LEUCADIA NATIONAL CORP
Form 10-K405
March 29, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2000

or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ___________ to ___________

Commission file number: 1-5721

LEUCADIA NATIONAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

NEW YORK	13-2615557
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

315 PARK AVENUE SOUTH
NEW YORK, NEW YORK 10010
(212) 460-1900

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
COMMON SHARES, PAR VALUE $1 PER SHARE	NEW YORK STOCK EXCHANGE PACIFIC STOCK EXCHANGE
7-3/4% SENIOR NOTES DUE AUGUST 15, 2013	NEW YORK STOCK EXCHANGE
8-1/4% SENIOR SUBORDINATED NOTES DUE JUNE 15, 2005	NEW YORK STOCK EXCHANGE
7-7/8% SENIOR SUBORDINATED NOTES DUE OCTOBER 15, 2006	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:
NONE.

(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [x].

Aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant at March 19, 2001 (computed by reference to the last reported closing sale price of the Common Stock on the New York Stock Exchange on such date): $1,141,411,973.

On March 19, 2001, the registrant had outstanding 55,296,728 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the registrant's definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the 2001 annual meeting of shareholders of the registrant are incorporated by reference into Part III of this Report.

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PART I

Item 1. Business.

THE COMPANY

The Company is a diversified financial services holding company engaged through its subsidiaries in a variety of businesses, including commercial and personal lines of property and casualty insurance, banking and lending, manufacturing, winery operations, real estate activities and precious metals mining. The Company concentrates on return on investment and cash flow to build long-term shareholder value, rather than emphasizing volume or market share. Additionally, the Company continuously evaluates the retention and disposition of its existing operations and investigates possible acquisitions of new businesses in order to maximize shareholder value.

Shareholders' equity has grown from a deficit of $7,700,000 at December 31, 1978 (prior to the acquisition of a controlling interest in the Company by the Company's Chairman and President), to a positive shareholders' equity of $1,204,200,000 at December 31, 2000, equal to a book value per common share of the Company (a "Common Share") of negative $.11 at December 31, 1978 and $21.78 at December 31, 2000. The December 31, 2000 shareholders' equity and book value per share amounts have been reduced by the $811,900,000 cash dividend (the "Dividend") paid in 1999.

In February 2001, the Company, Berkshire Hathaway Inc., and Berkadia LLC, an entity jointly owned by the Company and Berkshire Hathaway, announced a commitment to lend $6,000,000,000 on a senior secured basis to FINOVA Capital Corporation, the principal operating subsidiary of The FINOVA Group Inc. ("FINOVA"), to facilitate a chapter 11 restructuring of the outstanding debt of FINOVA and its principal subsidiaries. FINOVA will pay certain fees to Berkadia in connection with this commitment, including a $60,000,000 commitment fee that

was paid at the time of execution. The commitment is subject to, among other things, Berkadia's satisfaction with the restructuring plan for the FINOVA companies, and bankruptcy court and necessary creditor approvals. In connection with the commitment, the Company entered into a ten-year management agreement with FINOVA. For additional information concerning this possible transaction and the management agreement, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

In October 2000, the Company agreed to invest $75,000,000 in a new issue of convertible preference shares of White Mountains Insurance Group, Ltd. ("WMIG"), that is expected to represent approximately 4% of WMIG on an as converted basis. This investment is subject to the closing of an acquisition by WMIG of CGU Corporation, the U.S. property and casualty operations of CGNU plc, which, although subject to certain contingencies, currently is expected to occur during 2001. WMIG is a Bermuda-domiciled financial services holding company, principally engaged through its subsidiaries and affiliates in property and casualty insurance and reinsurance.

Primarily during 2000, the Company invested an aggregate of $89,000,000 in the common stock of Fidelity National Financial, Inc. ("FNF"), a publicly traded title insurance holding company. The Company sold its investment in FNF common stock for $179,900,000, resulting in a pre-tax gain of $90,900,000 primarily in the fourth quarter of 2000.

In January 2000, the Company sold its 10% equity interest in Jordan Telecommunication Products, Inc. ("JTP") for $27,300,000. The Company recorded a pre-tax gain of $24,800,000 in the year ended December 31, 2000. Further consideration of approximately $7,500,000 may be received in the future upon the favorable resolution of certain contingencies.

During 2000, the Company invested $100,000,000 in the equity of a limited liability company, Jefferies Partners Opportunity Fund II, LLC ("JPOF II"), that is a registered broker-dealer. JPOF II is managed and controlled by Jefferies &

Company, Inc., a full service investment bank to middle market companies. JPOF II invests in high yield securities, special situation investments and distressed securities and provides trading services to its customers and clients. For the year ended December 31, 2000, the Company recorded $17,300,000 of pre-tax income from this investment under the equity method of accounting.

At December 31, 1999, the Company had outstanding promissory notes from Conseco, Inc. in the principal amount of $250,000,000. During the third quarter of 2000, the entire principal amount and accrued interest then outstanding on these notes was repaid. In addition, the Company received $7,500,000 directly from Conseco, which constituted a prepayment penalty due under the terms of these notes.

In June 2000, the Company replaced its $100,000,000 unsecured bank credit facility with a new unsecured bank credit facility of $152,500,000, which bears interest based on the Eurocurrency Rate or the prime rate and matures in June 2003. At December 31, 2000, no amounts were outstanding under this bank credit facility.

The Company's insurance operations consist of commercial and personal property and casualty insurance primarily conducted through Empire Insurance Company ("Empire"), Allcity Insurance Company ("Allcity") and Centurion Insurance Company ("Centurion"). The Company's insurance operations have a diversified investment portfolio of securities, of which 71% are issued or

guaranteed by the U.S. Treasury or by U.S. governmental agencies or are rated "investment grade" by Moody's Investors Service Inc. ("Moody's") and/or Standard & Poor's Corporation ("S&P").

The Company's banking and lending operations principally consist of making instalment loans to niche markets primarily funded by customer banking deposits insured by the Federal Deposit Insurance Corporation (the "FDIC"). The Company's principal lending activities consist of providing collateralized personal automobile loans to individuals with poor credit histories.

The Company's manufacturing operations manufacture and market lightweight plastic netting used for a variety of purposes including, among other things, construction, agriculture, packaging, carpet padding, filtration and consumer products.

The Company's foreign real estate operations are conducted through Compagnie Fonciere FIDEI ("Fidei"), a French company whose bonds are listed on the Paris Stock Exchange. The Company's domestic real estate operations consist of office buildings, residential land development projects and other unimproved land, all in various stages of development and available for sale.

The Company's winery operations consist of its 90% interest in Pine Ridge Winery in Napa Valley, California and Archery Summit in the Willamette Valley of Oregon. These wineries produce and sell super-ultra-premium wines.

The Company's precious metals mining operations consist of its 72.9% interest in MK Gold Company ("MK Gold").

As used herein, the term "Company" refers to Leucadia National Corporation, a New York corporation organized in 1968, and its subsidiaries, except as the context otherwise may require.

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FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company's reportable segments consist of its operating units, which offer different products and services and are managed separately. These reportable segments are: property and casualty insurance, banking and lending, foreign real estate, manufacturing and other operations. Property and casualty insurance operations have historically provided commercial and personal lines of insurance in the New York metropolitan area. Banking and lending operations principally make collateralized personal automobile instalment loans to individuals who have difficulty obtaining credit, at interest rates above those charged to individuals with good credit histories. Such loans are primarily funded by deposits insured by the FDIC. Foreign real estate consists of the operations of Fidei in France. Manufacturing operations manufacture and market proprietary plastic netting used for a variety of purposes. Other operations primarily consist of domestic real estate activities, winery operations and precious metals mining operations. Associated companies primarily include equity interests in entities that the Company does not control and that are accounted for on the equity method of accounting. The information in the following table for Corporate assets primarily consists of investments, notes receivable from the sale of certain businesses and cash and cash equivalents. Corporate revenues listed below primarily consist of investment income and securities gains and losses on Corporate assets. Corporate assets, revenues, overhead expenses and interest expense are not allocated to the operating units. In addition to the Company's foreign real estate operations, the Company has an interest, through MK Gold, in exploration and mining rights in Spain. The Company does not have

any other material foreign operations and investments.

Certain information concerning the Company's segments for 2000, 1999 and 1998 is presented in the following table.

	2000	1999
		(In millions)
REVENUES:		
Property and Casualty Insurance	$144.5	$185.3
Banking and Lending	108.8	59.0
Foreign Real Estate	49.2	65.0
Manufacturing	65.1	64.0
Other Operations (a)	127.1	238.4
Total revenue for reportable segments	494.7	611.7
Equity in Associated Companies	29.3	(2.9)
Corporate (b)	191.5	97.8
Total consolidated revenues	$715.5	$706.6

	2000	1999
		(In millions
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY EXPENSE OF TRUST PREFERRED SECURITIES AND EXTRAORDINARY GAIN (LOSS):		
Property and Casualty Insurance	$ (59.4)	$ (22.4)
Banking and Lending	11.0	12.7
Foreign Real Estate	22.9	31.8
Manufacturing	11.3	11.9
Other Operations (a)	63.4	198.9
Total income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and extraordinary gain (loss) for reportable segments	49.2	232.9
Equity in Associated Companies	29.3	(2.9)
Corporate (b)	114.8	13.5
Total consolidated income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and extraordinary gain (loss)	$ 193.3	$ 243.5
IDENTIFIABLE ASSETS EMPLOYED:		
Property and Casualty Insurance	$ 643.4	$ 803.9
Banking and Lending	664.1	467.1
Foreign Real Estate	254.7	276.7
Manufacturing	63.4	42.9

Other Operations	380.1	416.5
Total assets of reportable segments	2,005.7	2,007.1
Investments in Associated Companies	192.5	74.0
Net Assets of Discontinued Operations	-	-
Corporate	945.4	989.1
Total consolidated assets	$3,143.6	$3,070.2

(a) For 1999, includes pre-tax gains on sale of Caja de Ahorro y Seguro S.A. ("Caja"), The Sperry & Hutchinson Company, Inc. and its Russian joint venture with PepsiCo, Inc. ("PIB"), as described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

(b) For 2000, includes pre-tax securities gains on sale of FNF and JTP, and for 1998, includes pre-tax securities losses relating to the writedown of investments in Russian and Polish securities, as described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

At December 31, 2000, the Company and its consolidated subsidiaries had 1,383 full-time employees.

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PROPERTY AND CASUALTY INSURANCE

General

The Company's principal property and casualty insurance operations are conducted through the Empire Group, which consists of Empire, Allcity and Centurion. During the past several years, the Empire Group has experienced poor underwriting results and adverse reserve development in all of its lines of business. The Empire Group has responded to these developments by raising premium rates and reducing the volume of unprofitable business, while at the same time attempting to reduce its overhead.

Effective January 1, 2000, all assigned risk policy renewal obligations were assigned to another insurance company. In 1999, a determination was made not to accept any applications for new private passenger automobile business from certain agents with the highest loss ratios. During the fourth quarter of 2000, this determination was extended to include the entire agency force. Existing policies of private passenger automobile insurance will be either sold, non-renewed or cancelled in accordance with New York insurance law. If this book of business is not sold, it is expected that the Empire Group will continue to issue renewal policies over the next several years as required by applicable insurance law. The Empire Group also announced that all statutory automobile policies (public livery vehicles) would be non-renewed effective March 1, 2001 due to poor underwriting results.

On March 1, 2001, the Empire Group announced that, effective immediately, it would no longer issue any new (as compared to renewal) insurance policies in any lines of business and that it filed plans of orderly withdrawal with the New

York Insurance Department as required. Existing commercial lines policies will be non-renewed or canceled in accordance with New York insurance law or replaced by Tower Insurance Company of New York or Tower Risk Management (collectively, "Tower") under an agreement for the sale of the Empire Group's renewal rights (the "Tower Agreement"). Under the Tower Agreement, Tower will buy the renewal rights for substantially all of the Empire Group's remaining lines of business, excluding private passenger automobile and commercial automobile/garage, for a fee based on the direct written premium actually renewed by Tower. The amount of the fee is not expected to be material. The Empire Group will continue to be responsible for the remaining term of its existing policies and all claims incurred prior to the expiration of these policies. For commercial lines, the Empire Group will thereafter have no renewal obligations for those policies. Under New York insurance law, the Empire Group is obligated to offer renewals of homeowners, dwelling fire, personal insurance coverage and personal umbrella for a three-year policy period; however, the Tower Agreement provides that Tower must offer replacements for these policies. The closing of the transaction is subject to the approval of the New York Insurance Department.

Certain of the lines of business included in the agreement with Tower historically had acceptable loss ratios. However, despite repeated attempts, the Empire Group has not been able to reduce its expenses sufficiently to be profitable with its reduced volume of business. This has been due in part to information systems and a personnel infrastructure built to service multiple lines of property and casualty business, where the costs are more fixed than variable in nature, and a high cost agency distribution channel. An additional investment of both capital and management would have been required to attempt to reduce the Empire Group's cost structure to a level commensurate with its book of business. In weighing the potential returns against the risks inherent in that strategy, the Empire Group determined not to make the investment.

The Empire Group is currently exploring its options for the future. Assuming the Tower Agreement is consummated, the Empire Group will only have renewal obligations for remaining personal lines insurance (primarily automobile) not replaced by Tower, the remaining policy term of all existing policies and a claim run-off operation. The Empire Group may commence new property and casualty insurance operations if a new business model with an acceptable expense structure can be developed, enter into a joint venture with another property and casualty insurance operation, explore entering the claim services business or commence a liquidation. There may be other options that the Company will explore, but no assurance can be given at this time as to what the ultimate plan will be.

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The Empire Group is rated "B+" (very good) by A.M. Best Company ("Best") and rated "BB-" (marginal) by S&P. Should the Empire Group decide to commence new property and casualty insurance operations or enter into an insurance joint venture, its existing ratings may affect its ability to pursue its plans. As with all ratings, Best and S&P ratings are subject to change at any time.

For the years ended December 31, 2000, 1999 and 1998, net earned premiums for the Empire Group were $108,500,000, $145,200,000 and $228,600,000, respectively. During the year ended December 31, 2000, 4% of net earned premiums of the Empire Group were derived from assigned risk business, 22% from commercial automobile lines, 39% from other commercial lines and 35% from personal lines. Substantially all of the Empire Group's policies are written in New York for a one-year period. The Empire Group is licensed in New York to write most lines of insurance that may be written by a property and casualty insurer. The Empire Group is also licensed to write insurance in Connecticut, Massachusetts, Missouri, New Hampshire and New Jersey.

On a quarterly basis, the Empire Group reviews and adjusts its estimated loss reserves for any changes in trends and actual loss experience. Included in the Empire Group's results for 2000 was $53,000,000 related to losses and loss adjustment expenses ("LAE") from prior accident years. The Empire Group will continue to evaluate the adequacy of its loss reserves and record future adjustments to its loss reserves as appropriate.

Set forth below is certain statistical information for the Empire Group prepared in accordance with generally accepted accounting principles ("GAAP") and statutory accounting principles ("SAP"). The Loss Ratio is the ratio of net incurred losses and loss adjustment expenses to net premiums earned. The Expense Ratio is the ratio of underwriting expenses (policy acquisition costs, commissions, and a portion of administrative, general and other expenses attributable to underwriting operations) to net premiums written, if determined in accordance with SAP, or to net premiums earned, if determined in accordance with GAAP. A Combined Ratio below 100% indicates an underwriting profit and a Combined Ratio above 100% indicates an underwriting loss. The Combined Ratio does not include the effect of investment income.

	Year Ended December 31,		
	2000	1999	1998
Loss Ratio:			
GAAP	138.8%	98.5%	102.6%
SAP	138.8%	98.5%	102.6%
Industry (SAP) (a)	N/A	78.8%	76.5%
Expense Ratio:			
GAAP	48.4%	39.9%	26.7%
SAP	50.6%	44.8%	31.4%
Industry (SAP) (a)	N/A	29.3%	29.5%
Combined Ratio (b):			
GAAP	187.2%	138.4%	129.3%
SAP	189.4%	143.3%	134.0%
Industry (SAP) (a)	N/A	108.1%	106.0%

(a) Source: Best's Aggregates & Averages, Property/Casualty, 2000 Edition. Industry Combined Ratios may not be fully comparable as a result of, among other things, differences in geographical concentration and in the mix of property and casualty insurance products.

(b) For 1998, the difference in the accounting treatment for curtailment gains relating to defined benefit pension plans was the principal reason for the difference between the GAAP Combined Ratio and the SAP Combined Ratio. Additionally for all three years, the difference relates to the accounting for certain costs which are treated differently under SAP and GAAP. For further information about the Empire Group's Combined Ratios, see Item 7,

"Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

Losses and Loss Adjustment Expenses

Liabilities for unpaid losses, which are not discounted (except for

certain workers' compensation liabilities), and LAE are determined using case-basis evaluations, statistical analyses and estimates for salvage and subrogation recoverable and represent estimates of the ultimate claim costs of all unpaid losses and LAE. Liabilities include a provision for losses that have occurred but have not yet been reported. These estimates are subject to the effect of trends in future claim severity and frequency experience. Adjustments to such estimates are made from time to time due to changes in such trends as well as changes in actual loss experience. These adjustments are reflected in current earnings.

