

Buffett's Letters To Berkshire Shareholders 1978	巴菲特致股东的信 1978 年
<p>First, a few words about accounting. The merger with Diversified Retailing Company, Inc. at yearend adds two new complications in the presentation of our financial results. After the merger, our ownership of Blue Chip Stamps increased to approximately 58% and, therefore, the accounts of that company must be fully consolidated in the Balance Sheet and Statement of Earnings presentation of Berkshire. In previous reports, our share of the net earnings only of Blue Chip had been included as a single item on Berkshire's Statement of Earnings, and there had been a similar one-line inclusion on our Balance Sheet of our share of their net assets.</p>	<p>首先，是会计相关的议题，在年底与多元零售公司的合并后，对于公司的财务报表有两项影响，首先在合并案完成后，我们对蓝筹邮票的持股比例将提高至 58%左右，意味着该公司的资产负债以及盈余数字必须全部纳入伯克希尔的报表之内，在此之前，我们仅透过权益法按投资比例认列蓝筹邮票的净值与收益。</p>
<p>This full consolidation of sales, expenses, receivables, inventories, debt, etc. produces an aggregation of figures from many diverse businesses - textiles, insurance, candy, newspapers, trading stamps - with dramatically different economic characteristics. In some of these your ownership is 100% but, in those businesses which are owned by Blue Chip but fully consolidated, your ownership as a Berkshire shareholder is only 58%. (Ownership by others of the balance of these businesses is accounted for by the large minority interest item on the liability side of the Balance Sheet.) Such a grouping of Balance Sheet and Earnings items - some wholly owned, some partly owned - tends to obscure economic reality more than illuminate it. In fact, it represents a form of presentation that we never prepare for internal use during the year and which is of no value to us in any management activities.</p>	<p>如此全面性地将营收、费用、应收帐款、存货及负债等科目合并，所产生的数字将来自于各种产业特性截然不同的行业，包含纺织、保险、糖果、报纸及邮票等，某些行业各位的持有的权益是 100%，某些例如由蓝筹邮票所持有的却只有 58%(至于其它股东所代表的权益，则列在资产负债表右半边负债科目的少数股东权益项下)，对于财务报表这样的归类，我们认为非但无法解释实际现况反而模糊了真正的焦点，事实上，我们内部从来就不使用这样的报表进行分析管理。</p>
<p>For that reason, throughout the report we provide much separate financial information and commentary on the various segments of the business to help you evaluate Berkshire's performance and prospects. Much of this segmented information is mandated by SEC</p>	<p>基于这样的理由，在接下来的报告中，我们将针对个别的行业提供各自的财务数字及分析检讨，以协助各位评估伯克希尔实际的表现及前景，这些信息大都是证监会信息披露的相关要求，详见 29 页到 34 页的管理阶层讨</p>

<p>disclosure rules and covered in “Management’s Discussion” on pages 29 to 34. And in this letter we try to present to you a view of our various operating entities from the same perspective that we view them managerially.</p>	<p>论，至于在这里我们则试着以经营者的角度为各位分析各个营利单位的表现。</p>
<p>A second complication arising from the merger is that the 1977 figures shown in this report are different from the 1977 figures shown in the report we mailed to you last year. Accounting convention requires that when two entities such as Diversified and Berkshire are merged, all financial data subsequently must be presented as if the companies had been merged at the time they were formed rather than just recently. So the enclosed financial statements, in effect, pretend that in 1977 (and earlier years) the Diversified-Berkshire merger already had taken place, even though the actual merger date was December 30, 1978. This shifting base makes comparative commentary confusing and, from time to time in our narrative report, we will talk of figures and performance for Berkshire shareholders as historically reported to you rather than as restated after the Diversified merger.</p>	<p>合并案所引发的第二项影响则是今年报表中秀出 1977 年的数字与去年提供给各位同一年度的数字有所不同，会计原则要求当像多元零售与伯克希尔这样二个独立个体合并时，所有报告的财务数字都必须假设这两家公司原本就在一起，所以后续呈现所有数字，是假设这两家公司早在 1977 年（甚至更早以前）就已经合并，虽然真正合并的日期是 1978 年的 12 月 30 日，这样的改变使得比较性的评论很容易产生混淆，因为以往的报告中，我们告诉各位的都是伯克希尔的历史记录，而非依照合并多元零售后重新修正数字。</p>
