BILL & MELINDA GATES FOUNDATION TRUST

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Trustees
Bill & Melinda Gates Foundation Trust:

We have audited the accompanying financial statements of the Bill & Melinda Gates Foundation Trust (the Trust), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Bill & Melinda Gates Foundation Trust as of December 31, 2012 and 2011, and changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Seattle, Washington
May 23, 2013

BILL & MELINDA GATES FOUNDATION TRUST

Statements of Financial Position

December 31, 2012 and 2011

(In thousands)

Assets		2012	2011
Cash	$	88,405	546,039
Investments (note 3)		36,381,224	33,033,163
Investments loaned under secured lending transactions (notes 3 and 4)		85,245	159,455
Investment sales receivable		102,066	320,080
Interest and dividends receivable		36,990	73,832
Federal current excise tax receivable		—	11,999
Total assets	$	36,693,930	34,144,568
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other accrued liabilities	$	2,269	1,437
Payable under investment lending agreements (note 4)		87,290	162,679
Investment purchases payable		167,064	172,585
Federal current and deferred excise tax payable		65,970	28,870
Total liabilities		322,593	365,571
Net assets – unrestricted		36,371,337	33,778,997
Total liabilities and net assets	$	36,693,930	34,144,568

See accompanying notes to financial statements.

BILL & MELINDA GATES FOUNDATION TRUST

Statements of Activities

Years ended December 31, 2012 and 2011

(In thousands)

		2012	2011
Change in net assets:			
Revenues and gains:			
Contributions	$	2,330,762	1,918,923
Investment income (loss), net (note 3)		4,201,924	(893,256)
Total revenues and gains		6,532,686	1,025,667
Expenses:			
Grants to the Bill & Melinda Gates Foundation (note 8)		3,873,050	3,961,860
Federal excise and other taxes expense, net (note 6)		67,296	5,019
Total expenses, net		3,940,346	3,966,879
Change in net assets		2,592,340	(2,941,212)
Unrestricted net assets, beginning of year		33,778,997	36,720,209
Unrestricted net assets, end of year	$	36,371,337	33,778,997

See accompanying notes to financial statements.

BILL & MELINDA GATES FOUNDATION TRUST

Statements of Cash Flows

Years ended December 31, 2012 and 2011

(In thousands)

		2012	2011
Cash flows from operating activities:			
Change in net assets	$	2,592,340	(2,941,212)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Stock and noncash contributions		(1,916,212)	(1,497,459)
Net realized and unrealized (gains) losses on investments		(3,989,792)	1,184,288
Net accretion and amortization		(19,906)	(25,955)
Changes in operating assets and liabilities:			
Interest and dividends receivable		36,842	15,446
Federal current excise tax receivable		11,999	(11,999)
Accounts payable and other accrued liabilities		832	(1,259)
Federal current and deferred excise tax payable		37,100	(21,480)
Net cash used in operating activities		(3,246,797)	(3,299,630)
Cash flows from investing activities:			
Purchases of investments		(84,959,339)	(68,259,913)
Proceeds from sales and maturities of investments		87,748,502	71,889,872
Net cash provided by investing activities		2,789,163	3,629,959
Net change in cash		(457,634)	330,329
Cash, beginning of year		546,039	215,710
Cash, end of year	$	88,405	546,039
Supplemental disclosure of cash flow information:			
Cash paid during the year for excise taxes	$	18,200	38,500

See accompanying notes to financial statements.

(1) Organization

The Bill & Melinda Gates Foundation Trust (the Trust) is a tax-exempt private foundation that holds the donated investment assets from Bill and Melinda Gates, and Warren Buffett. The Trust operates its main office in Seattle, Washington. Bill and Melinda Gates are its Trustees. The primary role of the Trust is to manage the investment assets and transfer the proceeds to the Bill & Melinda Gates Foundation (the Foundation) as necessary to achieve the Foundation's charitable goals (note 8, *Related Parties*).