The Empire Group relies upon standard actuarial ultimate loss projection techniques to obtain estimates of liabilities for losses and LAE. These projections include the extrapolation of both losses paid and incurred by business line and accident year and implicitly consider the impact of inflation and claims settlement patterns upon ultimate claim costs based upon historical patterns. In addition, methods based upon average loss costs, reported claim counts and pure premiums are reviewed in order to obtain a range of estimates for setting the reserve levels. For further input, changes in operations in pertinent areas including underwriting standards, product mix, claims management and legal climate are periodically reviewed.

In the following table, the liability for losses and LAE of the Empire Group is reconciled for each of the three years ended December 31, 2000. Included therein are current year data and prior year development.

RECONCILIATION OF LIABILITY FOR LOSSES AND
LOSS ADJUSTMENT EXPENSES

	2000	1999
		(In thousan
Net SAP liability for losses and LAE at beginning of year	$381,550	$469,318
Provision for losses and LAE for claims occurring in the current year	97,089	124,172
Increase in estimated losses and LAE for claims occurring in prior years	52,977	18,255
Total incurred losses and LAE	150,066	142,427
Losses and LAE payments for claims occurring during:		
Current year	31,023	41,955
Prior years	177,607	188,240
	208,630	230,195
Net SAP liability for losses and LAE at end of year	322,986	381,550

Reinsurance recoverable	42,972	61,492
Liability for losses and LAE at end of year as reported in financial statements (GAAP)	$365,958	$443,042

The following table presents the development of balance sheet liabilities from 1990 through 2000 for the Empire Group. The liability line at the top of the table indicates the estimated liability for unpaid losses and LAE recorded as of the dates indicated. The middle section of the table shows the re-estimated amount of the previously recorded liability based on experience as of the end of each succeeding year. As more information becomes available and claims are settled, the estimated liabilities are adjusted upward or downward with the effect of decreasing or increasing net income at the time of adjustment. The lower section of the table shows the cumulative amount paid with respect to the previously recorded liability as of the end of each succeeding year.

The "cumulative deficiency" represents the aggregate change in the estimates over all prior years. For example, the initial 1990 liability estimate indicated on the table of $251,401,000 has been re-estimated during the course of the succeeding ten years, resulting in a re-estimated liability at December 31, 2000 of $282,476,000 or a deficiency of $31,075,000. If the re-estimated liability were less than the liability initially established, a cumulative redundancy would be indicated.

In evaluating this information, it should be noted that each amount shown for "cumulative deficiency" includes the effects of all changes in amounts for prior periods. For example, the amount of the deficiency related to losses settled in 1994, but incurred in 1990, will be included in the cumulative deficiency amount for 1990, 1991, 1992 and 1993. This table is not intended to and does not present accident or policy year loss and LAE development data. Conditions and trends that have affected development of the liability in the past may not necessarily occur in the future. Accordingly, it would not be appropriate to extrapolate future redundancies or deficiencies based on this table.

For further discussion of the Empire Group's loss development experience, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

ANALYSIS OF LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT

	Year Ended December 31,						
	1990	1991	1992	1993	1994	1995	1996
	(In thousands)						
Liability for Unpaid Losses and Loss Adjustment							

Expenses	$ 251,401	$ 280,679	$ 322,516	$ 353,917	$ 406,695	$ 476,692	$ 481,138
Liability Re-estimated as of:							
One Year Later	$ 249,492	$ 280,020	$ 321,954	$ 344,156	$ 441,165	$ 504,875	$ 508,165
Two Years Later	245,141	277,866	324,262	374,158	467,659	537,372	546,724
Three Years Later	243,849	284,052	345,576	394,418	500,286	577,266	599,015
Four Years Later	247,314	296,484	361,903	415,251	534,014	609,425	617,755
Five Years Later	255,045	306,094	377,097	442,696	556,072	613,371	
Six Years Later	260,031	316,887	395,291	459,573	555,215		
Seven Years Later	265,525	330,866	406,188	458,872			
Eight Years Later	277,626	337,660	405,068				
Nine Years Later	281,995	336,883					
Ten Years Later	282,476						
Cumulative Deficiency	$ (31,075)	$(56,204)	$(82,552)	$(104,955)	$(148,520)	$(136,679)	$(136,617)
Cumulative Amount of Liability Paid Through:							
One Year Later	$ 78,954	$ 89,559	$ 113,226	$ 116,986	$ 152,904	$ 202,334	$ 189,308
Two Years Later	126,908	150,043	182,250	199,214	270,020	318,693	314,755
Three Years Later	167,330	197,848	239,092	272,513	353,649	407,833	410,631
Four Years Later	196,099	233,244	285,880	326,637	415,919	472,384	490,591
Five Years Later	216,749	259,946	320,044	363,873	456,410	521,689	
Six Years Later	231,892	279,682	341,636	390,027	488,197		
Seven Years Later	242,275	293,860	357,735	410,323			
Eight Years Later	253,104	304,610	370,559				
Nine Years Later	260,340	312,924					
Ten Years Later	266,193						
Net Liability - End of Year				$ 353,917	$ 406,695	$ 476,692	$ 481,138
Reinsurance				37,912	44,747	40,730	51,181
Gross Liability - End of Year				$ 391,829	$ 451,442	$ 517,422	$ 532,319
Net Re-estimated Liability - Latest				$ 458,872	$ 555,215	$ 613,371	$ 617,755
Re-estimated Reinsurance - Latest				71,030	72,657	71,479	77,151
Gross Re-estimated Liability - Latest				$ 529,902	$ 627,872	$ 684,850	$ 694,906
Gross Cumulative Deficiency				$(138,073)	$(176,430)	$(167,428)	$(162,587)

Table continued....

	Year Ended December 31,			
	1997	1998	1999	2000
	(In thousands)			
Liability for Unpaid				

Losses and Loss Adjustment Expenses	$ 487,116	$ 469,318	$ 381,550	$ 322,986
Liability Re-estimated as of:				
One Year Later	$ 529,406	$ 487,573	$ 434,527	$ -
Two Years Later	546,643	544,219		
Three Years Later	591,078			
Four Years Later				
Five Years Later				
Six Years Later				
Seven Years Later				
Eight Years Later				
Nine Years Later				
Ten Years Later				
Cumulative Deficiency	$(103,962)	$ (74,901)	$ (52,977)	$ -
Cumulative Amount of Liability Paid Through:				
One Year Later	$ 186,831	$ 188,240	$ 177,607	$ -
Two Years Later	313,040	327,322		
Three Years Later	422,053			
Four Years Later				
Five Years Later				
Six Years Later				
Seven Years Later				
Eight Years Later				
Nine Years Later				
Ten Years Later				
Net Liability - End of Year	$ 487,116	$ 469,318	$ 381,550	$ 322,986
Reinsurance	58,592	72,956	61,492	42,972
Gross Liability - End of Year	$ 545,708	$ 542,274	$ 443,042	$ 365,958
Net Re-estimated Liability - Latest	$ 591,078	$ 544,219	$ 434,527	
Re-estimated Reinsurance - Latest	63,269	78,954	58,916	
Gross Re-estimated Liability - Latest	$ 654,347	$ 623,173	$ 493,443	
Gross Cumulative Deficiency	$(108,639)	$ (80,899)	$ (50,401)	

Investments

Investment activities represent a significant part of the Company's insurance related revenues and profitability. Investments are managed by the Company's investment advisors under the direction of, and upon consultation with, the Company's investment committees.

The Company's insurance subsidiaries have a diversified investment portfolio of securities, a substantial portion of which is rated "investment grade" by Moody's and/or S&P or issued or guaranteed by the U.S. Treasury or by governmental agencies. The Company's insurance subsidiaries do not generally invest in less than "investment grade" or "non-rated" securities, real estate or mortgages, although from time to time they may make such investments.

The composition of the Company's insurance subsidiaries' investment portfolio as of December 31, 2000 and 1999 was as follows:

	2000	1999
	(Dollars in thousands)	
Bonds and notes:		
U.S. Government and agencies	44%	60%
Rated investment grade	27	15
Non rated - other	-	2
Rated less than investment grade	5	3
Equity securities, primarily preferred	15	15
Other	9	5
Total	100%	100%
Estimated average yield to maturity of bonds and notes (a)	6.6%	6.8%
Estimated average remaining life of bonds and notes (a)	2.4 yrs.	2.7 yrs.
Carrying value of investment portfolio	$421,114	$584,906
Market value of investment portfolio	$421,252	$584,788

(a) Excludes trading securities, which are not significant.

Reinsurance

The Empire Group's maximum retained limit for all lines of business was $300,000 for 2000 and 1999. The Empire Group's maximum retained limit for 1998 was $500,000 for workers' compensation and $300,000 for other property and casualty lines. Additionally, the Empire Group has entered into a property catastrophe excess of loss treaty to protect against certain losses. The Empire Group's retention of lower level losses in this treaty is $7,500,000 for 2001 and was $7,500,000 for 2000, 1999 and 1998.

Although reinsurance does not legally discharge an insurer from its primary liability for the full amount of the policy liability, it does make the assuming reinsurer liable to the insurer to the extent of the reinsurance ceded. The Company's reinsurance generally has been placed with certain of the largest reinsurance companies, including (with their respective Best ratings) General Reinsurance Corporation

(A++) and Zurich Reinsurance (NA), Inc. (A+). The Company believes its reinsurers to be financially capable of meeting their respective obligations. However, to the extent that any reinsuring company is unable to meet its obligations, the Company's insurance subsidiaries would be liable for the reinsured risks. The Company has established reserves, which the Company believes are adequate, for any nonrecoverable reinsurance.

Competition

The insurance industry is a highly competitive industry, in which many of the Company's competitors have substantially greater financial resources, larger sales forces, more widespread agency and broker relationships, endorsements from affinity groups and more diversified lines of insurance coverage. Additionally, federal administrative, legislative and judicial activity has resulted in changes to federal banking laws that increase the ability of national banks to offer insurance products.

The Company believes that property and casualty insurers generally compete on the basis of price, customer service, consumer recognition, product design, product mix and financial stability. The industry has historically been cyclical in nature, with periods of less intense price competition generating significant profits, followed by periods of increased price competition resulting in reduced profitability or loss. The current cycle of intense price competition has continued for a longer period than in the past, suggesting that the significant infusion of capital into the industry in recent years, coupled with larger investment returns has been, and may continue to be, a depressing influence on policy rates. The profitability of the property and casualty insurance industry is affected by many factors, including rate competition, severity and frequency of claims (including catastrophe losses), interest rates, state regulation, court decisions and judicial climate, all of which are outside the Company's control.

Government Regulation

Insurance companies are subject to detailed regulation and supervision in the states in which they transact business. Such regulation pertains to matters such as approving policy forms and various premium rates, minimum reserves and loss ratio requirements, the type and amount of investments, minimum capital and surplus requirements, granting and revoking licenses to transact business, levels of operations and regulating trade practices. Insurance companies are required to file detailed annual reports with the supervisory agencies in each of the states in which they do business, and are subject to examination by such agencies at any time. Increased regulation of insurance companies at the state level and new regulation at the federal level is possible, although the Company cannot predict the nature or extent of any such regulation or what impact it would have on the Company's operations.

The National Association of Insurance Commissioners ("NAIC") has adopted model laws incorporating the concept of a "risk based capital" ("RBC") requirement for insurance companies. Generally, the RBC formula is designed to measure the adequacy of an insurer's statutory capital in relation to the risks inherent in its business. The RBC formula is used by the states as an early warning tool to identify weakly capitalized companies for the purpose of initiating regulatory action. Although New York State has not adopted the RBC requirements for property and casualty insurance companies, New York does require that property and casualty insurers file the RBC information with the New York Department of Insurance. The NAIC also has adopted various ratios for insurance companies which, in addition to the RBC ratio, are designed to serve as a tool to assist state regulators in screening and analyzing the financial condition of insurance companies operating in their respective states. The

Company's insurance operations had certain NAIC ratios outside of the acceptable range of results for the year ended December 31, 2000. Although no assurance can be given, the Company believes that it is unlikely that material adverse regulatory action will be taken.

The Company's insurance subsidiaries are members of state insurance funds which provide certain protection to policyholders of insolvent insurers doing business in those states. Due to insolvencies of certain insurers, the Company's insurance subsidiaries have been assessed certain amounts which have not been material and are likely to be assessed additional amounts by state insurance funds. The Company believes that it has provided for all anticipated assessments

and that any additional assessments will not have a material adverse effect on the Company's financial condition or results of operations.

BANKING AND LENDING

The Company's banking and lending operations principally are conducted through American Investment Bank, N.A. ("AIB"), a national bank subsidiary, and American Investment Financial ("AIF"), an industrial loan corporation. AIB and AIF take money market and other non-demand deposits that are eligible for insurance provided by the FDIC. AIB and AIF had deposits of $526,200,000 and $329,300,000 at December 31, 2000 and 1999, respectively. AIB and AIF currently have several deposit-taking and lending facilities in the Salt Lake City area, which have generated approximately one-half of their deposit balances. The remainder of the Company's deposits were generated by various brokers. Deposits are primarily used to fund consumer instalment loans.

The Company's consolidated banking and lending operations had outstanding loans (net of unearned finance charges) of $515,800,000 and $339,800,000 at December 31, 2000 and 1999, respectively. At December 31, 2000, 80% were loans to individuals generally collateralized by automobiles; 16% were loans to consumers, substantially all of which were collateralized by real or personal property; 1% were unsecured loans to executives and professionals, generally with good credit histories; and 3% were loans to small businesses.

Collateralized personal automobile instalment loans are primarily made through automobile dealerships to individuals who have difficulty obtaining credit, at interest rates above those charged to individuals with good credit histories. These loans are made to consumers principally to purchase used, moderately priced automobiles. In 2000, the average initial loan balance was $12,150 and provided the Company with a yield of 21.4%. The contractual maturity for automobile loans originated in 2000 was 58 months, with an anticipated average life of 26 months. The Company currently generates automobile loans in 31 states through non-exclusive relationships with dealers, with no individual state or dealership representing a significant portion of the Company's loan volume. In determining which individuals qualify for these loans, the Company takes into account a number of highly selective criteria with respect to the individual, as well as the collateral, to attempt to minimize the number of defaults. The Company closely monitors these loans and takes prompt possession of the collateral in the event of a default. For the three year period ended December 31, 2000, the Company generated $489,300,000 of these loans ($271,900,000 during 2000). Such amounts exclude purchased portfolios of $1,000,000 in 2000, $67,900,000 in 1999 and $36,900,000 in 1998. The Company intends to continue to acquire additional portfolios of loans that meet the Company's underwriting standards if they can be purchased on attractive terms. Such purchases would enable the Company to spread its existing infrastructure and overhead costs over a larger asset base.

It is the Company's policy to charge to income an allowance for losses which, based upon management's analysis of numerous factors, including current economic trends, aging of the loan portfolio and historical loss experience, is deemed adequate to cover reasonably expected losses on outstanding loans. At December 31, 2000, the allowance for loan losses for the Company's entire loan portfolio was $27,400,000 or 5.3% of the net outstanding loans, compared to $17,000,000 or 5.0% of net outstanding loans at December 31, 1999.

The Company's policy is to charge-off an account when the automobile securing the delinquent loan is repossessed, which generally occurs when the loan is 60 days delinquent. Otherwise, the Company charges off the account due to the customer's bankruptcy and in no event later than the month in which it becomes 120 days delinquent. The charge-off represents the difference between the net realizable value of the automobile and the amount of the delinquent loan, including accrued interest. During 2000, and particularly in the latter half of the year, the Company experienced an increase in loan losses. This increase primarily is attributable to the subprime automobile portfolio purchased in 1999 from Tranex Credit Corp. ("Tranex"), for which the actual collection experience was less than expected, a larger amount of loans outstanding, including the Tranex purchased portfolio, that are reaching the age of peak losses, generally twelve to eighteen months after origination, and an increase in loan originations. In addition, the Company believes that a weaker economy has contributed to its loan losses. In an effort to reduce losses, the

Company plans to exit certain states and dealer relationships with historically higher losses. Because these actions will reduce the volume of new loans generated, the Company has closed its underwriting activities in Indianapolis and consolidated underwriting in Salt Lake City.

The Company's banking and lending operations compete with banks, savings and loan associations, credit unions, credit card issuers and consumer finance companies, many of which are able to offer financial services on very competitive terms. Additionally, substantial national financial services networks have been formed by major brokerage firms, insurance companies, retailers and bank holding companies. Some competitors have substantial local market positions; others are part of large, diversified organizations.