<p>With that preamble it can be stated that, with or without restated figures, 1978 was a good year. Operating earnings, exclusive of capital gains, at 19.4% of beginning shareholders’ investment were within a fraction of our 1972 record. While we believe it is improper to include capital gains or losses in evaluating the performance of a single year, they are an important component of the longer term record. Because of such gains, Berkshire’s long-term growth in equity per share has been greater than would be indicated by compounding the returns from operating earnings that we have reported annually.</p>	<p>然而即便在这样的前提下，我们还是可以如此说，不论财报数字是否重编，1978 年都是丰收的一年，不含资本利得的营业利益约为期初股东投资成本的 19.4%，虽然低于 1972 年的历史记录，我们认为评估单一年度的表现，不适宜将资本利得或损失纳入计算，但不可否认他们却是衡量长期绩效的重要指针，拜这类利得所赐，伯克希尔每股权益长期的成长率远大于每年年度营业利益所带来的复利报酬。</p>
<p>For example, over the last three years – generally a bonanza period for the insurance industry, our largest profit producer – Berkshire’s per share net worth virtually has doubled, thereby compounding at about 25%</p>	<p>举例来说，过去三年算是保险业的黄金岁月，这行业也是伯克希尔获利主要来源，拜其所赐我们的每股净值呈倍数成长，每年的营业利益与资本利得约当以 25% 的速度增加，但我们不</p>

annually through a combination of good operating earnings and fairly substantial capital gains. Neither this 25% equity gain from all sources nor the 19.4% equity gain from operating earnings in 1978 is sustainable. The insurance cycle has turned downward in 1979, and it is almost certain that operating earnings measured by return on equity will fall this year. However, operating earnings measured in dollars are likely to increase on the much larger shareholders' equity now employed in the business.	认为 25%的股东权益年成长或 19.4% 营业利益的年成长可以维持多久，保险业的景气循环已于 1979 年开始反转向下，所以今年的营业利益相较于股东权益的比率很有可能会下滑，当然营业利益的金额还是会继续增加。
In contrast to this cautious view about near term return from operations, we are optimistic about prospects for long term return from major equity investments held by our insurance companies. We make no attempt to predict how security markets will behave; successfully forecasting short term stock price movements is something we think neither we nor anyone else can do. In the longer run, however, we feel that many of our major equity holdings are going to be worth considerably more money than we paid, and that investment gains will add significantly to the operating returns of the insurance group.	相较于对短期营运的保守看法，我们对于目前保险子公司所持有的股票投资却感到相当乐观，我们从来不会想要去预测股票市场的走势，事实上，我不认为包含我自己本身在内，有人能够“成功”地预测股市短期间的波动，然而就长期而言，我们觉得我们这些主要持股的价值终将远超过我们当初投资的成本，而这些投资收益将会使得保险事业的盈余表现更上一层楼。
Sources of Earnings	盈余报告
To give you a better picture of just where Berkshire's earnings are produced, we show below a table which requires a little explanation. Berkshire owns close to 58% of Blue Chip which, in addition to 100% ownership of several businesses, owns 80% of Wesco Financial Corporation. Thus, Berkshire's equity in Wesco's earnings is about 46%. In aggregate, businesses that we control have about 7,000 full-time employees and generate revenues of over \$500 million.	为了让各位对伯克希尔的盈余来源有所了解，让我稍微解释一下下面这张表，伯克希尔约持有蓝筹邮票 58%的股权，而后者除了持有一些企业 100%的股权外，还另外拥有 Wesco 金融公司 80%的股权，也因此伯克希尔等于间接持有 Wesco 约 46%的股权，总的来说，我们旗下事业约有 7,000 名全职的员工，年营收达到 5 亿美元。
The table shows the overall earnings of each major operating category on a pre-tax basis (several of the businesses have low tax rates because of significant amounts of tax-exempt interest and dividend income), as well as the share of those earnings belonging to Berkshire both on a pre-tax and after-tax basis. Significant capital gains or losses attributable	下表显示各个主要营运单位的税前盈余(有几家公司适用的税率较低主要的原因是免税的利息及股息收入)，以下是伯克希尔按持股比例可分得的税前及税后盈余，各事业的资本利得或损失则不包含在营业利益之内，而是加总列在已实现证券利得项下，由于复杂的会计及税务规定，大家不必将

<p>to any of the businesses are not shown in the operating earnings figure, but are aggregated on the “Realized Securities Gain” line at the bottom of the table. Because of various accounting and tax intricacies, the figures in the table should not be treated as holy writ, but rather viewed as close approximations of the 1977 and 1978 earnings contributions of our constituent businesses.</p>	<p>这些数字看得很神圣，最好是单纯地把他们当作是旗下事业在 1977 年及 1978 年对于母公司所贡献的盈余。</p>