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Trust recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended December 31, 2012 and 2011, all activities of the Trust were classified as unrestricted due to the lack of donor-imposed restrictions.

(b) Cash

Cash consists of U.S. and foreign currencies.

(c) Investments

Investments are stated at fair value with unrealized gains and losses on investments resulting from fair value fluctuations recorded in the statements of activities in the period that such fluctuations occur. Highly liquid interest-earning investments and time deposits with an original maturity of less than three months are classified as cash equivalents within investments. Investment sales and purchases are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Amortization and accretion of premiums and discounts are recorded using the effective-interest method.

(d) Fair Value of Financial Instruments

In determining the fair value of investments, the Trust utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Trust determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date

- Level 2 Inputs: Valuations based on observable inputs (other than Level 1 prices) such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly
- Level 3 Inputs: Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment

Accounting Standards Codification Subtopic 820-10, *Fair Value Measurements – Overall*, allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Trust to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

(e) Contributed Services

Contributed services are recognized if the services received either create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed services recorded in the accompanying statements of activities, consisting primarily of investment management services donated by Bill Gates, totaled $394,967 and $404,299 for the years ended December 31, 2012 and 2011, respectively. Contributed investment management services included third-party management fees of $47,543 and $50,598 in 2012 and 2011, respectively. Contributed investment management services are reflected as contributions revenue and as investment management services expense, which is netted against investment income.

(f) Tax-Exempt Status

The Trust is exempt from federal income taxes under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Trust is subject to federal excise taxes as well as federal and state unrelated business income tax. In addition, some investments in foreign countries are subject to foreign income tax.

(g) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Contributions Received

The Trust accepts contributions from related and unrelated parties and bequests from unrelated parties. Related-party contributions in 2012 and 2011 were received from Warren Buffett and Bill Gates. Warren Buffett contributed Berkshire Hathaway “B” shares valued at $1,515,851 and $1,497,459 in 2012 and 2011, respectively. Bill Gates contributed stock and cash totaling $419,861 in 2012 and cash of $16,045 in 2011. In addition, Bill Gates contributed third-party management fees as described in note 2(e). Contributions from unrelated parties are only accepted by the Trust if they are unrestricted. From time to time, the Trust is notified that it has been named as the beneficiary in the estate of certain individuals under revocable agreements. Such amounts are recorded as contributions upon the passing of the donor and the amounts become irrevocable.

(Dollars in thousands)

(i) Reclassifications

Certain reclassifications have been made to the 2011 balances to conform to the 2012 presentation of investment assets. These reclassifications had no effect on the change in net assets in 2011 or total net assets at December 31, 2011.

(3) Investments

At December 31, 2012 and 2011, the Trust's investments consist of the following:

		2012	2011
Cash equivalents	$	794,852	21,981
Equities:			
Berkshire Hathaway "B" shares		7,811,199	6,958,871
Consumer goods		6,761,214	6,076,453
Energy		1,117,350	1,116,252
Financials		1,147,392	990,242
Healthcare		347,996	332,866
Industrials		3,873,537	3,843,392
Information technology		927,678	876,610
Materials		1,335,726	1,223,100
Telecommunications and utilities		748,346	592,022
Other		7,637	35,307
Debt:			
U.S. government securities		5,235,668	4,989,116
U.S. municipals		11,586	27,453
Foreign government securities		1,762,426	1,831,317
Corporate debt securities		2,059,106	2,104,310
Mortgage-backed securities		469,601	519,040
Other debt securities		256,082	277,795
Commingled		234,757	239,916
Derivative contracts		188,344	(263,727)
Private investments		1,375,972	1,400,302
		36,466,469	33,192,618
Less investments loaned under secured lending transactions		(85,245)	(159,455)
Total investments	$	36,381,224	33,033,163

(Dollars in thousands)

Investment income comprises the following for the years ended December 31, 2012 and 2011:

		2012	2011
Interest and dividend income	$	597,580	640,580
Net realized and unrealized gains (losses) on investments		3,989,792	(1,184,288)
Other investment income		31,854	77,537
Investment expenses:			
Investment management expenses		(397,338)	(406,669)
Other Investment expenses		(19,964)	(20,416)
Investment income (loss), net	$	4,201,924	(893,256)

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at December 31, 2012 and 2011:

		December 31, 2012	Level 1	Level 2	Level 3
Cash equivalents	$	794,852	161,491	633,361	—
Equities:					
Berkshire Hathaway “B” shares		7,811,199	7,811,199	—	—
Consumer goods		6,761,214	6,758,183	3,031	—
Energy		1,117,350	1,117,350	—	—
Financials		1,147,392	1,147,377	15	—
Healthcare		347,996	347,996	—	—
Industrials		3,873,537	3,872,531	944	62
Information technology		927,678	927,678	—	—
Materials		1,335,726	1,335,726	—	—
Telecommunications and utilities		748,346	748,346	—	—
Other		7,637	6,915	722	—
Debt:					
U.S. government securities		5,150,423	4,938,621	211,802	—
U.S. municipals		11,586	—	11,586	—
Foreign government securities		1,762,426	—	1,762,426	—
Corporate debt securities		2,059,106	—	2,059,106	—
Mortgage-backed securities		469,601	—	469,471	130
Other debt securities		256,082	—	255,682	400
Commingled		234,757	183,472	51,285	—
Derivative contracts		188,344	8,861	179,483	—
Private investments		1,375,972	—	542,590	833,382
	$	36,381,224	29,365,746	6,181,504	833,974

(Dollars in thousands)

U.S. government securities in the above table are net of investments loaned under secured lending transactions of $85,245, of which all are related to Level 1 assets.

Unfunded commitments related to Private Investments as of December 31, 2012 were $634,316.

	December 31, 2011	Level 1	Level 2	Level 3
Cash equivalents	$ 21,981	1,123	20,858	—
Equities:				
Berkshire Hathaway “B” shares	6,958,871	6,958,871	—	—
Consumer goods	6,076,453	6,074,621	1,832	—
Energy	1,116,252	1,116,252	—	—
Financials	990,242	990,222	20	—
Healthcare	332,866	332,866	—	—
Industrials	3,843,392	3,843,322	7	63
Information technology	876,610	876,610	—	—
Materials	1,223,100	1,223,100	—	—
Telecommunications and utilities	592,022	592,022	—	—
Other	35,307	20,235	1,652	13,420
Debt:				
U.S. government securities	4,829,661	4,637,715	191,946	—
U.S. municipals	27,453	—	27,453	—
Foreign government securities	1,831,317	—	1,831,317	—
Corporate debt securities	2,104,310	—	2,099,762	4,548
Mortgage-backed securities	519,040	—	518,890	150
Other debt securities	277,795	—	277,379	416
Commingled	239,916	207,787	32,129	—
Derivative contracts	(263,727)	(100,396)	(163,331)	—
Private investments	1,400,302	—	418,943	981,359
	$ 33,033,163	26,774,350	5,258,857	999,956

U.S. government securities in the above table are net of investments loaned under secured lending transactions of $159,455, of which all are related to Level 1 assets.

(Dollars in thousands)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for 2012 and 2011:

	Balance as of December 31, 2011	Total realized and unrealized gains (losses)	Purchases	Proceeds	Net transfers out	Balance as of December 31, 2012
Equities:						
Industrials	$ 63	(1)	—	—	—	62
Other	13,420	(5,059)	94	(8,455)	—	—
Debt:						
Corporate debt securities	4,548	—	—	(4,548)	—	—
Mortgage-backed securities	150	8	40	(68)	—	130
Other debt securities	416	2	—	(18)	—	400
Private investments	981,359	129,252	112,413	(389,642)	—	833,382
	$ 999,956	124,202	112,547	(402,731)	—	833,974

