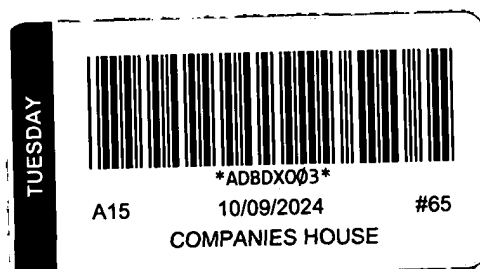


Registered number: 02889486

Wyman-Gordon Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2023



COMPANY INFORMATION

Directors	A Armagno R Beyer S Hagel J Puetz A Dimmer
Company secretary	J Freeman P Edelstyn
Registered number	02889486
Registered office	c/o Special Metals Wiggins Ltd Wiggins Works Holmer Road Hereford HR4 9SL
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 110 Queen Street Level 8 Glasgow G1 3BX
Bankers	JP Morgan Chase Bank 25 Bank Street Canary Warf London E14 5JP

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Wyman-Gordon Limited
Strategic report
For the period ended 31 December 2023

Principal activity

The Company's principal activities were to supply forged products globally to the aerospace and energy markets. Any references to the 'PCC group' means the wider group of subsidiary undertakings owned by the immediate parent company, Precision Castparts Corp.

Review of the business and key performance indicators

	Period Ended 31 December 2023	Period Ended 1 January 2023	Change	% Change
	£ 000	£ 000		
Turnover	114,964	74,351	40,613	+55%
Operating profit/loss	25,487	11,202	14,285	+128%
Net Current Assets	129,229	111,130	18,099	+16%

Analysis on metrics

The results of the Company show an operating profit before tax of £25,487,000 for the period ending 31st December 2023 on sales of £114,964,000 (2022: £11,202,000 on sales of £74,351,000). Operating profits improved in the period following increased sales and recovery from the COVID pandemic. Original Equipment Manufacturer's (OEMs) continued to increase build rates as global air traffic returned to pre-pandemic levels. Initially we saw improvement on the single aisle platforms and as confidence returned to long haul travel this began to flow into the widebody market also.

Net Current Assets have increased to £129,229,000 (2022: £111,130,000). This was driven by an increase in inventory due to increased levels of production through 2023.

Future outlook

Our Aerospace portfolio is split into Domestic, Long-haul and Military. We have focused our business development activity on Domestic which has recovered quickest in the current market. The capacity installed during the slowdown from COVID-19 allowed us to support increasing customer demand as can be seen by the turnover growth in 2022 & 2023.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are the cyclical nature of the aerospace sector, competition, volatility in raw material and energy markets and fluctuations in the foreign exchange.

The cyclical nature of the commercial aerospace industry, which represents a significant portion of our business, creates uncertainty regarding our future profitability. In addition, adverse changes to, or interruptions in our relationships with our major commercial aerospace customers could reduce our turnover. In 2022, we began to see recovery in the commercial and regional aerospace markets with 2023 continuing with the same trend, following the global outbreak of COVID-19 which began in March 2020 and drove unprecedented build rate reductions and destocking in the aerospace market through 2021. Domestic travel has surpassed 2019 levels, while international travel remains just below 2019 levels as the international recovery in Asia Pacific has been offset by weakening in the Middle East and Latin America. The outlook for the industry remains strong with the combined backlog for Boeing and Airbus showing greater than 10 years of production at current build rates. Demand is in place to support growth; however, the growth will ultimately be based on the supply chain's ability to support the ramp and on Boeing's ability to work through continued quality issues.

Wyman-Gordon Limited
Strategic report
For the period ended 31 December 2023

Principal risks and uncertainties (continued)

The pressure on the supply chain to support the aerospace delivery ramp has provided commercial opportunities to supply incremental volumes as our competitors struggle to meet the growing requirements.

Political unrest and inflation continue to impact all markets. Utility prices retreated in some regions in 2023, however the price of titanium revert remains high. The company operates in a highly competitive market around price and product quality. This can have an impact in downward pressure on our margins but also in the risk that we do not meet our customers' expectations. In order to mitigate this risk our sales team monitor market prices on an ongoing basis. Furthermore, our quality team continually monitor the quality of product being produced and ensure we maintain a rigorous quality system.

The business takes proactive steps to manage natural gas, electricity, and raw material price risk by implementing hedges with its suppliers. In addition, the PCC group treasury function utilizes foreign exchange derivatives to help the company manage foreign currency price risk.

Section 172 Statement

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the company are appropriately informed by s172 factors.

The company is a subsidiary and business unit of Precision Castparts Corp. (intermediate parent) which is a member of Berkshire Hathaway Inc., a public company incorporated and registered in Delaware in the United States of America, as the ultimate controlling party. The governance framework delegates authority for local decision-making at business unit level up to defined levels of cost and impact which allow the individual businesses to take account of the needs of their own stakeholders in the decision-making. The culture, value and standards that underpin this delegation ensure that when decisions are made the wider impact has been considered.

Details of the business unit key stakeholders and how we engage with them are set out below.

Shareholders

From the perspective of the Board of Directors, as a result of the Company's governance the Parent has taken the lead in regards to assuring the strategy, performance and key decisions take into account stakeholder interests

in decision-making. The Parent is well informed about the views of stakeholders through the regular communication on stakeholder views and it uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process.

Customers and suppliers

The Board of Directors and Parent work together with local leadership in carrying out the duties in respect of the company's other stakeholders. We operate with a high degree of competence and personal integrity while having a constant focus on quality, cost, and delivery. Our reputation depends on our ability to meet our customers' specifications and instructions. Under no circumstance should a departure from customer specification occur without being reported and authorized through the appropriate channels. Our suppliers play a critical role in our ability to operate and provide products and services to our customers. To protect our reputation and perform with integrity, we must choose our suppliers carefully, based on merit and with the expectation and requirement that our suppliers will act in a manner consistent with our compliance and ethics standards. We follow these guidelines when selecting suppliers:

Wyman-Gordon Limited
Strategic report
For the period ended 31 December 2023

Customers and suppliers (continued)

- 1) Do business only with suppliers who comply with all applicable laws, rules and regulations and Precision Castparts Corp's compliance and ethical standards.
- 2) Do not do business with a supplier who has known or suspected unsafe working conditions or exhibits a disregard for environmental standards.
- 3) Choose suppliers based on open, competitive bidding, without favoritism or unlawful discrimination.
- 4) Do not participate in any decision to direct business to a supplier owned or managed by a relative or close friend. Disclose the relationship in advance to those involved in making the decision.

When working with suppliers, we follow these guidelines

- 1) Safeguard our confidential and proprietary information with a confidentiality or non-disclosure agreement and safeguard any supplier-provided information protected by any similar agreement.
- 2) Require the highest standards of product quality, testing and inspections according to customer specifications, and communicate these expectations clearly.
- 3) Never accept loans, improper gifts other items of excessive value from suppliers. Many of our key customers and suppliers have multi-year contracts to foster strong relationships. Local leadership meets regularly with key customers and suppliers to discuss the business relationship.

Government regulators

Key areas of focus are compliance with laws and regulations health and safety and product safety. The Board of Directors is updated on legal and regulatory developments and takes these into account when considering future actions.

Employees

Our employees are fundamental to the delivery of our long-term plan. All new employees are required to acknowledge reading the Parent company's business code of conduct which establishes how all employees of the company should engage with stakeholders. The health, safety, and well-being of our employees is one of our primary considerations in the way we do business. We aim to recruit and develop local people and be a responsible employer in our approach to the pay and benefits our employees receive. We also work with our employees to support local causes and issues.

The Board of Directors, Parent and local leadership together take responsibility for safeguarding the interest of employees and the Company's obligations to the pension scheme. The company's leadership team hold quarterly sessions to update the employees on the operations, strategy of the business and to answer questions about the business.

Community and Environment

We conduct business in an environmentally responsible way by:

- 1) Operating our facilities in compliance with all environmental laws, rules and regulations
- 2) Providing management oversight of environmental practices at each plant
- 3) Training our employees in proper waste management procedures
- 4) Minimizing the creation of waste, especially hazardous waste, and disposing of all waste in a safe and responsible manner
- 5) Acting as good neighbours to our surrounding communities by communicating with the public regarding our environmental management practices and participating in community environmental improvement efforts

This report was approved by the board on 8/8/2024

and signed on its behalf.

Anthony Dimmer
Anthony Dimmer

Director

Wyman-Gordon Limited
Director Report
For the period ended 31 December 2023

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the period ended 31 December 2023.

Future developments

Details of future developments can be found in the strategic report on page 1 and form part of this report by cross reference.

Dividends

Dividends paid during the period are as follows:

	Period Ended 31 December 2023 £'000	Period Ended 01 January 2023 £'000
Dividends	Nil	Nil

Directors

The directors who served during the period and subsequently are shown below:

A Armagno

R Beyer

S Hagel

J Puetz

A Dimmer

Directors' indemnities

As permitted by the Companies Act 2006, the Company has indemnified the directors in respect of proceedings brought by third parties and qualifying third party indemnity insurance was in place throughout the year and up to the date of approval of the financial statements.

Financial risk management objectives

The financial risk management objectives and policies of the Company, including exposure to currency risk, credit risk, and liquidity risk are set out below.

Foreign exchange transactional currency exposure

The Company is exposed to currency exchange rate risk due to significant proportion of its trade receivables, and trade payables for purchase of inventories, being denominated in non-functional currencies. In order to mitigate this risk, the group treasury function provided natural hedges against currency exposures and the company also uses foreign exchange derivatives.

Customer credit exposure

The Company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and diligence performed around customer acceptance.

Wyman-Gordon Limited
Director Report
For the period ended 31 December 2023

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses cash pooling facility provided by fellow group companies.

Employees

Applications of employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. There is also an equal opportunities policy to ensure that all employees are treated equally in terms of employment, training, career development and promotion. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

Employee engagement

Details on employee engagement can be found within the Company's Section 172 statement in the strategic report on page 2 and form part of this report by cross reference.

Streamlined energy and carbon reporting (SECR)

This section has been prepared in compliance with the SECR Framework as implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Methodologies

The information reported below shall include the impact from all relevant activities where the Company exhibits financial and/or operational control. The Company shall use verifiable data where practicable, or through reasonable estimates derived through calculation based on verifiable data. The below data includes UK consumption of electricity, gas and transport fuels where the Company is directly responsible for such fuel usage.

GHG Emissions

	Units	Period Ended 31 December 2023	Period Ended 01 January 2023
Emissions from combustion of gas (Scope 1)	tCO2e	12,507	10,935
Emissions from consumption of fuel for transport purposes (Scope 1)	tCO2e	131	140
Emissions from purchased electricity (Scope 2)	tCO2e	2511	2,080
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing fuel (Scope 3)	tCO2e	1	1
Total gross emissions	tCO2e	15,150	13,156
Energy consumption used to calculate above emissions	KWh	80,504,898	70,664,470
Intensity Ratio	tCO2e	0.0807	0.0860

Intensity ratios have been calculated by dividing tonnes CO2e by the total standard hours produced. The 'earned standard hours' is the metric that is most closely tied to the volume of production.

Wyman-Gordon Limited
Director Report
For the period ended 31 December 2023

Energy efficiency

The Company continues to focus on reducing energy consumption and carbon emissions. Energy Saving Opportunity Scheme audits have been completed and recommendations implemented. Examples of our main measures to achieve this were replacing inefficient assets with energy efficient equipment (such as LED lighting) and logistics efficiencies through driver training. Significant investments in solar farms at both the Livingston & Lincoln sites have been made in 2023 to reduce both cost and the Company's carbon footprint.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Wyman-Gordon Limited
Director Report
For the period ended 31 December 2023

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board on 8/8/2024

and signed on its behalf.

Anthony Dimmer

Anthony Dimmer

Director

Wyman-Gordon Limited
Independent Auditor Report
For the period ended 31 December 2023

Independent auditor's report to the members of Wyman Gordon Limited

Qualified opinion

We have audited the financial statements of Wyman Gordon Limited (the 'company') for the period ended 31 December 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

The company operates a defined benefit pension scheme.

Prophecy pension assets:

Included within the total gross pension assets of £86.8m (1 January 2023: £85.2m) are certain pension assets with a carrying value of £1.2m (1 January 2023: £1.2m) for which the directors were unable to obtain a valuation from the relevant investment advisor as at the balance sheet date. The investment advisor was unable to provide a valuation statement to the directors as at the financial period end date as a result of ongoing litigation relating to this investment. The company is not party to this litigation. Given this, the directors have valued this investment based on a valuation provided from the investment advisor as of 31 January 2020, less a discount, which has been included within the total gross pension assets valuation as set out above.

We were unable to obtain sufficient appropriate audit evidence about the carrying value of the pension assets described above of £1.2m (1 January 2023: £1.2m) at the balance sheet date, because we were unable to obtain direct confirmation from the investment advisor, nor were we able to obtain sufficient appropriate evidence by alternative means as to the valuation of this pension asset. Consequently, we were unable to satisfy ourselves as to the valuation of this pension asset. Further, we were unable to determine whether any adjustments to the carrying value of the pension assets were necessary and therefore whether there was any consequential effect on the statement of comprehensive income and the statement of financial position for the period ended 31 December 2023. Our opinion on the financial statements for the period ended 1 January 2023 was also qualified in respect of the same matter.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are

Wyman-Gordon Limited
Independent Auditor Report
For the period ended 31 December 2023

based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as inflation pressure, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to sufficient appropriate evidence about certain pension asset investments held at 31 December 2023. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Arising solely from the limitation on the scope of our work as described in the basis for qualified opinion section or our report:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

Wyman-Gordon Limited
Independent Auditor Report
For the period ended 31 December 2023

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and we determined that the laws and regulations most directly relevant to specific assertions in the financial statements are those related to the reporting framework (being FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' and the Companies Act 2006) and relevant tax legislation in the UK. In addition, we concluded that there are certain significant laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements such as health and safety regulations and employment law.
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for compliance procedures. We corroborated our inquiries by performing a legal and professional expenses review;
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by making enquiries of management and those charged with governance, and updating our understanding of the company's operations, financial reporting obligations and control environment, including around compliance with laws and regulations. We considered the risk of fraud to be higher through the potential for management override of controls.
- Audit procedures performed by the engagement team included:
 - identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud, particularly around journal processing;
 - journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business;
 - challenging assumptions and judgements made by management relating to its areas of significant estimation and judgement;

Wyman-Gordon Limited
Independent Auditor Report
For the period ended 31 December 2023

- reviewing legal and professional expenditure in the financial year to assess for any indicators of non-compliance with relevant laws and regulations; and
- completion of audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment by the engagement partner of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - knowledge of the industry in which the company operates and understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
 - understanding of the legal and regulatory requirements specific to the company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Lorraine Macphail
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow

8/8/2024

Wyman-Gordon Limited
Statement of comprehensive income
For the period ended 31 December 2023

	Note	Period Ended 31 December 2023 £ 000	Period Ended 1 January 2023 £ 000
Turnover	4	114,964	74,351
Cost of sales		(91,225)	(65,753)
Gross profit		23,738	8,598
Administrative expenses		(4,328)	(1,906)
Other operating (expenses)/income	5	6,076	4,510
Operating profit	5	25,487	11,202
Interest receivable and similar income	9	4,202	559
Interest payable and similar charges	10	-	(333)
Profit before tax		29,689	11,428
Tax credit/(charge)	11	(7,117)	(2,365)
Profit for the financial year		22,572	9,063
Remeasurement of net defined benefit asset/liability	18	(1,121)	32,902
Tax on components of comprehensive income	11	58	(8,226)
Other comprehensive income/ (expenses)		(1,063)	24,676
Total comprehensive income for the financial year		21,509	33,739

There are no recognised movements in comprehensive income other than those presented in the Profit and Loss Account. All activities derive from continuing operations.

The notes on pages 15 to 30 form part of these financial statements.

Wyman-Gordon Limited
Statement of financial position
For the period ended 31 December 2023

	Note	31 December 2023 £ 000	1 January 2023 £ 000
Fixed assets			
Tangible assets	12	36,962	37,073
Current assets			
Stocks	14	44,895	34,781
Debtors: amounts falling due after more than one year	15	-	-
Debtors: amounts falling due within one year	15	113,855	96,759
Cash at bank and in hand		-	-
Pension surplus	18	16,285	15,614
		175,035	147,154
Creditors: amounts falling due within one year	16	(36,854)	(30,441)
Net current assets		138,181	116,713
Total assets less current liabilities		175,143	153,786
Provisions for liabilities	20	(8,952)	(9,105)
Net assets		166,191	144,682
Capital and reserves			
Called up share capital	19	12,904	12,904
Profit and loss account		144,988	122,796
Revaluation reserve		8,299	8,982
Total shareholders' funds		166,191	144,682

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8/8/2024

Anthony Dimmer

Director

Anthony Dimmer

The notes on pages 15 to 30 form part of these financial statements.

Registered number: 02889486

Wyman-Gordon Limited
Statement of changes in equity
For the period ended 31 December 2023

	Called up share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total shareholders funds £ 000
Balance at 2 January 2022	12,904	9,919	87,631	110,454
Profit/(loss) for the year	-	-	9,063	9,063
Depreciation transfer	-	(937)	937	-
Remeasurement of the net defined benefit pension asset/liability	-	-	32,902	32,902
Tax on comprehensive income	-	-	(8,226)	(8,226)
Other comprehensive income	-	-	489	489
Total comprehensive income for the year	-	(937)	35,165	34,228
Balance at 1 January 2023	12,904	8,982	122,796	144,682
Profit/(loss) for the year	-	-	22,572	22,572
Depreciation transfer	-	(683)	683	-
Remeasurement of the net defined benefit pension asset/liability	-	-	(1,121)	(1,121)
Tax on comprehensive income	-	-	58	58
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(683)	22,192	21,509
Balance at 31 December 2023	12,904	8,299	144,988	166,191

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

1. General information

Wyman-Gordon Limited (the Company) is a private company limited by shares and incorporated in England and Wales under the companies Act of 2006 and registered in England and Wales. The address of the registered office is given on the Company Information page. The nature of the company's operations and its principal activity are set out in the Strategic report.

2. Accounting policies

2.1. Statement of compliance and basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the Companies Act 2006.

The entity meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel.

The company is exempt from the requirement to prepare and deliver group financial statements as it and all of its subsidiaries are included within the financial statements of Berkshire Hathaway Inc. which are publicly available on the United States Securities and Exchange Commission website.

The financial statements are made up to the nearest Sunday to the accounting reference date annually, resulting in a 52 week period, with the financial year 2023 ending on 31 December 2023 and the financial year 2022 ending on 1 January 2023. This in line with the requirements of the Companies Act as it falls within 7 days of the accounting reference date.

2.2. Going concern

The Company has considered the principal risks and uncertainties of the business and has set out its policy (as detailed in the Strategic report) for limiting those risks.

The Company pools all cash generated into, and also has access to a central cash pooling arrangement with its intermediate parent company, Precision Castparts Corp. ('PCC'). In addition, the directors have been supplied with a letter of support from PCC which will ensure any necessary financial support is provided within twelve months from the approval of these financial statements. The directors have satisfied themselves that PCC has the necessary financial resources to provide this support during this period, should it be required. Therefore, the directors have a reasonable expectation that the company has adequate resources internally and through its association with PCC, to continue in operational existence for the foreseeable future and as such, the going concern basis has been adopted in preparing the annual report and financial statements.

2.3. Foreign currency

The functional currency is considered to be sterling GBP because that is the currency of the primary economic environment in which the Company operates. The presentational currency of these financial statements is sterling GBP. Values are rounded to the nearest thousand.

Transactions in currencies other than the functional currency are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of

Wyman-Gordon Limited
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the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

2.4. Turnover

Turnover is stated net of VAT and trade discounts. Our product sales are recognised at the point in time when control of the product transfers to the customer, which coincides with customer pickup or product delivery or acceptance, depending on the terms of the arrangement.

2.5. Operating Leases

As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2.6. Financial instruments

Basic

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and account receivables and payables, are initially measured at the transaction price (adjusted for transaction cost) and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangement constitutes a financing transaction, such as a trade debtor or creditor on extended credit terms, initial measurement is at the present value of future cash flows discounted at a market rate of interest. Subsequent measurement is at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If such evidence is identified, an impairment loss is recognised in the statement of comprehensive income. For financial assets measured at amortised cost, the impairment loss is measured as the difference between carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. If the financial instrument has a variable interest rate the currently effective rate under the contract is used.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. At present, the Company has not offset any items.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

2.6. Financial instruments (continued)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Non-basic

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Derivative financial instruments

The PCC Treasury Team enters into derivative financial instruments on behalf of the Company to reduce exposure to foreign exchange risk. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately within the line items the derivative relates to.

2.7. Other interest receivable and other income

Interest income is recognised in profit or loss using the effective interest method.

2.8. Pensions

Defined contribution pension plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and has no further payment obligations. The contributions are recognised as an expense in profit or loss in the period as employees provide service. Amounts due but unpaid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

Under a defined benefit plan the Company's obligation is to provide the pension benefit to current and former employees on retirement and bear the actuarial risk and investment risk of the pension plan.

The net defined pension asset/ liability is calculated as the defined benefit obligation less the fair value of plan assets. The defined benefit obligation is calculated using the projected unit credit method, which involves estimating the amount of future benefit payments that employees have earned in return for their services, which is discounted to determine the present value. The discount rate used is the yield at the balance sheet date on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the obligations. The Company engages independent actuaries to calculate the obligation.

The cost of the defined benefit plan, recognised in profit or loss as employee costs for employee service rendered during the period, comprises:

- i. the increase in net pension benefit Asset/liability arising from employee service during the period; and
- ii. the cost of plan introductions, benefit changes, curtailments and settlements

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

2.8. Pensions (continued)

The Company determines the net interest expense for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments. This expense is recognised in profit or loss as a 'finance expense'.

Remeasurements of the net defined benefit Asset/liability are recognised in other comprehensive income in the period in which they occur. Remeasurements comprise actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and the return on net assets, less amounts included in net interest. Remeasurements are not reclassified into profit and loss.

2.9. Taxation

Current tax is recognised for the amount of income tax the Company expect to pay on taxable profit for the current or past reporting periods. This is determined based on the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Where applicable deferred tax balances are reversed if and when all conditions for retaining associated tax allowances for the cost of a fixed asset have been met; and

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

2.10. Tangible fixed assets

Tangible fixed assets were revalued in 2016 and stated at the market value as at date of revaluation, net of depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method as follows:

Buildings and leasehold improvements	Over 25 years
Machinery & other equipment	4-12 years
Production Tooling	1-3 years

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting period.

2.11. Impairment of assets

At each reporting date tangible and intangible fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.12. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method.

2.13. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15. Cash and cash equivalents

Cash and cash equivalents include cash in hand and highly liquid investments with maturities with three months or less at time of purchase.

2.16. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

3. Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgement had a significant effect on the amounts recognised in the financial statements:

Key source of estimation uncertainty – discount rate used to determine the carrying amount of the Company's defined benefit obligation and the valuation of an investment holding in the pension plan.

The Company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived.

For the purposes of the year-end accounting disclosures, we have made no allowance for the potential impact the High Court decision in Virgin Media vs NTL Pension Trustees case, could have on the Scheme's benefits. We have therefore assumed that any amendments made in the past are valid, and that benefits remain as set out in the current Scheme documentation.