<p>Blue Chip and Wesco are public companies with reporting requirements of their own. Later in this report we are reproducing the narrative reports of the principal executives of both companies, describing their 1978 operations. Some of the figures they utilize will not match to the penny the ones we use in this report, again because of accounting and tax complexities. But their comments should be helpful to you in understanding the underlying economic characteristics of these important partly-owned businesses. A copy of the full annual report of either company will be mailed to any shareholder of Berkshire upon request to Mr. Robert H. Bird for Blue Chips Stamps, 5801 South Eastern Avenue, Los Angeles, California 90040, or to Mrs. Bette Deckard for Wesco Financial Corporation, 315 East Colorado Boulevard, Pasadena, California 91109.</p>	<p>蓝筹邮票及 Wesco 都是公开发行公司，各自都必须对外公开报告，在年报的后段附有这两家公司主要经理人关于公司 1978 年现况的书面报告，他们运用的部份数字可能无法与我们的报告丝毫不差，这又是因为会计与税务一些细节规定所致，但我认为他们的见解将有助于各位了解这些旗下重要事业的经营现况，若有需要伯克希尔的股东可向 Mr. Robert (地址：加州 洛杉矶 5801 South Eastern Avenue) 索取蓝筹邮票的年报或向 Mrs. Bette (地址：加州 Pasadena 315 East Colorado Boulevard) 索取 Wesco 的年报。</p>
Textiles	纺织业
<p>Earnings of \$1.3 million in 1978, while much improved from 1977, still represent a low return on the \$17 million of capital employed in this business. Textile plant and equipment are on the books for a very small fraction of what it would cost to replace such equipment today. And, despite the age of the equipment, much of it is functionally similar to new equipment being installed by the industry. But despite this “bargain cost” of fixed assets, capital turnover is relatively low reflecting required high investment levels in receivables and inventory compared to sales. Slow capital turnover, coupled with low profit margins on sales, inevitably produces inadequate returns on</p>	<p>1978 年的盈余达到 130 万美元，较 1977 年有所改进，但相较于投入的 1,700 万资本来说，报酬率还是很低，目前纺织厂房及设备帐列的价值远低于未来重置所需的成本，虽然这些设备都已相当老旧，但大部分的功能与目前同业所采用的全新设备差异并不大，但尽管固定资产的投入不须太大，但销售所须负担的应收帐款及存货周转资金却是相当沉重的担子，纺织业低资产周转率与低毛利无可避免地造成低落的股东权益报酬率，可能的改善方式包括产品差异化、使用新设备降低制造成本或妥善运用人力、朝高附加价值的纺织品转型等，我们的管</p>

capital. Obvious approaches to improved profit margins involve differentiation of product, lowered manufacturing costs through more efficient equipment or better utilization of people, redirection toward fabrics enjoying stronger market trends, etc. Our management is diligent in pursuing such objectives. The problem, of course, is that our competitors are just as diligently doing the same thing.	理阶层正致力达到以上目标，当然真正的问题在于这也正是我们的竞争同业正在努力做的。
The textile industry illustrates in textbook style how producers of relatively undifferentiated goods in capital intensive businesses must earn inadequate returns except under conditions of tight supply or real shortage. As long as excess productive capacity exists, prices tend to reflect direct operating costs rather than capital employed. Such a supply-excess condition appears likely to prevail most of the time in the textile industry, and our expectations are for profits of relatively modest amounts in relation to capital.	纺织业的现况充分地说明了教科书中提到的，当资本密集但产品无重大差异化的生产者注定将赚取微薄的报酬，除非供给吃紧或真正短缺，只要市场产能过剩，产品价格就会随直接营运成本而非投入资金作变动，不幸的是这样的情况正是目前纺织业的常态，所以我们只能期望获取稍微合理的投资报酬即可。
We hope we don't get into too many more businesses with such tough economic characteristics. But, as we have stated before: (1) our textile businesses are very important employers in their communities, (2) management has been straightforward in reporting on problems and energetic in attacking them, (3) labor has been cooperative and understanding in facing our common problems, and (4) the business should average modest cash returns relative to investment. As long as these conditions prevail – and we expect that they will – we intend to continue to support our textile business despite more attractive alternative uses for capital.	我们希望以后不要再介入这类产业面临困境的企业，但就像之前曾经提到的，只要(1) 该公司为当地非常重要的雇主(2) 管理当局坦诚面对困境并努力解决问题(3) 劳工体认现况并极力配合(4) 相对于投入的资金，尚能产生稳定现金收入。只要以上前提存在，我们也相信一定会，我们就会继续支持纺织事业的营运，虽然这样将使得我们被迫放弃其它更有利的资金运用管道。
Insurance Underwriting	保险核保业务
The number one contributor to Berkshire's overall excellent results in 1978 was the segment of National Indemnity Company's insurance operation run by Phil Liesche. On about \$90 million of earned premiums, an underwriting profit of approximately \$11 million was realized, a truly extraordinary achievement even	1978 年伯克希尔盈余贡献的第一功臣当属由 Phil Liesche 所带领的国家产险公司，在所赚取的 9,000 万美元保费收入当中，有 1,100 万美元是已实现的核保利益，即便是产业情况不错的环境下仍属相当难得，在 Phil 的领导以及 Roland Miller 核保部门

