ 9,089	\$ 158,617	\$ 1,668

The same criteria apply to our investments in Japan, which we view as comparable to our major U.S. holdings in importance and long-term value creation opportunity.

(Dollars in millions)

<u>Company</u>	<u>December 31, 2025</u>			
	<u>Percentage of Company Owned</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>2025 Dividends</u>
Mitsubishi Corporation	10.8%	\$ 4,248	\$ 9,207	\$ 273
ITOCHU Corporation	10.1%	4,165	8,886	181
Mitsui & Co., Ltd.	10.4%	3,490	8,785	201
Marubeni Corporation	9.8%	1,572	4,468	105
Sumitomo Corporation	9.7%	1,907	4,022	102
Total		<u>\$ 15,382</u>	<u>\$ 35,368</u>	<u>\$ 862</u>

Berkshire has borrowed in Japan an amount roughly equivalent to the yen invested (cost basis), at an average cost of 1.2%, with a weighted-average life of approximately 5.75 years.

Taking these positions together, at year-end they totaled \$194 billion in market value, representing nearly two-thirds of our \$297.8 billion equity securities portfolio, providing combined dividends of \$2.5 billion and yielding 10% on their original cost basis of \$24.5 billion.

Separately, we have meaningful positions in a small number of other companies where our capital allocation has been more dynamic in recent periods, as relative values and opportunities change. In certain cases, the underlying business characteristics are such that, over time, these investments may become part of our core holdings.

We also hold equity method investments, principally Kraft Heinz and Occidental. Our investment in Kraft Heinz has been disappointing. Even after considering the preferred equity component in our original Heinz investment, our return has been well short of adequate.

At Berkshire, equity investments are fundamental to our capital allocation activities; responsibility ultimately resides with me as CEO. Ted Weschler manages about 6% of our investments, including a portion of the portfolio formerly overseen by Todd Combs. Ted's impact extends beyond these investments, as he continues to play a broader role in assessing significant opportunities, providing valuable input on our businesses, and supporting Berkshire in various other ways.

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Berkshire's foundation is second to none. We have a remarkable operating framework (our culture and values) that shapes our strategy and guides how we lead – along with remarkable shareholders.

Insurance will continue to be our core. While its performance will ebb and flow with capital conditions in the industry – perhaps dramatically – that heart of Berkshire will only grow stronger over time, reflecting the structural advantages that define it.

Our non-insurance operations generate substantial operating earnings and recurring cash flows. A sustained focus on operational excellence will strengthen this group of businesses, positioning it to deliver even greater long-term value.

Our investment portfolio – specifically, our equity investments – will evolve and grow as opportunities arise. This portfolio is an integral extension of our insurance operations and capital base. We will effectively and efficiently return capital to our owners through share repurchases when the value proposition is compelling.

At Berkshire’s scale, the math of compounding works against us – a reality long understood and best acknowledged plainly. Our opportunity is improvement in per-share value over the long term, even when progress comes in smaller increments, with a constant focus on managing downside risk for our owners.

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The value we create at Berkshire stems from the judgment and leadership exercised every day across our operating businesses. We as shareholders are fortunate to have a Board that clearly understands and supports Berkshire, including our culture and values, and whose diverse skills, experience, and perspectives strengthen its stewardship of the company. Warren and Charlie built the framework for that alignment, and we continue to draw on Warren’s exceptional judgment as Chairman.

In December, we announced that our CFO, Marc Hamburg, will be retiring from Berkshire effective June 1, 2027, and will transition his Chief Financial Officer responsibilities a year prior on June 1, 2026. Chuck Chang will have an enormous pair of shoes to fill as his successor. Marc will help Chuck settle into his new role before fully enjoying his well-deserved retirement. Marc has been a treasured partner to me, and, as Warren has noted, “Marc has been indispensable to Berkshire and to me. His integrity and judgment are priceless. He has done more for this company than many of our shareholders will ever know.” I strongly echo Warren’s comments.

To further strengthen our management capabilities at the corporate office, we recently welcomed Mike O’Sullivan as Berkshire’s first General Counsel, where he will provide legal support while maintaining our culture.