	Balance as of December 31, 2010	Total realized and unrealized gains (losses)	Purchases	Proceeds	Net transfers out	Balance as of December 31, 2011
Equities:						
Consumer goods	$ 281	(281)	—	—	—	—
Industrials	63	—	—	—	—	63
Other	12,040	(4,585)	11,881	(4,663)	(1,253)	13,420
Debt:						
Corporate debt securities	7,517	11,719	2,128	(16,816)	—	4,548
Mortgage-backed securities	9,468	(2,478)	—	(6,255)	(585)	150
Other debt securities	1,451	271	—	(245)	(1,061)	416
Derivatives contracts	2	—	—	(2)	—	—
Private investments	948,519	13,844	108,288	(89,292)	—	981,359
	$ 979,341	18,490	122,297	(117,273)	(2,899)	999,956

The Trust records transfers to or from Level 3 as of December 31, the end of the reporting period. Unrealized gains included in investment income related to Level 3 assets held as of December 31, 2012 totaled $124,151. Unrealized gains included in investment loss related to Level 3 assets held as of December 31, 2011 totaled $19,462.

Given the longer-term nature of private investments, many of those holdings could not be liquidated immediately in the unlikely event that such a need were to arise for the Trust. The majority of the private investments held on December 31, 2012 and 2011 require general partner or managing member approval for an early redemption or transfer of ownership and a 10-90 day waiting period to liquidate the investment, and certain holdings require that membership not exceed a certain number of owners, which could also delay the Trust's ability to transfer its ownership. The decision to invest in private investments includes consideration of the liquidation limitations as well as expected long-term funding requirements of the Foundation.

(4) Securities Lending

The Trust participates in securities lending transactions with a third-party investment company whereby the Trust lends certain investments in exchange for a premium. Under the terms of its securities lending agreement, the Trust requires collateral of a value at least equal to 102% of the fair value of loaned domestic investments and accrued interest, if any. Collateral of a value at least equal to 105% of the fair value and accrued interest, if any, is required on loaned international investments. The Trust maintains effective control of the loaned investments during the term of the agreement, in that they may be redeemed prior to the agreement's maturity. Upon the maturity of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed. The principal risks to the Trust of securities lending are that the yield earned on the collateral is insufficient to cover the amount owed to the borrower, and that an investment purchased via the collateral reinvestment process becomes impaired. As of December 31, 2012, amounts received as collateral and reinvested in other investments decreased $4,634 as a result of cumulative net unrealized losses, bringing the fair value to $82,656. Investments loaned under secured lending transactions totaled $85,245 and $159,455 as of December 31, 2012 and 2011, respectively.

Amounts received as collateral totaled $87,290 and $162,679 as of December 31, 2012 and 2011, respectively. Amounts received as collateral are included in investments and as a payable under investment loan agreements in the accompanying statements of financial position.

(5) Derivative Financial Instruments

In the normal course of business, the Trust uses various financial instruments, including derivative financial instruments, in an effort to manage exposure on long-term investments.

In order to manage price and interest rate risk associated with investing activities, the Trust primarily uses a combination of forward contracts and futures. Under these instruments, the Trust agrees to the future delivery of a currency or security, on an agreed-upon date, and at an agreed-upon price. These contracts are entered into with the intent of minimizing the Trust's economic exposure to adverse fluctuations in financial or currency markets and to reduce interest rate risk.

The Trust also enters into derivative instruments for speculative and other purposes, including income enhancement and as an alternative to ownership of the underlying asset. Specifically, written options and forward contracts are used for enhancing returns on other investments and as an alternative to ownership.

All of the Trust's derivative instrument positions are included within investments on the accompanying statements of financial position at fair value with realized gains and losses as well as changes in fair value included as a component of investment income.