<p>against the background of excellent industry conditions. Under Phil's leadership, with outstanding assistance by Roland Miller in Underwriting and Bill Lyons in Claims, this segment of National Indemnity (including National Fire and Marine Insurance Company, which operates as a running mate) had one of its best years in a long history of performances which, in aggregate, far outshine those of the industry. Present successes reflect credit not only upon present managers, but equally upon the business talents of Jack Ringwalt, founder of National Indemnity, whose operating philosophy remains etched upon the company.</p>	<p>与 Bill Lyons 理赔部门的襄助之下，国家产险(包含国家火海险公司)创下有史以来表现最佳的一年，其表现更远远优于其它同业，如今的成功不仅反应出现任经营者的功劳，还要归功于国家产险创办人 Jack Ringwalt 的远见，其经营哲学目前仍深深烙印在公司之上。</p>
<p>Home and Automobile Insurance Company had its best year since John Seward stepped in and straightened things out in 1975. Its results are combined in this report with those of Phil Liesche's operation under the insurance category entitled "Specialized Auto and General Liability".</p>	<p>去年是家庭汽车保险公司自 1975 年 John Seward 介入并改正公司营运以来表现最佳的一年，其成绩连同 Phil 的营运绩效一起被放在特殊汽车及一般责任险业务范围之内。</p>
<p>Worker's Compensation was a mixed bag in 1978. In its first year as a subsidiary, Cypress Insurance Company, managed by Milt Thornton, turned in outstanding results. The worker's compensation line can cause large underwriting losses when rapid inflation interacts with changing social concepts, but Milt has a cautious and highly professional staff to cope with these problems. His performance in 1978 has reinforced our very good feelings about this purchase.</p>	<p>1978 年劳工退休保险是一个混合体，在她被列为 Milt Thornton 管理的 Cypress 保险公司子公司的第一年便缴出漂亮的成绩单，劳工退休保险业务在通货膨胀加剧以及社会观念改变的情况下，有可能产生钜额的核保损失，但 Milt 拥有一组谨慎且极度专业的团队小心处理这些问题，1978 年他的表现使我们对于买进这项业务开始有不错的感觉。</p>
<p>Frank DeNardo came with us in the spring of 1978 to straighten out National Indemnity's California Worker's Compensation business which, up to that point, had been a disaster. Frank has the experience and intellect needed to correct the major problems of the Los Angeles office. Our volume in this department now is running only about 25% of what it was eighteen months ago, and early indications are that Frank is making good progress.</p>	<p>Frank DeNardo 是在 1978 年春天加入我们改正国家产险在加州劳工退休保险业务的行列，当时这项业务可以说是一场灾难，Frank 具有导正加州办公室问题所需的经验与智能，目前这个部门的业务量只有一年半前的四分之一，初步的结果显示 Frank 已有相当好的开始。</p>
<p>George Young's reinsurance department continues to produce very large sums for investment relative to premium volume, and thus</p>	<p>George Young 的再保险部门创造的保费收入持续挹注投资所需的大量资金，并缴出相当令人满意的成绩单，</p>

<p>gives us reasonably satisfactory overall results. However, underwriting results still are not what they should be and can be. It is very easy to fool yourself regarding underwriting results in reinsurance (particularly in casualty lines involving long delays in settlement), and we believe this situation prevails with many of our competitors. Unfortunately, self-delusion in company reserving almost always leads to inadequate industry rate levels. If major factors in the market don't know their true costs, the competitive "fall-out" hits all - even those with adequate cost knowledge. George is quite willing to reduce volume significantly, if needed, to achieve satisfactory underwriting, and we have a great deal of confidence in the long term soundness of this business under his direction.</p>	<p>只是核保部门的绩效依旧不如预期理想，再保险的核保成绩很容易让人搞错(尤其是理赔时间通常拉得很长的意外险业务)，而我们相信其它同业普遍也面临这样的问题，不幸的是，公司损失准备提列的自我迷惑通常导致不当的保险费率结构，如果市场上的主要份子对于自身的成本结构不甚了解，那么竞争爆炸的结果是伤到所有的参与者，也包含那些具有成本意识的业者在内，如果有必要的话，为达到合理的核保绩效，George 宁愿舍弃大部分的业务，而我们也有信心就长期而言，这项业务在他的领导之下会有不错的表现。</p>