A central part of our partnership with our owners is to continue maintaining clear, candid communication with you. Berkshire will always communicate with all shareholders at the same time and through the same channels to give each of you the necessary information to assess Berkshire’s performance.

We concentrate on quality, not frequency. If a significant issue arises, you will hear from me, but it will not be through quarterly commentary, given our long-term horizon.

The next time we gather as owners will be in Omaha on May 2, 2026, for the annual meeting (our owners' day, or what other companies might call an "investor day"). The format you know well will guide the day, centered on open communication and direct engagement, with your questions answered in the same unscripted manner during sessions moderated by Becky Quick. We also look forward to owners getting to know, over time, more of the Berkshire team.

This year's program will include a CEO's update on Berkshire, and two Q&A sessions – one with Ajit and me, and a second featuring Katie Farmer (BNSF), Adam Johnson (NetJets and president of consumer products, service, and retailing), and me, where Katie and Adam will discuss the challenges and opportunities they see in their respective businesses. In that way, we will be able to cover Berkshire's insurance and non-insurance operations. While each session has a natural focus based on who is on stage with me, shareholders may ask me any question at any time. Further details are included in this Annual Report.

Our Board, the CEOs and managers at Berkshire, and I look forward to welcoming you to Omaha and to our continued partnership. Central to Berkshire's extraordinary success is the relationship we maintain with you, our owners. I am honored by the responsibility of continuing to build our company and our partnership in the years ahead. We move forward with great intent and purpose.

Gregory E. Abel
Chief Executive Officer
February 28, 2026

Berkshire's Performance vs. the S&P 500

Year	Annual Percentage Change	
	In Per-Share Market Value of Berkshire	In S&P 500 with Dividends Included
1965	49.5%	10.0%
1966	(3.4)	(11.7)
1967	13.3	30.9
1968	77.8	11.0
1969	19.4	(8.4)
1970	(4.6)	3.9
1971	80.5	14.6
1972	8.1	18.9
1973	(2.5)	(14.8)
1974	(48.7)	(26.4)
1975	2.5	37.2
1976	129.3	23.6
1977	46.8	(7.4)
1978	14.5	6.4
1979	102.5	18.2
1980	32.8	32.3
1981	31.8	(5.0)
1982	38.4	21.4
1983	69.0	22.4
1984	(2.7)	6.1
1985	93.7	31.6
1986	14.2	18.6
1987	4.6	5.1
1988	59.3	16.6
1989	84.6	31.7
1990	(23.1)	(3.1)
1991	35.6	30.5
1992	29.8	7.6
1993	38.9	10.1
1994	25.0	1.3

Note: Data are for calendar years with these exceptions: 1965 and 1966, year ended 9/30; 1967, 15 months ended 12/31.

Berkshire's Performance vs. the S&P 500

Year	Annual Percentage Change	
	In Per-Share Market Value of Berkshire	In S&P 500 with Dividends Included
1995	57.4%	37.6%
1996	6.2	23.0
1997	34.9	33.4
1998	52.2	28.6
1999	(19.9)	21.0
2000	26.6	(9.1)
2001	6.5	(11.9)
2002	(3.8)	(22.1)
2003	15.8	28.7
2004	4.3	10.9
2005	0.8	4.9
2006	24.1	15.8
2007	28.7	5.5
2008	(31.8)	(37.0)
2009	2.7	26.5
2010	21.4	15.1
2011	(4.7)	2.1
2012	16.8	16.0
2013	32.7	32.4
2014	27.0	13.7
2015	(12.5)	1.4
2016	23.4	12.0
2017	21.9	21.8
2018	2.8	(4.4)
2019	11.0	31.5
2020	2.4	18.4
2021	29.6	28.7
2022	4.0	(18.1)
2023	15.8	26.3
2024	25.5	25.0
2025	10.9	17.9
Compounded Annual Gain – 1965-2025	19.7%	10.5%
Overall Gain – 1964-2025	6,099,294%	46,061%