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Even Warren Buffett had a very bad 2008

Shares off 45.4%

Jonathan Stempel, Reuters

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Warren Buffett has some explaining to do.

Berkshire Hathaway Inc., his insurance-and-investment company, is in the midst of one of its worst stretches since Mr. Buffett took over the company in 1965.

Berkshire's shares have lost close to half their value since December, 2007. The B shares closed yesterday at US\$2,564.00, down US\$3.00. Their 52-week high is US\$4,700; their 52-week low is US\$2,241.

Investment losses have piled up as stock markets tumble. And tens of billions of dollars are at risk on derivative contracts that depend on stocks rising. For now, they are not.

All this makes Mr. Buffett's annual letter to Berkshire shareholders, to be released tomorrow, one of the most eagerly awaited in the career of the 78-year-old billionaire, the second-richest American according to Forbes magazine.

"It will be interesting to see if Buffett himself has learned lessons he might not have learned in his long career," said Bill Bergman, a senior equity analyst at Morningstar Inc. and former economist at the Federal Reserve Bank of Chicago.

Mr. Buffett is likely to expound on the global economic turmoil and the foibles -- or worse -- of the copiously paid bankers, hedge-fund managers and traders who helped create it.

He may also toss in a few loopy asides, such as his 2005 applause for second-in-command Charlie Munger's latent expertise in women's intimate apparel. Mr. Munger was 81 at the time; he is 85 now. Berkshire owns Fruit of the Loom.

But investors will also look for signs that Berkshire is primed for a turnaround, whether under Mr. Buffett or under his as-yet unnamed successors to become the Omaha, Neb.-based company's chief executive and chief investment officer.

"I hope to hear him say that financial services has fundamentally changed, and may require him to adjust his belief in holding on to assets from that sector," said Michael Yoshikami, president of YCMNet Advisors in Walnut Creek, Calif.

"When you have an economic meltdown like this, Buffett will be negatively affected, as in the past."

The annual report will also include fourth-quarter results.

Two analysts who follow Berkshire expect, on average, a profit excluding investments of about US\$2.3-billion, or US\$1,486.50 per

class A share, down from US\$1,518 per share a year earlier, according to Reuters Estimates.

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