<p>The homestate operation was disappointing in 1978. Our unsatisfactory underwriting, even though partially explained by an unusual incidence of Midwestern storms, is particularly worrisome against the backdrop of very favorable industry results in the conventional lines written by our homestate group. We have confidence in John Ringwalt's ability to correct this situation. The bright spot in the group was the performance of Kansas Fire and Casualty in its first full year of business. Under Floyd Taylor, this subsidiary got off to a truly remarkable start. Of course, it takes at least several years to evaluate underwriting results, but the early signs are encouraging and Floyd's operation achieved the best loss ratio among the homestate companies in 1978.</p>	<p>Homestate 1978 年的营运让人感到相当失望，虽然核保绩效差，部份的原因要归咎于中西部意外发生的风暴，但是一向表现优异的传统保单业务恶化的情况却特别令人感到忧心，我们对于 John Ringwalt 导正这种情况的能力有信心，堪萨斯火险第一个完整会计年度不错的表现让我们吃下一颗定心丸，在 Floyd Taylor 的领导下，这个分支单位有一个非常好的开始，当然至少要好几年才能评估其真正的核保绩效，但初步的结果令人感到相当振奋，而 Floyd 1978 年的损失比率也是 Homestate 所有单位中表现最佳的。</p>
<p>Although some segments were disappointing, overall our insurance operation had an excellent year. But of course we should expect a good year when the industry is flying high, as in 1978. It is a virtual certainty that in 1979 the combined ratio (see definition on page 31) for the industry will move up at least a few points, perhaps enough to throw the industry as a whole into an underwriting loss position. For example,</p>	<p>虽然某些单位的绩效令人感到失望，但总的来说，我们保险事业还是渡过了丰收的一年，当然就像 1978 年一样，在整个产业预期相对乐观的情况下，我们还是期待来年的丰收，几乎可以肯定的是 1979 年整个产业的综合比率(定义请参阅第 31 页)将会上扬几个百分点，甚至有可能使得整个产业平均面临核保损失的情况，比如</p>

in the auto lines – by far the most important area for the industry and for us – CPI figures indicate rates overall were only 3% higher in January 1979 than a year ago. But the items that make up loss costs – auto repair and medical care costs – were up over 9%. How different than yearend 1976 when rates had advanced over 22% in the preceding twelve months, but costs were up 8%.	以目前产险业中最重要的车险业务来说, 1979 年一月显示消费者物价指数仅比去年同期增加 3 个百分点, 但是损失成本-包含修理及医疗费用的支出却上扬的 9 个百分点, 这与 1976 年物价指数上扬 22 个百分点但相关成本仅增加 8 个百分点的情况, 有很大的不同。
Margins will remain steady only if rates rise as fast as costs. This assuredly will not be the case in 1979, and conditions probably will worsen in 1980. Our present thinking is that our underwriting performance relative to the industry will improve somewhat in 1979, but every other insurance management probably views its relative prospects with similar optimism – someone is going to be disappointed. Even if we do improve relative to others, we may well have a higher combined ratio and lower underwriting profits in 1979 than we achieved last year.	只有当费率增加的幅度与成本上扬的速度一致时, 才得以维持稳定的利润空间, 但很显然 1979 年的情况并非如此, 而 1980 年甚至有可能还会继续恶化, 我们现在的想法是我们 1979 年的核保绩效应该会比同业好一点, 但其它保险同业或许也抱持着跟我们相同的看法, 所以可以肯定的是其它一定有人失望, 而就算我们比其它同业表现要好一点, 我们的综合比率还是有可能进一步提高, 使得我们 1979 年的核保利益就去年衰退。
We continue to look for ways to expand our insurance operation. But your reaction to this intent should not be unrestrained joy. Some of our expansion efforts – largely initiated by your Chairman have been lackluster, others have been expensive failures. We entered the business in 1967 through purchase of the segment which Phil Liesche now manages, and it still remains, by a large margin, the best portion of our insurance business. It is not easy to buy a good insurance business, but our experience has been that it is easier to buy one than create one. However, we will continue to try both approaches, since the rewards for success in this field can be exceptional.	另外一方面, 我们还是不断寻求增加保险业务的机会, 不过各位对于我们这样的企图千万不要一面倒地感到高兴, 我们一些扩张的努力, 大部分都是由我本人所发起的, 事后证明都是半调子, 有的还付出昂贵的代价, 事实上, 经由买进 Phil Liesche 的业务, 我们在 1967 年进入保险事业, 而到目前为止, 这个部门还是我们所有保险事业中表现最好的, 实在是很难买到一家好的保险公司, 但要创立一家更难, 然而我们还是不断地用各种方法, 因为一旦成功所获得的回报是相当惊人的。
Insurance Investments	保险事业的投资
We confess considerable optimism regarding our insurance equity investments. Of course, our enthusiasm for stocks is not unconditional. Under some circumstances, common stock investments by insurers make very little sense.	我们必须承认对于保险事业的股票投资有点过于乐观, 当然我们对于股票的偏爱并非毫无限制, 在某些情况下, 保险公司投资股票一点意义都没有。
We get excited enough to commit a big percentage of insurance company net worth to equities only when we find (1) businesses we can understand,	只有当以下条件都符合时, 我们才会想要将保险公司大部分的资金投入到股票投资之上: (1) 我们可以了解的行