The Company's principal banking and lending operations are subject to detailed supervision by state authorities, as well as federal regulation pursuant to the Federal Consumer Credit Protection Act, the Truth in Lending Act, the Equal Credit Opportunity Act, the Right to Financial Privacy Act, the Community Reinvestment Act, the Fair Credit Reporting Act and regulations promulgated by the Federal Trade Commission. The Company's banking operations are subject to federal and state regulation and supervision by, among others, the Office of the Comptroller of the Currency (the "OCC"), the FDIC and the State of Utah. AIB's primary federal regulator is the OCC, while the primary federal regulator for AIF is the FDIC.

The Competitive Equality Banking Act of 1987 ("CEBA") places certain restrictions on the operations of AIB and restricts further acquisitions of banks and savings institutions by the Company. CEBA does not restrict AIF as currently operated.

FOREIGN REAL ESTATE

Through its French subsidiary, Fidei, the Company owns foreign commercial real estate properties with a book value of $43,600,000 at December 31, 2000.

After considering Fidei's other assets and non-recourse liabilities, the Company's net investment in this segment was $46,000,000 at December 31, 2000. During 2000, Fidei sold 38 properties resulting in pre-tax gains of $27,100,000; at December 31, 2000, a total of 53 properties aggregating approximately 1,300,000 square feet remain. The Company expects to complete the sale of Fidei's real estate holdings by the end of 2001. The Company currently is seeking new investments for Fidei or, in the alternative, may sell Fidei.

MANUFACTURING

Through its plastics division, the Company manufactures and markets proprietary lightweight plastic netting used for a variety of purposes including, among other things, construction, agriculture, packaging, carpet padding, filtration and consumer products. The plastics division is a market leader in netting products used in carpet cushion, turf reinforcement, erosion control, nonwoven reinforcement and crop protection. The plastics division markets its products both domestically and internationally, with approximately 15% of its 2000 sales exported to Europe, Latin America, Japan and Australia. New product development focuses on niches where the division's proprietary technology and expertise can lead to sustainable competitive economic advantages. For the years ended December 31, 2000, 1999 and 1998, the plastics division's revenues were $65,000,000, $64,000,000 and $56,600,000, respectively.

In order to meet existing and projected product demand, the plastics division is constructing a manufacturing facility in Belgium, which is expected to be operational in the third quarter of 2001. The Belgium facility will service customers in the European and Asian markets, which are currently being supplied by the Company's domestic manufacturing facilities. The Company expects that the Belgium facility and equipment will require a capital investment of approximately $18,500,000. When fully operational, the facility is expected to increase the division's capacity by approximately 20%.

During 1999, when the Company decided to construct the Belgium facility, and through the first half of 2000, the plastics division operated near capacity. During the second half of 2000, the plastics division began to

experience a slowdown in business and currently has excess capacity. The Belgium facility will allow the plastics division to service new customers as well as provide improved service to existing customers in Europe and Asia. In addition, the available manufacturing capacity will provide adequate machine time for product development as well as servicing seasonal peaks. However, the ability to fully utilize the Belgium facility will depend upon developing new products as well as expanding sales geographically.

The plastics division is subject to domestic and international competition, generally on the basis of price, service and quality. Additionally, certain products are dependent on cyclical industries, including the construction industry. The Company holds patents on certain improvements to the basic manufacturing processes and on applications thereof. The Company believes that the expiration of these patents, individually or in the aggregate, is unlikely to have a material effect on the plastics division.

OTHER OPERATIONS

The Company has a 90% interest in two wineries, Pine Ridge Winery in Napa Valley, California and Archery Summit in the Willamette Valley of Oregon. Pine Ridge, which was acquired in 1991, has been conducting operations since 1981, while Archery Summit was started by the Company in 1993. These wineries produce

and sell super-ultra-premium wines. During 2000, the wineries sold approximately 79,300 9-liter equivalent cases of wine generating revenues of $15,300,000. Since acquisition, the Company's investment in winery operations has grown, principally to fund the Company's acquisition of land for vineyard development and to increase production capacity and storage facilities at both of the wineries. It can take up to five years for a new vineyard property to reach full production and, depending upon the varietal produced, up to an additional two years before the wine can be sold. The Company expects all of its vineyards will be in substantially full production for the 2001 harvest, and with normal farming yields should result in total production of approximately 100,000 9-liter equivalent cases of wine. At December 31, 2000, the Company's combined investment in these wineries was $54,300,000. During 2000, in response to certain inquiries, the Company engaged an investment banker to consider possible offers for the purchase of the wineries. While the Company received many expressions of interest and some offers to purchase the wineries, the Company has determined that the prices offered were not adequate and it does not intend to sell the wineries at this time.

At December 31, 2000, the Company's domestic real estate investments had a book value of $166,500,000. Such real estate consists of office buildings, residential land development projects and other unimproved land, all in various stages of development and available for sale. The Company's largest domestic real estate investment is a project located in San Diego County, California that will be a master-planned community of approximately 3,400 homes and apartments as well as commercial properties expected to be completed over the next nine years. The Company expects to earn a preferred return of 15% on its investment in this project (approximately $59,000,000 remains to be paid as of December 31, 2000); any amounts generated above this preferred return will primarily benefit the project's development manager, HomeFed Corporation, a Delaware corporation ("HomeFed") that was distributed to the Company's shareholders in 1999. Also included in the Company's domestic real estate is an investment in three shopping centers on Long Island, New York, one shopping center in upstate New York, and one shopping center in Louisiana. During 2000, the Company foreclosed on all of the New York properties and recognized a pre-tax gain of $10,700,000; the Company is in the process of foreclosing on the property in Louisiana. During 2000, the Company received proceeds of $94,300,000 from an office complex located on Capital Hill in Washington, D.C. Such amount was funded by a non-recourse loan from a third-party lender and, when combined with amounts previously received from the property, fully repaid the Company's investment plus a 17-1/2% preferred return.

The Company has a 72.9% interest in MK Gold, a company that is traded on the NASD OTC Bulletin Board. MK Gold owns Cobre Las Cruces, S.A., a Spanish company that holds the exploration and mining rights to the Las Cruces copper deposit in the Pyrite Belt of Spain. A feasibility study indicates the existence of proven and probable reserves of 15.8 million metric tonnes grading 5.94% copper that are overlain by a gold-bearing gossan (which has not been evaluated) and by 150 meters of unconsolidated overburden. This reserve calculation was based upon the analysis of 280 drill holes totaling over 82,000 meters. This

feasibility study estimates the capital cost will be approximately $290,000,000 to bring the mine into production. Mining will be subject to permitting (currently underway), obtaining both debt and equity financing for the project, engineering and construction. A mining concession application, accompanied by the feasibility study and environmental impact studies, was submitted to the applicable Spanish and Andalusian governmental agencies during the first quarter of 2001.

OTHER INVESTMENTS

The Company owns equity interests representing more than 5% of the outstanding capital stock of each of the following domestic public companies at March 19, 2001: GFSI Holdings, Inc. ("GFSI") (6.4%), Jordan Industries, Inc. ("JII") (10.1%) and PhoneTel Technologies, Inc. (7.1%).

A subsidiary of the Company is an owner in The Jordan Company LLC and Jordan/Zalaznick Capital Company. These entities each specialize in structuring leveraged buyouts in which the owners are given the opportunity to become equity participants. Since 1982, the Company has invested an aggregate of $91,100,000 in these entities and related companies and, through December 31, 2000, has received $149,000,000 relating to the disposition of investments and management and other fees. At December 31, 2000, through these entities, the Company had interests in JII, GFSI, JZ Equity Partners PLC (a British company traded on the London Stock Exchange in which the Company holds a 6.5% equity interest) and a total of 41 other companies. These investments are carried in the Company's consolidated financial statements at $59,200,000, of which $52,400,000 relates to public companies carried at market value. In January 2000, the Company sold its 10% equity interest in one of these entities, JTP, for proceeds of $27,300,000.

For further information about the Company's business, including the Company's investment in JPOF II, reference is made to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report and Notes to Consolidated Financial Statements.

Item 2. Properties.

Through its various subsidiaries, the Company owns and utilizes in its operations offices in Salt Lake City, Utah used for corporate and banking and lending activities (totaling approximately 80,200 sq. ft.). Subsidiaries of the Company own a facility (totaling approximately 158,500 sq. ft.) primarily used for manufacturing located in Georgia and facilities and land in California and Oregon (totaling approximately 107,100 square feet and 390 acres, respectively) used for winery operations.

The Company and its subsidiaries lease numerous manufacturing, warehousing, office and headquarters facilities. The facilities vary in size and have leases expiring at various times, subject, in certain instances, to renewal options. See Notes to Consolidated Financial Statements.

Item 3. Legal Proceedings.

The Company and its subsidiaries are parties to legal proceedings that are considered to be either ordinary, routine litigation incidental to their business or not material to the Company's consolidated financial position.

The Company does not believe that any of the foregoing actions will have a material adverse effect on its consolidated financial position or consolidated results of operations.

Item 10. Executive Officers of the Registrant.

All executive officers of the Company are elected at the organizational meeting of the Board of Directors of the Company held annually and serve at the pleasure of the Board of Directors. As of March 19, 2001, the executive officers of the Company, their ages, the positions held by them and the periods during which they have served in such positions were as follows:

NAME	AGE	POSITION WITH LEUCADIA	OFFICE HELD S
Ian M. Cumming	60	Chairman of the Board	June 1978
Joseph S. Steinberg	57	President	January 1979
Thomas E. Mara	55	Executive Vice President and Treasurer	May 1980; January 1993
Joseph A. Orlando	45	Vice President and Chief Financial Officer	January 1994; April 1996
Barbara L. Lowenthal	46	Vice President and Comptroller	April 1996
Mark Hornstein	53	Vice President	July 1983
H.E. Scruggs	44	Vice President	March 2000

Mr. Cumming has served as a director and Chairman of the Board of the Company since June 1978. In addition, he has served as a director of Allcity since February 1988 and MK Gold since June 1995. Mr. Cumming has also been a director of Skywest, Inc., a Utah-based regional air carrier, since June 1986 and a director of HomeFed, a California real estate developer, since May 1999.

Mr. Steinberg has served as a director of the Company since December 1978 and as President of the Company since January 1979. In addition, he has served as a director of Allcity since February 1988, as a director of MK Gold since June 1995, as a director of JII since June 1988 and as a director of HomeFed since August 1998.

Mr. Mara joined the Company in April 1977 and was elected Vice President of the Company in May 1977. He has served as Executive Vice President of the Company since May 1980 and as Treasurer of the Company since January 1993. In addition, he has served as a director of Allcity since October 1994.

Mr. Orlando, a certified public accountant, has served as Chief Financial Officer of the Company since April 1996 and as Vice President of the Company since January 1994. Mr. Orlando previously served in a variety of capacities with the Company and its subsidiaries since 1987, including Comptroller of the Company from March 1994 to April 1996. In addition, he served as a director of Allcity since October 1998.

Ms. Lowenthal, a certified public accountant, has served as Vice President and Comptroller of the Company since April 1996. For the prior four years, Ms. Lowenthal served as Director of Policies, Systems and Procedures and Assistant Controller of W.R. Grace & Co., a specialty chemicals company.

Mr. Hornstein joined the Company as Vice President in July 1983 and has served in a variety of other capacities with the Company and its subsidiaries.

Mr. Scruggs joined the Company in 1995 and became Vice President in March 2000. Since 1997, Mr. Scruggs has been Chairman of AIB and, since September 2000, Chairman and President of the Empire Group. Mr. Scruggs has served as a director of MK Gold since March 2001 and has been a member of the faculty of Brigham Young University since 1991.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

(a) Market Information.

The Common Shares of the Company are traded on the New York Stock Exchange and Pacific Stock Exchange under the symbol LUK. The following table sets forth, for the calendar periods indicated, the high and low sales price per Common Share on the consolidated transaction reporting system, as reported by the Bloomberg Professional Service provided by Bloomberg L.P.

	COMMON SHARE	
	HIGH	LOW
1999		
First Quarter	$19.22	$17.14
Second Quarter	23.58	17.11
Third Quarter	23.22	19.28
Fourth Quarter	23.38	19.39
2000		
First Quarter	$24.19	$20.63
Second Quarter	26.75	22.13
Third Quarter	28.13	23.06
Fourth Quarter	37.50	23.06
2001		
First Quarter (through March 19, 2001)	$35.70	$30.63

(b) Holders.

As of March 19, 2001, there were approximately 3,309 record holders of the Common Shares.

(c) Dividends.

In 2000, the Company paid cash dividends of $13,800,000 ($.25 per Common Share). In 1999, the Company paid the Dividend of $811,900,000 ($13.58 per Common Share). The payment of dividends in the future is subject to the discretion of the Board of Directors and will depend upon general business conditions, legal and contractual restrictions on the payment of dividends and other factors that the Board of Directors may deem to be relevant.

In connection with the declaration of dividends or the making of distributions on, or the purchase, redemption or other acquisition of Common Shares, the Company is required to comply with certain restrictions contained in certain of its debt instruments. The Company's regulated subsidiaries are restricted in the amount of distributions that can be made to the Company without regulatory approval. For further information see Item 7, "Management's

Discussion and Analysis of Financial Condition and Results of Operations" included in this Report.

Item 6. Selected Financial Data.

The following selected financial data have been summarized from the Company's consolidated financial statements and are qualified in their entirety by reference to, and should be read in conjunction with, such consolidated financial statements and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

	Year Ended December 31,			
	2000	1999	1998	1997
	(In thousands, except per share amoun			
SELECTED INCOME STATEMENT DATA:				
Revenues	$715,487	$706,632	$530,506	$630,737
Net securities gains (losses)	123,225	10,885	(60,871)	3,249
Interest expense (a)	57,713	50,665	45,139	46,007
Insurance losses, policy benefits and amortization of deferred acquisition costs	176,355	174,132	279,110	327,468
Income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and extraordinary gain (loss)	193,302	243,471	29,377	(24,238)
Income (loss) from continuing operations before minority expense of trust preferred securities and extraordinary gain (loss)	120,546	198,950	54,450	(14,347)
Minority expense of trust preferred securities, net of taxes	(5,521)	(5,521)	(8,248)	(7,942)
Income (loss) from continuing operations before extraordinary gain (loss)	115,025	193,429	46,202	(22,289)
Income from discontinued operations, including gain on sale, net of taxes	-	24,201	8,141	686,161
Extraordinary gain (loss) from early extinguishment of debt, net of taxes	983	(2,588)	-	(2,057)
Net income	116,008	215,042	54,343	661,815
Per share:				
Basic earnings (loss) per common share:				
Income (loss) from continuing operations before extraordinary gain (loss)	$2.07	$3.26	$.73	$ (.36
Income from discontinued operations, including gain on sale	-	.40	.13	11.03
Extraordinary gain (loss)	.02	(.04)	-	(.03
Net income	$2.09	$3.62	$.86	$10.64
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations before extraordinary gain (loss)	$2.07	$3.26	$.73	$ (.36

Income from discontinued operations, including gain on sale	-	.40	.13	11.03
Extraordinary gain (loss)	.02	(.04)	-	(.03
Net income	$2.09	$3.62	$.86	$10.64

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	At December 31,			
	2000	1999	1998	1997
	(In thousands, except per share amounts			
SELECTED BALANCE SHEET DATA:				
Cash and investments	$1,612,576	$1,466,551	$2,229,895	$2,453,55
Total assets	3,143,637	3,070,227	3,958,951	3,745,33
Debt, including current maturities	374,523	483,309	722,601	352,87
Customer banking deposits	526,172	329,301	189,782	198,58
Common shareholders' equity	1,204,241	1,121,988	1,853,159	1,863,53
Book value per common share	$21.78	$19.75	$29.90	$29.1
Cash dividends per common share	$.25	$13.58	$-	$.2

	Year Ended December 31,			
	2000	1999	1998	1997
SELECTED INFORMATION ON PROPERTY AND CASUALTY INSURANCE OPERATIONS (Unaudited): (b)				
GAAP Combined Ratio	187.2%	138.4%	129.3%	118.5
SAP Combined Ratio	189.4%	143.3%	134.0%	117.8
Industry SAP Combined Ratio (c)	N/A	108.1%	106.0%	101.6
Premium to Surplus Ratio (d)	1.3x	0.8x	1.2x	1.4

(a) Includes interest on customer banking deposits.

(b) The Combined Ratio does not reflect the effect of investment income. For 1998, the difference in the accounting treatment for curtailment gains relating to the defined benefit pension plans was the principal reason for the difference between the GAAP Combined Ratio and the SAP Combined Ratio. For 1996, a change in the statutory accounting treatment for retrospectively rated reinsurance agreements was the principal reason for the difference between the GAAP Combined Ratio and the SAP Combined Ratio. Additionally, for all years presented, the difference relates to the accounting for certain costs which are treated differently under SAP and GAAP.

(c) Source: Best's Aggregates & Averages, Property/Casualty, 2000 Edition. Industry Combined Ratios may not be fully comparable as a result of, among other things, differences in geographical concentration and in the mix of property and casualty insurance products.