(Dollars in thousands)

The fair values of forward contracts, futures, options, and swaps as of December 31, 2012 and 2011 are as follows:

		2012	2011
Forward contracts	$	189,845	(150,067)
Futures		8,703	(100,396)
Options		158	—
Swaps		(10,362)	(13,264)
	$	188,344	(263,727)

Average notional purchases and sales were as follows:

		2012		2011	
		Purchases	Sales	Purchases	Sales
Forward contracts	$	3,996,121	4,089,745	4,822,735	4,879,146
Futures		1,494,973	940,763	1,538,905	1,554,022
Options		1,064	928	1,032	46,006
Swaps		3,398	7,112	50,761	52,136

The Trust's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the statements of financial position, arising either from potential changes in market prices or the possible inability of counterparties to meet the terms of their contracts. The Trust monitors the financial condition of the firms used for these contracts in order to minimize the risk of loss. Management believes the Trust's use of derivatives does not result in credit or market risk that would materially affect the Trust's financial statements.

(6) Federal Excise Taxes

The Trust is subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The Trust qualified for a 1% excise tax rate for the years ended December 31, 2012 and 2011. The current portion of excise tax expense is $39,852 and $24,543 for the years ended December 31, 2012 and 2011, respectively.

The Trust made provisions for deferred excise taxes, which were recorded at the 1% excise tax rate in 2012 and 2011. Deferred excise tax expense (benefit) was $27,447 and $(19,522) for the years ended December 31, 2012 and 2011, respectively, resulting from net unrealized gains (losses) on investments.

(7) Commitments and Contingencies

In the ordinary course of business, the Trust is subject to certain legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Trust.

(Dollars in thousands)

(8) Related Parties

The Trust holds and invests assets to fund a related party, the Foundation. The Trust makes annual grants to the Foundation as necessary to carry out the Foundation's charitable goals. Neither entity controls the other; however, they share two trustees in common. In 2012 and 2011, the Trust made grants to the Foundation totaling $3,873,050 and $3,961,860, respectively.

(9) Conditional Pledge Receivable

The Trust recognizes conditional promises to give as revenues when the conditions are met. On June 26, 2006, Warren Buffett, a Trustee of the Foundation, pledged to the Trust 10 million shares (500 million split-adjusted*) of Berkshire Hathaway "B" shares. The shares will be transferred in annual gifts of 5% of the remaining balance of the earmarked shares. Contributions from Mr. Buffett in 2012 and in prior years are as follows:

Berkshire Hathaway "B" shares contributed*

Date	Shares		Value
August 24, 2006 – July 1, 2008	71,313	$	5,165,776
July 1, 2009	21,434		1,248,770
July 1, 2010	20,363		1,604,577
July 1, 2011	19,344		1,497,459
July 1, 2012	18,377		1,515,851
Total to date*	150,831	$	11,032,433

* On January 21, 2010, Berkshire Hathaway "B" shares split 50:1. All shares received prior to this date and the total shares received to date have been converted to reflect this split.

Although Mr. Buffett did not designate any significant restrictions on the use of the contributions, he did place three conditions on his remaining pledge:

(1) At least one of Bill or Melinda Gates must remain alive and active in the policy-setting and administration of the Foundation.

(2) The Trust must continue to satisfy legal requirements qualifying his gift as charitable and not subject to gift or other taxes.

(3) The value of his annual gift must be fully additive to the spending required by the Internal Revenue Code (i.e., approximately 5% of the Trust's net assets). The additional spending required as a condition of the gift will be based on the prior year's contribution.

As this gift is conditional and the conditions cannot be satisfied in advance of each year's installment of the gift, a receivable for the remaining contribution has not been reflected in the financial statements. Rather, future contribution income will be recognized in annual installments as the conditions of the gift are met.

(10) Subsequent Events

The Trust evaluated subsequent events from December 31, 2012 through May 23, 2013, the date on which the financial statements were available to be issued, and determined that no additional disclosures are required.