<p>(2) with favorable long-term prospects, (3) operated by honest and competent people, and (4) priced very attractively. We usually can identify a small number of potential investments meeting requirements (1), (2) and (3), but (4) often prevents action. For example, in 1971 our total common stock position at Berkshire's insurance subsidiaries amounted to only \$10.7 million at cost, and \$11.7 million at market. There were equities of identifiably excellent companies available – but very few at interesting prices. (An irresistible footnote: in 1971, pension fund managers invested a record 122% of net funds available in equities – at full prices they couldn't buy enough of them. In 1974, after the bottom had fallen out, they committed a then record low of 21% to stocks.)</p>	<p>业(2)具有长期竞争力(3)由才德兼具的人士所经营(4)吸引人的价格,我们常常可以找到一些符合(1)(2)(3)项条件的投资标的,但第(4)项往往让我们止步,举例来说,1971年伯克希尔所有股票的投资成本累计为1,070万美元,市价则为1,170万美元,市场上确实有不少好股票,只是他们的价格通常也不便宜,(讲到这里,我不得不补充,1971年全体退休基金经理人将可运用资金的122%投资在高价股票之上,甚至还嫌不够,但到了1974年,当股市大幅回档时,他们投资在股票的比例却降到21%的历史新低点)</p>
<p>The past few years have been a different story for us. At the end of 1975 our insurance subsidiaries held common equities with a market value exactly equal to cost of \$39.3 million. At the end of 1978 this position had been increased to equities (including a convertible preferred) with a cost of \$129.1 million and a market value of \$216.5 million. During the intervening three years we also had realized pre-tax gains from common equities of approximately \$24.7 million. Therefore, our overall unrealized and realized pre-tax gains in equities for the three year period came to approximately \$112 million. During this same interval the Dow-Jones Industrial Average declined from 852 to 805. It was a marvelous period for the value-oriented equity buyer.</p>	<p>然而过去几年的情况完全相反,1975年底我们旗下保险事业持有的股票市值与3,930万美元的成本相当,到了1978年底股票部位(包含可转换特别股)的投资成本增加为1.291亿美元,市价则为2.165亿美元,在这中间的三年内,我们另外还实现了2,470万美元的资本利得,换句话说,这三年间,我们已实现与未实现的税前资本利得达到1.12亿美元,相较之下道琼指数在同一期间却由852点跌至805点,对于价值型投资人来说,这真是一段美好的岁月。</p>
<p>We continue to find for our insurance portfolios small portions of really outstanding businesses that are available, through the auction pricing mechanism of security markets, at prices dramatically cheaper than the valuations inferior businesses command on negotiated sales.</p>	<p>未来我们仍将持续为旗下的保险公司寻找真正优秀的事业,透过证券市场拍卖的价格机制,以比协议买进整家公司更便宜的价钱,取得一小部份的股权。</p>
<p>This program of acquisition of small fractions of businesses (common stocks) at bargain prices, for which little enthusiasm exists, contrasts sharply with general corporate acquisition</p>	<p>这种以划算的价格取得部份所有权(即股票)的计划,虽然不像透过谈判购并整家公司那么有趣,但我们相当清楚,以目前的市场情况,很多公司</p>

<p>activity, for which much enthusiasm exists. It seems quite clear to us that either corporations are making very significant mistakes in purchasing entire businesses at prices prevailing in negotiated transactions and takeover bids, or that we eventually are going to make considerable sums of money buying small portions of such businesses at the greatly discounted valuations prevailing in the stock market. (A second footnote: in 1978 pension managers, a group that logically should maintain the longest of investment perspectives, put only 9% of net available funds into equities – breaking the record low figure set in 1974 and tied in 1977.)</p>	<p>因为透过协议谈判的方式，犯了明显的错误，相较之下，我们以划算的价格买进不少公司的部份所有权，反而赚了不少钱，（第二次补充，1978 年许多退休基金经理人，原本最应该采取长期投资做法的一群人，平均只将 9% 的资金摆在股票之上，创下比 1974 年更低的比例）。</p>
<p>We are not concerned with whether the market quickly revalues upward securities that we believe are selling at bargain prices. In fact, we prefer just the opposite since, in most years, we expect to have funds available to be a net buyer of securities. And consistent attractive purchasing is likely to prove to be of more eventual benefit to us than any selling opportunities provided by a short-term run up in stock prices to levels at which we are unwilling to continue buying.</p>	<p>我们并不在乎市场是否会立即反应这些股价被低估的股票，事实上，我们宁愿价格不要反应，因为通常我们不断会有资金流入以供我们进场投资，持续不断以便宜的价格买进最终将证明比趁短期股价上扬出脱持股所赚取的利益更多。</p>
<p>Our policy is to concentrate holdings. We try to avoid buying a little of this or that when we are only lukewarm about the business or its price. When we are convinced as to attractiveness, we believe in buying worthwhile amounts.</p>	<p>我们的投资策略是集中持股，我们试着尽量不要这也买一点，那也买一点，因为那样会使得我们对于被投资的产业漠不关心，当我们觉得价格合理，我们就会一口气大量地买进。</p>