4. Turnover

The company has only one principal class of business, that of the sale of goods. All revenue generated by the Company is from the UK

	Period ended 31 December 2023	Period ended 1 January 2023
	£ 000	£ 000
United Kingdom	114,964	74,351

5. Operating profit

	Period ended 31 December 2023	Period ended 1 January 2023
	£ 000	£ 000
Scrap sales	6,076	4,510
Depreciation on tangible assets	4,170	4,299
Utilities – electricity, gas, water	5,719	7,202
Foreign exchange gain/(loss)	1,066	(1,512)

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

6. Auditor remuneration

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Fees payable for audit of annual financial statements	97	95
Fees payable for taxation compliance services	-	24
Taxation advisory services	29	-
	126	119

7. Employees

Staff costs, including directors' remuneration were as follows:

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Wages and salaries	9,180	7,699
Social security costs	969	721
Pension costs	575	493
	10,724	8,913

The average monthly number of employees, including the executive directors, during the year was as follows:

	Period Ended 31 December 2023	Period Ended 1 January 2023
Manufacturing	182	167
Administration	19	18
	201	185

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

8. Directors' remuneration

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Aggregate remuneration	524	433
Amount receivable under long-term incentive schemes	159	111
Amounts paid into defined contribution benefit scheme	24	21

Highest paid directors remuneration

Aggregate remuneration	524	433
Amount receivable under long-term incentive schemes	159	111
Amounts paid into defined contribution benefit scheme	24	21

	No.	No.
Number of directors accruing benefits defined contribution schemes	1	1

Certain directors of the company are also directors of other PCC companies and the remuneration of those directors was paid by those companies. The company has paid no emoluments to those directors in the current or prior year. It is not practicable to ascertain the proportion of those director's emoluments that specifically relate to this company.

9. Other interest receivable and similar income

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Interest receivable on amounts owed by group undertakings	3,411	559
Net interest on pension asset	791	-
	4,202	559

10. Interest payable and similar charges

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Net interest on pension liability	-	333

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

11. Taxation

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Current tax on profits		
UK Corporation tax	6,936	1,635
Adjustments for prior year	38	49
Total current tax	6,974	1,684
Deferred Tax		
Origination and reversal of timing differences	173	930
Adjustments for prior years	(39)	(249)
Changes to tax rates	9	-
Other	-	-
Total deferred tax	143	681
Total tax on profits	7,117	2,365

A deferred tax benefit of £58k (1 January 2023: £8,226k charge) has been recognized in other comprehensive income (OCI) relating to revaluations and actuarial movements in defined benefit pension balances presented in OCI.

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom at 23.5% (1 January 2023: 19%) the differences are explained below.

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Profit on ordinary activities before tax	29,592	11,428
Profit multiplied by the standard rate of tax in the UK		
Effects of:		
Adjustments for prior years	(1)	(200)
Changes to tax rates	9	223
Fixed asset differences	-	111
Unrecognized deferred tax	-	-
Expenses not deductible for tax purposes	149	-
Income not taxable for tax purposes	-	-
Other	-	60
Total tax charge for the period	7,117	2,365

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

11. Taxation (Continued)

From 1 April 2023 the corporation tax rate increased to 25%. Since the proposal to increase the rate to 25% has been substantively enacted at the balance sheet date, its effects are included in the deferred tax provision as appropriate.

The deferred tax liability and provision consists of the following deferred tax assets and liabilities:

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Accelerated capital allowances	4,871	4,775
Defined benefit pensions	4,081	3,829
Other timing differences	-	-
	8,952	8,604

12. Tangible fixed assets

	Construction in progress £ 000	Land & Building/Leasehold £ 000	Machinery/Fixtures and Fittings £ 000	Total £ 000
Cost				
1 January 2023	1,884	13,434	77,487	92,805
Additions	4,059	-	-	4,059
Disposals	-	-	-	-
Transfers	(3,006)	430	2,576	-
31 December 2023	2,937	13,864	80,063	96,864
Depreciation				
1 January 2023	-	4,154	51,578	55,732
Charge for year	-	594	3,576	4,170
Disposals	-	-	-	-
31 December 2023	-	4,748	55,154	59,902
Net Book Value				
At 1 January 2023	1,884	9,280	25,909	37,073
At 31 December 2023	2,937	9,116	24,909	36,962

Land and buildings and plant and machinery were independently valued by Stout Risius Ross as part of the FRS 102 transition in 2015 on the basis of highest and best use, which has been determined on a depreciated replacement cost basis and reflects the existing use value of both the premises, and plant and machinery, based on its continued use by Wyman-Gordon Limited. This valuation would not necessarily be reflective of the market value of the property should it be sold to a third party. This valuation was arrived at on the basis of an inspection and survey of Wyman-Gordon Limited's land and buildings and plant and machinery. The company does not adopt a revaluation policy for its land and buildings or plant and machinery, and opted to use fair value at the date of transition to FRS 102 as the deemed cost going forward. Pre revaluation, the cost of the revalued assets was £11m for Machinery, Fixtures and Fittings.

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

13. Investments

Name of Company	Holding %	Principal Activity	Registered Address
Wyman-Gordon (Lincoln) Limited	100%	Dormant	C/O Special Metals Wiggins Ltd, Holmer Road, Hereford, HR4 9SL

14. Stocks

	Period ended 31 December 2023 £ 000	Period ended 1 January 2023 £ 000
Raw material and consumables	15,139	10,725
Work in Progress	26,202	21,595
Finished goods	3,554	2,461
	44,895	34,781

Provision against stock recognised as an expense during the period was £160,000 (2022: £(145,000)).

Stock recognised in cost of sales during the year as an expense was £74,631,000 (2022 : £52,668,000)

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

15. Debtors

	Period Ended 31 December 2023 £ 000	Period Ended 1 January 2023 £ 000
Due within one year		
Trade debtors	14,762	14,414
Prepayments and accrued income	226	749
Amounts owed by group undertakings	98,527	81,092
Derivative financial instruments	40	-
Other debtors	300	504
	113,855	96,759

Amounts owed by group undertakings are all repayable on demand and unsecured. Amount of interest earned/charged on cash pooling balances is dependent on which currency the cash pool balances relates to and overall cash pool position (debtor or creditor position for the cash pool balance of that currency). The range of interest rates for the period were earnings of 1.20-4.46% to charges of 3.10-5.43%.

16. Creditors

	Period Ended 31 December 2023 £ 000	Period Ended 1 January 2023 £ 000
Creditors: amounts falling due within one year		
Trade creditors	7,061	5,706
Amounts owed to group undertaking	22,213	20,963
Other taxation and social security	6,065	1,742
Accruals and deferred income	1,515	2,025
Derivative financial instruments	-	5
Other creditors	-	-
	36,854	30,441

Amounts owed to group undertakings are repayable on demand, interest free and unsecured. Amount of interest earned/charged on cash pooling balances is dependent on which currency the cash pool balances relates to and overall cash pool position (debtor or creditor position for the cash pool balance of that currency). The range of interest rates for the period were earnings of 1.20-4.46% to charges of 3.10-5.43%.

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

17. Leases

The Company's future minimum lease payments under non-cancellable operating leases are as follows:

	Period Ended 31 December 2023 £ 000	Period Ended 1 January 2023 £ 000
Not later than one year	6	5
Later than one year and not later than five years	14	14
Later than five years	-	-
	20	19

18. Pension Commitments

The Company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £575,000 (1 January 2023: £493,000).

The company operates a defined benefit pension scheme which is funded by the payment of contributions to a separately administered fund. The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The scheme closed to future accrual on 28 February 2021.

The last funding valuation of the plan was carried out by a qualified actuary as at 30 June 2023 and showed an excess of £13,300,000. The company is no longer paying deficit contributions. The next funding valuations is due no later than 30 June 2026.

The Plan's investment in Prophecy and it's related interest has been placed in a liquidating trust. While, the trustee has provided the Plan with an estimate of expected future proceeds which may be available to the Plan, taking into account the trustee's best estimate of future trust expenses and possible future developments, the investment advisors were unable to provide a reliable valuation statement, as at the year end, to the directors. This was as a result of the ongoing litigation relating to this investment. The company is not party to this litigation. Given the significant uncertainty associated with the ultimate value to be paid out, the directors believe their current discounted valuation is appropriate.

Reconciliation of present value of plan liabilities:

	Period Ended 31 December 2023 £ 000	Period Ended 1 January 2023 £ 000
Opening defined benefits obligation	69,630	106,812
Interest costs	3,251	1,996
Actuarial (gains)/losses	1,433	(35,653)
Remeasurements - effect of changes in assumptions	-	-
Net benefits paid out	(3,818)	(3,525)
Defined benefit obligation at the end of the period	70,496	69,630

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

Reconciliation of the fair value of plan assets:

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Fair value of plan assets at start of period	85,244	88,254
Interest income	4,042	1,663
Return on plan assets, less amount recognized as interest	312	(2,751)
Contributions	1,300	2,050
Administrative expenses	(299)	(447)
Net benefits paid out	(3,818)	(3,525)
Fair value of plan assets at the end of the period	86,781	85,244
Fair value of plan assets	86,781	85,244
Defined benefit obligation	(70,496)	(69,630)
Net defined benefit pension scheme surplus (liability)	16,285	15,614

The amounts recognised in profit or loss are as follows:

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Net Interest (received)/expense	(791)	333
Administrative expenses	299	447
	(492)	780
Recognized in other comprehensive income	1,121	(32,902)
Total cost / (income) relating to defined benefit scheme	629	(32,122)

Composition of plan assets:

	Period Ended 31 December 2023	Period Ended 1 January 2023
	£ 000	£ 000
Equities	10,926	11,458
Fixed Interest - UK bonds	42,523	30,978
Alternatives	17,614	22,491
Other	15,718	20,317
	86,781	85,244

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

Pension actuarial assumptions at the Statement of financial position date:

	Period Ended 31 December 2023	Period Ended 1 January 2023
	%	%
Discount Rate	4.55	4.80
Future salary increases	n/a	n/a
Future pension increases	2.85	2.95
Inflation assumptions	3.15	3.30
Mortality rates		
Life expectancy for male currently aged 65	19.9	20.4
Life expectancy for female currently aged 65		
Life expectancy at 65 for active male currently aged 45	21.2	21.7
Life expectancy at 65 for active female currently aged 45		

19. Capital and reserves

Share capital

12,904,000 ordinary shares allotted and fully paid of £1.00 each were outstanding at the end of current and prior periods.

Profit and loss account

The profit and loss account represents cumulative retained profits or losses from prior and current periods.

20. Provisions for Liabilities

	Deferred Tax	Environmental	Other	Total
Opening Balance	(8,604)	(207)	(300)	(9,111)
Additions – OCI	(205)	-	-	(205)
Additions in P/L	(143)	-	-	(143)
Utilised/Released	-	207	300	507
Closing Balance	(8,952)	-	-	(8,952)

21. Derivative financial instruments

The carrying values of the company's derivatives measured at fair value through profit or loss are shown below.

	Period Ended 31 December 2023 £ 000	Period Ended 1 January 2023 £ 000
Financial assets	40	-
Financial liabilities	-	5

Derivative financial instruments measured at fair value comprise forward foreign currency contracts valued using observable forward exchange rates and interest rates corresponding to the maturities of the contracts.

Wyman-Gordon Limited
Notes to the financial statements
For the period ended 31 December 2023

The parent company enters into forward contracts to hedge against foreign currency fluctuations. At 31 December 2023, the company was contracted to purchase USD to the value of \$6,600,000 (2022: \$2,600,000). The parent company does not hold derivatives for speculative purposes.

22. Post balance sheet events

There have been no post balance sheets events identified by management and those charged with governance.

There is an active proposal to strike off Wyman- Gordon (Lincoln) Limited from ownership as noted in Note 13.

23. Immediate and ultimate controlling party

The company's immediate parent undertaking is Wyman-Gordon Forgings Inc. a company incorporated in Delaware in the United States of America. The largest group in which the results of the company are consolidated is that headed by the ultimate parent undertaking Berkshire Hathaway Inc, a company incorporated in Delaware in the United States of America (registered office address 3555 Farnam Street, Omaha, Nebraska 68131 United States of America) from which the group financial statements are publicly available. The smallest group in which the results of the company are consolidated is that headed by Precision Castpart Corp. These financial statements are not publicly available.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Berkshire Hathaway Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Berkshire Hathaway Inc. and subsidiaries (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of earnings, comprehensive income, changes in shareholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective January 1, 2023, the Company adopted Accounting Standards Update 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts, using the modified retrospective approach.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Continued)

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Unpaid Losses and Loss Adjustment Expenses — Refer to Notes 1 and 16 to the financial statements

Critical Audit Matter Description

The Company's unpaid losses and loss adjustment expenses ("claim liabilities") include short duration property and casualty insurance and reinsurance contracts. Key assumptions affecting certain of these claim liabilities include anticipated claims and their severity, expected loss ratios, and expected patterns of paid and incurred losses.

Given the subjectivity of estimating these key assumptions, performing audit procedures to evaluate whether certain of these claim liabilities were appropriately recorded as of December 31, 2023 required a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the key assumptions affecting certain of these claim liabilities included the following, among others:

- We tested the operating effectiveness of controls over claim liabilities, including those over the key assumptions.
- We tested the underlying data that served as the basis for the actuarial analysis to evaluate that the inputs to the actuarial estimate were accurate and complete.
- With the assistance of our actuarial specialists:
 - We developed independent estimates of the claim liabilities, including loss data and industry claim development factors as needed, and compared our estimates to management's estimates.
 - We compared prior year estimates of expected incurred losses to actual experience during the most recent year to identify potential bias in management's determination of the claim liabilities.

Unpaid Losses and Loss Adjustment Expenses — Retroactive Reinsurance Contracts — Refer to Notes 1 and 17 to the financial statements

Critical Audit Matter Description

The Company's unpaid losses and loss adjustment expenses under retroactive reinsurance contracts ("retroactive claim liabilities") include property and casualty retroactive reinsurance contracts. Key assumptions affecting certain of these retroactive claim liabilities include anticipated claims and their severity, expected loss ratios, and expected patterns of paid and incurred losses.

Given the subjectivity of estimating these key assumptions, performing audit procedures to evaluate whether certain of these claim liabilities were appropriately recorded as of December 31, 2023, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the key assumptions affecting claim liabilities included the following, among others:

- We tested the operating effectiveness of controls over claim liabilities, including those over the key assumptions.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Continued)

- We tested the underlying data that served as the basis for the actuarial analysis, including historical claims, to test that the inputs to the actuarial estimate were accurate and complete.
- With the assistance of our actuarial specialists:
 - We developed independent claim liability estimates for certain retroactive reinsurance contracts and compared our estimates to management's estimates. For other retroactive reinsurance contracts, we evaluated the process used by management to develop the estimated claim liabilities.
 - We compared prior year estimates of expected incurred losses to actual experience during the most recent year to identify potential bias in management's determination of the claim liabilities.

Goodwill and Indefinite-Lived Intangible Assets — Refer to Notes 1 and 13 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and indefinite-lived intangible assets for impairment involves the comparison of the fair value of each reporting unit or asset to its carrying value. As of December 31, 2023, goodwill of approximately \$8 billion and indefinite-lived intangible assets of \$13 billion were recorded at the Precision Castparts Corp. ("PCC") reporting unit. PCC primarily uses discounted projected future net earnings to estimate fair value, which requires management to make significant estimates and assumptions related to forecasted future revenue, earnings before interest and taxes ("EBIT"), and discount rates.

Given the significant judgments made by management in their evaluation of potential impairment of PCC goodwill and PCC indefinite-lived intangible assets and the difference between their fair values and carrying values, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions required a high degree of auditor judgment. Increased audit effort, including the need to involve our fair value specialists, was required to test management's estimates and assumptions of forecasted future revenue and EBIT and the selection of the discount rate.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasts of future revenue and EBIT and the selection of the discount rate for the PCC reporting unit and certain customer relationships included the following, among others:

- We tested the effectiveness of controls over goodwill and indefinite-lived intangible assets, including those over the forecasts of future revenue and EBIT and the selection of the discount rate.
- We evaluated management's ability to accurately forecast future revenue and EBIT by comparing prior year forecasts to actual results in the respective years.
- We evaluated the reasonableness of management's current revenue and EBIT forecasts by comparing the forecasts to historical results, newly executed long-term contracts, customer demand and build schedules, and forecasted information included in analyst and industry reports and certain peer companies' disclosures.
- With the assistance of our fair value specialists, we evaluated the valuation methodologies, the terminal growth rates and discount rate, including testing the underlying source information and the mathematical accuracy of the calculations, and developed a range of independent estimates and compared those to the terminal growth rates and discount rate selected by management.
- With the assistance of our fair value specialists, we evaluated the valuation methodologies, and the terminal growth rates and discount rate. We tested the underlying source information and mathematical accuracy of calculations and developed a range of independent estimates and compared those to the terminal growth rates and discount rate selected by management.

/s/ Deloitte & Touche LLP
Omaha, Nebraska
February 24, 2024

We have served as the Company's auditor since 1985.

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

	December 31,	
	2023	2022
ASSETS		
<i>Insurance and Other:</i>		
Cash and cash equivalents*	\$ 33,672	\$ 32,260
Short-term investments in U.S. Treasury Bills	129,619	92,774
Investments in fixed maturity securities	23,758	25,128
Investments in equity securities	353,842	308,793
Equity method investments	29,066	28,050
Loans and finance receivables	24,681	23,208
Other receivables	44,174	43,490
Inventories	24,159	25,366
Property, plant and equipment	22,030	21,113
Equipment held for lease	16,947	15,584
Goodwill	50,868	51,522
Other intangible assets	29,327	29,187
Deferred charges - retroactive reinsurance	9,495	9,870
Other	19,568	19,657
	811,206	726,002
<i>Railroad, Utilities and Energy:</i>		
Cash and cash equivalents*	4,350	3,551
Receivables	7,086	4,795
Property, plant and equipment	177,616	160,268
Goodwill	33,758	26,597
Regulatory assets	5,565	5,062
Other	30,397	22,190
	258,772	222,463
	<u>\$ 1,069,978</u>	<u>\$ 948,465</u>

* Includes U.S. Treasury Bills with maturities of three months or less when purchased of \$4.8 billion at December 31, 2023 and \$2.6 billion at December 31, 2022.

See accompanying Notes to Consolidated Financial Statements

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

	December 31,	
	2023	2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Insurance and Other:</i>		
Unpaid losses and loss adjustment expenses	\$ 111,082	\$ 107,472
Unpaid losses and loss adjustment expenses - retroactive reinsurance contracts	34,647	35,415
Unearned premiums	30,507	28,657
Life, annuity and health insurance benefits	20,213	19,753
Other policyholder liabilities	11,545	11,370
Accounts payable, accruals and other liabilities	32,402	33,201
Aircraft repurchase liabilities and unearned lease revenues	8,253	6,820
Notes payable and other borrowings	42,692	46,538
	291,341	289,226
<i>Railroad, Utilities and Energy:</i>		
Accounts payable, accruals and other liabilities	22,461	16,615
Regulatory liabilities	6,818	7,369
Notes payable and other borrowings	85,579	76,206
	114,858	100,190
Income taxes, principally deferred	93,009	77,368
Total liabilities	499,208	466,784
Redeemable noncontrolling interests	3,261	—
<i>Shareholders' equity:</i>		
Common stock	8	8
Capital in excess of par value	34,480	35,167
Accumulated other comprehensive income	(3,763)	(5,052)
Retained earnings	607,350	511,127
Treasury stock, at cost	(76,802)	(67,826)
Berkshire Hathaway shareholders' equity	561,273	473,424
Noncontrolling interests	6,236	8,257
Total shareholders' equity	567,509	481,681
	\$ 1,069,978	\$ 948,465

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2023	2022	2021
Revenues:			
<i>Insurance and Other:</i>			
Insurance premiums earned	\$ 83,403	\$ 74,576	\$ 69,460
Sales and service revenues	155,687	157,518	145,043
Leasing revenues	8,416	7,514	5,988
Interest, dividend and other investment income	15,561	10,263	7,465
	263,067	249,871	227,956
<i>Railroad, Utilities and Energy:</i>			
Freight rail transportation revenues	23,791	25,802	23,177
Utility and energy operating revenues	72,693	21,023	18,891
Service revenues and other income	4,931	5,324	6,161
	101,415	52,149	48,229
Total revenues	364,482	302,020	276,185
Investment and derivative contract gains (losses)	74,855	(67,899)	78,542
Costs and expenses:			
<i>Insurance and Other:</i>			
Insurance losses and loss adjustment expenses	57,187	57,646	49,964
Life, annuity and health benefits	4,029	5,243	5,824
Insurance underwriting expenses	15,270	11,706	12,559
Cost of sales and services	122,569	124,319	114,138
Cost of leasing	6,037	5,550	4,201
Selling, general and administrative expenses	22,605	19,506	18,843
Interest expense	1,258	1,187	1,086
	228,955	225,157	206,615
<i>Railroad, Utilities and Energy:</i>			
Freight rail transportation expenses	16,464	17,282	14,477
Utilities and energy cost of sales and other expenses	67,964	15,896	13,959
Other expenses	4,016	4,984	5,615
Interest expense	3,745	3,165	3,086
	92,189	41,327	37,137
Total costs and expenses	321,144	266,484	243,752
Earnings (loss) before income taxes and equity method earnings	118,193	(32,363)	110,975
Equity method earnings	1,973	1,863	886
Earnings (loss) before income taxes	120,166	(30,500)	111,861
Income tax expense (benefit)	23,019	(8,502)	20,912
Net earnings (loss)	97,147	(21,998)	90,949
Earnings attributable to noncontrolling interests	924	761	1,012
Net earnings (loss) attributable to Berkshire Hathaway shareholders	\$ 96,223	\$ (22,759)	\$ 89,937
Net earnings (loss) per average equivalent Class A share	\$ 66,412	\$ (15,494)	\$ 59,554
Net earnings (loss) per average equivalent Class B share*	\$ 44.27	\$ (10.33)	\$ 39.70
Average equivalent Class A shares outstanding	1,448,880	1,468,876	1,510,180
Average equivalent Class B shares outstanding	2,173,319,709	2,203,313,642	2,265,269,867

* Net earnings per average equivalent Class B share outstanding are equal to one-fifteen-hundredth of the equivalent Class A amount. See Note 22.