(d) Premium to Surplus Ratio was calculated by dividing statutory property and casualty insurance premiums written by statutory capital at the end of the year.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The purpose of this section is to discuss and analyze the Company's consolidated financial condition, liquidity and capital resources and results of operations. This analysis should be read in conjunction with the consolidated financial statements and related notes which appear elsewhere in this Report.

LIQUIDITY AND CAPITAL RESOURCES

Parent Company Liquidity

Leucadia National Corporation (the "Parent") is a holding company whose assets principally consist of the stock of its several direct subsidiaries, cash and other liquid investments. The Parent continuously evaluates the retention and disposition of its existing operations and investigates possible acquisitions of new businesses in order to maximize shareholder value. Accordingly, while the Parent does not have any material arrangement, commitment or understanding with respect thereto (except as disclosed in this Report), further acquisitions, divestitures, investments and changes in capital structure are possible. Its principal sources of funds are its available cash resources, bank borrowings, public and private capital market transactions, repayment of subsidiary advances, funds distributed from its subsidiaries as tax sharing payments, management and other fees, and borrowings and dividends from its regulated and non-regulated subsidiaries. It has no substantial recurring cash requirements other than payment of interest and principal on its debt, tax payments and corporate overhead expenses. As of December 31, 2000, the Company's readily available cash, cash equivalents and marketable securities, excluding those amounts held by its regulated subsidiaries, totaled $643,400,000. Additional sources of liquidity as of December 31, 2000 include $156,800,000 of marketable securities collateralizing letters of credit and $183,100,000 of cash, cash equivalents and marketable securities held by Fidei.

Primarily during 2000, the Company invested an aggregate of $89,000,000 in the common stock of FNF, a publicly traded title insurance holding company. The Company sold its investment in FNF common stock for $179,900,000, resulting in a pre-tax gain of $90,900,000 in 2000.

In January 2000, the Company sold its 10% equity interest in JTP for $27,300,000, and recorded a pre-tax gain of $24,800,000. Further consideration of approximately $7,500,000 may be received in the future upon the favorable resolution of certain contingencies.

At December 31, 1999, the Company had outstanding promissory notes of Conseco, Inc. in the principal amount of $250,000,000. During the third quarter of 2000, the entire principal amount and accrued interest then outstanding on these notes was repaid. In addition, the Company received $7,500,000 directly from Conseco which constituted a prepayment penalty due under the terms of these notes.

Except for the Euro denominated debt of Fidei, which is non-recourse to the Company, the Parent maintains the principal borrowings for the Company and its non-banking subsidiaries and has provided working capital to certain of its subsidiaries. These borrowings have primarily been made from banks through the Company's credit agreement facility and through public financings.

In June 2000, the Company replaced its $100,000,000 unsecured bank credit facility with a new unsecured bank credit facility of $152,500,000, which bears interest based on the Eurocurrency Rate or the prime rate and matures in June 2003. As of December 31, 2000, no amounts were outstanding under this bank credit facility.

During 2000, the Company invested $100,000,000 in the equity of JPOF II, a limited liability company that is a registered broker-dealer. JPOF II is managed and controlled by Jefferies & Company, Inc. JPOF II invests in high

yield securities, special situation investments and distressed securities and provides trading services to its customers and clients. Generally, the Company may not redeem its interest in JPOF II during 2001. For the year ended December 31, 2000, the Company recorded $17,300,000 of pre-tax income from this investment under the equity method of accounting.

In October 2000, the Company agreed to invest $75,000,000 in a new issue of convertible preference shares of WMIG, which is expected to represent approximately 4% of WMIG on an as converted basis. This investment is subject to the closing of an acquisition by WMIG of CGU Corporation, the U.S. property and casualty operations of CGNU plc, which, although subject to certain contingencies, currently is expected to occur during 2001.

During 2000, the Company repurchased 1,505,000 Common Shares for an aggregate cost of $32,100,000. As of March 19, 2001, the Company is authorized to repurchase an additional 4,495,000 Common Shares. Such purchases may be made from time to time in the open market, through block trades or otherwise. Depending on market conditions and other factors, such purchases may be commenced or suspended at any time without prior notice.

At December 31, 2000, a maximum of $20,900,000 was available to the Parent as dividends from its regulated subsidiaries without regulatory approval. Additional amounts may be available to the Parent in the form of loans or cash advances from regulated subsidiaries, although no amounts were outstanding at December 31, 2000 or borrowed to date in 2001. There are no restrictions on distributions from non-regulated subsidiaries. The Parent also receives tax sharing payments from subsidiaries included in its consolidated income tax return, including certain regulated subsidiaries. Because of the tax loss carryforwards available to the Parent and certain subsidiaries, together with current interest deductions and corporate expenses, the amount paid by the Parent for income taxes has been substantially less than tax sharing payments received from its subsidiaries. Payments from regulated subsidiaries for dividends, tax sharing payments and other services totaled $8,300,000 for the year ended December 31, 2000.

In February 2001, the Company, Berkshire Hathaway Inc., and Berkadia LLC, an entity jointly owned by the Company and Berkshire Hathaway, announced a commitment to lend $6,000,000,000 on a senior secured basis to FINOVA Capital Corporation, the principal operating subsidiary of FINOVA, to facilitate a chapter 11 restructuring of the outstanding debt of FINOVA and its principal subsidiaries. Under the commitment, Berkadia's funding obligations to FINOVA Capital have been guaranteed, 90% by Berkshire Hathaway and 10% by the Company

(with the Company's guarantee being secondarily guaranteed by Berkshire Hathaway). The parties intend to finance this commitment; such financing is expected to be similarly guaranteed. The commitment, which expires on August 31, 2001, or earlier if certain events occur or conditions are not satisfied, provides that Berkadia will receive $6,000,000,000 principal amount of newly issued five year senior notes of FINOVA Capital, secured by substantially all of the assets of FINOVA and its subsidiaries (the "Secured Note"). The notes will also be guaranteed on a secured basis by FINOVA and substantially all of the subsidiaries of FINOVA and FINOVA Capital. Berkadia's obligation to make the loan is subject to a number of conditions, including Berkadia's satisfaction with the chapter 11 reorganization plan of the FINOVA companies, including bankruptcy court and necessary creditor approvals, the issuance to the Company and Berkshire Hathaway of newly issued common stock of FINOVA totaling 51% of the stock of FINOVA to be outstanding on a fully diluted basis, and Berkadia being able to designate a majority of the Board of Directors of FINOVA.

Upon execution of the commitment, FINOVA Capital paid Berkadia a non-refundable commitment fee of $60,000,000 and has agreed to pay a funding fee of $60,000,000 upon funding (or a termination fee of $60,000,000 if the commitment is not funded except in certain limited circumstances). In addition, FINOVA Capital has agreed to reimburse Berkadia, Berkshire Hathaway and the Company for all fees and expenses incurred in connection with Berkadia's financing of its funding obligation under the commitment.

In connection with the commitment, the Company entered into a ten-year management agreement with FINOVA pursuant to which the Company agreed to provide general management services, including services with respect to the formulation of a restructuring plan. For these services, the Company will receive an annual fee of $8,000,000, the first of which was paid when the agreement was signed.

Under the agreement governing Berkadia, the Company and Berkshire Hathaway have agreed to equally share the commitment fee, funding or termination fee and all management fees. An annual facility fee to be paid by FINOVA Capital, equal to .25% of the outstanding amount of the loan, will be shared 70% to Berkshire Hathaway and 30% to the Company, and all income related to the Secured Note will be shared 90% to Berkshire Hathaway and 10% to the Company. All decisions with respect to the management of Berkadia will require the mutual consent of the Company and Berkshire Hathaway, except for decisions related to the commitment, the financing of the commitment or the Secured Note, which are in the sole control of Berkshire Hathaway.

As indicated above, the completion of the loan is subject to a number of conditions and there can be no assurance that it ultimately will be consummated.

Based on discussions with commercial and investment bankers, the Company believes that it has the ability to raise additional funds under acceptable conditions for use in its existing businesses or for appropriate investment opportunities. Since 1993, the Company's senior debt obligations have been rated as investment grade by S&P and Duff & Phelps Inc. Ratings issued by bond rating agencies are subject to change at any time.

Consolidated Liquidity

In 2000 and 1999, net cash was used for operations principally as a result of a decrease in premiums written and the payment of claims at the Empire Group. As discussed above, it is currently anticipated that the premiums of the Empire Group will continue to decline while the Empire Group runs off its claims

liabilities. This is expected to result in a continued net use of cash for the Empire Group's operations over the next several years.

The investment portfolio of the Company's insurance subsidiaries principally consists of fixed maturity investments; the balance of their portfolio consists largely of preferred securities. Of the fixed maturity securities, the majority consists of those rated "investment grade" or U.S. governmental agency issued or guaranteed obligations, although limited investments in "non-rated" or rated less than investment grade securities have been made from time to time.

The Company provides collateralized automobile loans to individuals with poor credit histories. The Company's investment in automobile loans was $410,300,000 and $277,100,000 at December 31, 2000 and 1999, respectively. These loans are primarily funded by deposits generated by the Company's deposit-taking facilities and by brokers. Deposits raised in 2000 totaled $228,000,000 and had an average maturity of 12 months and a weighted average interest rate of 6.6%.

In the past, the Company has at times funded the construction and/or expansion of its manufacturing facilities with industrial revenue bonds. At December 31, 2000, the Company has $9,800,000 principal amount outstanding for such financing. The Company expects to finance the construction of the plastics division's Belgium facility, estimated to aggregate $18,500,000, with available cash resources.

As of December 31, 2000, the principal amount of Fidei's Euro denominated outstanding debt, all of which is non-recourse to the Company, was $184,000,000 (195,200,000 Euros). Inasmuch as Fidei's Euro denominated cash, cash equivalents

and marketable securities approximate its Euro denominated debt, there is currently no need to acquire a currency hedge for Fidei's debt.

The Company and certain of its subsidiaries have or have had tax loss carryforwards and other tax attributes, the amount and availability of which are subject to certain qualifications, limitations and uncertainties. In order to reduce the possibility that certain changes in ownership could impose limitations on the use of the tax loss carryforwards, the Company's certificate of incorporation contains provisions which generally restrict the ability of a person or entity from accumulating at least five percent of the Common Shares and the ability of persons or entities now owning at least five percent of the Common Shares from acquiring additional Common Shares.

RESULTS OF OPERATIONS

Property and Casualty Insurance

For the year ended December 31, 2000, the Company's insurance segment contributed 20% of total revenues from continuing operations and, at December 31, 2000, constituted 20% of total assets. Historically, the Company's property and casualty insurance operations have provided commercial and personal lines of insurance in the New York metropolitan area.

Net earned premium revenues of the Empire Group were $108,500,000, $145,200,000 and $228,600,000 for the years ended December 31, 2000, 1999 and 1998, respectively. While earned premiums declined in almost all lines of business during 2000 and 1999, the most significant reductions during 2000 were in assigned risk automobile ($14,700,000) and voluntary private passenger automobile ($14,700,000), and during 1999 were in assigned risk automobile

($24,100,000), voluntary private passenger automobile ($26,900,000) and commercial package policies ($11,600,000). Effective January 1, 2000, all policy renewal obligations for assigned risk contracts were assigned to another insurance company. However, the Empire Group remains liable for the claim settlement costs for assigned risk claims that occurred during the policy term. The decline in voluntary private passenger automobile resulted from tighter underwriting standards, increased competition and the Empire Group's decision in 1999 to no longer accept new policies from those agents who historically have had poor underwriting results. The Empire Group's termination of certain unprofitable agents also adversely affected premium volume in other lines of business.

During the fourth quarter of 2000, the Empire Group announced that it would no longer accept any new private passenger automobile policies from any agents. Existing policies of private passenger automobile insurance will be either sold, non-renewed or cancelled in accordance with New York insurance law. If this book of business is not sold, it is expected that the Empire Group will continue to issue renewal policies over the next several years as required by applicable insurance law. The Empire Group also announced that all statutory automobile policies (public livery vehicles) would be non-renewed effective March 1, 2001, due to poor underwriting results.

On March 1, 2001, the Empire Group announced that, effective immediately, it would no longer issue any new (as compared to renewal) insurance policies and that it has filed plans of orderly withdrawal with the New York Insurance Department as required. Existing commercial lines policies will be non-renewed or canceled in accordance with New York insurance law or replaced by Tower. The Empire Group will continue to be responsible for the remaining term of its existing policies and all claims incurred prior to the expiration of these policies. For commercial lines, the Empire Group will thereafter have no renewal obligations for those policies. Under New York insurance law, the Empire Group is obligated to offer renewals of homeowners, dwelling fire, personal insurance coverage and personal umbrella for a three-year policy period; however, the Tower Agreement provides that Tower must offer replacements for these policies.

The closing of the transaction is subject to the approval of the New York Insurance Department.

The Empire Group is currently exploring its options for the future. Assuming the Tower Agreement is consummated, the Empire Group will only have renewal obligations for remaining personal lines insurance (primarily automobile) not replaced by Tower, the remaining policy term of all existing policies and a claim run-off operation. The Empire Group may commence new property and casualty insurance operations if a new business model with an acceptable expense structure can be developed, enter into a joint venture with another property and casualty insurance operation, explore entering the claim services business or commence a liquidation. There may be other options that the Company will explore, but no assurance can be given at this time as to what the ultimate plan will be.

The Empire Group's combined ratios as determined under GAAP and SAP were as follows:

	Year Ended December 31,		
	2000	1999	1998

GAAP	187.2%	138.4%	129.3%
SAP	189.4%	143.3%	134.0%

The Empire Group's combined ratios increased in 2000 primarily due to unfavorable loss reserve development from prior accident years, increased loss adjustment expenses for newly outsourced claims and adverse development in loss adjustment expenses. In addition, these ratios increased due to reduced service fees, higher 2000 accident year loss ratios, higher severance costs and overhead costs which, although lower, have not declined commensurate with the reduced premium volume. The Empire Group's combined ratios increased in 1999 primarily due to the reduction in premium volume at a rate greater than the reduction in net underwriting and other costs. In addition, in 1999, the expense ratios were adversely affected by the reduction in service fees, increased expenditures related to the installation of new information systems, providing Internet access to agents and severance costs. Included in the Empire Group's results for 2000, 1999 and 1998 were $53,000,000, $18,300,000 and $42,300,000, respectively, for increases in estimated losses and loss adjustment expenses for prior accident years.

During 2000, the Empire Group experienced unfavorable development principally in the 1996 through 1999 accident years in the private passenger automobile line ($9,200,000), the commercial auto line ($6,200,000), the assigned risk automobile line ($4,800,000) and the commercial package policies line ($15,000,000). In addition, the Empire Group increased its estimate for loss adjustment expenses by $11,000,000 as a result of the decision to outsource a significant amount of claim handling functions in 2000. Claim files for workers' compensation, automobile no-fault and automobile and other liability claims were outsourced at a cost greater than the reserves previously recorded to handle the claims internally. The Empire Group has outsourced almost two-thirds of its claims. Currently, the Empire Group is primarily handling complex claims, first party claims and certain automobile liability and general liability claims internally. Complex claims generally consist of those that have potentially large settlement exposure and are not expected to settle quickly. The Empire Group has also increased its reserve estimate for claims handled internally.

During 1999, the Empire Group experienced unfavorable development due to an increase in severity of 1998 accident year losses in the assigned risk automobile and voluntary private passenger automobile lines, and 1996 accident year losses in certain classes of the commercial automobile line. As a result, the Empire Group increased its reserves by $7,500,000 for assigned risk automobile, $5,000,000 for voluntary private passenger automobile and $4,500,000 for commercial automobile lines.

During 1998, the Empire Group reviewed the adequacy of the reserves carried for its open claims' files, focusing on workers' compensation, commercial auto and other commercial liability lines of business. As part of the review, substantially all open workers' compensation claim files were reviewed for every accident year up to and including 1998. Additionally, during 1998, the Empire Group reorganized the commercial auto claims department. As part of this realignment, more complex claims files were reviewed by the most experienced claims examiners and assumptions regarding average claims severity and probable ultimate losses were revised. Accordingly, reserves were strengthened by $13,000,000 for workers' compensation, $14,000,000 for commercial automobile and $14,000,000 for other commercial liability lines of business.

As a consequence of its reserve increases, the Empire Group has reduced premiums and pre-tax profits to recognize reinsurance premiums due for 1995 and

prior years under retrospectively rated reinsurance agreements. Such amounts totaled $4,500,000, $4,600,000, and $2,000,000 for the years ended December 31, 2000, 1999 and 1998, respectively. The Empire Group has not entered into retrospectively rated reinsurance agreements after 1995.

For all lines of property and casualty insurance business, the Company employs a variety of standard actuarial ultimate loss projection techniques, statistical analyses and case-basis evaluations to estimate its liability for unpaid losses. The actuarial projections include an extrapolation of both losses paid and incurred by business line and accident year and implicitly consider the impact of inflation and claims settlement patterns upon ultimate claim costs based upon historical patterns. These estimates are performed quarterly and consider any changes in trends and actual loss experience. Any resulting change in the estimate of the liability for unpaid losses, including those discussed above, is reflected in current year earnings during the quarter the change in estimate is identified.