<p>In some cases our indirect interest in earning power is becoming quite substantial. For example, note our holdings of 953,750 shares of SAFECO Corp. SAFECO probably is the best run large property and casualty insurance company in the United States. Their underwriting abilities are simply superb, their loss reserving is conservative, and their investment policies make great sense.</p>	<p>在某些情况下，我们间接持股的获利能力变得相当的大，举例来说，像是我们持有的 953,750 股的 SAFECO 股票，该公司大概是目前全美最优秀的大型产物意外险公司，他们的核保能力无与伦比，他们的损失准备提列相当保守，而他们的投资策略也相当合理。</p>
<p>SAFECO is a much better insurance operation than our own (although we believe certain segments of ours are much better than average), is better than one we could develop and, similarly, is far</p>	<p>SAFECO 的保险事业营运绩效远优于我们（虽然我们相信自己旗下部份公司的表现优于其平均），比起我们自己可以发展的还要好，同时也远优于我</p>

<p>better than any in which we might negotiate purchase of a controlling interest. Yet our purchase of SAFECO was made at substantially under book value. We paid less than 100 cents on the dollar for the best company in the business, when far more than 100 cents on the dollar is being paid for mediocre companies in corporate transactions. And there is no way to start a new operation – with necessarily uncertain prospects – at less than 100 cents on the dollar.</p>	<p>们可以透过协议买下具控制权的任何一家公司，然而我们仍然可以用远低于其帐面价值的价格买到这些股票，我们以折扣的方式买进这家最优良公司的部份股权，相较之下，你可能必须以溢价的方式才能买到一整家表现平庸的公司，更何况先不考量不确定性，没有人可以用打折的方式自行成立一家新事业。</p>
<p>Of course, with a minor interest we do not have the right to direct or even influence management policies of SAFECO. But why should we wish to do this? The record would indicate that they do a better job of managing their operations than we could do ourselves. While there may be less excitement and prestige in sitting back and letting others do the work, we think that is all one loses by accepting a passive participation in excellent management. Because, quite clearly, if one controlled a company run as well as SAFECO, the proper policy also would be to sit back and let management do its job.</p>	<p>当然仅有少数的股权，代表我们无权去指挥或影响 SAFECO 公司的经营决策，但我们为什么要那样做？过去的记录显示他们营运管理的绩效甚至比我们自己经营还要好，虽然闲坐一旁看别人表现，难免有点无趣且有伤自尊，但我们认为这本来就是被动参与某些优秀的经营阶层所必须牺牲的，因为就算有人有幸得以取得 SAFECO 的控制权，最好的方式还是坐在一旁让现有管理阶层自由发挥。</p>
<p>Earnings attributable to the shares of SAFECO owned by Berkshire at yearend amounted to \$6.1 million during 1978, but only the dividends received (about 18% of earnings) are reflected in our operating earnings. We believe the balance, although not reportable, to be just as real in terms of eventual benefit to us as the amount distributed. In fact, SAFECO's retained earnings (or those of other well-run companies if they have opportunities to employ additional capital advantageously) may well eventually have a value to shareholders greater than 100 cents on the dollar.</p>	<p>1978 年伯克希尔持有的 SAFECO 公司股份可分配到的盈余约为 610 万美元，但最后反应在我们盈余帐上的却只有实际收到的股利收入(约占总盈余的 18%)，我们相信剩下的部份，虽然报表上看不到，其意义与我们实际收到的那一部份盈余同等重要，事实上，保留在 SAFECO 公司帐上的盈余(或是其它可以好好运用额外资金的那些好公司)将来一定可以为股东创造出更多的价值。</p>
<p>We are not at all unhappy when our wholly-owned businesses retain all of their earnings if they can utilize internally those funds at attractive rates. Why should we feel differently about retention of earnings by companies in which we hold small equity interests, but where the record indicates even better prospects for profitable employment of capital? (This proposition cuts</p>	<p>我们并不反对旗下百分之百持有的子公司将所赚取的盈余继续保留在帐上，如果他们可以再利用这些资金创造更好的投资报酬，同样地，对于其它持有少数股权的被投资公司，如果他们可以好好地运用这些资金，创造更好的报酬，我们何乐而不为，(这样的前提，也意味着如果某些产业并不</p>

the other way, of course, in industries with low capital requirements, or if management has a record of plowing capital into projects of low profitability; then earnings should be paid out or used to repurchase shares – often by far the most attractive option for capital utilization.)	需要投入太多的资金或是管理阶层过去有将资金浪掷在低投资报酬率的记录的话, 那么盈余就应该分还给股东或是拿来买回库藏股, 这是现有资金运用最好的选择)。