See accompanying Notes to Consolidated Financial Statements

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in millions)

	Year Ended December 31,		
	2023	2022	2021
Net earnings (loss)	\$ 97,147	\$ (21,998)	\$ 90,949
Other comprehensive income:			
Unrealized gains (losses) on investments	477	(713)	(217)
Applicable income taxes	(100)	158	50
Foreign currency translation	782	(2,138)	(1,011)
Applicable income taxes	(7)	22	(6)
Long-duration insurance contract discount rate changes	(237)	7,177	2,108
Applicable income taxes	49	(1,540)	(453)
Defined benefit pension plans	578	(253)	1,775
Applicable income taxes	(123)	47	(457)
Other, net	(101)	250	100
Other comprehensive income, net	1,318	3,010	1,889
Comprehensive income	98,465	(18,988)	92,838
Comprehensive income attributable to noncontrolling interests	953	700	1,030
Comprehensive income attributable to Berkshire Hathaway shareholders	\$ 97,512	\$ (19,688)	\$ 91,808

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in millions)

	Berkshire Hathaway shareholders' equity					
	Common stock and capital in excess of par value	Accumulated other comprehensive income	Retained earnings	Treasury stock	Non-controlling interests	Total
Balance at December 31, 2020	\$ 35,634	\$ (4,243)	\$ 444,626	\$ (32,853)	\$ 8,172	\$ 451,336
Adoption of ASU 2018-12	—	(5,751)	(677)	—	—	(6,428)
Balance at January 1, 2021	35,634	(9,994)	443,949	(32,853)	8,172	444,908
Net earnings (loss)	—	—	89,937	—	1,012	90,949
Other comprehensive income, net	—	1,871	—	—	18	1,889
Acquisition of common stock	—	—	—	(26,942)	—	(26,942)
Transactions with noncontrolling interests and other	(34)	—	—	—	(471)	(505)
Balance at December 31, 2021	35,600	(8,123)	533,886	(59,795)	8,731	510,299
Net earnings (loss)	—	—	(22,759)	—	761	(21,998)
Other comprehensive income, net	—	3,071	—	—	(61)	3,010
Acquisition of common stock	—	—	—	(8,031)	—	(8,031)
Transactions with noncontrolling interests and other	(425)	—	—	—	(1,174)	(1,599)
Balance at December 31, 2022	35,175	(5,052)	511,127	(67,826)	8,257	481,681
Net earnings (loss)	—	—	96,223	—	924	97,147
Other comprehensive income, net	—	1,289	—	—	29	1,318
Acquisition of common stock	—	—	—	(8,976)	—	(8,976)
Transactions with noncontrolling interests and other	(687)	—	—	—	(2,974)	(3,661)
Balance at December 31, 2023	\$ 34,488	\$ (3,763)	\$ 607,350	\$ (76,802)	\$ 6,236	\$ 567,509

See accompanying Notes to Consolidated Financial Statements

BERKSHIRE HATHAWAY INC.
and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net earnings (loss)	\$ 97,147	\$ (21,998)	\$ 90,949
Adjustments to reconcile net earnings (loss) to operating cash flows:			
Investment (gains) losses	(74,855)	67,623	(77,576)
Depreciation and amortization	12,486	10,899	10,718
Other	(6,023)	(4,206)	(3,382)
Changes in operating assets and liabilities:			
Unpaid losses and loss adjustment expenses	2,628	4,057	4,194
Deferred charges - retroactive reinsurance	375	769	1,802
Unearned premiums	1,854	1,861	2,306
Receivables and originated loans	(1,949)	(5,621)	(5,864)
Inventories	1,426	(4,779)	(1,862)
Other assets	(1,328)	(378)	154
Other liabilities	2,570	1,995	2,658
Income taxes	14,865	(12,872)	15,330
Net cash flows from operating activities	49,196	37,350	39,427
Cash flows from investing activities:			
Purchases of equity securities	(16,462)	(67,930)	(8,448)
Sales of equity securities	40,631	33,664	15,849
Purchases of U.S. Treasury Bills and fixed maturity securities	(235,007)	(183,922)	(152,637)
Sales of U.S. Treasury Bills and fixed maturity securities	52,302	90,088	27,188
Redemptions and maturities of U.S. Treasury Bills and fixed maturity securities	153,201	66,318	160,402
Acquisitions of businesses, net of cash acquired	(8,604)	(10,594)	(456)
Purchases of property, plant and equipment and equipment held for lease	(19,409)	(15,464)	(13,276)
Other	685	239	770
Net cash flows from investing activities	(32,663)	(87,601)	29,392
Cash flows from financing activities:			
Proceeds from borrowings of insurance and other businesses	2,133	7,822	2,961
Repayments of borrowings of insurance and other businesses	(5,921)	(1,502)	(3,032)
Proceeds from borrowings of railroad, utilities and energy businesses	5,684	4,873	3,959
Repayments of borrowings of railroad, utilities and energy businesses	(5,390)	(2,426)	(4,016)
Changes in short term borrowings, net	2,407	(596)	(624)
Acquisitions of treasury stock	(9,171)	(7,854)	(27,061)
Other, principally transactions with noncontrolling interests	(4,147)	(1,979)	(695)
Net cash flows from financing activities	(14,405)	(1,662)	(28,508)
Effects of foreign currency exchange rate changes	116	(394)	(1)
Increase (decrease) in cash and cash equivalents and restricted cash	2,244	(52,307)	40,310
Cash and cash equivalents and restricted cash at the beginning of the year*	36,399	88,706	48,396
Cash and cash equivalents and restricted cash at the end of the year*	\$ 38,643	\$ 36,399	\$ 88,706
* Cash and cash equivalents and restricted cash at the end of year are comprised of:			
Insurance and Other	\$ 33,672	\$ 32,260	\$ 85,319
Railroad, Utilities and Energy	4,350	3,551	2,865
Restricted cash included in other assets	621	588	522
	\$ 38,643	\$ 36,399	\$ 88,706

See accompanying Notes to Consolidated Financial Statements

BERKSHIRE HATHAWAY INC.
and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

(1) Significant accounting policies and practices

(a) Nature of operations and basis of consolidation

Berkshire Hathaway Inc. ("Berkshire") is a holding company owning subsidiaries engaged in numerous diverse business activities, including insurance and reinsurance, freight rail transportation, utilities and energy, manufacturing, service and retailing. In these notes the terms "us," "we," or "our" refer to Berkshire and its consolidated subsidiaries. Further information regarding our reportable business segments is contained in Note 26. Information concerning significant business acquisitions completed over the past three years appears in Note 2. We believe that reporting the Railroad, Utilities and Energy subsidiaries separately is appropriate given the relative significance of their long-lived assets, capital expenditures and debt, which is not guaranteed by Berkshire.

The accompanying Consolidated Financial Statements include the accounts of Berkshire consolidated with the accounts of all subsidiaries and affiliates in which we hold a controlling financial interest as of the financial statement date. Normally a controlling financial interest reflects ownership of a majority of the voting interests. We consolidate variable interest entities ("VIE") when we possess both the power to direct the activities of the VIE that most significantly affect its economic performance, and we (a) are obligated to absorb the losses that could be significant to the VIE or (b) hold the right to receive benefits from the VIE that could be significant to the VIE. Intercompany accounts and transactions have been eliminated. Certain immaterial balances in the Consolidated Financial Statements have been reclassified in prior years to conform to current year presentations.

(b) Use of estimates in preparation of financial statements

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States ("GAAP") which requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the balance sheet date and the reported amounts of certain revenues and expenses during the period. Our estimates of unpaid losses and loss adjustment expenses are subject to considerable estimation error due to the inherent uncertainty in projecting ultimate claim costs. In addition, estimates and assumptions associated with determinations of deferred charges on retroactive reinsurance contracts, fair values of certain financial instruments and evaluations of goodwill and indefinite-lived intangible assets for impairment require considerable judgment. Actual results may differ from the estimates used in preparing our Consolidated Financial Statements.

Our operating businesses have been impacted to varying degrees in recent years by government and private sector actions to mitigate the adverse economic effects of the COVID-19 virus and its variants as well as by the development of geopolitical conflicts, supply chain disruptions and government actions to slow inflation. The economic effects from these events over longer terms cannot be reasonably estimated at this time. Accordingly, significant estimates used in the preparation of our Consolidated Financial Statements, including those associated with evaluations of certain long-lived assets, goodwill and other intangible assets for impairment, expected credit losses on amounts owed to us and the estimations of certain losses assumed under insurance and reinsurance contracts, may be subject to significant adjustments in future periods.

(c) Cash and cash equivalents and short-term investments in U.S. Treasury Bills

Cash equivalents consist of demand deposit and money market accounts and investments with maturities of three months or less when purchased. Short-term investments in U.S. Treasury Bills have maturities exceeding three months and less than one year at the time of purchase.

(d) Investments in fixed maturity securities

We classify investments in fixed maturity securities on the acquisition date and at each balance sheet date. Securities classified as held-to-maturity are carried at amortized cost, reflecting the ability and intent to hold the securities to maturity. Securities classified as trading are acquired with the intent to sell in the near term and are carried at fair value with changes in fair value reported in earnings. All other securities are classified as available-for-sale and are carried at fair value. Our investments in fixed maturity securities are classified as available-for-sale. We amortize the difference between the original cost and maturity value of a fixed maturity security to earnings using the interest method.

Notes to Consolidated Financial Statements

(1) Significant accounting policies and practices

(d) Investments in fixed maturity securities

We record investment gains and losses on available-for-sale fixed maturity securities in earnings when the securities are sold. For securities in an unrealized loss position, we recognize a loss in earnings for the excess of amortized cost over fair value if we intend to sell before the price recovers. As of the balance sheet date, we evaluate whether the other unrealized losses are attributable to credit losses or other factors. We consider the severity of the decline in value, creditworthiness of the issuer and other relevant factors. We record an allowance for credit losses, limited to the excess of amortized cost over fair value, with a corresponding charge to earnings if the present value of estimated expected cash flows is less than the present value of contractual cash flows. The allowance may be subsequently increased or decreased based on the prevailing facts and circumstances. The portion of the unrealized loss that we believe is not related to a credit loss is recognized in other comprehensive income.

(e) Investments in equity securities

We carry investments in equity securities at fair value and record the changes in fair values in the Consolidated Statements of Earnings as a component of investment gains and losses.

(f) Investments under the equity method

We utilize the equity method to account for investments when we possess the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when the investor possesses more than 20% of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. We apply the equity method to investments in common stock and other investments when such investments possess substantially identical subordinated interests to common stock, and do not apply the equity method to investments that are not in-substance common stock as defined by GAAP.

In applying the equity method, we record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of the net earnings or losses and other comprehensive income of the investee. We record dividends or other equity distributions as reductions in the carrying value of the investment. If net losses reduce our carrying amount to zero, additional net losses may be recorded if other investments in the investee are at-risk, even if we have not committed to provide financial support to the investee. Such additional equity method losses are based upon the change in our claim on the investee's book value.

(g) Loans and finance receivables

Loans and finance receivables are primarily manufactured home loans, and to a lesser extent, commercial loans and site-built home loans. We carry substantially all loans and finance receivables at amortized cost, net of allowances for expected credit losses, based on our ability and intent to hold such loans to maturity. Acquisition costs and loan origination and commitment costs paid and fees received, as well as acquisition premiums or discounts, are amortized to investment income as yield adjustments over the lives of the loans.

Measurements of expected credit losses include provisions for non-collection, whether the risk is probable or remote. Expected credit losses on manufactured home loans are based on the net present value of future principal payments less estimated expenses related to the charge-off and foreclosure of expected uncollectible loans and include provisions for loans that are not in foreclosure. Our principal credit quality indicator is whether the loans are performing. Expected credit loss estimates consider historical default rates, collateral recovery rates, historical runoff rates, interest rates, reductions of future cash flows for modified loans and the historical time elapsed from last payment until foreclosure, among other factors. In addition, our estimates consider current conditions and reasonable and supportable forecasts.

Loans are considered delinquent when payments are more than 30 days past due. We place loans over 90 days past due on nonaccrual status and accrued but uncollected interest is reversed. Subsequent collections on the loans are first applied to the principal and interest owed for the most delinquent amount. We resume interest income accrual once a loan is less than 90 days delinquent.

Notes to Consolidated Financial Statements

(1) Significant accounting policies and practices

(g) Loans and finance receivables

Loans are considered non-performing when the foreclosure process has started. Once a loan is in the process of foreclosure, interest income is not recognized until the foreclosure is cured or the loan is modified. Once a modification is complete, interest income is recognized based on the terms of the new loan. Foreclosed loans are charged off when the collateral is sold. Loans not in foreclosure are evaluated for charge-off based on individual circumstances concerning the future collectability of the loan and the condition of the collateral securing the loan.

(h) Other receivables

Other receivables include balances due from customers, insurance premiums receivable and reinsurance losses recoverable, as well as other receivables. Trade receivables, insurance premiums receivables and other receivables are primarily short-term in nature with stated collection terms of less than one year from the date of origination. Reinsurance recoverables are comprised of amounts ceded under reinsurance contracts or pursuant to mandatory government-sponsored insurance programs. Reinsurance recoverables relate to unpaid losses and loss adjustment expenses arising from property and casualty contracts and benefits under life and health contracts. Receivables are stated net of estimated allowances for uncollectible balances.

We measure expected credit losses primarily utilizing credit loss history. In addition, our credit loss estimates consider current conditions and reasonable and supportable forecasts. In evaluating expected credit losses of reinsurance recoverables on unpaid losses, we review the credit quality of the counterparty and consider right-of-offset provisions within reinsurance contracts and other forms of credit enhancement including collateral, guarantees and other available information. We charge off receivables against the allowances after reasonable collection efforts are exhausted.

(i) Derivatives

We carry assets and liabilities arising from derivative contracts at fair value in other assets and accounts payable, accruals and other liabilities in our Consolidated Balance Sheets. Balances are net of reductions permitted under master netting agreements with counterparties. We record the changes in fair value of derivative contracts that do not qualify as hedging instruments for financial reporting purposes in earnings or, if such contracts involve our regulated utilities subsidiaries, as regulatory assets or liabilities when inclusion in regulated rates is probable.

(j) Fair value measurements

As defined under GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets when estimating fair value. In such circumstances, alternative valuation techniques may be appropriate to determine the value that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Market participants are assumed to be independent, knowledgeable, and able and willing to transact an exchange and not acting under duress. Our nonperformance or credit risk is considered in determining the fair value of liabilities. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

(k) Inventories

Inventories consist of manufactured goods, goods or products acquired for resale and homes constructed for sale. Manufactured inventory costs include materials, direct and indirect labor and factory overhead. At December 31, 2023, we used the last-in-first-out ("LIFO") method to value approximately 30% of consolidated inventories with the remainder primarily determined under first-in-first-out and average cost methods. Non-LIFO inventories are stated at the lower of cost or net realizable value. The excess of current or replacement costs over costs determined under LIFO was approximately \$2.3 billion as of December 31, 2023 and \$2.5 billion as of December 31, 2022.

Notes to Consolidated Financial Statements

(1) Significant accounting policies and practices

(l) Property, plant and equipment and equipment held for lease

We use property, plant and equipment in our operations. We also own equipment that we lease to others under lease contracts. We record additions to such property at cost, which includes asset additions, improvements and betterments. With respect to constructed assets, all materials, direct labor and contract services as well as certain indirect costs are capitalized. Indirect costs include interest over the construction period. With respect to constructed assets of our utility and energy subsidiaries that are subject to authoritative guidance for regulated operations, capitalized costs also include an allowance for funds used during construction, which represents the cost of equity funds used to finance the construction of the regulated facilities. Normal repairs and maintenance and other costs that do not improve the property, extend its useful life or otherwise do not meet capitalization criteria are charged to expense as incurred.

Depreciation of assets of our regulated utilities and railroad is generally determined using group depreciation methods where rates are based on periodic depreciation studies approved by the applicable regulator. Under group depreciation, a composite rate is applied to the gross investment in a particular class of property, despite differences in the service life or salvage value of individual property units within the same class. When such assets are retired or sold, no gain or loss is recognized. Gains or losses on disposals of all other assets are recorded through earnings.

Ranges of estimated useful lives of depreciable assets unique to our railroad business are as follows: track structure and other roadway – 10 to 100 years and locomotives, freight cars and other equipment – 6 to 45 years. Ranges of estimated useful lives of assets unique to our utilities and energy businesses are as follows: utility generation, transmission and distribution systems – 5 to 80 years, interstate natural gas pipeline assets – 3 to 80 years, independent power plants and other assets – 2 to 50 years, buildings and improvements – 10 to 30 years and machinery, equipment and other – 3 to 10 years. We depreciate property, plant and equipment used by our other businesses to the estimated salvage value primarily using the straight-line method over estimated service lives. Ranges of estimated service lives of depreciable assets used in our other businesses are as follows: buildings and improvements – 5 to 50 years, machinery and equipment – 3 to 25 years and furniture, fixtures and other – 3 to 15 years. We depreciate the equipment held for lease to estimated salvage value primarily using the straight-line method over estimated useful lives ranging from 3 to 35 years. We use declining balance depreciation methods for assets when the revenue-earning power of the asset is greater during the earlier years of its life.

We evaluate property, plant and equipment and equipment held for lease for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable or when the assets are held for sale. Upon the occurrence of a triggering event, we assess whether the estimated undiscounted cash flows expected from the use of the asset and the residual value from the ultimate disposal of the asset exceeds the carrying value. If the carrying value exceeds the estimated recoverable amounts, we reduce the carrying value to fair value and record an impairment loss in earnings, except with respect to impairment of assets of our regulated utility and energy subsidiaries where the impacts of regulation are considered in evaluating the carrying value.

(m) Leases

We are party to contracts where we lease property from others. When we lease assets from others, we record right-of-use assets and lease liabilities. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. In this regard, lease payments include fixed payments and variable payments that depend on an index or rate. The lease term is considered the non-cancellable lease period. Certain lease contracts contain renewal options or other terms that provide for variable payments based on performance or usage. Options are not included in determining right-of-use assets or lease liabilities unless it is reasonably certain that options will be exercised. Generally, incremental borrowing rates are used in measuring lease liabilities. Right-of-use assets are subject to review for impairment. As permitted under GAAP, for some leases we do not separate lease components from non-lease components by class of asset and we do not record assets or liabilities for leases with terms of one year or less.

(n) Goodwill and other intangible assets

Goodwill represents the excess of the acquisition price of a business over the acquisition date values of identified net assets of that business. We evaluate goodwill for impairment at least annually. When evaluating goodwill for impairment, we estimate the fair value of the reporting unit. Several methods may be used to estimate a reporting unit's fair value, including market quotations, asset and liability fair values and other valuation techniques, including, but not limited to, discounted projected future net earnings or net cash flows and multiples of earnings. When the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, the excess up to the balance of goodwill is charged to earnings as an impairment loss.

Notes to Consolidated Financial Statements

(1) Significant accounting policies and practices

(n) Goodwill and other intangible assets

Intangible assets with indefinite lives are also tested for impairment at least annually and when events or changes in circumstances indicate that, more-likely-than-not, the asset is impaired. Significant judgment is required in estimating fair values and performing goodwill and indefinite-lived intangible asset impairment tests. We amortize intangible assets with finite lives in a pattern that reflects the expected consumption of related economic benefits or on a straight-line basis over the estimated economic useful lives. Intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

(o) Revenue recognition

We earn insurance premiums on prospective property/casualty insurance and reinsurance contracts over the loss exposure or coverage period in proportion to the level of protection provided. We earn premiums, in most cases, ratably over the term of the contract with unearned premiums computed on a monthly or daily pro-rata basis. Premiums on retroactive property/casualty reinsurance contracts are normally received in full and are fully earned at the inception of the contracts, as all underlying loss events covered by the policies occurred prior to contract inception. Premiums for life reinsurance and periodic payment annuity contracts are earned when due. Premiums for periodic payment annuity contracts are fully received and earned at the inception of the contracts. Premiums earned are stated net of amounts ceded to reinsurers. Premiums earned on contracts with experience-rating provisions reflect estimated loss experience under such contracts.

Sales and service revenues are recognized when goods or services are transferred to a customer. A good or service is transferred when (or as) the customer obtains control of that good or service. Revenues are based on the consideration we expect to receive in connection with our promises to deliver goods and services to our customers.

We manufacture and/or distribute a wide variety of industrial, building and consumer products. Our sales contracts provide customers with products directly or through wholesale and retail channels in exchange for consideration specified under the contracts. Contracts generally represent customer orders for individual products at stated prices. Sales contracts may contain either single or multiple performance obligations. In instances where contracts contain multiple performance obligations, we allocate the revenue to each obligation based on the relative stand-alone selling prices of each product or service.

Sales revenues reflect reductions for returns, allowances, late delivery penalties, volume discounts and other incentives, some of which may be contingent on future events. In certain customer contracts, sales revenues include certain state and local excise taxes billed to customers on specified products when those taxes are levied directly upon us by the taxing authorities. Sales revenues exclude sales taxes and value-added taxes collected on behalf of taxing authorities. Sales revenues include consideration for shipping and other fulfillment activities performed prior to the customer obtaining control of the goods. We also elect to treat consideration for such services performed after control has passed to the customer as sales revenue.

Product sales revenues are generally recognized at a point in time when control of the product transfers to the customer, which coincides with customer pickup or product delivery or acceptance, depending on terms of the arrangement. We recognize sales revenues and related costs with respect to certain contracts over time, relating to certain bridge and structural steel, castings, forgings and aerostructures contracts. Control of the product units under these contracts transfers continuously to the customer as the product is manufactured. These products generally have no alternative use and the contract requires the customer to provide reasonable compensation if terminated for reasons other than breach of contract.

The primary performance obligation under our freight rail transportation service contracts is to move freight from a point of origin to a point of destination. The performance obligations are represented by bills of lading which create a series of distinct services that have a similar pattern of transfer to the customer. The revenues for each performance obligation are based on various factors including the product being shipped, the origin and destination pair and contract incentives, which are outlined in various private rate agreements, common carrier public tariffs, interline foreign road agreements and pricing quotes. The transaction price is generally a per car/unit amount to transport railcars from a specified origin to a specified destination. Freight revenues are recognized over time as the service is performed because the customer simultaneously receives and consumes the benefits of the service. Revenues recognized represent the portion of the service completed as of the balance sheet date. Invoices for freight transportation services are generally issued to customers and paid within 30 days or less. Customer incentives, which are primarily provided for shipping a specified cumulative volume or shipping to/from specific locations, are recorded as a reduction to revenue on a pro-rata basis based on actual or projected future customer shipments.

Notes to Consolidated Financial Statements

(1) Significant accounting policies and practices

(o) *Revenue recognition*

Utilities and energy revenues derive primarily from regulated electricity and natural gas sales and sales of fuel. Regulated electricity and natural gas revenues are primarily tariff-based sales arrangements approved by various regulatory commissions. These tariff-based revenues are mainly comprised of energy, transmission, distribution and natural gas and have performance obligations to deliver energy products and services to customers which are satisfied over time as energy is delivered or services are provided. Such revenues are equivalent to the amounts we have the right to invoice and correspond directly with the value to the customer of the performance to date and include billed and unbilled amounts. Payments from customers are generally due within 30 days of billing. Rates charged for regulated energy products and services are established by regulators or contractual arrangements that establish the transaction price, as well as the allocation of price among the separate performance obligations. When preliminary regulated rates are permitted to be billed prior to final approval by the applicable regulator, certain revenue collected may be subject to refund and a liability for estimated refunds is accrued. Nonregulated energy revenues include fuel sales, and to a lesser extent, renewable energy and other products. Fuels sold include diesel, gasoline and related products sold on a retail and wholesale basis. Fuel sales are recognized at the point-in-time when the product is delivered, and control is transferred to the customer, and include related excise taxes.

Other service revenues derive from contracts with customers in which performance obligations are satisfied over time, where customers receive and consume benefits as we perform the services or at a point in time when the services are completed. Other service revenues primarily derive from real estate brokerage, automotive repair, aircraft management, aviation training, franchising activities and news distribution.

Leasing revenue is generally recognized ratably over the term of the lease or based on usage, if applicable under the terms of the contract. A substantial portion of our lessor contracts are classified as operating leases.

(p) *Losses and loss adjustment expenses*

We record liabilities for unpaid losses and loss adjustment expenses under property/casualty insurance and reinsurance contracts for loss events that have occurred on or before the balance sheet date. Such liabilities represent the estimated ultimate payment amounts without discounting for time value.

We base liability estimates on (1) loss reports from policyholders and cedents, (2) individual case estimates and (3) estimates of incurred but not reported losses. Losses and loss adjustment expenses in the Consolidated Statements of Earnings include paid claims, claim settlement costs and changes in estimated claim liabilities. Losses and loss adjustment expenses in the Consolidated Statements of Earnings are stated net of amounts recovered and estimates of amounts recoverable under ceded reinsurance contracts. Reinsurance contracts do not relieve the ceding company of its obligations to indemnify policyholders with respect to the underlying insurance and reinsurance contracts.

(q) *Retroactive reinsurance contracts*

We record liabilities for unpaid losses and loss adjustment expenses under short duration retroactive reinsurance contracts consistent with property/casualty insurance and reinsurance contracts described in Note 1(p). With respect to retroactive reinsurance contracts, we also record deferred charge assets at the inception of the contracts, representing the excess, if any, of the estimated ultimate claim liabilities over the premiums earned. We subsequently amortize the deferred charge assets over the expected claim settlement periods using the interest method. Changes to the estimated timing or amount of future loss payments also produce changes in deferred charge assets. We apply changes in such estimates retrospectively and the resulting changes in deferred charge assets, together with periodic amortization, are included in insurance losses and loss adjustment expenses in the Consolidated Statements of Earnings.

(r) *Insurance policy acquisition costs*

We capitalize the direct incremental costs that relate to the successful sale of insurance contracts, subject to ultimate recoverability. Direct incremental acquisition costs include commissions, premium taxes and certain other costs associated with successful efforts. We expense all other underwriting costs as incurred. For short duration property and casualty insurance contracts, we amortize deferred policy acquisition costs over the contract term as the related premiums are earned. For long-duration life and health insurance contracts, we amortize deferred policy acquisition costs at a constant level based on the expected amount of insurance in-force and the expected term of the contract using the assumptions consistent with those used in determining related insurance liabilities. Deferred policy acquisition costs are included in other assets and were approximately \$4.6 billion and \$3.8 billion at December 31, 2023 and 2022, respectively, of which \$3.9 billion and \$3.2 billion, respectively, related to property and casualty insurance contracts.