The reserving process relies on the basic assumption that past experience is an appropriate basis for predicting future events. The probable effects of current developments, trends and other relevant matters are also considered. Since the establishment of loss reserves is affected by many factors, some of which are outside the Company's control or are affected by future conditions, reserving for property and casualty claims is a complex and uncertain process requiring the use of informed estimates and judgments. As additional experience and other data become available and are reviewed, the Company's estimates and judgments may be revised. While the effect of any such changes in estimates could be material to future results of operations, the Company does not expect such changes to have a material effect on its liquidity or financial condition.

In management's judgment, information currently available has been appropriately considered in estimating the Company's loss reserves. The Company will continue to evaluate the adequacy of its loss reserves on a quarterly basis, incorporating any future changes in trends and actual loss experience, and record adjustments to its loss reserves as appropriate.

Banking and Lending

Finance revenues, which reflect the level and mix of consumer instalment loans, increased in each of the last two years due to greater average loans outstanding. Average loans outstanding were $423,200,000, $238,600,000 and $148,700,000 for 2000, 1999 and 1998, respectively. The increase in 2000 was primarily due to the acquisition in 1999 of Tranex and increased new loan originations. Pre-tax results declined in 2000 as compared to 1999 primarily due to an increase in the provision for loan losses, higher interest expense due to increased customer banking deposits and higher interest rates thereon, and higher salaries expense.

The higher loan losses were principally caused by the poor performance of the subprime automobile portfolio purchased from Tranex, for which the actual collection experience was less than expected, a larger amount of loans

outstanding, including the Tranex purchased portfolio, that are reaching the age of peak losses, generally twelve to eighteen months after origination, and the increased loan originations. The Company also believes that a weaker economy has contributed to its loan losses.

For 1999, although finance revenues increased due to greater average loans outstanding, pre-tax results declined primarily due to an increase in the

provision for loan losses for the larger volume of loans outstanding. In addition, 1998 results reflected the pre-tax gain of $6,500,000 from the sale of substantially all of the Company's executive and professional loan portfolio. The increase in average loans outstanding was primarily due to the purchase of a subprime automobile portfolio in December 1998, the Tranex acquisition in 1999 and increased new loan originations.

Manufacturing

For 2000, revenues for the plastics division modestly increased to $65,000,000 as compared to $64,000,000 for 1999. Gross profit and pre-tax income for the plastics division declined slightly in 2000 primarily due to higher raw material costs. In 1999, revenues of the plastics division increased 13% over 1998. In addition, despite rising raw material prices, the gross profit increased 16% to $24,900,000.

Other

Investment and other income declined in 2000 as compared to 1999 primarily due to gains recognized in 1999 from the sale of Caja, The Sperry and Hutchinson Company, Inc., PIB and an equity interest in an associated company aggregating $177,700,000. Investment and other income also decreased in 2000 due to a reduction in investment income ($11,500,000), resulting primarily from the payment of the Dividend and debt repurchases in 1999 and decreased rent income (due to a smaller base of remaining real estate properties) and decreased gains from sales of real estate properties related to Fidei ($18,500,000). This decrease was partially offset by increased gains from sales and foreclosures of various domestic real estate properties ($50,800,000), the prepayment penalty related to the Conseco notes ($7,500,000) and revenues relating to MK Gold ($12,300,000), which the Company began consolidating in the fourth quarter of 1999. During 2000, Fidei sold 38 real estate properties; 53 properties remain at December 31, 2000, all of which are currently being marketed for sale.

Investment and other income in 1999 included the aforementioned gains on sale of Caja ($120,800,000), The Sperry and Hutchinson Company, Inc. ($18,700,000) and PIB ($29,500,000), and the gain on sale of an equity interest in an associated company ($8,700,000). Investment and other income also increased in 1999 due to increased rent income and gains from sales of real estate properties, of which $49,800,000 related to Fidei. Such increases were partially offset by a reduction in investment income resulting primarily from payment of the $811,900,000 dividend in 1999 and debt repurchases in 1999, a reduction in investments held by the Empire Group and the gain in 1998 on the sale of the executive and professional loan portfolio.

Payment of the Dividend required the Company to make an offer to purchase all of its 8-1/4% Notes and its 7-7/8% Notes at a purchase price of 101% of principal, plus accrued and unpaid interest thereon. Pursuant to such offers, in 1999, the Company repurchased $80,900,000 principal amount of the 8-1/4% Notes and $113,300,000 principal amount of the 7-7/8% Notes for $198,000,000, including accrued interest. The Company recorded an extraordinary loss, net of income tax benefit, of $2,600,000 on this early extinguishment of debt.

Net securities gains (losses) for 2000 include pre-tax security gains related to the Company's investments in FNF ($90,900,000) and JTP ($24,800,000), as described above. During 1998, due to declines in values that were deemed other than temporary, the Company recorded a pre-tax writedown of $75,000,000 related to its investments in Russian and Polish debt and equity securities. Such writedowns are reflected in the caption "Net securities gains (losses)." At

December 31, 2000, the remaining book value of the Company's investments in these securities was $1,200,000.

Equity in income (losses) of associated companies increased in 2000 primarily due to income of $17,300,000 related to JPOF II, described above. Equity in income (losses) of associated companies declined in 1999 as compared to 1998, primarily due to income of $30,800,000 recorded in 1998 from an investment partnership that was subsequently liquidated.

Interest expense for 2000 reflects increased customer banking deposits and higher interest rates thereon, partially offset by a reduction in interest expense related to debt repurchases in 1999. The increase in interest expense in 1999 as compared to 1998 primarily relates to Fidei's outstanding debt, partially offset by the Company's debt repurchases in 1999.

Salaries expense in 2000 reflects an increase in employees, primarily at the banking and lending segment.

The increase in selling, general and other expenses in 2000 principally reflects higher provisions for loan losses, as described above, and expenses related to MK Gold. The increase in selling, general and other expenses in 1999 as compared to 1998 principally relates to expenses incurred by Fidei, higher provisions for loan losses, expenses incurred in connection with the Dividend and the recognition in 1998 of net curtailment gains relating to the Company's pension plan.

Income taxes for 1999 reflect a benefit of $40,100,000 from the utilization of capital loss carryforwards, of which $33,300,000 was previously included in the valuation allowance. Income taxes for 1999 also reflect a benefit of $3,400,000 for the favorable resolution of certain federal income tax contingencies. Income taxes for 1998 reflect a benefit of $39,000,000 for a change in the Company's estimated 1997 federal tax liability and the favorable resolution of certain contingencies.

The number of shares used to calculate basic earnings (loss) per share was 55,529,000, 59,338,000 and 63,409,000 for 2000, 1999 and 1998, respectively. The number of shares used to calculate diluted earnings (loss) per share was 55,598,000, 59,352,000 and 63,510,000 for 2000, 1999 and 1998, respectively.

Cautionary Statement for Forward-Looking Information

Statements included in this Report may contain forward-looking statements. Such forward-looking statements are made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements may relate, but are not limited, to projections of revenues, income or loss, capital expenditures, fluctuations in insurance reserves, plans for growth and future operations, competition and regulation as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted or quantified. When used in this Report, the words "estimates", "expects", "anticipates", "believes", "plans", "intends" and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. The factors that could cause actual results to differ materially from those suggested by any such statements include, but are not limited to, those discussed or identified from time to time in the Company's public filings, including general economic and market conditions, changes in foreign and domestic laws, regulations and taxes, changes in competition and pricing environments, regional or general changes in asset valuation, the occurrence of significant natural disasters, the inability to reinsure certain

risks economically, the adequacy of loss reserves, prevailing interest rate levels, weather related conditions that may affect the Company's operations, consummation of the Tower Agreement, adverse selection through renewals of the Empire Group's policies, the Company's ability to develop an alternate business model for the Empire Group, adverse environmental developments in Spain that

could delay or preclude the issuance of permits necessary to develop the Company's Spanish mining rights, changes in the commercial real estate market in France, the success of ultimate negotiations with the FINOVA companies and their creditors, approval of a FINOVA chapter 11 plan having materially different terms than those set forth in the commitment letter of Berkadia LLC filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and changes in the composition of the Company's assets and liabilities through acquisitions or divestitures. Undue reliance should not be placed on these forward-looking statements, which are applicable only as of the date hereof. The Company undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this Report or to reflect the occurrence of unanticipated events.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The following includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking statements.

The Company's market risk arises principally from interest rate risk related to its investment portfolio, its borrowing activities and the banking and lending activities of certain subsidiaries. The Company does not enter into material derivative financial instrument transactions.

The Company's investment portfolio is primarily classified as available for sale, and consequently, is recorded on the balance sheet at fair value with unrealized gains and losses reflected in shareholders' equity. Included in the Company's investment portfolio are fixed income securities, which comprised approximately 78% of the Company's total investment portfolio at December 31, 2000. These fixed income securities are primarily rated "investment grade" or are U.S. governmental agency issued or guaranteed obligations, although limited investments in "non-rated" or rated less than investment grade securities have been made from time to time. The estimated weighted average remaining life of these fixed income securities was approximately 3.0 years at December 31, 2000. The Company's fixed income securities, like all fixed income instruments, are subject to interest rate risk and will fall in value if market interest rates increase. At December 31, 1999, fixed income securities comprised approximately 77% of the Company's total investment portfolio and had an estimated weighted average remaining life of 3.5 years. At December 31, 2000 and 1999, the Company's portfolio of trading securities was not material. The Company manages the investment portfolio of its insurance subsidiaries to preserve principal, maintain a high level of quality, comply with applicable insurance industry regulations and achieve an acceptable rate of return. In addition, the Company considers the duration of its insurance reserves in comparison with that of its investments.

The Company is subject to interest rate risk on its long-term fixed interest rate debt and the Company-obligated mandatorily redeemable preferred securities of its subsidiary trust holding solely subordinated debt securities of the Company. Generally, the fair market value of debt and preferred securities with a fixed interest rate will increase as interest rates fall, and the fair market value will decrease as interest rates rise.

The Company's banking and lending operations are subject to risk resulting from interest rate fluctuations to the extent that there is a difference between the amount of the interest-earning assets and the amount of interest-bearing liabilities that are prepaid/withdrawn, mature or reprice in specified periods. The principal objectives of the Company's banking and lending asset/liability management activities are to provide maximum levels of net interest income while maintaining acceptable levels of interest rate and liquidity risk and to facilitate funding needs. The Company utilizes an interest rate sensitivity model as the primary quantitative tool in measuring the amount of interest rate risk that is present. The model quantifies the effects of various interest rate scenarios on the projected net interest margin over the ensuing twelve-month period. Derivative financial instruments, including interest rate swaps, may be used to modify the Company's indicated net interest

sensitivity to levels deemed to be appropriate based on risk management policies and the Company's current economic outlook. Counterparties to such agreements are major financial institutions, which the Company believes are able to fulfill their obligations; however, if they are not, the Company believes that any losses are unlikely to be material.

The following table provides information about the Company's financial instruments used for purposes other than trading that are sensitive to changes in interest rates. For investment securities and debt obligations, the table presents principal cash flows by expected maturity dates. For the variable rate notes receivable and variable rate borrowings, the weighted average interest rates are based on implied forward rates in the yield curve at the reporting date. For loans, securities and liabilities with contractual maturities, the table presents contractual principal cash flows adjusted for the Company's historical experience of loan prepayments and prepayments of mortgage-backed securities. For banking and lending's variable rate products, the weighted average variable rates are based upon the respective pricing index at the reporting date. For money market deposits that have no contractual maturity, the table presents principal cash flows based on the Company's historical experience and management's judgment concerning their most likely withdrawal behaviors. For interest rate swaps, the table presents notional amounts by contractual maturity date.

For additional information, see Notes 7, 11 and 21 to Consolidated Financial Statements.

	Expected Maturity Date					
	2001	2002	2003	2004	2005	Ther
	(Dollars in thousands)					
THE COMPANY, EXCLUDING BANKING AND LENDING:						

RATE SENSITIVE ASSETS:						
Available for Sale Fixed Income Securities:						
U.S. Government	$ 93,678	$ 141,046	$ 1,108	$ 6,429	$ 525	$ 3
Weighted Average Interest Rate	5.90%	6.43%	5.51%	6.83%	7.00%	
Other Fixed Maturities:						
Rated Investment Grade	$ 58,869	$ 58,202	$ 52,725	$ 44,420	$ 39,941	$ 3
Weighted Average Interest Rate	5.98%	5.75%	5.96%	6.73%	6.49%	
Rated Less Than Investment Grade/Not Rated	$ 9,857	$ 22,997	$ 25,588	$ 9,955	$ 2,385	$ 4
Weighted Average Interest Rate	5.00%	6.92%	4.02%	4.45%	5.66%	
Held to Maturity Fixed Income Securities:						
U.S. Government	$ -	$ 5,619	$ -	$ -	$ -	$
Weighted Average Interest Rate	-	6.48%	-	-	-	
Other Fixed Maturities:						
Rated Investment Grade	$ 273	$ -	$ -	$ -	$ -	$
Weighted Average Interest Rate	5.60%	-	-	-	-	
Variable Rate Notes Receivable	$ 35,903	$ -	$ -	$ -	$ -	$
Weighted Average Interest Rate	7.01%	-	-	-	-	
RATE SENSITIVE LIABILITIES:						
Fixed Interest Rate Borrowings	$ 52,354	$ 6,608	$ 78,221	$ 46,528	$ 20,468	$ 14
Weighted Average Interest Rate	6.39%	6.73%	6.73%	7.16%	7.83%	
Variable Rate Borrowings	$ 6,886	$ -	$ -	$ -	$ -	$
Weighted Average Interest Rate	7.15%	5.83%	5.87%	5.92%	5.96%	

	Expected Maturity Date					
	2001	2002	2003	2004	2005	Ther
	(Dollars in thousands)					
OTHER RATE SENSITIVE FINANCIAL INSTRUMENTS:						
Company-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debt Securities of the Company	$ -	$ -	$ -	$ -	$ -	$ 9
Weighted Average Interest Rate	8.65%	8.65%	8.65%	8.65%	8.65%	

BANKING AND LENDING:

RATE SENSITIVE ASSETS:						
Certificates of Deposit	$ 1,287	$ -	$ -	$ -	$ -	$
Weighted Average						

Interest Rate	7.01%	-	-	-	-	
Fixed Interest Rate Securities	$ 25,219	$ 12,231	$ 7,197	$ 2,858	$ 1,300	$
Weighted Average Interest Rate	11.35%	14.69%	12.86%	14.68%	11.69%	
Variable Interest Rate Securities	$ 20,488	$ 13,498	$ 9,510	$ 3,251	$ 2,524	$ 1
Weighted Average Interest Rate	6.76%	6.09%	6.10%	6.89%	7.07%	
Fixed Interest Rate Loans	$ 153,465	$ 110,912	$ 88,344	$ 65,269	$ 80,014	$
Weighted Average Interest Rate	20.97%	21.28%	21.35%	21.34%	19.53%	2
Variable Interest Rate Loans	$ 2,677	$ 520	$ 230	$ 108	$ 105	$ 1
Weighted Average Interest Rate	12.21%	9.39%	9.57%	9.57%	10.65%	1
RATE SENSITIVE LIABILITIES:						
Money Market Deposits	$ 6,026	$ 4,245	$ 3,774	$ 3,302	$ 2,830	$
Weighted Average Interest Rate	4.86%	5.00%	5.00%	5.00%	5.00%	
Time Deposits	$ 395,724	$ 60,977	$ 14,302	$ 8,778	$ 21,497	$
Weighted Average Interest Rate	6.60%	6.81%	3.39%	6.59%	6.93%	
Fixed Interest Rate Borrowings	$ 1,461	$ 6,032	$ 18	$ -	$ -	$
Weighted Average Interest Rate	9.57%	6.72%	7.38%	-	-	

	Expected Maturity Date					
	2001	2002	2003	2004	2005	Ther
				(Dollars in thousands)		
RATE SENSITIVE DERIVATIVE FINANCIAL INSTRUMENTS:						
Pay Fixed/Receive Variable Interest Rate Swap	$ -	$ -	$ 160,000	$ -	$ -	$
Average Pay Rate	6.22%	6.22%	6.22%	-	-	
Average Receive Rate	6.75%	6.75%	6.75%	-	-	
OFF-BALANCE SHEET ITEMS:						
Commitments to Extend Credit	$ 29	$ -	$ -	$ -	$ -	$
Weighted Average Interest Rate	14.24%	-	-	-	-	
Unused Lines of Credit	$ 3,000	$ -	$ -	$ -	$ -	$ 2
Weighted Average Interest Rate	8.50%	-	-	-	-	

Item 8. Financial Statements and Supplementary Data.

Financial Statements and supplementary data required by this Item 8 are set forth at the pages indicated in Item 14(a) below.