The aggregate level of such retained earnings attributable to our equity interests in fine companies is becoming quite substantial. It does not enter into our reported operating earnings, but we feel it well may have equal long-term significance to our shareholders. Our hope is that conditions continue to prevail in securities markets which allow our insurance companies to buy large amounts of underlying earning power for relatively modest outlays. At some point market conditions undoubtedly will again preclude such bargain buying but, in the meantime, we will try to make the most of opportunities.	这些股权投资累积下来未分配的盈余越来越可观, 虽然他们并未反应在我们的报表之上, 但我们认为他们对于我们股东长远利益的贡献相当重要, 我们期望股票市场能够继续维持现状, 好让我们为旗下保险公司大量买进更多价廉物美的股票, 虽然某些时候市场情况不一定会允许我们这样做, 但我们还是会继续试着努力去寻找更多的机会。
Banking	银行业
Under Gene Abegg and Pete Jeffrey, the Illinois National Bank and Trust Company in Rockford continues to establish new records. Last year's earnings amounted to approximately 2.1% of average assets, about three times the level averaged by major banks. In our opinion, this extraordinary level of earnings is being achieved while maintaining significantly less asset risk than prevails at most of the larger banks.	在 Gene Abegg 及 Pete Jeffrey 的领导下, 位于 Rockford 地区的伊利诺国家银行及信托公司持续创造历史新纪录, 去年的盈余达到平均资产的 2.1%, 获利率约是其它大银行的三倍, 我们认为有这样的盈余, 同时还能够兼顾规避其它银行普遍存在的资产风险实在是难得。
We purchased the Illinois National Bank in March 1969. It was a first-class operation then, just as it had been ever since Gene Abegg opened the doors in 1931. Since 1968, consumer time deposits have quadrupled, net income has tripled and trust department income has more than doubled, while costs have been closely controlled.	我们是在 1969 年买下伊利诺国家银行的, 当时该公司的营运就属一流, 这项传统打从 1931 年 Gene Abegg 创立时便一直维持到现在, 自从 1968 年以来, 银行定期存款金额成长四倍、净收入增加三倍而信托部门的收入也增加二倍, 另外成本控制也相当得宜。
Our experience has been that the manager of an already high-cost operation frequently is uncommonly resourceful in finding new ways to add to overhead, while the manager of a tightly-run operation usually continues to find additional methods to curtail costs, even when his costs are	依我们过去的经验显示, 一家费用成本高公司的经营者, 永远找得到增加公司开支的借口; 而相对的, 一家费用成本低公司的经营者, 永远找得到为公司节省开支的方法, 即使后者的成本早已远低于前者, 这点我们在 Gene

already well below those of his competitors. No one has demonstrated this latter ability better than Gene Abegg.	Abegg 得到充分的验证。
We are required to divest our bank by December 31, 1980. The most likely approach is to spin it off to Berkshire shareholders some time in the second half of 1980.	我们被要求必须在 1980 年 12 月 31 日以前出脱银行事业，最有可能的方式是在 1980 年中将银行股份依持股比例分配给伯克希尔的股东。
Retailing	零售业
Upon merging with Diversified, we acquired 100% ownership of Associated Retail Stores, Inc., a chain of about 75 popular priced women's apparel stores. Associated was launched in Chicago on March 7, 1931 with one store, \$3200, and two extraordinary partners, Ben Rosner and Leo Simon. After Mr. Simon's death, the business was offered to Diversified for cash in 1967. Ben was to continue running the business - and run it, he has.	在与多元零售公司合并之后，我们取得联合零售商店 100% 的股权，这是一家拥有 75 家女性流行服饰店的公司，联合公司是在 1931 年在芝加哥由两位创办人 Ben Rosner 及 Leo Simon 以 3,200 美元开立第一家店面，在 Simon 先生死后，由多元零售公司在 1967 年以现金买下，并由 Ben 照原来方式继续经营这家公司。
Associated's business has not grown, and it consistently has faced adverse demographic and retailing trends. But Ben's combination of merchandising, real estate and cost-containment skills has produced an outstanding record of profitability, with returns on capital necessarily employed in the business often in the 20% after-tax area.	虽然联合商店的业务因为面临地区以及零售趋势的困境而停滞不前，但 Ben 在商品贩售、不动产以及成本控制的能力依旧让公司创造出优异的获利成绩，使得资金运用的报酬率达到 20% 股东权益税后报酬率之谱。
Ben is now 75 and, like Gene Abegg, 81, at Illinois National and Louie Vincenti, 73, at Wesco, continues daily to bring an almost passionately proprietary attitude to the business. This group of top managers must appear to an outsider to be an overreaction on our part to an OEO bulletin on age discrimination. While unorthodox, these relationships have been exceptionally rewarding, both financially and personally. It is a real pleasure to work with managers who enjoy coming to work each morning and, once there, instinctively and unerringly think like owners. We are associated with some of the very best.	Ben 今年 75 岁，但与伊利诺国家银行 81 岁的 Gene Abegg 以及 Wesco 73 岁的 Louie Vincenti 一样，每天依旧为所领导的企业灌注无比的热情与活力，外界不知情的人还以为我们对于这群杰出的经理人有年龄上的特殊偏好，虽然极不寻常，但这样的关系实在是让我们受益良多，无论是在财务上或精神上都是如此，与这群“乐在其中”并以像老板一样心态每天认真经营公司的专业经理人在一起工作实在是一种享受。