Notes to Consolidated Financial Statements

(1) Significant accounting policies and practices

(s) Life, annuity and health insurance benefits

Liabilities for life, annuity and health insurance benefits under long-duration insurance contracts represent the present value of expected future cash outflows from future benefit payments and non-acquisition variable expenses, less the present value of expected future “net premiums” which is the portion of gross premiums required to provide for all expected future benefits and variable expenses. Periodic payment and annuity reinsurance contracts are regarded as limited payment contracts under GAAP. Such liabilities include the present value of expected future payments based on the discount rates used to measure benefit liabilities and a deferred profit liability, representing the unamortized excess of gross premiums received over the net premiums established at the inception of the contract.

In estimating future cash flows, we consider the timing and amount of future claims, premiums and expenses, which require estimates of future investment yields, expected mortality, morbidity and lapse rates. Cash flow assumptions are reviewed at least annually, with the effects of assumption changes recorded in earnings. The discount rate assumptions used to measure benefit liabilities are revised each reporting period based on the prevailing upper-medium grade corporate bond yields (generally single-A rated credit ratings) that reflect the duration characteristics and currency attributes of the liabilities. In measuring benefit liabilities, we generally group contracts by contract issue year. The effects of changes in discount rates are recorded in other comprehensive income.

(t) Regulated utilities and energy businesses

Certain energy subsidiaries prepare their financial statements in accordance with authoritative guidance for regulated operations, reflecting the economic effects of regulation from the ability to recover certain costs from customers and the requirement to return revenues to customers in the future through the regulated rate-setting process. Accordingly, certain costs are deferred as regulatory assets and certain income is accrued as regulatory liabilities.

Regulatory assets and liabilities will be amortized into operating expenses and revenues over various future periods. Regulatory assets and liabilities are continually assessed for probable future inclusion in regulatory rates by considering factors such as applicable regulatory or legislative changes and recent rate orders received by other regulated entities. If future inclusion in regulatory rates ceases to be probable, the amount no longer probable of inclusion in regulatory rates is charged or credited to earnings (or other comprehensive income, if applicable) or returned to customers.

(u) Foreign currency

The accounts of certain subsidiaries are measured using functional currencies other than the U.S. Dollar. Revenues and expenses in the financial statements of these subsidiaries are translated into U.S. Dollars at the average exchange rate for the period and assets and liabilities are translated at the exchange rate as of the end of the reporting period. The net effects of translating the financial statements of these subsidiaries are included in shareholders' equity as a component of accumulated other comprehensive income. Gains and losses arising from transactions denominated in a currency other than the functional currency of the entity, including gains and losses from the remeasurement of assets and liabilities due to changes in currency exchange rates, are included in earnings.

(v) Income taxes

Berkshire files a consolidated federal income tax return in the U.S., which includes eligible subsidiaries. In addition, we file income tax returns in U.S. state and local and in foreign jurisdictions. Provisions for current income tax liabilities are calculated and accrued on income and expense amounts expected to be included in the income tax returns for the current year. Income taxes reported in earnings also include deferred income tax provisions.

Deferred income tax assets and liabilities are computed on differences between the financial statement bases and tax bases of assets and liabilities at the enacted tax rates. Changes in deferred income tax assets and liabilities associated with components of other comprehensive income are charged or credited directly to other comprehensive income. Otherwise, changes in deferred income tax assets and liabilities are included as a component of income tax expense. The effect on deferred income tax assets and liabilities attributable to changes in enacted tax rates are charged or credited to income tax expense in the period of enactment. Valuation allowances are established for certain deferred income tax assets when realization is not likely.

Liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions, in our judgment, do not meet a more-likely-than-not threshold based on the technical merits of the positions. Estimated interest and penalties related to uncertain tax positions are included as a component of income tax expense.

Notes to Consolidated Financial Statements

(1) Significant accounting policies and practices

(w) Accounting pronouncement adopted in 2023

We adopted Accounting Standards Update 2018-12, “Targeted Improvements to the Accounting for Long-Duration Contracts” (“ASU 2018-12”), as of January 1, 2023, which modified the accounting, reporting and disclosures related to our long-duration insurance contracts. See Note 1(s). ASU 2018-12 was applied retrospectively as of January 1, 2021 (the “transition date”) to contracts in-force as of the transition date. As of the transition date, the after-tax impact of changes in cash flow assumptions were recorded in retained earnings and the after-tax effect of changes in discount rate assumptions were recorded in accumulated other comprehensive income.

Certain items in the accompanying Consolidated Financial Statements in 2022 and 2021 were revised in connection with the retrospective adoption. The revisions in 2022 and 2021 were primarily attributable to the effects of discount rate changes, which were recorded in accumulated other comprehensive income, and are shown in the accompanying Consolidated Statements of Comprehensive Income and Statements of Changes in Shareholders’ Equity. We also increased previously reported net earnings attributable to Berkshire Hathaway shareholders by \$142 million in 2021 and \$60 million in 2022. We believe such effects are immaterial to our Consolidated Financial statements.

A summary of the effects of adopting ASU 2018-12 on selected financial statement line items as of the transition date follows (in millions).

	Balance at December 31, 2020	Increase (decrease)	Balance at January 1, 2021
Life, annuity and health insurance benefits	\$ 21,616	\$ 7,220	\$ 28,836
Other policyholder liabilities	8,670	1,697	10,367
Income taxes, principally deferred	74,098	(1,695)	72,403
Accumulated other comprehensive income	(4,243)	(5,751)	(9,994)
Retained earnings	444,626	(677)	443,949
Berkshire Hathaway shareholders’ equity	443,164	(6,428)	436,736

(x) Accounting pronouncements to be adopted subsequent to December 31, 2023

In March 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2023-02, “Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method” (“ASU 2023-02”). ASU 2023-02 permits reporting entities to elect to account for tax equity investments from which the income tax credits are received using the proportional amortization method at the program level if certain conditions are met. Currently, the proportional amortization method is limited to certain affordable housing tax credit investments. ASU 2023-02 is effective for fiscal years beginning after December 15, 2023. We believe that the adoption of ASU 2023-02 will not have a material effect on our Consolidated Financial Statements.

In November 2023, the FASB issued Accounting Standards Update 2023-07, “Improvements to Reportable Segment Disclosures” (“ASU 2023-07”), which requires disclosures of significant expenses by segment and interim disclosure of items that were previously required on an annual basis. ASU 2023-07 is to be applied on a retrospective basis and is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We are evaluating the impact of ASU 2023-07 on disclosures in our Consolidated Financial Statements.

In December 2023, the FASB issued Accounting Standards Update 2023-09, “Improvements to Income Tax Disclosures” (“ASU 2023-09”), which provides for additional disclosures primarily related to the income tax rate reconciliations and income taxes paid. ASU 2023-09 requires entities to annually disclose the income tax rate reconciliation using both amounts and percentages, considering several categories of reconciling items, including state and local income taxes, foreign tax effects, tax credits and nontaxable or nondeductible items, among others. Disclosure of the reconciling items is subject to a quantitative threshold and disaggregation by nature and jurisdiction. ASU 2023-09 also requires entities to disclose net income taxes paid or received to federal, state and foreign jurisdictions, as well as by individual jurisdiction, subject to a five percent quantitative threshold. ASU 2023-09 may be adopted on a prospective or retrospective basis and is effective for fiscal years beginning after December 15, 2024 with early adoption permitted. We are evaluating the impact of ASU 2023-09 on disclosures in our Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(2) Significant business acquisitions

Our long-held acquisition strategy is to acquire businesses that have consistent earning power, good returns on equity and able and honest management. Financial results attributable to business acquisitions are included in our Consolidated Financial Statements beginning on their respective acquisition dates.

On January 31, 2023, we acquired an additional 41.4% interest in Pilot Travel Centers, LLC ("PTC") for approximately \$8.2 billion. The acquisition increased our interest to 80%, representing a controlling interest in PTC for financial reporting purposes as of that date. We began consolidating PTC's financial statements in our Consolidated Financial Statements on February 1, 2023. Since PTC's most significant business activities involve purchasing and selling fuel (energy) on a wholesale and retail basis, and other energy-related businesses, we include PTC within the railroad, utilities and energy sections of our Consolidated Balance Sheet and Consolidated Statement of Earnings beginning February 1, 2023. We previously owned a 38.6% interest in PTC, which we accounted for under the equity method through the end of January 2023.

PTC operates more than 650 travel center and 75 fuel-only locations across 44 U.S. states and five Canadian provinces, primarily under the names Pilot or Flying J, as well as large wholesale fuel and fuel marketing businesses in the U.S. PTC also sells diesel fuel at other locations in the U.S. and Canada through various arrangements with third party travel centers and operates a water disposal business in the oil fields sector. PTC's revenues and net earnings attributable to Berkshire shareholders for the eleven months ending December 31, 2023 were \$51.7 billion and \$603 million, respectively. In applying the acquisition method of accounting, we remeasured our previously held 38.6% investment in PTC to fair value and recognized a one-time, non-cash remeasurement gain of approximately \$3.0 billion, representing the excess of the fair value of that interest over the carrying value under the equity method. In addition, we valued the noncontrolling interests at fair value as of January 31, 2023.

Pilot Corporation, the holder of the remaining noncontrolling interests in PTC, had an annual option to require us to redeem for cash all or a portion of its interests beginning in 2024. The redemption price was to be based on a multiple of PTC's earnings for the preceding year, with specified other adjustments, including the amount of PTC's net debt. Pilot Corporation filed a lawsuit against Berkshire during the fourth quarter of 2023 concerning the application of certain terms underlying the formula for calculating the purchase price to be paid upon exercise of the option. Subsequently, Berkshire filed a counterclaim against Pilot Corporation. All litigation between Pilot Corporation and Berkshire was settled in January 2024, and we acquired Pilot Corporation's noncontrolling interest in PTC for \$2.6 billion, increasing our interest in PTC to 100%.

A summary of the values of PTC's assets acquired, liabilities assumed and redeemable noncontrolling interests as of January 31, 2023 are summarized as follows (in millions). Goodwill from this acquisition is expected to be deductible for income tax purposes.

Assets acquired		Liabilities assumed and noncontrolling interests	
Property, plant and equipment	\$ 8,015	Notes payable	\$ 5,876
Goodwill	6,605	Other liabilities	4,918
Other intangible assets	6,853		
Other assets	7,047	Liabilities assumed	10,794
		Noncontrolling interests, predominantly redeemable	3,361
Assets acquired	\$ 28,520	Liabilities assumed and noncontrolling interests	\$ 14,155
Net assets	\$ 14,365		

On October 19, 2022, Berkshire acquired all of the outstanding common stock of Alleghany Corporation ("Alleghany") for \$11.5 billion. Alleghany operates property and casualty reinsurance and insurance businesses and owns several non-financial businesses. Goodwill arising from Berkshire's acquisition is not expected to be deductible for income tax purposes. A summary of the values of the Alleghany assets acquired and liabilities assumed as of October 19, 2022 follows (in millions).

Assets acquired		Liabilities assumed	
Cash, cash equivalents and U.S. Treasury Bills	\$ 3,762	Unpaid losses and loss adjustment expenses	\$ 15,080
Investments in fixed maturity and equity securities	15,982	Unearned premiums	3,536
Loans, receivables and other assets	9,287	Notes payable	2,169
Goodwill	3,900	Other liabilities	3,300
Other intangible assets	2,659		
Assets acquired	\$ 35,590	Liabilities assumed	\$ 24,085
Net assets	\$ 11,505		

Notes to Consolidated Financial Statements

(2) Significant business acquisitions

Certain unaudited pro forma revenue and consolidated earnings (loss) data for the year ended December 31, 2022 as if the Alleghany and PTC acquisitions were completed on the same terms at the beginning of 2022 follows (in millions, except per share amounts).

	2022
Revenues	\$ 383,115
Net earnings (loss) attributable to Berkshire Hathaway shareholders	(23,947)
Net earnings (loss) per equivalent Class A common share	(16,303)

On September 1, 2023, a Berkshire Hathaway Energy (“BHE”) subsidiary acquired an additional 50% limited partner interest in Cove Point LNG, LP (“Cove Point”) for \$3.3 billion, which increased our economic interest from 25% to 75%. Prior to the transaction, we also owned 100% of the general partner interests. We previously treated Cove Point as a consolidated subsidiary for financial reporting purposes because we concluded we have the power to direct the activities that most significantly affect Cove Point, as well as the obligation to absorb losses and benefits that could be significant to Cove Point. Accordingly, the interest acquired in the third quarter was an acquisition of a noncontrolling interest. We recorded a charge based on Berkshire’s ownership percentage of BHE of \$667 million to capital in excess of par for the excess of the consideration paid over the carrying value of the noncontrolling interest acquired and deferred income tax assets arising from the transaction.

(3) Investments in fixed maturity securities

Investments in fixed maturity securities are summarized by type below (in millions).

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2023				
U.S. Treasury, U.S. government corporations and agencies	\$ 10,308	\$ 14	\$ (53)	\$ 10,269
Foreign governments	11,788	58	(41)	11,805
Corporate bonds	1,212	241	(4)	1,449
Other	217	21	(3)	235
	<u>\$ 23,525</u>	<u>\$ 334</u>	<u>\$ (101)</u>	<u>\$ 23,758</u>
December 31, 2022				
U.S. Treasury, U.S. government corporations and agencies	\$ 10,039	\$ 12	\$ (249)	\$ 9,802
Foreign governments	10,454	50	(177)	10,327
Corporate bonds	1,945	256	(6)	2,195
Other	2,735	77	(8)	2,804
	<u>\$ 25,173</u>	<u>\$ 395</u>	<u>\$ (440)</u>	<u>\$ 25,128</u>

Approximately 95% of our foreign government holdings were rated AA or higher by at least one of the major rating agencies as of December 31, 2023. The amortized cost and estimated fair value of fixed maturity securities at December 31, 2023 are summarized below by contractual maturity dates (in millions). Actual maturities may differ from contractual maturities due to prepayment rights held by issuers.

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Mortgage- backed securities	Total
Amortized cost	\$ 18,888	\$ 3,744	\$ 611	\$ 128	\$ 154	\$ 23,525
Fair value	18,875	3,754	823	138	168	23,758

Notes to Consolidated Financial Statements

(4) Investments in equity securities

Investments in equity securities are summarized as follows (in millions).

	Cost Basis	Net Unrealized Gains	Fair Value
December 31, 2023 *			
Banks, insurance and finance	\$ 27,136	\$ 51,176	\$ 78,312
Consumer products	34,248	166,895	201,143
Commercial, industrial and other	48,032	26,355	74,387
	<u>\$ 109,416</u>	<u>\$ 244,426</u>	<u>\$ 353,842</u>

* Approximately 79% of the aggregate fair value was concentrated in five companies (American Express Company – \$28.4 billion; Apple Inc. – \$174.3 billion; Bank of America Corporation – \$34.8 billion; The Coca-Cola Company – \$23.6 billion and Chevron Corporation – \$18.8 billion).

	Cost Basis	Net Unrealized Gains	Fair Value
December 31, 2022 *			
Banks, insurance and finance	\$ 25,893	\$ 43,663	\$ 69,556
Consumer products	40,508	112,384	152,892
Commercial, industrial and other	65,209	21,136	86,345
	<u>\$ 131,610</u>	<u>\$ 177,183</u>	<u>\$ 308,793</u>

* Approximately 75% of the aggregate fair value was concentrated in five companies (American Express Company – \$22.4 billion; Apple Inc. – \$119.0 billion; Bank of America Corporation – \$34.2 billion; The Coca-Cola Company – \$25.4 billion and Chevron Corporation – \$30.0 billion).

In 2019, we invested \$10 billion in non-voting Cumulative Perpetual Preferred Stock of Occidental Petroleum Corporation (“Occidental”) and in Occidental common stock warrants. During 2022, we began acquiring common stock of Occidental. Our aggregate voting interest in Occidental common stock exceeded 20% on August 4, 2022, and we adopted the equity method as of that date. See Note 5. Our investments in the Occidental preferred stock and Occidental common stock warrants are recorded at fair value and included as equity securities in our Consolidated Balance Sheets, as such investments are not in-substance common stock under GAAP and are not eligible for the equity method.

The Occidental preferred stock accrues dividends at 8% per annum and is redeemable at the option of Occidental commencing in 2029 at a redemption price equal to 105% of the liquidation value. As of December 31, 2023, our investment in Occidental preferred stock had an aggregate liquidation value of approximately \$8.5 billion. During 2023, Occidental issued mandatory redemption notifications for approximately \$1.5 billion of the aggregate liquidation value at a price of 110% of the liquidation value, plus accrued and unpaid dividends. The mandatory redemptions were due to excess distributions by Occidental to its common stockholders, as defined under the terms of the Occidental preferred stock certificate of designations.

The Occidental common stock warrants allow us to purchase up to 83.86 million shares of Occidental common stock at an exercise price of \$59.62 per share. The warrants are exercisable in whole or in part until one year after the date the preferred stock is fully redeemed.

As of December 31, 2023, we owned 151.6 million shares of American Express Company (“American Express”) common stock representing 21% of the outstanding common stock of American Express. Since 1995, we have been party to an agreement with American Express whereby we agreed to vote a significant portion of our shares in accordance with the recommendations of the American Express Board of Directors. We have also agreed to passivity commitments as requested by the Board of Governors of the Federal Reserve System, which collectively, in our judgment, restrict our ability to exercise significant influence over the operating and financial policies of American Express. Accordingly, we do not use the equity method with respect to our investment in American Express common stock and we continue to record our investment at fair value.

Notes to Consolidated Financial Statements

(5) Equity method investments

Berkshire and its subsidiaries hold investments in certain businesses that are accounted for pursuant to the equity method. Currently, the most significant of these are our investments in the common stock of The Kraft Heinz Company (“Kraft Heinz”) and Occidental. As of December 31, 2023, we owned 26.7% of the Kraft Heinz outstanding common stock and 27.8% of the outstanding Occidental common stock, which excluded the potential effect of the exercise of the Occidental common stock warrants.

Kraft Heinz manufactures and markets food and beverage products, including condiments and sauces, cheese and dairy, meals, meats, refreshment beverages, coffee and other grocery products. Occidental is an international energy company, whose activities include oil and natural gas exploration, development and production, and chemicals manufacturing businesses. Occidental’s financial information is not available in time for concurrent reporting in our Consolidated Financial Statements. Therefore, we report the equity method effects for Occidental on a one-quarter lag.

The common stock of Kraft Heinz and Occidental are publicly traded. The fair values and carrying values of these two investments in addition to the carrying values of our other significant equity method investments are summarized as follows (in millions).

	Carrying Value		Fair Value	
	December 31,		December 31,	
	2023	2022	2023	2022
Kraft Heinz	\$ 13,230	\$ 12,937	\$ 12,035	\$ 13,249
Occidental	15,410	11,484	14,552	12,242
Other	426	3,629		
	<u>\$ 29,066</u>	<u>\$ 28,050</u>		

As of December 31, 2023, the excess of our carrying values over the fair values of our investments in Kraft Heinz and Occidental were 9% and 6%, respectively, of the carrying values. We evaluated our investments in Kraft Heinz and Occidental for other-than-temporary impairment as of December 31, 2023, and based on the prevailing facts and circumstances, concluded the recognition of impairment charges in earnings were not required.

Our other significant equity method investments included our 50% interest in Berkadia Commercial Mortgage LLC (“Berkadia”), in which Jefferies Financial Group (“Jefferies”) owns the other 50% interest, and PTC through January 31, 2023. Berkadia engages in mortgage banking, investment sales and servicing of commercial/multi-family real estate loans. Berkadia’s commercial paper borrowing capacity (currently limited to \$1.5 billion) is supported by a surety policy issued by a Berkshire insurance subsidiary. Jefferies is obligated to indemnify us for one-half of any losses incurred under the policy.

Beginning February 1, 2023, we ceased accounting for PTC under the equity method and began consolidating PTC for financial reporting purposes. Our investment in PTC under the equity method was \$3.2 billion at December 31, 2022. Equity method earnings attributable to PTC were \$105 million in 2023, \$812 million in 2022 and \$474 million in 2021.

As of December 31, 2023, the carrying values of our investments in Kraft Heinz and Berkadia approximated our share of shareowners’ equity of each of these entities. The carrying value of our investment in Occidental common stock exceeded our share of its shareholders’ equity as of September 30, 2023 by approximately \$9.6 billion. Based upon the limited information available to us, we concluded the excess represents goodwill.

Our earnings and distributions received from equity method investments are summarized in the following table (in millions). The earnings we recorded in 2023 for Occidental included our share of its earnings for the fourth quarter of 2022 and first nine months of 2023. The earnings we recorded in 2022 for Occidental included our share of its earnings from August 4, 2022 through September 30, 2022.

	Equity in Earnings			Distributions Received		
	Year ended December 31,			Year ended December 31,		
	2023	2022	2021	2023	2022	2021
Kraft Heinz	\$ 758	\$ 628	\$ 269	\$ 521	\$ 521	\$ 521
Occidental	1,077	323	—	142	24	—
Other	138	912	617	58	284	1,057
	<u>\$ 1,973</u>	<u>\$ 1,863</u>	<u>\$ 886</u>	<u>\$ 721</u>	<u>\$ 829</u>	<u>\$ 1,578</u>

Notes to Consolidated Financial Statements

(5) Equity method investments

Summarized consolidated financial information of Kraft Heinz follows (in millions).

	December 30, 2023	December 31, 2022
Assets	\$ 90,339	\$ 90,513
Liabilities	40,617	41,643

	Year ended December 30, 2023	December 31, 2022	December 25, 2021
Sales	\$ 26,640	\$ 26,485	\$ 26,042
Net earnings attributable to Kraft Heinz common shareholders	2,855	2,363	1,012

Summarized consolidated financial information of Occidental follows (in millions).

	September 30, 2023	December 31, 2022
Assets	\$ 71,827	\$ 72,609
Liabilities	42,515	42,524

	Twelve months ending September 30, 2023
Total revenues and other income	\$ 29,715
Net earnings attributable to Occidental common shareholders	4,471

(6) Investment and derivative contract gains (losses)

Investment and derivative contract gains (losses) for each of the three years ending December 31, 2023 are summarized as follows (in millions).

	2023	2022	2021
Investment gains (losses):			
Equity securities:			
Change in unrealized investment gains (losses) during the year on securities held at the end of the year	\$ 69,144	\$ (63,120)	\$ 76,375
Investment gains (losses) during the year on securities sold	2,698	(3,927)	997
	71,842	(67,047)	77,372
Fixed maturity securities:			
Gross realized gains	139	134	85
Gross realized losses	(86)	(684)	(29)
Other	2,960	(26)	148
Investment gains (losses)	74,855	(67,623)	77,576
Derivative contract gains (losses)	—	(276)	966
	\$ 74,855	\$ (67,899)	\$ 78,542

Equity securities gains and losses include unrealized gains and losses from changes in fair values during the year on equity securities we still own, as well as gains and losses on securities we sold during the year. As shown in the Consolidated Statements of Cash Flows, our proceeds from sales of equity securities were approximately \$40.6 billion in 2023, \$33.7 billion in 2022 and \$15.8 billion in 2021. In the preceding table, investment gains and losses on equity securities sold during the year represent the difference between the sales proceeds and the fair value of the equity securities sold at the beginning of the applicable year or, if later, the purchase date. Our taxable gains and losses on equity securities sold are generally the difference between the proceeds from sales and cost at the acquisition date. Equity securities sold produced taxable gains of \$5.0 billion in 2023, \$769 million in 2022 and \$3.6 billion in 2021. Other investment gains included approximately \$3.0 billion in 2023 from the remeasurement of our pre-existing 38.6% interest in PTC through the application of acquisition accounting under GAAP.

Notes to Consolidated Financial Statements

(7) Loans and finance receivables

Loans and finance receivables are summarized as follows (in millions).

	December 31,	
	2023	2022
Loans and finance receivables before allowances and discounts	\$ 26,289	\$ 24,664
Allowances for credit losses	(950)	(856)
Unamortized acquisition discounts and points	(658)	(600)
	<u>\$ 24,681</u>	<u>\$ 23,208</u>

Loans and finance receivables are principally manufactured home loans, and to a lesser extent, commercial loans and site-built home loans. Reconciliations of the allowance for credit losses on loans and finance receivables for each of the three years ending December 31, 2023 follow (in millions).