Item 9. Changes in and Disagreements with Accountant on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information to be included under the caption "Nominees for Election as Directors" in the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A of the 1934 Act in connection with the 2001 annual meeting of shareholders of the Company (the "Proxy Statement") is incorporated herein by reference. In addition, reference is made to Item 10 in Part I of this Report.

Item 11. Executive Compensation.

The information to be included under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information to be included under the caption "Present Beneficial Ownership of Common Shares" in the Proxy Statement is incorporated herein by reference.

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Item 13. Certain Relationships and Related Transactions.

The information to be included under the caption "Executive Compensation - Certain Relationships and Related Transactions" in the Proxy Statement is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a)(1)(2) Financial Statements and Schedules.

Report of Independent Accountants...
Financial Statements:
Consolidated Balance Sheets at December 31, 2000 and 1999.........................
Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998...
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998...
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998..
Notes to Consolidated Financial Statements...

Financial Statement Schedule:

Schedule V - Valuation and Qualifying Accounts..................................

(3) Executive Compensation Plans and Arrangements.

1999 Stock Option Plan (filed as Annex A to the Company's Proxy Statement dated April 9, 1999 (the "1999 Proxy Statement")).

Amended and Restated Shareholders Agreement dated as of December 16, 1997 among the Company, Ian M. Cumming and Joseph S. Steinberg (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "1997 10-K")).

Leucadia National Corporation Senior Executive Annual Incentive Bonus Plan (filed as Annex D to the Company's Proxy Statement dated October 3, 1997 (the "1997 Proxy Statement")).

Deferred Compensation Agreement between the Company and Joseph S. Steinberg dated December 8, 1998 (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "1998 10-K")).

Deferred Compensation Agreement between the Company and Joseph S. Steinberg dated as of December 30, 1999 (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (the "1999 10-K")).

Deferred Compensation Agreement between the Company and Mark Hornstein dated as of January 10, 2000 (filed as Exhibit 10.17 to the 1999 10-K).

Deferred Compensation Agreement between the Company and Thomas E. Mara dated as of January 10, 2000.

Deferred Compensation Agreement between the Company and Mark Hornstein dated as of December 29, 2000.

Leucadia National Corporation Senior Executive Warrant Plan (filed as Annex B to the 1999 Proxy Statement).

(b) Reports on Form 8-K.

The Company filed current reports on Form 8-K dated November 10, 2000 and December 20, 2000, which set forth information under Item 5. Other Events and Item 7. Financial Statements and Exhibits.

(c) Exhibits.

3.1 Restated Certificate of Incorporation (filed as Exhibit 5.1 to the Company's Current Report on Form 8-K dated July 14, 1993).*

3.2 Amended and Restated By-laws as amended through February 23, 1999 (filed as Exhibit 3.2 to the 1998 10-K).*

4.1	The Company undertakes to furnish the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.
10.1	1999 Stock Option Plan (filed as Annex A to the 1999 Proxy Statement).*
10.2	Articles and Agreement of General Partnership, effective as of April 15, 1985, of Jordan/Zalaznick Capital Company (filed as Exhibit 10.20 to the Company's Registration Statement No. 33-00606).*
10.3	Operating Agreement of The Jordan Company LLC, dated as of July 23, 1998 (filed as Exhibit 10.3 to the 1998 10-K).*
10.4	Leucadia National Corporation Senior Executive Warrant Plan (filed as Annex B to the 1999 Proxy Statement).*
10.5	Amended and Restated Shareholders Agreement dated as of December 16, 1997 among the Company, Ian M. Cumming and Joseph S. Steinberg (filed as Exhibit 10.4 to the 1997 10-K).*
10.6	Deferred Compensation Agreement between the Company and Joseph S. Steinberg dated December 8, 1998 (filed as Exhibit 10.6 to the 1998 10-K).*
10.7	Settlement Agreement between Baldwin-United Corporation and the United States dated August 27, 1985 concerning tax issues (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 (the "1992 10-K")).*
10.8	Acquisition Agreement, dated as of December 18, 1992, by and between Provident Mutual Life and Annuity Company of America and Colonial Penn Annuity and Life Insurance Company (filed as Exhibit 10.15 to the 1992 10-K).*

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* Incorporated by reference.

10.9	Form of Amended and Restated Revolving Credit Agreement dated as of June 27, 2000 between the Company, Fleet National Bank as Administrative Agent, The Chase Manhattan Bank, as Syndication Agent, and the Banks signatory thereto, with Fleet Boston Robertson Stephens, Inc., as Arranger.
10.10	Purchase Agreement among Conseco, Inc., the Company, Charter, Colonial Penn Group, Inc., Colonial Penn Holdings, Inc., Leucadia Financial Corporation, Intramerica, Colonial Penn Franklin Insurance Company and Colonial Penn Insurance Company dated as of April 30, 1997 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997).*
10.11	Purchase Agreement among General Electric Capital Corporation,

	the Company, Charter, Colonial Penn Group Inc. and Colonial Penn Holdings, Inc. dated as of June 30, 1997 (filed as Annex A to the 1997 Proxy Statement).*
10.12	Purchase Agreement by and among Allstate Life Insurance Company, Allstate Life Insurance Company of New York, Charter, Intramerica and the Company, dated February 11, 1998 (filed as Exhibit 10.16 to the 1997 10-K).*
10.13	Leucadia National Corporation Senior Executive Annual Incentive Bonus Plan (filed as Annex D to the 1997 Proxy Statement).*
10.14	Stock Purchase Agreement by and between the Company and Allstate Life Insurance Company dated as of December 18, 1998 (filed as Exhibit 10.14 to the 1998 10-K).*
10.15	Deferred Compensation Agreement between the Company and Joseph S. Steinberg dated as of December 30, 1999 (filed as Exhibit 10.16 to the 1999 10-K).*
10.16	Deferred Compensation Agreement between the Company and Mark Hornstein dated as of January 10, 2000 (filed as Exhibit 10.17 to the 1999 10-K).*
10.17	Deferred Compensation Agreement between the Company and Thomas E. Mara dated as of January 10, 2000.
10.18	Deferred Compensation Agreement between the Company and Mark Hornstein dated as of December 29, 2000.
10.19	Commitment Letter dated February 26, 2001 among the Company, Berkshire Hathaway Inc., Berkadia LLC, The FINOVA Group Inc. and FINOVA Capital Corporation.
10.20	Management Services Agreement dated as of February 26, 2001 among The FINOVA Group Inc., the Company and Leucadia International Corporation.
10.21	Operating Agreement of Berkadia LLC dated February 26, 2001 between Berkshire Hathaway Inc. and the Company.
21	Subsidiaries of the registrant.

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* Incorporated by reference.

23	Consent of independent accountants with respect to the incorporation by reference into the Company's Registration Statement on Form S-8 (File No. 2-84303), Form S-8 and S-3 (File No. 33-6054), Form S-8 and S-3 (File No. 33-26434), Form S-8 and S-3 (File No. 33-30277), Form S-8 (File No. 33-61682), Form S-8 (File No. 33-61718) and Form S-8 (File No. 333-51494).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LEUCADIA NATIONAL CORPORATION

March 29, 2001 By: /s/ Barbara L. Lowenthal

Barbara L. Lowenthal
Vice President and Comptroller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on the date set forth above.

Signature	Title
/s/ Ian M. Cumming Ian M. Cumming	Chairman of the Board (Principal Executive Officer)
/s/ Joseph S. Steinberg Joseph S. Steinberg	President and Director (Principal Executive Officer)
/s/ Joseph A. Orlando Joseph A. Orlando	Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Barbara L. Lowenthal Barbara L. Lowenthal	Vice President and Comptroller (Principal Accounting Officer)

/s/ Paul M. Dougan -------------------------------- Paul M. Dougan	Director
/s/ Lawrence D. Glaubinger -------------------------------- Lawrence D. Glaubinger	Director
/s/ James E. Jordan -------------------------------- James E. Jordan	Director
/s/ Jesse Clyde Nichols, III -------------------------------- Jesse Clyde Nichols, III	Director

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Report of Independent Accountants

To the Board of Directors and
Shareholders of Leucadia National Corporation

In our opinion, the consolidated financial statements listed in the index appearing under item 14(a)(1)(2) of this Form 10-K, present fairly, in all material respects, the financial position of Leucadia National Corporation and Subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under item 14(a)(1)(2) of this Form 10-K, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York
March 14, 2001

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2000 and 1999
(Dollars in thousands, except par value)

	2000
ASSETS	
Investments:	
Available for sale (aggregate cost of $860,802 and $945,227)	$ 877,66
Trading securities (aggregate cost of $150,951 and $138,679)	137,28
Held to maturity (aggregate fair value of $18,907 and $23,983)	18,79
Other investments, including accrued interest income	26,67
Total investments	1,060,41
Cash and cash equivalents	552,15
Reinsurance receivables, net	18,81
Trade, notes and other receivables, net	799,21
Prepaids and other assets	317,40
Property, equipment and leasehold improvements, net	192,30
Deferred policy acquisition costs	10,78
Investments in associated companies	192,54
Total	$3,143,63
LIABILITIES	
Customer banking deposits	$ 526,17
Trade payables and expense accruals	215,15
Other liabilities	117,63
Income taxes payable	114,76
Deferred tax liability	55,13
Policy reserves	365,95
Unearned premiums	56,93
Debt, including current maturities	374,52
Total liabilities	1,826,28
Minority interest	14,91
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debt securities of the Company	98,20

SHAREHOLDERS' EQUITY	
Common shares, par value $1 per share, authorized 150,000,000 shares; 55,296,728 and 56,801,728 shares issued and outstanding, after deducting 63,116,263 and 61,611,263 shares held in treasury	55,29
Additional paid-in capital	54,34
Accumulated other comprehensive income (loss)	2,58
Retained earnings	1,092,01
Total shareholders' equity	1,204,24
Total	$3,143,63

The accompanying notes are an integral part of these consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2000, 1999 and 1998
(In thousands, except per share amounts)

	2000
Revenues:	
Insurance revenues and commissions	$108,494
Manufacturing	65,019
Finance	89,007
Investment and other income	300,449
Equity in income (losses) of associated companies	29,293
Net securities gains (losses)	123,225
	715,487
Expenses:	
Provision for insurance losses and policy benefits	150,066
Amortization of deferred policy acquisition costs	26,289
Manufacturing cost of goods sold	40,650
Interest	57,713
Salaries	58,982
Selling, general and other expenses	188,485
	522,185
Income from continuing operations before income taxes, minority expense of trust preferred securities and extraordinary gain (loss)	193,302
Income taxes:	
Current	29,626
Deferred	43,130
	72,756

Income from continuing operations before minority expense of trust preferred securities and extraordinary gain (loss)	120,546
Minority expense of trust preferred securities, net of taxes	5,521
Income from continuing operations before extraordinary gain (loss)	115,025
Income from discontinued operations, net of taxes	-
Gain on disposal of discontinued operations, net of taxes of $508	-
Income before extraordinary gain (loss)	115,025
Extraordinary gain (loss) from early extinguishment of debt, net of income tax expense (benefit) of $552 and ($1,394)	983
Net income	$116,008
Basic earnings (loss) per common share:	
Income from continuing operations before extraordinary gain (loss)	$2.07
Income from discontinued operations	-
Gain on disposal of discontinued operations	-
Extraordinary gain (loss)	.02
Net income	$2.09
Diluted earnings (loss) per common share:	
Income from continuing operations before extraordinary gain (loss)	$2.07
Income from discontinued operations	-
Gain on disposal of discontinued operations	-
Extraordinary gain (loss)	.02
Net income	$2.09

The accompanying notes are an integral part of these consolidated financial statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2000, 1999 and 1998

	2000
Net cash flows from operating activities:	
Net income	$ 116,008

Adjustments to reconcile net income to net cash used for operations:	
Extraordinary (gain) loss, net of income taxes	(983)
Provision for deferred income taxes	43,130
Depreciation and amortization of property, equipment and leasehold improvements	21,362
Other amortization	27,787
Provision for doubtful accounts	32,229
Net securities (gains) losses	(123,225)
Equity in (income) losses of associated companies	(29,293)
(Gain) on disposal of real estate, property and equipment, and other assets	(92,276)
(Gain) on sales of PIB, Caja and S&H in 1999 and loan portfolio in 1998	-
(Gain) on disposal of discontinued operations	-
Investments classified as trading, net	(13,154)
Deferred policy acquisition costs incurred and deferred	(25,229)
Net change in:	
Reinsurance receivables	19,276
Trade and other receivables	(14,073)
Prepaids and other assets	22,025
Net assets of discontinued operations	-
Trade payables and expense accruals	(58,465)
Other liabilities	3,065
Income taxes payable	1,378
Policy reserves	(77,084)
Unearned premiums	(4,980)
Other	6,071
Net cash used for operating activities	(146,431)
Net cash flows from investing activities:	
Acquisition of real estate, property, equipment and leasehold improvements	(93,233)
Proceeds from disposals of real estate, property and equipment, and other assets	290,011
Proceeds from sales of PIB, Caja and S&H in 1999 and loan portfolio in 1998	-
Proceeds from disposal of discontinued operations, net of expenses	-
Investment in Tranex Credit Corp. and MK Gold Company in 1999 and Fidei in 1998	-
Advances on loan receivables	(355,604)
Principal collections on loan receivables	148,261
Advances on notes receivables	(30,864)
Collections on notes receivables	267,150
Investments in associated companies	(108,600)
Distributions from associated companies	19,784
Purchases of investments (other than short-term)	(1,043,416)
Proceeds from maturities of investments	103,833
Proceeds from sales of investments	1,163,981
Net cash provided by investing activities	361,303

The accompanying notes are an integral part of these consolidated financial statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
For the years ended December 31, 2000, 1999 and 1998

	2000
Net cash flows from financing activities:	
Net change in short-term borrowings	$ (75,500)
Net change in customer banking deposits	192,512
Reduction of Company-obligated mandatorily redeemable preferred securities of subsidiary trust	-
Issuance of long-term debt, net of issuance costs	105,850
Reduction of long-term debt	(126,703)
Purchase of common shares for treasury	(32,094)
Dividends paid	(13,824)
Net cash provided by (used for) financing activities	50,241
Effect of foreign exchange rate changes on cash	(9,013)
Net increase (decrease) in cash and cash equivalents	256,100
Cash and cash equivalents at January 1,	296,058
Cash and cash equivalents at December 31,	$ 552,158

Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	$57,865
Income tax payments, net of refunds	$25,273

The accompanying notes are an integral part of
these consolidated financial statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2000, 1999 and 1998
(In thousands, except per share amounts)

	Common Shares $1 Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	
Balance, January 1, 1998	$63,879	$ 253,267	$ 5,630	$
Comprehensive income:				
Net changes in unrealized gain (loss) on investments, net of taxes of $3,596			(6,612)	
Net change in unrealized foreign exchange gain (loss), net of taxes of $61			211	
Net income				
Comprehensive income				
Buyback of trust preferred securities, net of taxes of $3,354		6,229		
Exercise of options to purchase common shares	137	3,048		
Purchase of stock for treasury	(2,031)	(57,317)		
Dividends				
Balance, December 31, 1998	61,985	205,227	(771)	
Comprehensive income:				
Net changes in unrealized gain (loss) on investments, net of taxes of $766			(1,573)	
Net change in unrealized foreign exchange gain (loss), net of taxes of $1,967			(7,234)	
Net income				
Comprehensive income				
Purchase of stock for treasury	(5,183)	(120,298)		
Dividends ($13.58 per common share)				
Balance, December 31, 1999	56,802	84,929	(9,578)	
Comprehensive income:				
Net changes in unrealized gain (loss) on investments, net of taxes of $9,078			16,386	
Net change in unrealized foreign exchange gain (loss), net of taxes of $47			(4,223)	
Net income				
Comprehensive income				
Purchase of stock for treasury	(1,505)	(30,589)		
Dividends ($.25 per common share)				

Balance, December 31, 2000	$55,297	$ 54,340	$ 2,585	$

The accompanying notes are an integral part of
these consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations:

The Company is a diversified financial services holding company engaged in a variety of businesses, including commercial and personal lines of property and casualty insurance through the Empire Group, principally in the New York metropolitan area, banking and lending, manufacturing and winery operations, principally in markets in the United States, and real estate activities and precious metals mining.

Historically, the Empire Group's principal commercial lines of insurance have been property and casualty products provided for vehicles (including medallion and radio-controlled livery vehicles), multi-family residential real estate, workers' compensation and various other business classes. The Empire Group's principal personal lines insurance products have been automobile insurance and homeowners insurance. During the past several years, the Empire Group has experienced poor underwriting results and adverse reserve development in all of its lines of business. The Empire Group has recently announced that it will no longer accept any applications for new insurance policies, has entered into an agreement to sell its renewal rights to an unaffiliated insurance company and made arrangements with the unaffiliated insurance company to offer renewal policies in those lines of business (other than private passenger automobile insurance) where New York insurance law imposes a renewal obligation. Assuming this agreement is consummated, the Empire Group will only have renewal obligations for remaining personal lines insurance (primarily automobile) not replaced by the third party insurance company, the remaining policy term of all existing policies and a claim run-off operation.