	2023	2022	2021
Balance at the beginning of the year	\$ 856	\$ 765	\$ 712
Provision for credit losses	169	124	88
Charge-offs, net of recoveries	(75)	(33)	(35)
Balance at December 31	<u>\$ 950</u>	<u>\$ 856</u>	<u>\$ 765</u>

At December 31, 2023, substantially all manufactured and site-built home loan balances were evaluated collectively for impairment, and we considered approximately 96% of the loan balances to be current as to payment status. A summary of performing and non-performing home loans before discounts and allowances by year of loan origination as of December 31, 2023 follows (in millions).

	Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
Performing	\$ 5,716	\$ 4,368	\$ 3,321	\$ 2,575	\$ 1,820	\$ 7,432	\$ 25,232
Non-performing	8	11	17	12	11	53	112
	<u>\$ 5,724</u>	<u>\$ 4,379</u>	<u>\$ 3,338</u>	<u>\$ 2,587</u>	<u>\$ 1,831</u>	<u>\$ 7,485</u>	<u>\$ 25,344</u>

We are also a lender under commercial loan agreements, which had an aggregate carrying value of approximately \$850 million at December 31, 2023 and \$1.9 billion at December 31, 2022. The decline in loan balances during 2023 was primarily attributable to prepayments and dispositions. These commercial loans are generally secured by real estate properties or by other assets and are individually evaluated for expected credit losses.

(8) Other receivables

Other receivables are comprised of the following (in millions).

	December 31,	
	2023	2022
Insurance and other:		
Insurance premiums receivable	\$ 19,052	\$ 18,395
Reinsurance recoverables	7,060	7,106
Trade receivables	14,449	14,510
Other	4,269	4,154
Allowances for credit losses	(656)	(675)
	<u>\$ 44,174</u>	<u>\$ 43,490</u>
Railroad, utilities and energy:		
Trade receivables	\$ 6,034	\$ 4,182
Other	1,228	754
Allowances for credit losses	(176)	(141)
	<u>\$ 7,086</u>	<u>\$ 4,795</u>

Receivables of the railroad, utilities and energy businesses at December 31, 2023 included approximately \$2.1 billion related to PTC. Aggregate provisions for credit losses with respect to receivables in the preceding table were \$513 million in 2023, \$409 million in 2022 and \$441 million in 2021. Charge-offs, net of recoveries, were \$474 million in 2023, \$432 million in 2022 and \$420 million in 2021.

Notes to Consolidated Financial Statements

(9) Inventories

Inventories of our insurance and other businesses are comprised of the following (in millions).

	December 31,	
	2023	2022
Raw materials	\$ 6,026	\$ 6,381
Work in process and other	3,345	3,464
Finished manufactured goods	4,969	5,739
Goods acquired for resale	9,819	9,782
	<u>\$ 24,159</u>	<u>\$ 25,366</u>

Inventories, materials and supplies of our railroad, utilities and energy businesses are included in other assets and were approximately \$4.2 billion at December 31, 2023, which included approximately \$1.7 billion attributable to PTC.

(10) Property, plant and equipment

A summary of property, plant and equipment of our insurance and other businesses follows (in millions).

	December 31,	
	2023	2022
Land, buildings and improvements	\$ 15,058	\$ 14,761
Machinery and equipment	28,010	26,690
Furniture, fixtures and other	5,566	4,847
	48,634	46,298
Accumulated depreciation	(26,604)	(25,185)
	<u>\$ 22,030</u>	<u>\$ 21,113</u>

A summary of property, plant and equipment of railroad and utilities and energy businesses follows (in millions). The utility generation, transmission and distribution systems and interstate natural gas pipeline assets are owned by regulated public utility and natural gas pipeline subsidiaries. Assets of PTC are included within the utilities and energy section below.

	December 31,	
	2023	2022
Railroad:		
Land, track structure and other roadway	\$ 71,692	\$ 67,350
Locomotives, freight cars and other equipment	16,256	16,031
Construction in progress	1,715	1,743
	89,663	85,124
Accumulated depreciation	(19,464)	(17,899)
	<u>70,199</u>	<u>67,225</u>
Utilities and energy:		
Utility generation, transmission and distribution systems	96,195	92,759
Interstate natural gas pipeline assets	19,226	18,328
Independent power plants and other	14,781	14,650
Land, buildings and improvements	4,540	—
Machinery, equipment and other	3,855	—
Construction in progress	9,551	5,357
	148,148	131,094
Accumulated depreciation	(40,731)	(38,051)
	<u>107,417</u>	<u>93,043</u>
	<u>\$ 177,616</u>	<u>\$ 160,268</u>

Depreciation expense for each of the three years ending December 31, 2023 is summarized below (in millions).

	2023	2022	2021
Insurance and other	\$ 2,388	\$ 2,276	\$ 2,318
Railroad, utilities and energy	7,004	6,181	5,990
	<u>\$ 9,392</u>	<u>\$ 8,457</u>	<u>\$ 8,308</u>

Notes to Consolidated Financial Statements

(11) Equipment held for lease

Equipment held for lease includes railcars, aircraft, and other equipment, including over-the-road trailers, intermodal tank containers, cranes, storage units and furniture. Equipment held for lease is summarized below (in millions).

	December 31,	
	2023	2022
Railcars	\$ 10,031	\$ 9,612
Aircraft	12,537	10,667
Other	5,576	5,212
	28,144	25,491
Accumulated depreciation	(11,197)	(9,907)
	\$ 16,947	\$ 15,584

Depreciation expense for equipment held for lease was \$1,266 million in 2023, \$1,209 million in 2022 and \$1,158 million in 2021. Fixed and variable operating lease revenues for each of the three years ending December 31, 2023 are summarized below (in millions).

	2023	2022	2021
Fixed lease revenue	\$ 5,902	\$ 5,184	\$ 4,482
Variable lease revenue	2,514	2,330	1,506
	\$ 8,416	\$ 7,514	\$ 5,988

A summary of future operating lease receipts as of December 31, 2023 follows (in millions).

2024	2025	2026	2027	2028	Thereafter	Total
\$ 3,942	\$ 3,077	\$ 2,346	\$ 1,569	\$ 771	\$ 283	\$ 11,988

(12) Leases

We are party to contracts where we lease property from others under contracts classified as operating leases. We primarily lease buildings, offices and operating facilities. Operating lease right-of-use assets are included in other assets and operating lease liabilities are included in accounts payable, accruals and other liabilities. Information related to our operating leases follows (dollars in millions).

	Right-of-use assets	Lease liabilities	Weighted average remaining term in years	Weighted average discount rate used to measure liabilities
December 31, 2023	\$ 5,277	\$ 5,299	7.0	4.2%
December 31, 2022	4,975	4,939	7.0	3.7%

A summary of our remaining future operating lease payments reconciled to lease liabilities as of December 31, 2023 and December 31, 2022 follows (in millions).

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total lease payments	Amount representing interest	Lease liabilities
December 31:									
2023	\$ 1,422	\$ 1,172	\$ 815	\$ 666	\$ 463	\$ 1,680	\$ 6,218	\$ (919)	\$ 5,299
2022	1,283	1,073	822	560	449	1,464	5,651	(712)	4,939

Components of operating lease expense for each of the three years ending December 31, 2023, are summarized as follows (in millions).

	2023	2022	2021
Operating lease expense	\$ 1,535	\$ 1,361	\$ 1,426
Short-term lease expense	219	233	154
Variable lease expense	216	217	223
	\$ 1,970	\$ 1,811	\$ 1,803

Notes to Consolidated Financial Statements

(13) Goodwill and other intangible assets

Reconciliations of the changes in the carrying value of goodwill during 2023 and 2022 follow (in millions).

	December 31,	
	2023	2022
Balance at the beginning of the year	\$ 78,119	\$ 73,875
Business acquisitions	7,347	4,657
Other, including acquisition period remeasurements and foreign currency translation	(840)	(413)
Balance at the end of the year*	\$ 84,626	\$ 78,119

* Net of accumulated goodwill impairments of \$11.1 billion as of December 31, 2023 and \$11.0 billion as of December 31, 2022.

Other intangible assets are summarized below (in millions).

	December 31, 2023			December 31, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying value	Gross carrying amount	Accumulated amortization	Net carrying value
Insurance and other:						
Customer relationships	\$ 28,305	\$ 7,901	\$ 20,404	\$ 27,765	\$ 7,174	\$ 20,591
Trademarks and trade names	5,619	846	4,773	5,603	822	4,781
Patents and technology	5,238	4,109	1,129	4,943	3,748	1,195
Other	4,826	1,805	3,021	4,150	1,530	2,620
	\$ 43,988	\$ 14,661	\$ 29,327	\$ 42,461	\$ 13,274	\$ 29,187
Railroad, utilities and energy:						
Customer relationships and contracts	\$ 4,092	\$ 791	\$ 3,301	\$ 1,507	\$ 541	\$ 966
Trademarks and trade names	3,592	98	3,494	217	39	178
Other	1,174	156	1,018	190	42	148
	\$ 8,858	\$ 1,045	\$ 7,813	\$ 1,914	\$ 622	\$ 1,292

Other intangible assets of the railroad, utilities and energy businesses are included in other assets. The net carrying value at December 31, 2023 included \$6.6 billion related to PTC.

Intangible asset amortization expense was \$1,828 million in 2023, \$1,233 million in 2022 and \$1,252 million in 2021. Estimated amortization expense over the next five years follows (in millions): 2024 – \$2,059; 2025 – \$1,988; 2026 – \$1,898; 2027 – \$1,754 and 2028 – \$1,684. Intangible assets with indefinite lives were \$18.9 billion as of December 31, 2023 and \$18.3 billion as of December 31, 2022 and primarily related to certain customer relationships and trademarks and trade names.

(14) Supplemental cash flow information

A summary of supplemental cash flow information follows (in millions).

	2023	2022	2021
Cash paid during the year for:			
Income taxes	\$ 7,765	\$ 4,236	\$ 5,412
Interest:			
Insurance and other	1,272	1,150	1,227
Railroad, utilities and energy	3,725	3,195	3,162
Non-cash investing and financing activities:			
Liabilities assumed in connection with business acquisitions	10,938	24,186	102
Operating lease liabilities arising from obtaining right-of-use assets	1,645	1,118	687

Notes to Consolidated Financial Statements

(15) Dividend restrictions – Insurance subsidiaries

Payments of dividends by our insurance subsidiaries are restricted by insurance statutes and regulations. Without prior regulatory approval, our principal insurance subsidiaries may declare up to approximately \$31 billion as ordinary dividends during 2024. Investments in fixed maturity and equity securities and short-term investments on deposit with U.S. state insurance authorities in accordance with state insurance regulations were approximately \$5.2 billion at December 31, 2023 and \$4.9 billion at December 31, 2022.

Combined shareholders' equity of U.S.-based insurance subsidiaries determined pursuant to statutory accounting rules (Surplus as Regards Policyholders) was approximately \$303 billion at December 31, 2023 and \$272 billion at December 31, 2022. Statutory surplus differs from the corresponding amount based on GAAP due to differences in accounting for certain assets and liabilities. For instance, deferred charges reinsurance assumed, the measurement of life, annuity and health insurance benefits liabilities, deferred policy acquisition costs, unrealized gains on certain investments and related deferred income taxes are recognized for GAAP but not for statutory reporting purposes. In addition, the carrying values of certain assets, such as goodwill and non-insurance entities owned by our insurance subsidiaries, are not fully recognized for statutory reporting purposes.

(16) Unpaid losses and loss adjustment expenses

Reconciliations of the changes in unpaid losses and loss adjustment expenses ("claim liabilities"), excluding liabilities under retroactive reinsurance contracts (see Note 17), for each of the three years ended December 31, 2023 follows (in millions). Net liabilities of acquired businesses in 2022 were from the Alleghany acquisition. See Note 2.

	2023	2022	2021
Balance at the beginning of the year:			
Gross liabilities	\$ 107,472	\$ 86,664	\$ 79,854
Reinsurance recoverable on unpaid losses	(5,025)	(2,960)	(2,912)
Net liabilities	102,447	83,704	76,942
Incurred losses and loss adjustment expenses:			
Current accident year	59,244	59,463	52,099
Prior accident years	(3,541)	(2,672)	(3,116)
Total	55,703	56,791	48,983
Paid losses and loss adjustment expenses:			
Current accident year	(25,184)	(27,236)	(22,897)
Prior accident years	(27,065)	(23,083)	(18,904)
Total	(52,249)	(50,319)	(41,801)
Foreign currency effect	288	(508)	(420)
Net liabilities of acquired businesses	—	12,779	—
Balance at December 31:			
Net liabilities	106,189	102,447	83,704
Reinsurance recoverable on unpaid losses	4,893	5,025	2,960
Gross liabilities	\$ 111,082	\$ 107,472	\$ 86,664

Our claim liabilities under property and casualty insurance and reinsurance contracts are based upon estimates of the ultimate claim costs associated with claim occurrences as of the balance sheet date and include estimates for incurred-but-not-reported ("IBNR") claims. Incurred losses and loss adjustment expenses shown in the preceding table related to insured events occurring in the current year ("current accident year") and events occurring in all prior years ("prior accident years"). Incurred and paid losses and loss adjustment expenses are net of reinsurance recoveries. Current accident year incurred losses from significant catastrophe events (losses in excess of \$150 million per event) were approximately \$925 million in 2023, \$3.1 billion in 2022 (\$2.5 billion from Hurricane Ian) and \$2.9 billion in 2021 (\$1.5 billion from Hurricane Ida). Current accident year incurred losses for private passenger auto insurance declined in 2023 compared to 2022, reflecting lower claims frequencies and higher average claims severities and increased significantly in 2022 versus 2021, attributable to increases in claims frequencies and severities.

Notes to Consolidated Financial Statements

(16) Unpaid losses and loss adjustment expenses

We recorded net reductions of estimated ultimate liabilities for prior accident years of \$3.5 billion in 2023, \$2.7 billion in 2022 and \$3.1 billion in 2021, which produced corresponding reductions in incurred losses and loss adjustment expenses in those periods. These reductions, as percentages of the net liabilities at the beginning of each year, were 3.5% in 2023, 3.2% in 2022 and 4.0% in 2021.

We reduced estimated ultimate liabilities for prior accident years of primary insurance businesses by \$2.1 billion in 2023, \$1.1 billion in 2022 and \$2.4 billion in 2021. The reductions in each year derived from private passenger auto, medical professional liability, and property claims. Estimated ultimate liabilities for prior accident years of property and casualty reinsurance businesses were reduced \$1.4 billion in 2023, \$1.6 billion in 2022 and \$718 million in 2021. The reductions in each year reflected reduced estimates from both property and casualty claims.

Estimated net claim liabilities for environmental and asbestos exposures, excluding liabilities under retroactive reinsurance contracts, were approximately \$2.0 billion at December 31, 2023 and \$2.1 billion at December 31, 2022. These liabilities are subject to change due to changes in the legal and regulatory environment, among other factors. We are unable to reliably estimate additional losses or a range of losses that are reasonably possible to arise from these factors.

Disaggregated information concerning our claim liabilities is provided below and in the pages that follow. In this discussion, “claim-tail” refers to the period between the claim occurrence date and claim settlement or payment date. A reconciliation of the disaggregated net unpaid losses and allocated loss adjustment expenses (the latter referred to as “ALAE”) to our consolidated claim liabilities as of December 31, 2023 follows (in millions).

	GEICO		BH Primary		BHRG		
	Physical Damage	Auto Liability	Medical Professional Liability	Workers' Compensation/ Other Casualty	Property	Casualty	Total
Unpaid losses and ALAE, net	\$ 737	\$ 20,477	\$ 9,166	\$ 21,230	\$ 16,499	\$ 32,393	\$ 100,502
Reinsurance recoverable	4	900	26	1,547	689	1,481	4,647
Unallocated loss adjustment expenses							2,467
Other losses and loss adjustment expenses							3,466
Unpaid losses and loss adjustment expenses							\$ 111,082

GEICO

GEICO’s claim liabilities predominantly relate to various types of private passenger auto liability and physical damage claims. For such claims, we establish and evaluate unpaid claim liabilities using standard actuarial loss development methods and techniques. The actuarial methods utilize historical claims data, adjusted when deemed appropriate to reflect perceived changes in loss patterns. Claim liabilities include average, case, case development and IBNR estimates.

We establish average liabilities based on expected severities for newly reported physical damage and liability claims prior to establishing individual case reserves when insufficient time or information is available for specific claim estimates and for large volumes of minor physical damage claims that are quickly settled. We establish case loss estimates for liability claims, including estimates for loss adjustment expenses based on the facts and merits of the claim.

Claim estimates for liability coverages normally reflect greater uncertainty than for physical damage coverages, primarily due to the longer claim-tails, the greater chance of litigation and the time needed to evaluate facts at the time the case estimate is first established. Consequently, we establish additional case development liabilities, which are usually percentages of the case liabilities. For unreported claims, IBNR claim liabilities are estimated by projecting the ultimate number of claims expected (reported and unreported) for each significant coverage based on historical data, from which reported claims are deducted to produce the estimated number of unreported claims. The product of the average cost per unreported claim and the number of unreported claims produces the IBNR liability estimate. We may record supplemental IBNR liabilities in certain situations when actuarial techniques are difficult to apply.

Notes to Consolidated Financial Statements

(16) Unpaid losses and loss adjustment expenses

GEICO's net incurred and paid auto physical damage and liability losses and ALAE are summarized by accident year below. IBNR and case development liabilities are as of December 31, 2023 and are net of estimated salvage and subrogation recoveries. Claim counts are established when accidents that could result in a liability are reported and are based on policy coverage. Each claim event may generate claims under multiple coverages and may result in multiple counts. The "Cumulative Number of Reported Claims" includes the combined number of reported claims for all auto policy coverages. Dollars are in millions.

Physical Damage

Incurred Losses and ALAE through December 31,					Cumulative Number of Reported Claims (in thousands)
Accident Year	2022*	2023	IBNR and Case Development Liabilities		
2022	\$ 14,138	\$ 13,699	\$ (56)		9,161
2023		12,273	(691)		7,295
Incurred losses and ALAE		\$ 25,972			

Cumulative Paid Losses and ALAE through December 31,				
Accident Year	2022*	2023		
2022	\$ 13,251	\$ 13,731		
2023		11,567		
Paid losses and ALAE		25,298		
Net unpaid losses and ALAE for 2022 – 2023 accident years		674		
Net unpaid losses and ALAE for accident years before 2022		63		
Net unpaid losses and ALAE		\$ 737		

Auto Liability

Incurred Losses and ALAE through December 31,							Cumulative Number of Reported Claims (in thousands)
Accident Year	2019*	2020*	2021*	2022*	2023	IBNR and Case Development Liabilities	
2019	\$ 16,901	\$ 16,678	\$ 16,191	\$ 16,151	\$ 16,168	\$ 348	2,797
2020		14,637	14,024	13,697	13,593	666	2,123
2021			17,481	17,457	17,229	1,559	2,446
2022				19,645	18,903	3,316	2,360
2023					17,948	5,567	1,804
Incurred losses and ALAE					\$ 83,841		

Cumulative Paid Losses and ALAE through December 31,					
Accident Year	2019*	2020*	2021*	2022*	2023
2019	\$ 6,742	\$ 11,671	\$ 13,851	\$ 15,084	\$ 15,593
2020		5,395	9,839	11,794	12,608
2021			6,450	12,681	14,863
2022				7,614	13,838
2023					7,191
Paid losses and ALAE					64,093
Net unpaid losses and ALAE for 2019 – 2023 accident years					19,748
Net unpaid losses and ALAE for accident years before 2019					729
Net unpaid losses and ALAE					\$ 20,477

* Unaudited required supplemental information

Notes to Consolidated Financial Statements

(16) Unpaid losses and loss adjustment expenses

BH Primary

BH Primary's liabilities for unpaid losses and loss adjustment expenses primarily derive from medical professional liability and workers' compensation and other casualty insurance, which includes commercial auto and general liability insurance. Net incurred and paid losses and ALAE are summarized by accident year in the following tables, disaggregated by medical professional liability coverages and workers' compensation and other casualty coverages. IBNR and case development liabilities are as of December 31, 2023. The cumulative number of reported claims reflects the number of individual claimants and includes claims that ultimately resulted in no liability or payment. Dollars are in millions.

Medical Professional Liability

We estimate the ultimate expected incurred losses and loss adjustment expenses for medical professional claim liabilities using a variety of commonly accepted actuarial methodologies, such as the paid and incurred development method and Bornhuetter-Ferguson based methods, as well as other techniques that consider insured loss exposures and historical and expected loss trends, among other factors. These methodologies produce loss estimates from which we determine our best estimate. In addition, we study developments in older accident years and adjust initial loss estimates to reflect recent developments based upon claim age, coverage and litigation experience.

Incurred Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023	IBNR and Case Development Liabilities	Cumulative Number of Reported Claims (in thousands)
2014	\$ 1,370	\$ 1,375	\$ 1,305	\$ 1,246	\$ 1,218	\$ 1,127	\$ 1,061	\$ 1,033	\$ 1,029	\$ 1,007	\$ 45	11
2015		1,374	1,342	1,269	1,290	1,218	1,157	1,093	1,033	1,016	55	12
2016			1,392	1,416	1,414	1,394	1,341	1,288	1,216	1,188	105	15
2017				1,466	1,499	1,495	1,474	1,382	1,349	1,315	117	21
2018					1,602	1,650	1,659	1,580	1,616	1,606	205	24
2019						1,670	1,691	1,663	1,614	1,534	320	21
2020							1,704	1,751	1,698	1,631	615	32
2021								1,852	1,855	1,787	1,053	25
2022									1,927	1,912	1,403	20
2023										1,964	1,781	17
Incurred losses and ALAE										\$14,960		

Cumulative Paid Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023
2014	\$ 21	\$ 106	\$ 238	\$ 396	\$ 540	\$ 671	\$ 752	\$ 788	\$ 840	\$ 869
2015		23	108	218	382	543	663	719	799	843
2016			22	115	274	461	620	712	822	908
2017				27	128	300	457	582	739	877
2018					35	166	367	543	728	949
2019						39	160	314	536	757
2020							34	148	321	531
2021								36	136	333
2022									38	182
2023										28
Paid losses and ALAE										6,277
Net unpaid losses and ALAE for 2014 – 2023 accident years										8,683
Net unpaid losses and ALAE for accident years before 2014										483
Net unpaid losses and ALAE										\$ 9,166

* Unaudited required supplemental information

Notes to Consolidated Financial Statements

(16) Unpaid losses and loss adjustment expenses

Workers' Compensation and Other Casualty

We periodically evaluate ultimate loss and loss adjustment expense estimates for workers' compensation and other casualty claims using a combination of commonly accepted actuarial methodologies such as the Bornhuetter-Ferguson and chain-ladder approaches using paid and incurred loss data. Paid and incurred loss data is segregated and analyzed by state due to the different state regulatory frameworks that may impact certain factors, including the duration and amount of loss payments. We also separately study the various components of liabilities, such as employee lost wages, medical expenses and the costs of claims investigations and administration. We establish case liabilities for reported claims based upon the facts and circumstances of the claim. The excess of the ultimate projected losses, including the expected development of case estimates, and the case-basis liabilities is included in IBNR liabilities.

Incurred Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023	IBNR and Case Development Liabilities	Cumulative Number of Reported Claims (in thousands)
2014	\$ 2,138	\$ 2,064	\$ 2,036	\$ 1,970	\$ 1,901	\$ 1,906	\$ 1,875	\$ 1,861	\$ 1,829	\$ 1,810	\$ 115	103
2015		2,580	2,539	2,455	2,426	2,428	2,402	2,408	2,393	2,358	201	120
2016			2,931	2,848	2,793	2,772	2,815	2,825	2,864	2,840	361	125
2017				3,473	3,337	3,299	3,310	3,322	3,320	3,321	422	143
2018					3,998	3,886	3,967	4,030	4,091	4,177	643	163
2019						4,584	4,623	4,692	4,763	4,847	867	184
2020							5,030	4,881	4,775	4,774	1,467	156
2021								5,899	5,856	5,882	2,455	316
2022									6,796	6,757	3,646	308
2023										7,299	5,187	132
Incurred losses and ALAE										\$44,065		

Cumulative Paid Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023
2014	\$ 286	\$ 683	\$ 1,002	\$ 1,269	\$ 1,407	\$ 1,504	\$ 1,557	\$ 1,600	\$ 1,617	\$ 1,646
2015		329	804	1,187	1,507	1,766	1,873	1,966	2,041	2,070
2016			373	908	1,359	1,765	1,998	2,140	2,303	2,377
2017				480	1,133	1,645	2,050	2,279	2,492	2,673
2018					583	1,340	1,902	2,324	2,746	3,120
2019						725	1,598	2,214	2,898	3,430
2020							736	1,498	2,066	2,598
2021								869	1,751	2,440
2022									962	2,012
2023										1,056
Paid losses and ALAE										23,422
Net unpaid losses and ALAE for 2014 – 2023 accident years										20,643
Net unpaid losses and ALAE for accident years before 2014										587
Net unpaid losses and ALAE										\$21,230

* Unaudited required supplemental information

BHRG

We use a variety of methodologies to establish BHRG's estimates for property and casualty claim liabilities. These methodologies include paid and incurred loss development techniques, incurred and paid loss Bornhuetter-Ferguson techniques and frequency and severity techniques, as well as ground-up techniques when appropriate.

Notes to Consolidated Financial Statements

(16) Unpaid losses and loss adjustment expenses

Our claim liabilities are principally a function of reported losses from ceding companies, case development and IBNR liability estimates. Case loss estimates are reported either individually or in bulk as provided under the terms of the contracts. We may independently evaluate case losses reported by the ceding company, and if deemed appropriate, establish additional case liabilities based on our estimates.

Estimated IBNR liabilities are affected by expected case loss emergence patterns and expected loss ratios, which are evaluated as groups of contracts with similar exposures or on a contract-by-contract basis. Estimated case and IBNR liabilities for major catastrophe events are generally based on a per-contract assessment of the ultimate cost associated with the individual loss event. Claim count data is not provided consistently by ceding companies under our contracts or is otherwise considered unreliable.

Net incurred and paid losses and ALAE of BHRG are disaggregated based on losses that are expected to have shorter claim-tails (property) and losses expected to have longer claim-tails (casualty). Under certain contracts, the coverage can apply to multiple lines of business written by the ceding company, whether property, casualty or combined, and the ceding company may not report loss data by such lines consistently, if at all. In those instances, we allocated losses to property and casualty coverages based on internal estimates. BHRG's disaggregated incurred and paid losses and ALAE are summarized by accident year. IBNR and case development liabilities are as of December 31, 2023. Dollars are in millions.

Property

Incurred Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023	IBNR and Case Development Liabilities
2014	\$ 3,095	\$ 2,849	\$ 2,725	\$ 2,567	\$ 2,508	\$ 2,432	\$ 2,400	\$ 2,393	\$ 2,373	\$ 2,376	\$ 27
2015		3,605	3,414	2,847	3,237	3,232	3,253	3,255	3,248	3,272	60
2016			3,926	4,515	4,192	4,155	4,150	4,139	4,117	4,106	26
2017				6,397	6,096	5,918	5,791	5,713	5,631	5,612	64
2018					5,486	5,579	5,437	5,293	5,299	5,249	172
2019						4,986	5,129	4,901	4,574	4,527	162
2020							6,928	7,208	6,876	6,657	610
2021								8,103	7,976	7,640	896
2022									8,880	8,453	2,228
2023										7,993	4,140
Incurred losses and ALAE										\$ 55,885	

Cumulative Paid Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023
2014	\$ 572	\$ 1,520	\$ 1,899	\$ 2,059	\$ 2,135	\$ 2,187	\$ 2,218	\$ 2,242	\$ 2,272	\$ 2,295
2015		671	1,804	2,210	2,429	2,538	2,721	2,807	2,860	2,933
2016			915	2,214	2,677	3,167	3,436	3,632	3,741	3,820
2017				1,348	3,508	4,583	4,936	5,171	5,364	5,454
2018					1,208	3,093	3,735	4,020	4,265	4,473
2019						1,012	2,848	3,566	3,898	4,058
2020							1,255	3,584	4,634	5,298
2021								1,624	4,095	5,414
2022									1,814	4,333
2023										1,777
Paid losses and ALAE										39,855
Net unpaid losses and ALAE for 2014 – 2023 accident years										16,030
Net unpaid losses and ALAE for accident years before 2014										469
Net unpaid losses and ALAE										\$ 16,499

* Unaudited required supplemental information

Notes to Consolidated Financial Statements

(16) Unpaid losses and loss adjustment expenses

Casualty

Incurred Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023	IBNR and Case Development Liabilities
2014	\$ 3,507	\$ 3,672	\$ 3,619	\$ 3,557	\$ 3,456	\$ 3,472	\$ 3,446	\$ 3,334	\$ 3,298	\$ 3,265	\$ 424
2015		3,422	3,628	3,668	3,580	3,438	3,401	3,364	3,310	3,312	373
2016			3,788	3,998	3,902	3,870	3,819	3,775	3,746	3,773	416
2017				4,039	4,474	4,351	4,244	4,176	4,165	4,222	547
2018					4,886	5,537	5,489	5,358	5,285	5,370	756
2019						5,572	6,043	5,902	5,736	5,695	1,228
2020							6,214	6,231	6,047	6,093	1,750
2021								6,310	6,285	5,957	2,299
2022									6,061	6,112	3,505
2023										6,071	4,656
Incurred losses and ALAE										\$ 49,870	

Cumulative Paid Losses and ALAE through December 31,

Accident Year	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023
2014	\$ 429	\$ 1,002	\$ 1,390	\$ 1,662	\$ 1,917	\$ 2,103	\$ 2,311	\$ 2,405	\$ 2,493	\$ 2,560
2015		446	995	1,431	1,731	2,003	2,197	2,345	2,481	2,590
2016			654	1,359	1,801	2,149	2,420	2,613	2,789	2,963
2017				607	1,311	1,829	2,478	2,727	2,945	3,171
2018					695	1,742	2,792	3,258	3,637	3,954
2019						841	1,872	2,423	3,190	3,736
2020							868	1,905	2,715	3,379
2021								766	1,785	2,661
2022									622	1,338
2023										692
Paid losses and ALAE										27,044
Net unpaid losses and ALAE for 2014 – 2023 accident years										22,826
Net unpaid losses and ALAE for accident years before 2014										9,567
Net unpaid losses and ALAE										\$ 32,393

* Unaudited required supplemental information

Required supplemental unaudited average historical claims duration information based on the net losses and ALAE incurred and paid accident year data in the preceding tables follows. The percentages show the average portions of net losses and ALAE paid by each succeeding year, with year 1 representing the current accident year.

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance

In Year	1	2	3	4	5	6	7	8	9	10
GEICO Physical Damage	97%	3%								
GEICO Auto Liability	41%	31%	13%	7%	4%					
BH Primary Medical Professional Liability	2%	8%	12%	14%	13%	12%	8%	6%	5%	3%
BH Primary Workers' Compensation and Other Casualty	15%	18%	14%	13%	9%	6%	5%	3%	1%	2%
BHRG Property	22%	35%	15%	8%	4%	4%	2%	2%	2%	1%
BHRG Casualty	14%	17%	13%	11%	8%	6%	5%	4%	3%	2%

Notes to Consolidated Financial Statements

(17) Retroactive reinsurance contracts

Retroactive reinsurance policies provide indemnification of losses and loss adjustment expenses of short-duration insurance contracts with respect to underlying loss events that occurred prior to the contract inception date, which may include significant levels of asbestos, environmental and other mass tort claims. Retroactive reinsurance contracts are generally subject to aggregate policy limits and thus, our exposure to such claims under these contracts is likewise limited. Reconciliations of the changes in estimated liabilities for retroactive reinsurance unpaid losses and loss adjustment expenses for each of the three years ended December 31, 2023 follow (in millions).

	2023	2022	2021
Balance at the beginning of the year	\$ 35,415	\$ 37,855	\$ 40,623
Incurred losses and loss adjustment expenses:			
Current year contracts	—	—	153
Prior years' contracts	1,109	86	(974)
Total	1,109	86	(821)
Paid losses and loss adjustment expenses	(1,934)	(2,358)	(1,889)
Foreign currency effect	57	(168)	(58)
Balance at December 31	\$ 34,647	\$ 35,415	\$ 37,855
Incurred losses and loss adjustment expenses above	\$ 1,109	\$ 86	\$ (821)
Deferred charge amortization and adjustments	375	769	1,802
Incurred losses and loss adjustment expenses included in the Consolidated Statements of Earnings	\$ 1,484	\$ 855	\$ 981

In the preceding table, the classification of incurred losses and loss adjustment expenses is based on the inception dates of the contracts, which reflect when our exposure to losses began. We believe that analysis of losses incurred and paid by accident year of the underlying event is irrelevant given that our exposure to losses incepts when the contract incepts and that the classification of reported claims and case development liabilities has little or no practical analytical value.

Incurred losses and loss adjustment expenses in the Consolidated Statements of Earnings include changes in estimated liabilities and related deferred charge asset amortization and adjustments arising from the changes in estimated timing and amount of future loss payments. In 2023, we increased estimated ultimate liabilities under certain contracts by \$1.1 billion, which after adjustments to related deferred charge assets, produced an increase in incurred losses and loss adjustment expenses of approximately \$650 million. The increase derived from higher estimates for asbestos, environmental and other casualty claims. Unamortized deferred charges on retroactive reinsurance contracts were \$9.5 billion at December 31, 2023 and \$9.9 billion at December 31, 2022.

In establishing retroactive reinsurance claim liabilities, we analyze historical aggregate loss payment patterns and project losses into the future under various probability-weighted scenarios. We expect the claim-tail to be very long for many contracts, with some lasting several decades. We monitor claim payment activity and review ceding company reports and other information concerning the underlying losses. We revise the expected timing and amounts of ultimate losses periodically or when significant events are revealed.

We monitor evolving case law and its effect on asbestos, environmental and other mass tort claims. Changing laws or government regulations, as well as newly identified toxins and injury events, newly reported claims, new theories of liability, new contract interpretations and other factors could result in increases in these liabilities, which could be material to our results of operations. We are unable to reliably estimate the amount of additional net loss or the range of net loss that is reasonably possible. Our estimates of ultimate liabilities for asbestos and environmental exposures under our contracts were approximately \$12.2 billion at December 31, 2023 and \$12.1 billion at December 31, 2022.

Notes to Consolidated Financial Statements

(18) Long-duration insurance contracts

We write periodic payment annuity and life and health insurance contracts, which are considered long-duration insurance contracts under GAAP. A summary of our life, annuity and health insurance benefits liabilities disaggregated by our two primary product categories, periodic payment annuities and life and health insurance, and other liabilities, which primarily consist of incurred-but-not-reported claims and claims in the course of settlement, follows (in millions).

	December 31,		
	2023	2022	2021
Periodic payment annuities	\$ 11,212	\$ 10,640	\$ 16,153
Life and health	5,749	5,879	7,688
Other liabilities	3,252	3,234	3,454
	<u>\$ 20,213</u>	<u>\$ 19,753</u>	<u>\$ 27,295</u>

Reconciliations of our periodic payment annuity and life and health insurance benefits liabilities before ceded reinsurance for each of the three years ended December 31, 2023 follow (in millions). This information reflects the changes in discounted present values of expected future policy benefits and expected future net premiums. Net premiums represent the portion of expected gross premiums that are required to provide for future policy benefits and variable expenses.

	Periodic payment annuities			Life and health		
	2023	2022	2021	2023	2022	2021
Expected future policy benefits:						
Balance at the beginning of the year	\$ 10,640	\$ 16,153	\$ 17,122	\$ 52,008	\$ 63,648	\$ 66,528
Balance at the beginning of the year - original discount rates	11,549	11,261	10,569	63,584	60,133	58,247
Effect of cash flow assumption changes	—	—	—	(829)	2,261	(354)
Effect of actual from expected experience	5	121	8	(352)	927	1,011
Change in benefits, net	(470)	(297)	138	1,616	671	394
Interest accrual	537	535	528	1,787	1,644	1,670
Foreign currency effect	60	(71)	18	65	(2,052)	(835)
Balance at December 31 - original discount rates	11,681	11,549	11,261	65,871	63,584	60,133
Effect of changes in discount rate assumptions	(469)	(909)	4,892	(13,206)	(11,576)	3,515
Balance at December 31	<u>\$ 11,212</u>	<u>\$ 10,640</u>	<u>\$ 16,153</u>	<u>\$ 52,665</u>	<u>\$ 52,008</u>	<u>\$ 63,648</u>
Expected future net premiums:						
Balance at the beginning of the year				\$ 46,129	\$ 55,960	\$ 58,198
Balance at the beginning of the year - original discount rates				56,535	53,277	51,370
Effect of cash flow assumption changes				(880)	2,163	(270)
Effect of actual from expected experience				(181)	676	572
Change in premiums, net				1,645	928	908
Interest accrual				1,566	1,434	1,444
Foreign currency effect				46	(1,943)	(747)
Balance at December 31 - original discount rates				58,731	56,535	53,277
Effect of changes in discount rate assumptions				(11,815)	(10,406)	2,683
Balance at December 31				<u>\$ 46,916</u>	<u>\$ 46,129</u>	<u>\$ 55,960</u>
Liability for future policy benefits:						
Balance at December 31	\$ 11,212	\$ 10,640	\$ 16,153	\$ 5,749	\$ 5,879	\$ 7,688
Reinsurance recoverables	—	—	—	(1,571)	(1,559)	(2,152)
Balance at December 31, net of reinsurance recoverables	<u>\$ 11,212</u>	<u>\$ 10,640</u>	<u>\$ 16,153</u>	<u>\$ 4,178</u>	<u>\$ 4,320</u>	<u>\$ 5,536</u>

Notes to Consolidated Financial Statements

(18) Long-duration insurance contracts

The undiscounted and discounted expected future gross premiums to be collected and undiscounted expected future benefits for periodic payment annuities and life and health insurance as of December 31, 2023, 2022 and 2021 are summarized below (in millions).

	Undiscounted expected future gross premiums			Discounted expected future gross premiums			Undiscounted expected future benefits		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Periodic payment annuities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31,066	\$ 31,156	\$30,260
Life and health	117,078	109,321	102,768	66,692	66,460	64,378	111,630	104,544	98,224

Gross premiums earned on long-duration contracts are included in insurance premiums earned, and interest expense on long-duration insurance contracts is included as a component of life, annuity and health benefits in our Consolidated Statements of Earnings. Gross premiums earned and interest expense before the impact of reinsurance ceded for each of the three years ended December 31, 2023 follow (in millions).

	Gross Premiums			Interest Expense		
	2023	2022	2021	2023	2022	2021
Periodic payment annuities	\$ —	\$ 582	\$ 655	\$ 537	\$ 535	\$ 528
Life and health	3,627	3,760	3,906	221	210	226

The weighted average discount rates, interest accretion rates and the average contract durations as of December 31, 2023, 2022 and 2021 for periodic payment annuities and life and health insurance are summarized below.

	2023	2022	2021
Periodic payment annuities			
Weighted average discount rate	5.1%	5.3%	2.7%
Weighted average accretion rate	4.8%	4.8%	4.9%
Weighted average duration	18 years	17 years	22 years
Life and health			
Weighted average discount rate	5.1%	4.7%	2.4%
Weighted average accretion rate	3.3%	3.4%	3.4%
Weighted average duration	13 years	14 years	15 years

(19) Notes payable and other borrowings

Notes payable and other borrowings of our insurance and other businesses are summarized below (dollars are in millions). The weighted average interest rates and maturity date ranges are based on borrowings as of December 31, 2023.

	Weighted Average Interest Rate	December 31,	
		2023	2022
Insurance and other:			
Berkshire Hathaway Inc. ("Berkshire"):			
U.S. Dollar denominated due 2025-2047	3.5%	\$ 3,740	\$ 6,231
Euro denominated due 2024-2041	1.1%	6,145	7,344
Japanese Yen denominated due 2024-2060	0.8%	8,896	7,818
Berkshire Hathaway Finance Corporation ("BHFC"):			
U.S. Dollar denominated due 2027-2052	3.6%	14,463	14,458
Great Britain Pound denominated due 2039-2059	2.5%	2,191	2,078
Euro denominated due 2030-2034	1.8%	1,374	1,332
Other subsidiary borrowings due 2024-2051	4.5%	4,696	5,967
Short-term subsidiary borrowings	7.3%	1,187	1,310
		<u>\$ 42,692</u>	<u>\$ 46,538</u>

Notes to Consolidated Financial Statements

(19) Notes payable and other borrowings

Berkshire parent company borrowings consist of senior unsecured debt. During 2023, Berkshire repaid approximately \$4.3 billion of maturing senior notes and issued ¥286.4 billion par (approximately \$2.05 billion) of senior notes with a weighted average interest rate of 1.15% and maturity dates ranging from 2026 to 2058. Borrowings of BHFC, a wholly owned finance subsidiary of Berkshire, consist of senior unsecured notes used to fund manufactured housing loans originated or acquired and equipment held for lease of certain subsidiaries. BHFC borrowings are fully and unconditionally guaranteed by Berkshire. Berkshire also guarantees certain debt of other subsidiaries, aggregating approximately \$2.7 billion at December 31, 2023. Generally, Berkshire's guarantee of a subsidiary's debt obligation is an absolute, unconditional and irrevocable guarantee for the full and prompt payment when due of all payment obligations.

The carrying values of Berkshire and BHFC non-U.S. Dollar denominated senior notes (€6.85 billion, £1.75 billion and ¥1,259 billion par at December 31, 2023) reflect the applicable exchange rates as of each balance sheet date. The effects of changes in foreign currency exchange rates during the period on our borrowings are recorded in earnings as a component of selling, general and administrative expenses. Changes in the exchange rates produced pre-tax gains of \$217 million in 2023, \$1.7 billion in 2022 and \$1.3 billion in 2021.

Notes payable and other borrowings of our railroad, utilities and energy businesses are summarized below (dollars are in millions). The weighted average interest rates and maturity date ranges are based on borrowings as of December 31, 2023.

	Weighted Average Interest Rate	December 31,	
		2023	2022
Railroad, utilities and energy:			
Berkshire Hathaway Energy Company ("BHE") and subsidiaries:			
BHE senior unsecured debt due 2025-2053	4.4%	\$ 13,101	\$ 13,996
Subsidiary and other debt due 2024-2064	4.4%	39,072	37,639
Short-term borrowings	5.9%	4,148	1,119
Pilot Travel Centers ("PTC") and subsidiaries due 2024-2028	7.2%	5,776	—
Burlington Northern Santa Fe ("BNSF") and subsidiaries due 2024-2097	4.6%	23,482	23,452
		\$ 85,579	\$ 76,206

BHE subsidiary debt represents amounts issued pursuant to separate financing agreements. Substantially all of the assets of certain BHE subsidiaries are, or may be, pledged or encumbered to support or otherwise secure such debt. These borrowing arrangements generally contain various covenants, including covenants which pertain to leverage ratios, interest coverage ratios and/or debt service coverage ratios. In 2023, BHE subsidiaries issued \$4.2 billion par of term debt with a weighted average interest rate of 5.7% and maturity dates ranging from 2033 to 2055, and BHE and its subsidiaries repaid approximately \$3.7 billion of term debt. In 2024, BHE subsidiaries issued \$5.1 billion of term debt with a weighted average interest rate of 5.4% and maturity dates ranging from 2029 to 2055 and repaid short term borrowings of approximately \$2.8 billion.

PTC's borrowings primarily represent secured syndicated loans. BNSF's borrowings are primarily senior unsecured debentures. During 2023, BNSF issued \$1.6 billion par of 5.2% debentures due in 2054 and repaid approximately \$1.6 billion of term debt. As of December 31, 2023, BHE, BNSF and PTC and their subsidiaries were in compliance with all applicable debt covenants. Berkshire does not guarantee any debt, borrowings or lines of credit of BHE, BNSF, PTC or their subsidiaries.

Unused lines of credit and commercial paper capacity to support operations and provide additional liquidity for our subsidiaries were approximately \$9.4 billion at December 31, 2023, of which approximately \$6.0 billion related to BHE and its subsidiaries.

Debt principal repayments expected during each of the next five years are as follows (in millions). Amounts in 2024 include short-term borrowings.

	2024	2025	2026	2027	2028
Insurance and other	\$ 3,295	\$ 3,076	\$ 4,499	\$ 2,877	\$ 1,413
Railroad, utilities and energy	10,564	3,972	1,554	1,672	5,020
	<u>\$ 13,859</u>	<u>\$ 7,048</u>	<u>\$ 6,053</u>	<u>\$ 4,549</u>	<u>\$ 6,433</u>

Notes to Consolidated Financial Statements

(20) Income taxes

Liabilities for income taxes reflected in our Consolidated Balance Sheets are as follows (in millions).

	December 31,	
	2023	2022
Currently payable	\$ 185	\$ 511
Deferred	92,344	76,417
Other	480	440
	<u>\$ 93,009</u>	<u>\$ 77,368</u>

The tax effects of temporary differences that pertain to our deferred income tax assets and liabilities are shown below (in millions).

	December 31,	
	2023	2022
Deferred income tax liabilities:		
Investments, including unrealized appreciation	\$ 56,766	\$ 41,150
Deferred charges reinsurance assumed	1,994	2,073
Property, plant and equipment and equipment held for lease	32,991	32,080
Goodwill and other intangible assets	7,546	7,010
Other	4,452	5,162
	<u>103,749</u>	<u>87,475</u>
Deferred income tax assets:		
Unpaid losses and loss adjustment expenses	(1,255)	(1,290)
Unearned premiums	(1,285)	(1,196)
Accrued liabilities	(2,626)	(1,790)
Regulatory liabilities	(1,248)	(1,323)
Deferred revenue	(2,282)	(1,880)
Other	(2,709)	(3,579)
	<u>(11,405)</u>	<u>(11,058)</u>
Net deferred income tax liability	<u>\$ 92,344</u>	<u>\$ 76,417</u>

We have not established deferred income taxes on accumulated undistributed earnings of certain foreign subsidiaries, which are expected to be reinvested indefinitely. Repatriation of all accumulated earnings of foreign subsidiaries would be impracticable to the extent that such earnings represent capital to support ongoing business operations. Generally, no U.S. federal income taxes will be imposed on future distributions of foreign earnings under current law. However, distributions to the U.S. or other foreign jurisdictions could be subject to withholding and other local taxes.

Income tax expense (benefit) reflected in our Consolidated Statements of Earnings for each of the three years ending December 31, 2023 was as follows (in millions).

	2023	2022	2021
U.S. Federal	\$ 20,764	\$ (10,316)	\$ 20,384
U.S. State	763	762	(527)
Foreign	1,492	1,052	1,055
	<u>\$ 23,019</u>	<u>\$ (8,502)</u>	<u>\$ 20,912</u>
Current	\$ 7,642	\$ 4,815	\$ 5,326
Deferred	15,377	(13,317)	15,586
	<u>\$ 23,019</u>	<u>\$ (8,502)</u>	<u>\$ 20,912</u>

Notes to Consolidated Financial Statements

(20) Income taxes

Income tax expense (benefit) is reconciled to hypothetical amounts computed at the U.S. federal statutory rate for each of the three years ending December 31, 2023 in the table below (dollars in millions).

	2023	2022	2021
Earnings (loss) before income taxes	\$ 120,166	\$ (30,500)	\$ 111,861
Hypothetical income tax expense (benefit) at the U.S. federal statutory rate	\$ 25,235	\$ (6,405)	\$ 23,491
Dividends received deduction and tax-exempt interest	(678)	(512)	(457)
State income taxes, less U.S. federal income tax effect	603	602	(417)
U.S. income tax credits*	(2,186)	(2,187)	(1,860)
Other differences, net	45	—	155
	\$ 23,019	\$ (8,502)	\$ 20,912
Effective income tax rate	19.2%	27.9%	18.7%

* U.S. income tax credits derive primarily from production tax credits associated with wind-energy generation of BHE and tax credits arising from affordable housing investments.