The Empire Group is currently exploring its options for the future. The Empire Group may commence new property and casualty insurance operations if a new business model with an acceptable expense structure can be developed, enter into a joint venture with another property and casualty insurance operation, explore entering the claim services business or commence a liquidation. There may be other options that the Company will explore, but no assurance can be given at this time as to what the ultimate plan will be.

The Company's banking and lending operations principally consist of making instalment loans to niche markets primarily funded by deposits insured by the Federal Deposit Insurance Corporation. The Company's principal lending activities consist of providing collateralized personal automobile loans to individuals with poor credit histories. The Company's manufacturing operations manufacture and market lightweight proprietary plastic netting used for a variety of purposes including, among other things, construction, agriculture, packaging, carpet padding, filtration and consumer products. The Company's winery operations consist of its 90% interest in two wineries, which produce and sell super-ultra-premium wines.

The Company's domestic real estate operations consist of office buildings, residential land development projects and other unimproved land, all in various stages of development and available for sale. The foreign real estate operations are conducted through Compagnie Fonciere FIDEI ("Fidei"), a French company. Since its acquisition in 1998, Fidei has been liquidating its real estate assets. The Company's precious metals mining operations consist of its 72.9% interest in MK Gold Company ("MK Gold"), a company that is traded on the NASD OTC Bulletin Board.

2. Significant Accounting Policies:

(a) Use of Estimates in Preparing Financial Statements: The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(b) Consolidation Policy: The consolidated financial statements include the accounts of the Company and all controlled entities. All significant intercompany transactions and balances are eliminated in consolidation.

Associated companies are investments in equity interests of entities that the Company does not control and that are accounted for on the equity method of accounting.

Certain amounts for prior periods have been reclassified to be consistent with the 2000 presentation.

(c) Statements of Cash Flows: The Company considers short-term investments, which have maturities of less than three months at the time of acquisition, to be cash equivalents. Cash and cash equivalents include short-term investments of $424,197,000 and $202,603,000 at December 31, 2000 and 1999, respectively.

(d) Investments: At acquisition, marketable debt and equity securities are designated as either i) held to maturity, which are carried at amortized cost, ii) trading, which are carried at estimated fair value with unrealized gains and losses reflected in results of operations, or iii) available for sale, which are carried at estimated fair value with unrealized gains and losses reflected as a separate component of shareholders' equity, net of taxes. Held to maturity investments are made with the intention of holding such securities to maturity, which the Company has the ability to do. Estimated fair values are principally based on quoted market prices.

Investments with an impairment in value considered to be other than temporary are written down to estimated net realizable values. The writedowns are included in "Net securities gains (losses)" in the Consolidated Statements of Income. The cost of securities sold is based on average cost.

The Company's investments in Russian and Polish equity securities ($1,206,000 and $9,981,000 as of December 31, 2000 and 1999, respectively), none of which is held by the insurance or banking subsidiaries, do not have readily determinable fair values. Given the uncertainties inherent in investing in the emerging markets of Russia and Poland, the Company is accounting for these investments under the cost recovery method, whereby all receipts are applied to reduce the investment. Quarterly, the Company reviews its investment in Russian and Polish equity securities to determine that the carrying amount is realizable. In performing such reviews, the Company considers current market prices, prior sale

transactions, the current political and economic environment and other factors. These investments are included in "Other investments" in the Consolidated Balance Sheets. During 1999 and 1998, due to declines in values that were deemed other than temporary, the Company recorded pre-tax writedowns of $2,650,000 and $75,371,000, respectively, related to its investments in Russian and Polish debt and equity securities.

2. Significant Accounting Policies, continued:

(e) Property, Equipment and Leasehold Improvements: Property, equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization ($103,893,000 and $94,513,000 at December 31, 2000 and 1999, respectively). Depreciation and amortization are provided principally on the straight-line method over the estimated useful lives of the assets or, if less, the term of the underlying lease.

(f) Income Recognition from Insurance Operations: Premiums on property and casualty insurance products are recognized as revenues over the term of the policy using the daily pro rata method.

(g) Policy Acquisition Costs: Policy acquisition costs principally consist of commissions, premium taxes and other underwriting expenses (net of reinsurance allowances). If recoverability of such costs from future premiums and related investment income is not anticipated, the amounts not considered recoverable are charged to operations.

Policy acquisition costs are deferred and amortized ratably over the terms of the related policies.

(h) Reinsurance: In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes and to limit losses from large exposures by reinsuring certain levels of risk with other insurance enterprises. Catastrophe reinsurance treaties serve to reduce property and casualty insurance risk in geographic areas where the Company is exposed to natural disasters, primarily the New York metropolitan area. Reinsurance contracts do not legally relieve the Company from its obligations to policyholders.

Reinsurance recoverables are reported as assets net of provisions for uncollectible amounts. Premiums earned and other underwriting expenses are stated net of reinsurance.

(i) Policy Reserves and Unearned Premiums: Liabilities for unpaid losses and loss adjustment expenses ("LAE") applicable to the property and casualty insurance operations are determined using case basis evaluations, statistical analyses for losses incurred but not reported and estimates for salvage and subrogation recoverable and represent estimates of ultimate claim costs and loss adjustment expenses. As more information becomes available and claims are settled, the estimated liabilities are adjusted upward or downward with the effect of decreasing or increasing net income at the time of adjustment.

(j) Income Taxes: The Company provides for income taxes using the liability method. The future benefit of certain tax loss carryforwards and future deductions is recorded as an asset. A valuation allowance is provided if deferred tax assets are not considered more likely than not to be realized.

(k) Derivative Financial Instruments: The Company enters into interest rate agreements to manage the impact of changes in interest rates on its customer banking deposits. The difference between the amounts paid and received is accrued and recognized as an adjustment to interest expense. Cash flows related

to the agreements are classified as operating activities in the Consolidated Statements of Cash Flows, consistent with the interest payments on the underlying debt. The Company also enters into currency rate swap agreements to hedge net investments in foreign subsidiaries. Gains and losses

2. Significant Accounting Policies, continued:

on such hedges are reported as a component of shareholders' equity. The Company does not have material derivative financial instruments.

(l) Translation of Foreign Currency: Foreign currency denominated investments and financial statements are translated into U.S. dollars at current exchange rates, except that revenues and expenses are translated at average exchange rates during each reporting period; resulting translation adjustments are reported as a component of shareholders' equity. Net foreign exchange gains were $2,308,000 for 2000, $4,825,000 for 1999 and were not material for 1998. Net unrealized foreign exchange losses were $11,246,000 and $7,023,000 at December 31, 2000 and 1999, respectively.

(m) Recently Issued Accounting Standard: In June 1999, the Financial Accounting Standards Board issued Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133 ("SFAS 133")", which will be effective for fiscal years beginning after June 15, 2000. Under SFAS 133, the Company will have to reflect its derivative financial instruments at fair value. The Company has reviewed the impact of the implementation of SFAS 133, and does not expect it to have a material effect on the Company's financial position or results of operations.

3. Acquisitions:

In the fourth quarter of 1998, the Company acquired a 95.4% interest in Fidei, a French company that is engaged directly and through subsidiaries in real estate activities, for $62,264,000, including expenses. In the second quarter of 1999, the Company acquired the remainder of Fidei for $4,730,000.

During 1999, the Company acquired substantially all of the assets of Tranex Credit Corp. ("Tranex"), a subprime automobile lender, for $128,100,000. Tranex's assets included its $67,900,000 subprime automobile portfolio, $44,200,000 of residual interests and excess servicing assets of related securitized trusts and $16,000,000 of certain other assets.

In October 1999, the Company increased its equity interest in MK Gold from 46% to 72.5% for cash consideration of $15,807,000. During 1999, MK Gold acquired a company that holds the exploration and mining rights to the Las Cruces copper deposit in Spain for $42,000,000. MK Gold became a consolidated subsidiary of the Company in the fourth quarter of 1999.

4. Investments in Associated Companies:

The Company has investments in several Associated Companies. The Company records its portion of the earnings of certain companies based on fiscal periods ended up to three months prior to the end of the Company's reporting period.

The following table provides certain summarized data with respect to the Associated Companies accounted for on the equity method of accounting included

in 2000 and 1998 results of operations; data for 1999 is not shown due to

4. Investments in Associated Companies, continued:

immateriality. (Amounts are in thousands.)

	2000
Assets	$719,525
Liabilities	452,698
Minority interest	-
Net assets	$266,827
The Company's portion of the reported net assets	$123,311

	2000	1998
Total revenues	$233,503	$790,778
Income from continuing operations before extraordinary items	$ 42,878	$ 79,641
Net income	$ 42,878	$ 79,641
The Company's equity in net income	$ 29,293	$ 23,290

During 1998, the Company recognized $30,761,000 of income from its limited partnership interest in an investment partnership. The partnership was liquidated during 1999 and income realized from this investment in 1999 was not significant.

In February 1999, the Company sold its interest in its joint venture, Pepsi International Bottlers ("PIB"), for $39,190,000 and recognized a pre-tax gain of $29,545,000. In 1998, the Company had discontinued accounting for this investment under the equity method of accounting as it no longer had any ability to influence PIB.

In March 1999, the Company sold all of its 30% interest in Caja de Ahorro y Seguro S.A. ("Caja") to Assicurazioni Generali Group, an Italian insurance company, for $126,000,000 in cash and a $40,000,000 collateralized note from its Argentine partner. The note was paid in full in January 2001. The Company recorded a pre-tax gain of $120,793,000 in 1999 results of operations.

During 2000, the Company invested $100,000,000 in the equity of a limited liability company, Jefferies Partners Opportunity Fund II, LLC ("JPOF II"), that is a registered broker-dealer. JPOF II is managed and controlled by Jefferies & Company, Inc., a full service investment bank to middle market companies. JPOF II invests in high yield securities, special situation investments and distressed securities and provides trading services to its customers and clients. Generally, the Company may not redeem its interest in JPOF II during 2001. For the year ended December 31, 2000, the Company recorded $17,283,000 of pre-tax income from this investment under the equity method of accounting.

5. Insurance Operations:

The changes in deferred policy acquisition costs were as follows (in thousands):

	2000	1999	1998
Balance, January 1,	$ 11,845	$ 18,255	$ 23,906
Policy acquisition costs incurred and deferred	25,229	25,295	39,687
Amortization of deferred acquisition costs	(26,289)	(31,705)	(45,338)
Balance, December 31,	$ 10,785	$ 11,845	$ 18,255

5. Insurance Operations, continued:

The effect of reinsurance on premiums written and earned for the years ended December 31, 2000, 1999 and 1998 is as follows (in thousands):

	2000		1999		
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned	Prem Writ
Direct	$121,498	$126,877	$132,044	$164,684	$214
Assumed	-	-	534	553	
Ceded	(18,516)	(18,383)	(19,317)	(20,055)	(17
Net	$102,982	$108,494	$113,261	$145,182	$197
Percentage of amount assumed to net	.00%	.00%	.47%	.38%	

Recoveries recognized on reinsurance contracts were $7,348,000 in 2000, $8,396,000 in 1999 and $38,958,000 in 1998.

Net loss as determined in accordance with statutory accounting principles ("SAP") as reported to the domiciliary state of the Company's property and casualty insurance subsidiaries was $62,163,000, $20,474,000 and $9,410,000 for the years ended December 31, 2000, 1999 and 1998, respectively. The related statutory surplus was $88,184,000, $149,949,000 and $199,772,000 at December 31,

2000, 1999 and 1998, respectively. As of December 31, 2000, the statutory surplus of the Empire Insurance Group was $76,888,000.

The insurance subsidiaries are subject to regulatory restrictions which limit the amount of cash and other distributions available to the Company without regulatory approval. As of December 31, 2000, no amounts could be distributed to the Company without regulatory approval.

The Company's insurance subsidiaries are contingently liable for possible assessments under state regulatory requirements pertaining to potential insolvencies of unaffiliated insurance companies. Liabilities, which are established based upon regulatory guidance, have not been material.

The National Association of Insurance Commissioners ("NAIC") has adopted model laws incorporating the concept of a "risk based capital" ("RBC") requirement for insurance companies. Generally, the RBC formula is designed to measure the adequacy of an insurer's statutory capital in relation to the risks inherent in its business. The RBC formula is used by the states as an early warning tool to identify weakly capitalized companies for the purpose of initiating regulatory action. Although New York State has not adopted the RBC requirements for property and casualty insurance companies, New York does require that property and casualty insurers file the RBC information with the New York Department of Insurance. The NAIC also has adopted various ratios for insurance companies which, in addition to the RBC ratio, are designed to serve as a tool to assist state regulators in screening and analyzing the financial condition of insurance companies operating in their respective states. The Company's insurance operations had certain NAIC ratios outside of the acceptable range of results for the year ended December 31, 2000. Although no assurance can be given, the Company believes that it is unlikely that material adverse regulatory action will be taken.

5. Insurance Operations, continued:

In the following table, the liabilities for unpaid losses and LAE, of the Empire Insurance Group is reconciled for each of the three years in the period ended December 31, 2000. The changes in the liabilities include adjustments for the current year's business and changes in estimates of prior years' liabilities.

	2000	1999
		(In thousands)
Net SAP liability for losses and LAE at beginning of year	$381,550	$469,318
Provision for losses and LAE for claims occurring in the current year	97,089	124,172
Increase in estimated losses and LAE for claims occurring in prior years	52,977	18,255
Total incurred losses and LAE	150,066	142,427

Losses and LAE payments for claims occurring during:		
Current year	31,023	41,955
Prior years	177,607	188,240
	208,630	230,195
Net SAP liability for losses and LAE at end of year	322,986	381,550
Reinsurance recoverable	42,972	61,492
Liability for losses and LAE at end of year as reported in financial statements (GAAP)	$365,958	$443,042

6. Discontinued Operations:

In September 1998, the Company reinsured, retroactive to January 1, 1998, substantially all of its life insurance business to Allstate Life Insurance Company ("Allstate") in an indemnity reinsurance transaction. While the premium received on this transaction was approximately $28,675,000, the gain on the reinsurance transaction was deferred and was being amortized into income based upon actuarial estimates of the premium revenue of the underlying insurance contracts. In July 1999, the Company sold its life insurance subsidiaries, Charter National Life Insurance Company and Intramerica Life Insurance Company, to Allstate for statutory surplus, as adjusted, at the date of sale ($39,557,000), plus $3,575,000. The Company recorded a net gain of $15,582,000 in 1999, principally resulting from recognition of deferred gains from prior reinsurance transactions, including the reinsurance transaction described above.

Results of discontinued operations include revenues of $13,561,000 and $10,799,000, respectively, and income before income taxes of $13,282,000 and $12,524,000, respectively, for the years ended December 31, 1999 and 1998.

7. Investments:

The amortized cost, gross unrealized gains and losses and estimated fair value of investments classified as held to maturity and as available for sale at December 31, 2000 and 1999 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealiz Losses
Held to maturity:			
2000			
Bonds and notes:			
United States Government			

agencies and authorities	$13,396	$166	$
States, municipalities			
and political subdivisions	3,757	-	
All other corporates	86	-	
Other fixed maturities	1,560	7	
	$18,799	$173	$
1999			
Bonds and notes:			
United States Government			
agencies and authorities	$14,162	$ 10	$
States, municipalities			
and political subdivisions	5,389	-	
All other corporates	159	-	
Other fixed maturities	4,693	-	
	$24,403	$ 10	$
Available for sale:			
2000			
Bonds and notes:			
United States Government			
agencies and authorities	$339,131	$ 1,645	$
States, municipalities			
and political subdivisions	1,373	11	-
Foreign governments	53,350	566	
Public utilities	5,860	128	
All other corporates	359,016	7,099	15,
Other fixed maturities	35,539	-	-
Total fixed maturities	794,269	9,449	16,
Equity securities:			
Preferred stocks	8,180	-	
Common stocks:			
Banks, trusts and insurance			
companies	32,553	1,676	4,
Industrial, miscellaneous and			
all other	25,590	29,836	2,
Total equity securities	66,323	31,512	7,
Other	210	3	-
	$860,802	$40,964	$24,

7. Investments, continued:

	Amortized Cost	Gross Unrealized Gains	Un L
1999			
Bonds and notes:			
United States Government agencies and authorities	$494,125	$ 113	$
States, municipalities and political subdivisions	853	-	
Foreign governments	13,660	32	
Public utilities	1,872	-	
All other corporates	290,457	10,901	
Other fixed maturities	52,933	-	
Total fixed maturities	853,900	11,046	
Equity securities:			
Preferred stocks	5,570	-	
Common stocks:			
Banks, trusts and insurance companies	67,438	4,745	
Industrial, miscellaneous and all other	15,858	5,381	
Total equity securities	88,866	10,126	
Other	2,461	-	
	$945,227	$21,172	$

At December 31, 2000, investments included a publicly traded common stock equity interest of 7% in PhoneTel Technologies, Inc.