We file income tax returns in the U.S. and in state, local and foreign jurisdictions. We have settled income tax liabilities with the U.S. federal taxing authority ("IRS") for tax years through 2011. The 2012 and 2013 tax years are under review by the IRS's Independent Office of Appeals, and the IRS is currently auditing tax years 2014 through 2019. We are also under audit or subject to audit with respect to income taxes in state and foreign jurisdictions. It is reasonably possible that certain of these income tax examinations will be settled in 2024. We currently do not believe that the outcome of unresolved issues or claims will be material to our Consolidated Financial Statements.

At December 31, 2023 and 2022, net unrecognized tax benefits were \$480 million and \$440 million, respectively. Included in the balance at December 31, 2023, were \$420 million of tax positions that, if recognized, would impact the effective tax rate. We do not expect material increases to the estimated amount of unrecognized tax benefits during 2024.

On August 16, 2022, the Inflation Reduction Act of 2022 ("the 2022 Act") was signed into law. The 2022 Act contains numerous provisions, including a 15% corporate alternative minimum income tax ("CAMT") on "adjusted financial statement income", expanded tax credits for clean energy incentives and a 1% excise tax on corporate stock repurchases. The provisions of the 2022 Act are effective for tax years beginning after December 31, 2022. The extent to which the Company incurs CAMT will depend on the facts and circumstances of the given tax year. We do not expect to incur a CAMT liability in 2023. The Internal Revenue Service and the U.S. Department of Treasury may release additional guidance in the future. We will continue to evaluate the impact of the 2022 Act as more guidance becomes available.

The Organization for Economic Co-operation and Development has issued Pillar Two model rules introducing a new global minimum tax of 15% intended to be effective on January 1, 2024. While the U.S. has not yet adopted the Pillar Two rules, various other governments around the world are enacting legislation. As currently designed, Pillar Two will ultimately apply to our worldwide operations. Considering we do not have material operations in jurisdictions with tax rates lower than the Pillar Two minimum, these rules are not expected to materially increase our global tax costs. There remains uncertainty as to the final Pillar Two model rules. We will continue to monitor U.S. and global legislative action related to Pillar Two for potential impacts.

Notes to Consolidated Financial Statements

(21) Fair value measurements

Our financial assets and liabilities are summarized below, with fair values shown according to the fair value hierarchy (in millions). The carrying values of cash and cash equivalents, U.S. Treasury Bills, other receivables and accounts payable, accruals and other liabilities are considered to be reasonable estimates of or otherwise approximate the fair values.

	Carrying Value	Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023					
Investments in fixed maturity securities:					
U.S. Treasury, U.S. government corporations and agencies	\$ 10,269	\$ 10,269	\$ 10,234	\$ 35	\$ —
Foreign governments	11,805	11,805	11,559	246	—
Corporate bonds	1,449	1,449	—	860	589
Other	235	235	—	235	—
Investments in equity securities	353,842	353,842	343,358	10	10,474
Investments in Kraft Heinz & Occidental common stock	28,640	26,587	26,587	—	—
Loans and finance receivables	24,681	24,190	—	892	23,298
Derivative contract assets ⁽¹⁾	334	334	39	282	13
Derivative contract liabilities ⁽¹⁾	213	213	7	111	95
Notes payable and other borrowings:					
Insurance and other	42,692	39,184	—	39,153	31
Railroad, utilities and energy	85,579	81,036	—	81,036	—
December 31, 2022					
Investments in fixed maturity securities:					
U.S. Treasury, U.S. government corporations and agencies	\$ 9,802	\$ 9,802	\$ 9,733	\$ 69	\$ —
Foreign governments	10,327	10,327	9,854	473	—
Corporate bonds	2,195	2,195	—	1,546	649
Other	2,804	2,804	—	2,804	—
Investments in equity securities	308,793	308,793	296,610	9	12,174
Investments in Kraft Heinz & Occidental common stock	24,421	25,491	25,491	—	—
Loans and finance receivables	23,208	23,428	—	1,513	21,915
Derivative contract assets ⁽¹⁾	589	589	56	474	59
Derivative contract liabilities ⁽¹⁾	242	242	8	122	112
Notes payable and other borrowings:					
Insurance and other	46,538	41,961	—	41,061	900
Railroad, utilities and energy	76,206	67,651	—	67,651	—

⁽¹⁾ Assets are included in other assets, and liabilities are included in accounts payable, accruals and other liabilities.

Notes to Consolidated Financial Statements

(21) Fair value measurements

The fair values of substantially all of our financial instruments were measured using market or income approaches. The hierarchy for measuring fair value consists of Levels 1 through 3, which are described below.

Level 1 – Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.

Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; other inputs that may be considered in fair value determinations of the assets or liabilities, such as interest rates and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Pricing evaluations generally reflect discounted expected future cash flows, which incorporate yield curves for instruments with similar characteristics, such as credit ratings, estimated durations and yields for other instruments of the issuer or entities in the same industry sector.

Level 3 – Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities and it may be unable to corroborate the related observable inputs. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in valuing assets or liabilities.

Reconciliations of significant assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) for each of the three years ending December 31, 2023 follow (in millions).

	Balance at the beginning of the year	Gains (losses) included in earnings	Acquisitions, dispositions and settlements	Transfers out of Level 3	Balance at the end of the year
Investments in equity securities:					
2023	\$ 12,169	\$ (40)	\$ (1,661)	\$ —	\$ 10,468
2022	11,480	689	—	—	12,169
2021	8,978	1,902	1,100	(500)	11,480
Equity index put option contract liabilities:					
2021	(1,065)	966	—	99	—

Quantitative information as of December 31, 2023 for the significant assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows (dollars in millions).

	Fair Value	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Investments in equity securities:				
Preferred stock	\$ 8,688	Discounted cash flow	Expected duration	6 years
			Discount for transferability restrictions and subordination	372 bps
Common stock warrants	1,780	Warrant pricing model	Expected duration	6 years
			Volatility	41%

Notes to Consolidated Financial Statements

(21) Fair value measurements

Investments in equity securities in the preceding table include our investments in certain preferred and common stock warrants that do not have readily determinable market values as defined under GAAP. These investments are private placements with contractual terms that restrict transfers and currently prevent us from economically hedging our investments. We applied discounted cash flow techniques in valuing the preferred stock and we made assumptions regarding the expected duration of the investment and the effects of subordination in liquidation. In valuing the common stock warrants, we used a warrant valuation model. While most of the inputs to the warrant model are observable, we made assumptions regarding the expected duration and volatility.

(22) Common stock

The changes in Berkshire's issued, treasury and outstanding common stock for each of the three years ending December 31, 2023 are shown in the table below. In addition, 1,000,000 shares of preferred stock are authorized, but none are issued.

	Class A, \$5 Par Value (1,650,000 shares authorized)			Class B, \$0.0033 Par Value (3,225,000,000 shares authorized)		
	Issued	Treasury	Outstanding	Issued	Treasury	Outstanding
Balance at December 31, 2020	678,523	(34,592)	643,931	1,469,359,852	(119,316,381)	1,350,043,471
Conversions of Class A to						
Class B common stock	(12,622)	—	(12,622)	18,933,000	—	18,933,000
Treasury stock acquired	—	(14,196)	(14,196)	—	(78,501,968)	(78,501,968)
Balance at December 31, 2021	665,901	(48,788)	617,113	1,488,292,852	(197,818,349)	1,290,474,503
Conversions of Class A to						
Class B common stock	(14,451)	—	(14,451)	21,676,500	—	21,676,500
Treasury stock acquired	—	(11,098)	(11,098)	—	(9,896,927)	(9,896,927)
Balance at December 31, 2022	651,450	(59,886)	591,564	1,509,969,352	(207,715,276)	1,302,254,076
Conversions of Class A to						
Class B common stock	(12,122)	—	(12,122)	18,183,000	—	18,183,000
Treasury stock acquired	—	(11,667)	(11,667)	—	(9,875,568)	(9,875,568)
Balance at December 31, 2023	639,328	(71,553)	567,775	1,528,152,352	(217,590,844)	1,310,561,508

Each Class A common share is entitled to one vote per share. Class B common stock possesses dividend and distribution rights equal to one-fifteen-hundredth (1/1,500) of such rights of Class A common stock. Each Class B common share possesses voting rights equal to one-ten-thousandth (1/10,000) of the voting rights of a Class A share. Unless otherwise required under Delaware General Corporation Law, Class A and Class B common shares vote as a single class. Each share of Class A common stock is convertible, at the option of the holder, into 1,500 shares of Class B common stock. Class B common stock is not convertible into Class A common stock. On an equivalent Class A common stock basis, there were 1,441,483 shares outstanding as of December 31, 2023 and 1,459,733 shares outstanding as of December 31, 2022.

Since we have two classes of common stock, we provide earnings per share data on the Consolidated Statements of Earnings for average equivalent Class A shares outstanding and average equivalent Class B shares outstanding. Class B shares are economically equivalent to one-fifteen-hundredth (1/1,500) of a Class A share. Average equivalent Class A shares outstanding represents average Class A shares outstanding plus one-fifteen-hundredth (1/1,500) of the average Class B shares outstanding. Average equivalent Class B shares outstanding represents average Class B shares outstanding plus 1,500 times average Class A shares outstanding.

Berkshire's common stock repurchase program, as amended, permits Berkshire to repurchase shares any time that Warren Buffett, Berkshire's Chairman of the Board and Chief Executive Officer, believes that the repurchase price is below Berkshire's intrinsic value, conservatively determined. The program continues to allow share repurchases in the open market or through privately negotiated transactions and does not specify a maximum number of shares to be repurchased. However, repurchases will not be made if they would reduce the total value of Berkshire's consolidated cash, cash equivalents and U.S. Treasury Bill holdings below \$30 billion. The repurchase program does not obligate Berkshire to repurchase any specific dollar amount or number of Class A or Class B shares and there is no expiration date to the program.

Notes to Consolidated Financial Statements

(23) Revenues from contracts with customers

The following table summarizes customer contract revenues disaggregated by reportable segment and the source of the revenue for each of the three years ended December 31, 2023 (in millions). Revenues from PTC in 2023 are for the eleven months ending December 31, 2023. Other revenues, which are not considered to be revenues from contracts with customers under GAAP, are primarily insurance premiums earned, interest, dividend and other investment income and leasing revenues.

2023	Manufacturing	McLane	Service and Retailing	BNSF	Berkshire Hathaway Energy	PTC	Insurance, Corporate and other	Total
Manufactured products:								
Industrial and commercial	\$ 28,066	\$ —	\$ 233	\$ —	\$ —	\$ —	\$ —	\$ 28,299
Building	20,119	—	—	—	—	—	—	20,119
Consumer	17,702	—	—	—	—	—	—	17,702
Grocery and convenience store distribution	—	31,524	—	—	—	—	—	31,524
Food and beverage distribution	—	19,040	—	—	—	—	—	19,040
Auto sales	—	—	10,747	—	—	—	—	10,747
Other retail and wholesale distribution	3,289	—	16,289	—	—	2,423	—	22,001
Service	1,457	1,079	5,474	23,724	4,055	264	—	36,053
Electricity, natural gas and fuel	—	—	—	—	20,647	48,774	—	69,421
Total	70,633	51,643	32,743	23,724	24,702	51,461	—	254,906
Other revenues	4,650	171	7,136	67	1,258	203	96,091	109,576
	\$ 75,283	\$ 51,814	\$ 39,879	\$ 23,791	\$ 25,960	\$ 51,664	\$ 96,091	\$364,482
2022								
Manufactured products:								
Industrial and commercial	\$ 24,566	\$ —	\$ 199	\$ —	\$ —	\$ —	\$ —	\$ 24,765
Building	22,762	—	—	—	—	—	—	22,762
Consumer	19,912	—	—	—	—	—	—	19,912
Grocery and convenience store distribution	—	32,599	—	—	—	—	—	32,599
Food and beverage distribution	—	19,388	—	—	—	—	—	19,388
Auto sales	—	—	10,486	—	—	—	—	10,486
Other retail and wholesale distribution	3,195	—	16,931	—	—	—	—	20,126
Service	1,199	1,103	4,439	25,742	4,933	—	—	37,416
Electricity and natural gas	—	—	—	—	20,317	—	—	20,317
Total	71,634	53,090	32,055	25,742	25,250	—	—	207,771
Other revenues	4,016	119	6,154	60	1,097	—	82,803	94,249
	\$ 75,650	\$ 53,209	\$ 38,209	\$ 25,802	\$ 26,347	—	\$ 82,803	\$302,020
2021								
Manufactured products:								
Industrial and commercial	\$ 22,184	\$ —	\$ 159	\$ —	\$ —	\$ —	\$ —	\$ 22,343
Building	19,604	—	—	—	—	—	—	19,604
Consumer	18,540	—	—	—	—	—	—	18,540
Grocery and convenience store distribution	—	31,245	—	—	—	—	—	31,245
Food and beverage distribution	—	17,332	—	—	—	—	—	17,332
Auto sales	—	—	9,966	—	—	—	—	9,966
Other retail and wholesale distribution	2,997	—	15,898	—	—	—	—	18,895
Service	1,486	751	4,123	23,120	5,583	—	—	35,063
Electricity and natural gas	—	—	—	—	18,264	—	—	18,264
Total	64,811	49,328	30,146	23,120	23,847	—	—	191,252
Other revenues	3,766	122	4,601	57	1,205	—	75,182	84,933
	\$ 68,577	\$ 49,450	\$ 34,747	\$ 23,177	\$ 25,052	—	\$ 75,182	\$276,185

Notes to Consolidated Financial Statements

(23) Revenues from contracts with customers

A summary of the transaction price allocated to the significant unsatisfied remaining performance obligations related to contracts with expected durations exceeding one year as of December 31, 2023 and the timing of when the performance obligations are expected to be satisfied follows (in millions).

	Less than 12 months	Greater than 12 months	Total
Electricity, natural gas and fuel	\$ 3,039	\$ 20,019	\$ 23,058
Other sales and service contracts	3,163	5,181	8,344

(24) Pension plans

Certain Berkshire subsidiaries sponsor defined benefit pension plans. Benefits under the plans are generally based on years of service and compensation or fixed benefit rates. Plan sponsors may make contributions to the plans to meet regulatory requirements and may also make discretionary contributions. Our net periodic pension expense for each of the three years ending December 31, 2023 was as follows (in millions).

	2023	2022	2021
Service cost	\$ 111	\$ 181	\$ 257
Interest cost	640	482	410
Expected return on plan assets	(785)	(975)	(1,008)
Other	2	156	203
Net periodic pension expense	\$ (32)	\$ (156)	\$ (138)

The projected benefit obligation ("PBO") is the actuarial present value of benefits earned based upon service and compensation prior to the valuation date and, if applicable, includes assumptions regarding future compensation levels. Benefit obligations under qualified U.S. defined benefit pension plans are funded through assets held in trusts. Pension obligations under certain other plans are unfunded and the aggregate PBOs of such plans were \$1.0 billion and \$1.1 billion as of December 31, 2023 and 2022, respectively. The costs of certain BHE pension plans are expected to be recoverable through the regulated rate making process.

The funded status reflected in the Consolidated Balance Sheets at year end 2023 and 2022 and reconciliations of the changes in PBOs and plan assets related to BHE's pension plans and all other pension plans for each of the two years ending December 31, 2023 follow (in millions).

	2023			2022		
	BHE	Other	Total	BHE	Other	Total
PBOs						
Balance at the beginning of the year	\$ 3,215	\$ 9,523	\$ 12,738	\$ 4,780	\$ 14,012	\$ 18,792
Service cost	21	90	111	36	145	181
Interest cost	167	473	640	118	364	482
Benefits paid	(274)	(578)	(852)	(250)	(585)	(835)
Settlements paid	—	(448)	(448)	(164)	(678)	(842)
Actuarial (gains) losses and other	140	438	578	(1,305)	(3,735)	(5,040)
Balance at the end of the year	\$ 3,269	\$ 9,498	\$ 12,767	\$ 3,215	\$ 9,523	\$ 12,738
Plan assets						
Balance at the beginning of the year	\$ 3,376	\$ 9,216	\$ 12,592	\$ 5,158	\$ 13,462	\$ 18,620
Employer contributions	27	118	145	29	133	162
Benefits paid	(274)	(578)	(852)	(250)	(585)	(835)
Settlements paid	—	(448)	(448)	(164)	(678)	(842)
Actual return on plan assets	271	1,512	1,783	(1,162)	(2,971)	(4,133)
Other	71	88	159	(235)	(145)	(380)
Balance at the end of the year	\$ 3,471	\$ 9,908	\$ 13,379	\$ 3,376	\$ 9,216	\$ 12,592
Funded status – net (asset) liability	\$ (202)	\$ (410)	\$ (612)	\$ (161)	\$ 307	\$ 146

Notes to Consolidated Financial Statements

(24) Pension plans

The funded status at December 31, 2023 reflected in assets was \$1,823 million and in liabilities was \$1,211 million. The funded status at December 31, 2022 included in assets was \$1,510 million and in liabilities was \$1,656 million.

The accumulated benefit obligation ("ABO") is the actuarial present value of benefits earned based on service and compensation prior to the valuation date. The ABO was \$12.3 billion at December 31, 2023 and \$12.2 billion at December 31, 2022. Information for plans with PBOs and ABOs in excess of plan assets as of December 31, 2023 and 2022 follows (in millions).

	2023	2022
PBOs	\$ 5,679	\$ 6,422
Plan assets	4,469	4,766
ABOs	1,246	5,594
Plan assets	222	4,234

Weighted average assumptions used in determining PBOs and net periodic pension expense follow.

	2023	2022	2021
Discount rate applicable to PBOs	5.0%	5.2%	2.7%
Expected long-term rate of return on plan assets	6.0	5.9	6.1
Rate of compensation increase	2.6	2.5	2.6
Discount rate applicable to net periodic pension expense	5.3	2.9	2.4

Pension benefit payments expected over the next ten years follow (in millions): 2024 – \$895; 2025 – \$886; 2026 – \$885; 2027 – \$896; 2028 – \$885; and 2029 through 2033 – \$4,434. We expect to contribute \$118 million to the pension plans in 2024.

Fair value measurements of plan assets as of December 31, 2023 and 2022 follow (in millions).

	Fair Value				Investments carried at net asset value
	Total	Level 1	Level 2	Level 3	
December 31, 2023					
Cash and cash equivalents	\$ 449	\$ 370	\$ 79	\$ —	\$ —
Equity securities	8,487	7,808	543	136	—
Fixed maturity securities	2,138	1,277	851	10	—
Investment funds and other	2,305	342	272	42	1,649
	<u>\$ 13,379</u>	<u>\$ 9,797</u>	<u>\$ 1,745</u>	<u>\$ 188</u>	<u>\$ 1,649</u>
December 31, 2022					
Cash and cash equivalents	\$ 602	\$ 523	\$ 79	\$ —	\$ —
Equity securities	7,673	7,112	321	240	—
Fixed maturity securities	2,152	1,328	824	—	—
Investment funds and other	2,165	198	394	42	1,531
	<u>\$ 12,592</u>	<u>\$ 9,161</u>	<u>\$ 1,618</u>	<u>\$ 282</u>	<u>\$ 1,531</u>

See Note 21 for a discussion of fair value measurements. Plan assets are generally invested with the long-term objective of producing earnings to adequately cover expected benefit obligations, while assuming a prudent level of risk. Allocations may change due to changing market conditions and investment opportunities. The expected rates of return on plan assets reflect subjective assessments of expected long-term investment returns. Generally, past investment returns are not given significant consideration when establishing assumptions for expected long-term rates of return on plan assets. Actual experience will differ from the assumed rates of return.

Notes to Consolidated Financial Statements

(24) Pension plans

A reconciliation of the pre-tax accumulated other comprehensive income (loss) of our defined benefit pension plans for each of the two years ending December 31, 2023 follows (in millions).

	2023	2022
Balance at the beginning of the year	\$ (738)	\$ (485)
Amount included in net periodic pension expense	(12)	123
Actuarial gains (losses) and other	589	(376)
Balance at the end of the year	\$ (161)	\$ (738)

Several of our subsidiaries also sponsor defined contribution retirement plans, such as 401(k) or profit-sharing plans. Employee contributions are subject to regulatory limitations and specific plan provisions. Several plans provide for employer matching contributions as specified in the plans and may provide for additional discretionary employer contributions. Our defined contribution plan expense was approximately \$1.1 billion in 2023, \$0.8 billion in 2022 and \$1.0 billion in 2021.

(25) Accumulated other comprehensive income

A summary of the net changes in after-tax accumulated other comprehensive income attributable to Berkshire Hathaway shareholders for each of the three years ending December 31, 2023 follows (in millions).

	Unrealized gains (losses) on investments	Foreign currency translation	Long-duration insurance contracts	Defined benefit pension plans	Other	Total
Balance at December 31, 2020	\$ 536	\$ (3,082)	\$ —	\$ (1,645)	\$ (52)	\$ (4,243)
Adoption of ASU 2018-12	—	—	(5,751)	—	—	(5,751)
Balance at January 1, 2021	536	(3,082)	(5,751)	(1,645)	(52)	(9,994)
Other comprehensive income	(167)	(1,010)	1,655	1,298	95	1,871
Balance at December 31, 2021	369	(4,092)	(4,096)	(347)	43	(8,123)
Other comprehensive income	(556)	(2,050)	5,637	(205)	245	3,071
Balance at December 31, 2022	(187)	(6,142)	1,541	(552)	288	(5,052)
Other comprehensive income	377	749	(188)	455	(104)	1,289
Balance at December 31, 2023	\$ 190	\$ (5,393)	\$ 1,353	\$ (97)	\$ 184	\$ (3,763)

Notes to Consolidated Financial Statements

(26) Business segment data

Our operating businesses include a large and diverse group of insurance, manufacturing, service and retailing businesses. We organize our reportable business segments in a manner that reflects how management views those business activities. Certain businesses are grouped together for segment reporting based upon similar products or product lines, marketing, selling and distribution characteristics, even though those business units are operated under separate local management. We acquired control of PTC on January 31, 2023 and PTC is considered a reportable segment beginning February 1, 2023. In this presentation, statement of earnings and capital expenditures data of the PTC segment are for the eleven months ending December 31, 2023. Previously, our earnings from PTC were determined under the equity method and included in earnings from non-controlled businesses.

The tabular information that follows shows data of reportable segments reconciled to amounts reflected in our Consolidated Financial Statements. Intersegment transactions are not eliminated from segment results when management considers those transactions in assessing the results of the respective segments. Furthermore, our management does not consider investment and derivative gains/losses, impairments or amortization of certain business acquisition accounting adjustments or certain other corporate income and expense items in assessing the financial performance of operating units. Collectively, these items are included in reconciliations of segment amounts to consolidated amounts.

Berkshire's operating segments are as follows.

Business Identity	Business Activity
Insurance:	
GEICO	Underwriting private passenger automobile insurance mainly by direct response methods
Berkshire Hathaway Primary Group	Underwriting multiple lines of property and casualty insurance policies for primarily commercial accounts
Berkshire Hathaway Reinsurance Group	Underwriting excess-of-loss, quota-share and facultative reinsurance worldwide
Railroad ("BNSF")	Operation of one of the largest railroad systems in North America through Burlington Northern Santa Fe, LLC
Berkshire Hathaway Energy ("BHE")	Regulated electric and gas utility, including power generation and distribution activities and real estate brokerage activities through Berkshire Hathaway Energy Company and affiliates
Pilot Travel Centers ("PTC")	Largest operator of travel centers in North America and a marketer of wholesale fuel
Manufacturing	Manufacturers of numerous products including industrial, consumer and building products, including home building and related financial services
McLane Company ("McLane")	Wholesale distribution of groceries and non-food items
Service and retailing	Providers of numerous services including shared aircraft ownership programs, aviation pilot training, electronic components distribution, various retailing businesses, including automobile dealerships and trailer and furniture leasing

Notes to Consolidated Financial Statements

(26) Business segment data

A disaggregation of our consolidated data for each of the three most recent years is presented as follows (in millions).

	Revenues			Earnings (loss) before income taxes		
	2023	2022	2021	2023	2022	2021
Operating Businesses						
Insurance:						
Underwriting:						
GEICO	\$ 39,264	\$ 38,984	\$ 37,706	\$ 3,635	\$ (1,880)	\$ 1,259
Berkshire Hathaway Primary Group	17,129	13,746	11,575	1,374	393	607
Berkshire Hathaway Reinsurance Group	27,010	21,846	20,179	1,904	1,465	(755)
Insurance underwriting	83,403	74,576	69,460	6,913	(22)	1,111
Investment income	11,619	7,734	5,662	11,581	7,724	5,649
Total insurance	95,022	82,310	75,122	18,494	7,702	6,760
BNSF	23,876	25,888	23,282	6,614	7,708	7,861
BHE	26,008	26,393	25,096	940	3,146	3,293
PTC	51,739	—	—	968	—	—
Manufacturing	75,405	75,781	68,730	11,445	11,177	9,841
McLane	52,607	53,209	49,450	455	271	230
Service and retailing	39,996	38,303	34,832	4,721	4,771	4,481
	364,653	301,884	276,512	43,637	34,775	32,466
Reconciliation to consolidated amount						
Investment and derivative gains (losses)	—	—	—	74,855	(67,899)	78,542
Interest expense, not allocated to segments	—	—	—	(426)	(420)	(455)
Non-controlled businesses	—	—	—	1,973	1,863	886
Corporate, eliminations and other	(171)	136	(327)	127	1,181	422
	\$ 364,482	\$ 302,020	\$ 276,185	\$ 120,166	\$ (30,500)	\$ 111,861
	Interest expense			Income tax expense (benefit)		
	2023	2022	2021	2023	2022	2021
Operating Businesses						
Insurance	\$ —	\$ —	\$ —	\$ 3,497	\$ 1,247	\$ 1,083
BNSF	1,048	1,025	1,032	1,527	1,763	1,871
BHE	2,283	2,140	2,054	(2,022)	(1,629)	(1,153)
PTC	414	—	—	169	—	—
Manufacturing	784	739	704	2,487	2,403	2,193
McLane	—	—	—	117	66	61
Service and retailing	101	42	38	1,135	1,131	1,086
	4,630	3,946	3,828	6,910	4,981	5,141
Reconciliation to consolidated amount						
Investment and derivative gains (losses)	—	—	—	15,930	(14,166)	16,025
Interest expense, not allocated to segments	426	420	455	(90)	(88)	(96)
Non-controlled businesses	—	—	—	223	334	82
Corporate, eliminations and other	(53)	(14)	(111)	46	437	(240)
	\$ 5,003	\$ 4,352	\$ 4,172	\$ 23,019	\$ (8,502)	\$ 20,912

Notes to Consolidated Financial Statements

(26) Business segment data

	Capital expenditures			Depreciation of tangible assets		
	2023	2022	2021	2023	2022	2021
Operating Businesses						
Insurance	\$ 68	\$ 82	\$ 62	\$ 72	\$ 69	\$ 72
BNSF	3,920	3,532	2,910	2,581	2,479	2,406
BHE	9,148	7,505	6,611	3,913	3,702	3,584
PTC	705	—	—	510	—	—
Manufacturing	2,714	2,477	2,100	2,099	2,021	2,037
McLane	264	93	106	208	176	189
Service and retailing	2,590	1,775	1,487	1,275	1,219	1,177
	<u>\$ 19,409</u>	<u>\$ 15,464</u>	<u>\$ 13,276</u>	<u>\$ 10,658</u>	<u>\$ 9,666</u>	<u>\$ 9,465</u>
	Goodwill at year-end			Identifiable assets at year-end		
	2023	2022	2021	2023	2022	2021
Operating Businesses						
Insurance	\$ 16,563	\$ 16,548	\$ 15,181	\$ 538,860	\$ 459,917	\$ 483,417
BNSF	15,350	14,852	14,852	79,227	77,752	76,586
BHE	11,804	11,745	11,906	124,383	118,114	113,447
PTC	6,605	—	—	21,404	—	—
Manufacturing	27,831	28,460	25,463	115,875	113,578	107,231
McLane	232	232	232	6,861	7,049	6,841
Service and retailing	6,241	6,282	6,241	34,600	31,291	28,221
	<u>\$ 84,626</u>	<u>\$ 78,119</u>	<u>\$ 73,875</u>	<u>921,210</u>	<u>807,701</u>	<u>815,743</u>
Reconciliation to consolidated amount						
Corporate and other				64,142	62,645	69,770
Goodwill				84,626	78,119	73,875
				<u>\$ 1,069,978</u>	<u>\$ 948,465</u>	<u>\$ 959,388</u>

Property/casualty and life/health insurance premiums written and earned are summarized below (in millions).

	Property/Casualty			Life/Health		
	2023	2022	2021	2023	2022	2021
Premiums Written:						
Direct	\$ 61,990	\$ 56,700	\$ 53,829	\$ —	\$ 582	\$ 646
Assumed	20,751	15,143	12,461	5,126	5,222	5,670
Ceded	(2,402)	(1,155)	(1,015)	(33)	(37)	(40)
	<u>\$ 80,339</u>	<u>\$ 70,688</u>	<u>\$ 65,275</u>	<u>\$ 5,093</u>	<u>\$ 5,767</u>	<u>\$ 6,276</u>
Premiums Earned:						
Direct	\$ 60,437	\$ 55,879	\$ 52,139	\$ —	\$ 582	\$ 646
Assumed	20,442	14,184	12,072	5,105	5,263	5,698
Ceded	(2,548)	(1,293)	(1,054)	(33)	(39)	(41)
	<u>\$ 78,331</u>	<u>\$ 68,770</u>	<u>\$ 63,157</u>	<u>\$ 5,072</u>	<u>\$ 5,806</u>	<u>\$ 6,303</u>

Insurance premiums written by geographic region (based upon the domicile of the insured or reinsured) are summarized below (in millions).

	Property/Casualty			Life/Health		
	2023	2022	2021	2023	2022	2021
United States	\$ 67,831	\$ 59,648	\$ 55,451	\$ 1,285	\$ 2,107	\$ 2,143
Asia Pacific	5,306	4,699	3,822	1,760	1,704	2,030
Western Europe	5,014	4,901	4,613	1,323	1,235	1,298
All other	2,188	1,440	1,389	725	721	805
	<u>\$ 80,339</u>	<u>\$ 70,688</u>	<u>\$ 65,275</u>	<u>\$ 5,093</u>	<u>\$ 5,767</u>	<u>\$ 6,276</u>

Notes to Consolidated Financial Statements

(26) Business segment data

Consolidated sales, service and leasing revenues were \$164.1 billion in 2023, \$165.0 billion in 2022 and \$151.0 billion in 2021. Sales, service and leasing revenues attributable to the United States were 85% in 2023, 86% in 2022 and 85% in 2021 of such amounts. The remainder of sales, service and leasing revenues were primarily in Europe, the Asia-Pacific region and Canada. Railroad, utilities and energy revenues were \$101.4 billion in 2023, \$52.1 billion in 2022 and \$48.2 billion in 2021. Railroad, utilities and energy revenues attributable to the United States were 94% in 2023 and 96% in both 2022 and 2021. At December 31, 2023, approximately 90% of our consolidated net property, plant and equipment and equipment held for lease was located in the United States with the remainder primarily in the United Kingdom and Canada.

(27) Contingencies and commitments

We are parties in a variety of legal actions that routinely arise out of the normal course of business, including legal actions seeking to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by Berkshire subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations.

PacifiCorp, a wholly owned subsidiary of Berkshire's 92% owned subsidiary, Berkshire Hathaway Energy Company ("BHE"), operates as a regulated electric utility in Oregon and other Western states. In September 2020, a severe weather event resulting in high winds, low humidity and warm temperatures, contributed to several major wildfires (the "2020 Wildfires"), which resulted in real and personal property and natural resource damage, personal injuries and loss of life and widespread power outages in Oregon and Northern California. The wildfires spread across certain parts of PacifiCorp's service territory and surrounding areas across multiple counties in Oregon and California, including Siskiyou County, California; Jackson County, Oregon; Douglas County, Oregon; Marion County, Oregon; Lincoln County, Oregon; and Klamath County, Oregon, burning over 500,000 acres in aggregate. Third-party reports for these wildfires indicate over 2,000 structures destroyed, including residences; several structures damaged; multiple individuals injured; and several fatalities.

On July 29, 2022, the 2022 McKinney Fire began in the Oak Knoll Ranger District of the Klamath National Forest in Siskiyou County, California located in PacifiCorp's service territory (the "2022 Wildfire"). Third-party reports indicate that the 2022 Wildfire resulted in 11 structures damaged, 185 structures destroyed, 12 injuries and four fatalities and consumed 60,000 acres in aggregate. The 2020 Wildfires and 2022 Wildfire, together, are referred to as the "Wildfires".

Investigations into the cause and origin of each of the Wildfires are complex and ongoing and have been or are being conducted by various entities, including the U.S. Forest Service, the California Public Utilities Commission, the Oregon Department of Forestry, the Oregon Department of Justice, PacifiCorp and various experts engaged by PacifiCorp.

As of the date of this filing, a significant number of complaints and demands alleging similar claims related to the 2020 Wildfires have been filed in Oregon and California, including a class action complaint in Oregon for which two jury verdicts were issued in June 2023 and January 2024 as described below. The plaintiffs seek damages for economic losses, noneconomic losses, including mental suffering, emotional distress, personal injury and loss of life, punitive damages, other damages and attorneys' fees. Several insurance carriers have filed subrogation complaints in Oregon and California with allegations similar to those made in the aforementioned complaints. Additionally, the U.S. and Oregon Departments of Justice have informed PacifiCorp that they are contemplating filing actions against PacifiCorp in connection with certain of the Oregon 2020 Wildfires. PacifiCorp is actively cooperating with the U.S. and Oregon Departments of Justice on resolving these alleged claims, including through the pursuit of alternative dispute resolution.

Numerous lawsuits on behalf of plaintiffs related to the 2020 Wildfires have been filed in Oregon and California, including a class action complaint against PacifiCorp that was filed in 2020, captioned *Jeanyne James et al. v. PacifiCorp et al.*, in Multnomah County Circuit Court, Oregon (the "James case"). The plaintiffs seek damages for economic losses, non-economic losses, including mental suffering, emotional distress, personal injury and loss of life, punitive damages, other damages and attorneys' fees.

Amounts sought in the complaints and demands filed in Oregon and in certain demands in California approximate \$8 billion, excluding any doubling or trebling of damages included in the complaints. Generally, the complaints filed in California do not specify damages sought and are not included in this amount. Final determinations of liability will only be made following the completion of comprehensive investigations, litigation and similar processes. Multiple lawsuits have also been filed in California on behalf of plaintiffs related to the 2022 Wildfire. The plaintiffs seek damages for economic losses, non-economic losses, including mental suffering, emotional distress, personal injury and loss of life, punitive damages, other damages and attorneys' fees, but the amount of damages sought is not specified.

Notes to Consolidated Financial Statements

(27) Contingencies and commitments

In June 2023, a jury issued its verdict for the 17 named plaintiffs in the James case finding PacifiCorp liable to the 17 individual plaintiffs and to the class with respect to the four 2020 Wildfires named in the complaint. The jury awarded the 17 named plaintiffs \$90 million of damages, including \$4 million of economic and property damages, \$68 million of non-economic damages and \$18 million of punitive damages based on a 0.25 multiplier of the economic and non-economic damages.

In September 2023, the Multnomah County Circuit Court ordered trial dates for two consolidated jury trials including approximately 10 class members each and a third trial for certain commercial timber plaintiffs wherein plaintiffs in each of the three damages phase trials will present evidence regarding their damages. The first of these trials addressing nine individual plaintiffs was held in January 2024 while the remaining trials are scheduled at various dates through April 2024.

In January 2024, the Multnomah County Circuit Court entered a limited judgment and money award for the June 2023 James case verdict. The limited judgment awards the aforementioned damages, as well as doubling of the economic damages and offsetting of any insurance proceeds received by plaintiffs. The limited judgment created a lien against PacifiCorp, attaching a debt for the money awards. PacifiCorp posted a supersedeas bond, which stays any effort to seek payment of the judgment pending final resolution of any appeals. Under ORS 82.010, interest at a rate of 9% per annum will accrue on the judgment commencing at the date the judgment was entered until the entire money award is paid, amended or reversed by an appellate court.

In January 2024, the jury for the first James damages phase trial awarded nine plaintiffs \$62 million of damages, including \$6 million of economic damages and \$56 million of noneconomic damages. After the January 2024 jury verdict, the Multnomah County Circuit Court doubled the economic damages to \$12 million and added \$16 million of punitive damages using the 0.25 multiplier determined by the jury for the June 2023 James case verdict. PacifiCorp will request that the Multnomah County Circuit Court judge offset the damage awards by deducting insurance proceeds received by any of the nine plaintiffs.

PacifiCorp has filed its notice of appeal of the jury's findings and damage awards associated with the June 2023 verdict in the James case, including whether the case can proceed as a class action, and filed a motion to stay further damages phase trials. On February 14, 2024, the Oregon Court of Appeals denied PacifiCorp's request to stay the damages phase trials. PacifiCorp intends to appeal the jury's damage awards associated with the January 2024 jury verdict once the judgment is entered. On February 13, 2024, the 17 named plaintiffs filed a notice of cross-appeal as to the January 2024 limited judgment and money award. The appeals process and further actions could take several years.

A provision for a loss contingency is recorded when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. PacifiCorp evaluates the related range of reasonably estimated losses and records a loss based on its best estimate within that range or the lower end of the range if there is no better estimate.

Estimated probable losses associated with the Wildfires were based on the information available to the date of this filing, including (i) ongoing cause and origin investigations; (ii) ongoing settlement and mediation discussions; (iii) other litigation matters and upcoming legal proceedings; and (iv) the status of the James case. Wildfire estimated losses include estimates for fire suppression costs, real and personal property damages, natural resource damages for certain areas and non-economic damages such as personal injury damages and loss of life damages that are considered probable of being incurred and that it is able to reasonably estimate at this time and which is subject to change as additional relevant information becomes available.

PacifiCorp recorded estimated pre-tax probable Wildfire losses, before expected related insurance recoveries, of approximately \$1.9 billion in 2023 and \$225 million in 2022. Such amounts, net of expected insurance recoveries, were approximately \$1.7 billion in 2023 and \$64 million in 2022, which were included in energy operating expenses in the accompanying Consolidated Statements of Earnings. PacifiCorp paid \$631 million in settlements in 2023 and \$53 million in 2022 associated with the 2020 Wildfires. PacifiCorp's cumulative charges to date for estimated probable Wildfire losses through December 31, 2023, before expected insurance recoveries, were \$2.4 billion.

It is reasonably possible PacifiCorp will incur significant additional Wildfire losses beyond the amounts currently accrued; however, it is currently unable to reasonably estimate the range of possible additional losses that could be incurred due to the number of properties and parties involved, including claimants in the class to the James case, the variation in those types of properties and lack of available details and the ultimate outcome of legal actions.

Notes to Consolidated Financial Statements

(27) Contingencies and commitments

HomeServices of America, Inc. (“HomeServices”), a wholly owned subsidiary of BHE, is currently defending against eleven antitrust cases, all in federal district courts. In each case, plaintiffs claim HomeServices and certain of its subsidiaries conspired with co-defendants to artificially inflate real estate commissions by following and enforcing multiple listing service (“MLS”) rules that require listing agents to offer a commission split to cooperating agents in order for the property to appear on the MLS (“Cooperative Compensation Rule”). None of the complaints specify damages sought. However, two cases also allege Texas state law deceptive trade practices claims, for which plaintiffs have provided written notice of the damages sought totaling approximately \$9 billion by separate notice as required by Texas law.

In one of these cases, *Burnett (formerly Sitzer) et al. v. HomeServices of America, Inc. et al.*, a jury trial commenced on October 16, 2023, and the jury returned a verdict for the plaintiffs on October 31, 2023, finding that the named defendants participated in a conspiracy to follow and enforce the Cooperative Compensation Rule, which had the purpose or effect of raising, inflating, or stabilizing broker commission rates paid by home sellers. The jury further found that the class plaintiffs had proved damages in the amount of \$1.8 billion. Federal law authorizes trebling of damages and the award of pre-judgment interest and attorney fees. Joint and several liability applies for the co-defendants. HomeServices intends to vigorously appeal on multiple grounds the jury’s findings and damage award. The appeals process and further actions could take several years.

Based on available information to date, HomeServices believes losses are likely to occur as a result of the jury verdict in the *Burnett* case and that such damages could be up to \$5.4 billion, excluding attorneys’ fees, prejudgment interest and other costs subject to determination by the court. However, HomeServices is currently unable to reasonably estimate such loss due to, among other reasons, the joint and several nature of the liability and the early stages of the appeals process.

It is also reasonably possible that HomeServices will incur losses from the ten other antitrust cases. However, HomeServices is unable to reasonably estimate a specific range of possible losses that could be incurred due to, among other reasons, lack of information about the size of the plaintiff class and potential damages, as well as the joint and several nature of potential liability of the defendants.

Berkshire and certain of its subsidiaries are also involved in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties. We currently believe that liabilities that may arise as a result of such other pending legal actions will not have a material effect on our consolidated financial condition or results of operations.

Our subsidiaries regularly make commitments in the ordinary course of business to purchase goods and services in the future for use in their businesses, which are not yet reflected in our Consolidated Financial Statements. The most significant of our long-term commitments relate to our railroad, utilities and energy businesses, our shared aircraft ownership and leasing business and certain materials purchase commitments. As of December 31, 2023, estimated future payments under those arrangements over the next five years were as follows: \$10 billion in 2024, \$4 billion in 2025, \$3 billion in 2026, \$3 billion in 2027 and \$2 billion in 2028.

We may be obligated to acquire certain noncontrolling interests in less-than-wholly-owned subsidiaries in the future, pursuant to the terms of agreements with the noncontrolling shareholders for cash or other assets. The timing and the amount of any future payments that might be required to such noncontrolling shareholders are contingent on future actions of the noncontrolling owners and the value of the interest being acquired.

Grant Thornton UK LLP
Level 8
110 Queen Street
Glasgow
G1 3BX
8/8/2024

Dear Grant Thornton UK LLP

Wyman Gordon Limited

Financial statements for the year ended 31 December 2023

This representation letter is provided in connection with the audit of the financial statements of Wyman Gordon Limited for the ended 31 December 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with applicable law and United Kingdom Accounting Standards, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland ('United Kingdom Generally Accepted Accounting Practice').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

- i We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 26 February 2024, for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice; in particular the financial statements give a true and fair view in accordance therewith.
- ii We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- iii The methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- iv Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice.
- v All events subsequent to the date of the financial statements and for which United Kingdom Generally Accepted Accounting Practice requires adjustment or disclosure have been adjusted or disclosed.
- vi We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are immaterial to the results of the entity and its financial position at the year-end for the reasons noted on the schedule. The financial statements are free of material misstatements, including omissions.
- vii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice.

- viii In recognising the pension asset, we are comfortable in confirming that as Principal Employer we expect to see future benefit from the asset.
- ix We confirm that the use of the going concern basis of accounting is appropriate for the preparation of the financial statements. Management has assessed the company's financial position, including the reliance on support from the Group, and has concluded that such support is adequate to ensure the company's ability to continue as a going concern for the foreseeable future.
- x We confirm that the judgments made regarding stock provisions, particularly in relation to Finished Goods, are appropriate. Management has evaluated the condition, marketability, and net realizable value of the inventory and has determined that the provisions made accurately reflect any potential losses or obsolescence in accordance with applicable FRS 102.
- xi We confirm that we are not aware of any updates or changes concerning the Prophecy pension asset and deem it appropriate to continue holding the asset at £1.21m as in the prior year. Management have not received any new information that would affect the valuation or status of this asset.
- xii We confirm that the company has established and maintains robust due diligence procedures to identify and screen customers and suppliers. Management believes that these processes are effective in ensuring compliance with applicable sanctions regulations and in preventing any dealings with sanctioned entities. Our procedures include regular monitoring and updates to our screening criteria to reflect changes in sanctions lists and relevant legislation.

Information provided.

- xiii We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of your audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management.
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- xx We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Anthony Dimmer

Yours faithfully,

Director,
Wyman Gordon Limited

Appendix I – Unadjusted Misstatements

Journal reference	Detail	Profit and Loss account		Balance sheet		Profit effect	Reason for not adjusting
		Debit	Credit	Debit	Credit		
	Profit/(Loss) per final accounts						
1	Administration expenses	484,916				(484,916)	
	Accruals				484,919		
	Being the recognition of the LTIP accrual in the year						Management believe obligation lies with parent company (PCC)
2	FCA Expense	371,835				(371,835)	
	FCA WIP				265,862		
	FCA RM				69,905		
	FCA FG				36,067		
	Being adjusted to FCA to reduce RM FCA, WIP FCA and FG after the correction of the FCA calculation						Management acknowledge it's a judgement – not adjusted as it is immaterial
	Potential Profit/(Loss)					(856,751)	

Grant Thornton UK LLP
Level 8
110 Queen Street
Glasgow
G1 3BX
8/8/2024

Dear Grant Thornton UK LLP

Wyman Gordon Limited

Financial statements for the year ended 31 December 2023

This representation letter is provided in connection with the audit of the financial statements of Wyman Gordon Limited for the ended 31 December 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with applicable law and United Kingdom Accounting Standards, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland ('United Kingdom Generally Accepted Accounting Practice').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

- i We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 26 February 2024, for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice; in particular the financial statements give a true and fair view in accordance therewith.
- ii We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- iii The methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- iv Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice.
- v All events subsequent to the date of the financial statements and for which United Kingdom Generally Accepted Accounting Practice requires adjustment or disclosure have been adjusted or disclosed.
- vi We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are immaterial to the results of the entity and its financial position at the year-end for the reasons noted on the schedule. The financial statements are free of material misstatements, including omissions.
- vii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice.

- viii In recognising the pension asset, we are comfortable in confirming that as Principal Employer we expect to see future benefit from the asset.
- ix We confirm that the use of the going concern basis of accounting is appropriate for the preparation of the financial statements. Management has assessed the company's financial position, including the reliance on support from the Group, and has concluded that such support is adequate to ensure the company's ability to continue as a going concern for the foreseeable future.
- x We confirm that the judgments made regarding stock provisions, particularly in relation to Finished Goods, are appropriate. Management has evaluated the condition, marketability, and net realizable value of the inventory and has determined that the provisions made accurately reflect any potential losses or obsolescence in accordance with applicable FRS 102.
- xi We confirm that we are not aware of any updates or changes concerning the Prophecy pension asset and deem it appropriate to continue holding the asset at £1.21m as in the prior year. Management have not received any new information that would affect the valuation or status of this asset.
- xii We confirm that the company has established and maintains robust due diligence procedures to identify and screen customers and suppliers. Management believes that these processes are effective in ensuring compliance with applicable sanctions regulations and in preventing any dealings with sanctioned entities. Our procedures include regular monitoring and updates to our screening criteria to reflect changes in sanctions lists and relevant legislation.

Information provided.

- xiii We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of your audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management.
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- xx We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Anthony Dimmer

Yours faithfully,

Director,
Wyman Gordon Limited

Appendix I – Unadjusted Misstatements

Journal reference	Detail	Profit and Loss account		Balance sheet		Profit effect	Reason for not adjusting
		Debit	Credit	Debit	Credit		
	Profit/(Loss) per final accounts						
1	Administration expenses	484,916				(484,916)	
	Accruals				484,919		
	Being the recognition of the LTIP accrual in the year						Management believe obligation lies with parent company (PCC)
2	FCA Expense	371,835				(371,835)	
	FCA WIP				265,862		
	FCA RM				69,905		
	FCA FG				36,067		
	Being adjusted to FCA to reduce RM FCA, WIP FCA and FG after the correction of the FCA calculation						Management acknowledge it's a judgement – not adjusted as it is immaterial
	Potential Profit/(Loss)					(856,751)	