Net unrealized gains (losses) on investments were $13,831,000, $(2,555,000) and $(982,000) at December 31, 2000, 1999 and 1998, respectively. Reclassification amounts included in comprehensive income for the three year period ended December 31, 2000 are as follows (in thousands):

	2000	1999
Unrealized holding gains (losses) arising during the period, net of tax provision (benefit) of $8,735, $(3,058) and $(1,366)	$15,748	$(5,829)
Less: reclassification adjustment for (gains) losses		

included in net income, net of tax provision (benefit) of $343, $2,292 and $(2,230)	638	4,256
Net change in unrealized gain (loss) on investments, net of tax provision (benefit) of $9,078, $(766) and $(3,596)	$16,386	$(1,573)

The amortized cost and estimated fair value of investments classified as held to maturity and as available for sale at December 31, 2000, by contractual maturity are shown below. Expected maturities are likely to differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

7. Investments, continued:

	Held to Maturity		A
	Amortized Cost	Estimated Fair Value	Amort Cos
		(In thousands)	
Due in one year or less	$ 2,560	$ 2,566	$177
Due after one year through five years	10,068	10,042	434
Due after five years through ten years	3,579	3,708	81
Due after ten years	1,895	1,895	41
	18,102	18,211	734
Mortgage-backed securities	697	696	59
	$18,799	$18,907	$794

At December 31, 2000, and 1999 securities with book values aggregating $8,645,000 and $8,056,000, respectively, were on deposit with various regulatory authorities. Additionally, at December 31, 2000, and 1999, securities with book values of $133,147,000 and $105,000,000, respectively, collateralized a letter of credit issued in connection with the sale of the Colonial Penn Insurance Company.

Certain information with respect to trading securities at December 31, 2000 and 1999 is as follows (in thousands):

	Amortized	Estimated	Car

	Cost	Fair Value	V
2000			
Fixed maturities - corporate bonds and notes	$ 37,563	$ 20,798	$ 2
Equity securities:			
Preferred stocks	67,947	74,535	7
Common stocks - industrial, miscellaneous and all other	164	178	
Other investments	45,277	41,770	4
Total trading securities	$150,951	$137,281	$13
1999			
Fixed maturities - corporate bonds and notes	$ 22,248	$ 25,542	$ 2
Equity securities:			
Preferred stocks	97,668	115,704	11
Common stocks - industrial, miscellaneous and all other	23	34	
Options and warrants	2,271	1,367	
Other investments	16,469	25,638	2
Total trading securities	$138,679	$168,285	$16

8. Trade, Notes and Other Receivables, Net:

A summary of trade, notes and other receivables, net at December 31, 2000 and 1999 is as follows (in thousands):

	2000	1999
Instalment loan receivables, net of unearned finance charges of $3,978 and $2,599(a)	$515,766	$339,773
Note receivable from Conseco, Inc. from sale of the Colonial Penn Insurance Company (including accrued interest)	-	253,820
Receivables related to securities	127,816	107,094
Receivables relating to real estate activities	81,083	91,281
Note receivable from sale of Caja (including accrued interest) (see Note 4)	35,903	41,543
Tenant receivables of Fidei	31,934	38,807
Premiums receivable	25,741	25,368
Other	38,402	32,564
	856,645	930,250

Allowance for doubtful accounts	(57,434)	(53,839)
	$799,211	$876,411

(a) Contractual maturities of instalment loan receivables at December 31, 2000 were as follows (in thousands): 2001 - $104,080; 2002 - $96,997; 2003 - $102,621; 2004 - $95,319; and 2005 and thereafter - $116,749. Experience shows that a substantial portion of such notes will be repaid or renewed prior to contractual maturity. Accordingly, the foregoing is not to be regarded as a forecast of future cash collections.

At December 31 1999, the Company had outstanding promissory notes from Conseco, Inc. in the principal amount of $250,000,000. During 2000, the entire principal amount and accrued interest then outstanding on these notes was repaid. In addition, the Company received $7,500,000 directly from Conseco, which constituted a prepayment penalty due under the terms of these notes.

9. Prepaids and Other Assets:

At December 31, 2000 and 1999, prepaids and other assets included real estate assets, net, of $210,044,000 and $284,093,000, respectively. Such amounts included $43,555,000 and $87,566,000 of real estate assets held by Fidei as of December 31, 2000 and 1999, respectively. These assets consist of commercial real estate properties located in Paris, France and its environs, which Fidei is currently marketing for sale. Prepaids and other assets at December 31, 2000 and 1999 also included $50,047,000 and $44,034,000, respectively, of mining properties, net, related to MK Gold.

10. Trade Payables, Expense Accruals and Other Liabilities:

A summary of trade payables and expense accruals and other liabilities at December 31, 2000 and 1999 is as follows (in thousands):

	2000	1999
Trade Payables and Expense Accruals:		
Payables related to securities	$108,507	$203,164
Trade and drafts payable	33,118	29,581
Accrued compensation, severance and other employee benefits	25,140	25,643
Accrued interest payable	8,922	10,552
Other	39,463	23,737
	$215,150	$292,677
Other Liabilities:		
Postretirement and postemployment benefits	$ 15,931	$ 16,397
Liabilities related to real estate activities	44,739	21,402
Unearned service fees	724	3,663
Other	56,245	37,614

$117,639	$ 79,076
========	========

11. Indebtedness:

The principal amount, stated interest rate and maturity of debt outstanding at December 31, 2000 and 1999 are as follows (dollars in thousands):

	2000	1999
Payable in U.S. dollars:		
Senior Notes:		
Bank credit facility	$ -	$ 65,50
7 3/4% Senior Notes due 2013, less debt discount of $631 and $681	99,369	99,31
Industrial Revenue Bonds (with variable interest)	9,815	9,81
Other due 2001 through 2016 with a weighted average interest rate of 7.94%	40,589	53,40
	149,773	228,03
Subordinated Notes:		
8 1/4% Senior Subordinated Notes due 2005	19,101	19,10
7 7/8% Senior Subordinated Notes due 2006, less debt discount of $64 and $76	21,612	21,60
	40,713	40,70
Payable in other currencies:		
Euro denominated debt due 2001 through 2009 with a weighted average effective interest rate of 5.1%	184,037	214,57
	$374,523	$483,30

In June 2000, the Company replaced its $100,000,000 unsecured bank credit facility with a new unsecured bank credit facility of $152,500,000, which bears interest based on the Eurocurrency Rate or the prime rate and matures in June 2003. At December 31, 2000, no amounts were outstanding under this bank credit facility.

The Company's debt instruments require maintenance of minimum Tangible Net Worth, limit distributions to shareholders and limit Indebtedness, as defined in the agreements. In addition, the debt instruments contain limitations on investments, liens, contingent obligations and certain other matters. As of December 31, 2000, cash dividends of approximately $204,240,000 would be eligible to be paid under the most restrictive covenants.

The Euro denominated debt, which is non-recourse to the Company, is entirely related to the acquisition of Fidei. During 2000, Fidei repurchased approximately $14,700,000 (approximately 15,800,000 Euros) principal amount of its Euro denominated debt and recognized an extraordinary gain on early

extinguishment of $1,535,000 ($983,000 after taxes or $.02 per share).

Property, equipment and leasehold improvements of the manufacturing division with a net book value of $8,675,000 are pledged as collateral for the Industrial Revenue Bonds; and $130,694,000 of other assets (primarily investments and property) are pledged for other indebtedness aggregating $40,589,000.

Interest rate agreements are used to manage the potential impact of changes in interest rates on customer banking deposits. Under interest rate swap agreements, the Company has agreed with other parties to pay fixed rate interest amounts and receive variable rate interest amounts calculated by reference to an agreed notional amount. The variable interest rate portion of the swaps is a specified LIBOR interest rate. At December 31, 2000 and 1999, the notional amounts of the Company's interest rate swaps were $160,000,000 and $60,000,000, respectively. These interest rate swaps expire in 2003 and require fixed rate payments of 6.2%. The Company would have paid $1,231,000 at December 31, 2000 and received $3,651,000 at December 31, 1999 on retirement of these agreements. The LIBOR rate at December 31, 2000 was 6.4%. Changes in LIBOR interest rates in the future will change the amounts to be received under the agreements, as well as interest to be paid under the related variable debt obligations. In connection with the acquisition of Fidei, the Company

borrowed $62,300,000 under its bank credit facility and entered into currency swap agreements to hedge approximately $55,000,000 of its foreign currency exposure. The swap agreements were terminated in 1999 and the gain on such termination (approximately $6,200,000) was deferred as a component of shareholders' equity.

Counterparties to interest rate and currency swap agreements are major financial institutions, that management believes are able to fulfill their obligations. Management believes any losses due to default by the counterparties are likely to be immaterial.

The aggregate annual mandatory redemptions of debt during the five year period ending December 31, 2005 are as follows (in thousands): 2001 - $60,701; 2002 - $12,640; 2003 - $78,239; 2004 - $46,528; and 2005 - $20,468.

The weighted average interest rate on short-term borrowings (primarily customer banking deposits) was 6.6% and 6.0% at December 31, 2000 and 1999, respectively.

12. Preferred Securities of Subsidiary Trust:

In January 1997, the Company sold $150,000,000 aggregate liquidation amount of 8.65% trust issued preferred securities of its wholly-owned subsidiary, Leucadia Capital Trust I (the "Trust"). These Company-obligated mandatorily redeemable preferred securities have an effective maturity date of January 15, 2027 and represent undivided beneficial interests in the Trust's assets, which consist solely of $154,640,000 principal amount of 8.65% Junior Subordinated Deferrable Interest Debentures due 2027 of the Company. Considered together, the "back-up undertakings" of the Company related to the Trust's preferred securities constitute a full and unconditional guarantee by the Company of the Trust's obligations under the preferred securities. During 1998, a subsidiary of the Company repurchased $51,800,000 aggregate liquidation amount of the 8.65% trust issued preferred securities for $42,200,000, plus accrued interest. The difference between the purchase price and the book value was credited directly

to shareholders' equity, net of taxes.

13. Common Shares, Stock Options and Preferred Shares:

The Board of Directors from time to time has authorized acquisitions of the Company's Common Shares. In December 1999, the Company's Board of Directors increased to 6,000,000 the maximum number of shares that the Company is authorized to purchase. During 2000, the Company acquired 1,505,000 Common Shares at an average price of $21.33 per Common Share. As a result, as of December 31, 2000, the Company is authorized to repurchase 4,495,000 Common Shares.

During 1999, the Company paid aggregate cash dividends of $13.58 per Common Share, totaling $811,925,000. Pursuant to a ruling from the Internal Revenue Service, any gain realized on these dividends will be treated as capital gain income for non-corporate shareholders.

The Company has a fixed stock option plan which provides for grants of options or rights to non-employee directors and certain employees up to a maximum grant of 300,000 shares to any individual in a given taxable year. The maximum number of Common Shares which may be acquired through the exercise of options or rights under this plan cannot exceed, in the aggregate, 1,200,000. The plan provides for the issuance of stock options and stock appreciation rights at not less than the fair market value of the underlying stock at the date of grant. Options generally become exercisable in five equal annual instalments starting one year from date of grant. No stock appreciation rights have been granted.

During the second quarter of 2000, pursuant to shareholder approval, warrants to purchase 400,000 Common Shares were issued to each of the Company's Chairman and President. The warrants are exercisable through May 15, 2005 at an exercise price of $23.95 per Common Share (105% of the closing price of a Common Share on the date of grant).

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), establishes a fair value method for accounting for stock-based compensation plans, either through recognition in the statements of income or disclosure. As permitted, the Company applies APB Opinion No. 25 and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized in the statements of income for its stock-based compensation

13. Common Shares, Stock Options and Preferred Shares, continued:

plans. Had compensation cost for the Company's stock option plans been recorded in the statements of income consistent with the provisions of SFAS 123, the Company's net income would not have been materially different from that reported in 2000, 1999 and 1998.

A summary of activity with respect to the Company's stock options for the three years ended December 31, 2000 is as follows:

	Common Shares Subject	Weighted Average Exercise	Options Exercisabl

	to Option	Prices	at Year-En
Balance at January 1, 1998	509,760	$24.64	171,980
Granted	4,000	$35.38	
Exercised	(137,922)	$23.10	
Cancelled	(53,800)	$25.02	
Balance at December 31, 1998	322,038	$25.37	147,378
Cancelled	(322,038)	$25.37	
Balance at December 31, 1999	-	$ -	-
Granted	409,250	$22.64	
Cancelled	(17,500)	$22.63	
Balance at December 31, 2000	391,750	$22.64	10,000

The weighted-average fair value of the options granted was $6.25 per share for 2000 and $8.50 per share for 1998 as estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (1) expected volatility of 25.4% for 2000 and 20.0% for 1998; (2) risk-free interest rates of 6.8% for 2000 and 5.6% for 1998; (3) expected lives of 3.7 years for 2000 and 4.0 years for 1998; and (4) dividend yields of 1.1% for 2000 and .7% for 1998.

The following table summarizes information about fixed stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Common Shares Subject to Option	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Common Shares Subject To Option	Weighted Average Exercise Price
$22.63 - $22.81	391,750	5.2 years	$22.64	10,000	$22.63

At December 31, 2000, 808,250 of the Company's Common Shares were reserved for stock options and 800,000 of the Company's Common Shares were reserved for warrants.

At December 31, 2000 and 1999, 6,000,000 preferred shares (redeemable and non-redeemable), par value $1 per share, were authorized.

14. Net Securities Gains (Losses):

The following summarizes net securities gains (losses) for each of the three years in the period ended December 31, 2000 (in thousands):

	2000	1999	
Net realized gains on fixed maturities	$ 4,155	$ 32,616	$
Writedown related to investments in Russian and Polish debt and equity securities	-	(2,650)	
Net unrealized gains (losses) on trading securities	(11,335)	5,878	
Net realized gains (losses) on equity and other securities	130,405	(24,959)	
	$123,225	$ 10,885	$

During 2000, the Company sold its entire equity interest in Fidelity National Financial, Inc. ("FNF") for proceeds of $179,881,000 and recognized a pre-tax gain of $90,896,000. Additionally, during 2000, the Company sold its 10% equity interest in Jordan Telecommunication Products, Inc. ("JTP") for $27,323,000 and recorded a pre-tax gain of $24,821,000.

Proceeds from sales of investments classified as available for sale were $1,148,176,000, $1,558,358,000 and $1,687,385,000 during 2000, 1999 and 1998, respectively. Gross gains of $125,560,000, $24,201,000 and $24,964,000 and gross losses of $16,441,000, $13,310,000 and $33,784,000 were realized on these sales during 2000, 1999 and 1998, respectively.

15. Other Results of Operations Information:

Investment and other income for each of the three years in the period ended December 31, 2000 consists of the following (in thousands):

	2000	1999
Interest on short-term investments	$ 14,363	$ 22,789
Interest on fixed maturities	45,063	55,252
Interest on notes receivable	17,480	23,989
Other investment income	32,362	18,749
Service fee income	4,182	9,143
Rental income	27,427	35,862
MK Gold product and service income	17,402	5,148
Winery revenues	15,337	13,347
Gain on sale of Caja	-	120,793
Gain on sale of The Sperry and Hutchinson Company, Inc.	-	18,725
Gain on sale of PIB	-	29,545
Gains on sale and foreclosure of real estate		

and other assets, net of costs	95,523	64,896
Gain on sale of loan portfolio	-	-
Prepayment penalty on Conseco notes	7,500	-
Other	23,810	20,964
	$300,449	$439,202

During 1998, the Company's subsidiaries, American Investment Bank, N.A. and American Investment Financial, sold substantially all of their executive and professional loan portfolios for aggregate proceeds of $89,500,000. The Company reported a pre-tax gain on the sales of $6,535,000 for the year ended December 31, 1998.

Taxes, other than income or payroll, included in operations amounted to $9,412,000 (including $1,714,000 of premium taxes) for the year ended December 31, 2000, $10,819,000 (including $1,868,000 of premium taxes) for the year ended December 31,

1999 and $10,563,000 (including $3,131,000 of premium taxes) for the year ended December 31, 1998.

Advertising costs amounted to $3,182,000, $1,181,000 and $2,150,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

16. Income Taxes:

The principal components of the deferred tax liability at December 31, 2000 and 1999 are as follows (in thousands):

	2000
Deferred Tax Asset:	
Insurance reserves and unearned premiums	$ 17,905
Securities valuation reserves	36,985
Other accrued liabilities	15,383
Unrealized losses on investments	-
Foreign tax loss carryforwards	35,000
Tax loss carryforwards, net of tax sharing payments	-
	105,273
Valuation allowance	(84,103)
	21,170
Deferred Tax Liability:	
Unrealized gains on investments	(9,464)
Instalment sale	-
Depreciation	(16,559)

Policy acquisition costs	(3,775)
Intangible drilling costs	(4,557)
Other, net	(41,952)
	(76,307)
Net deferred tax liability	$(55,137)

The valuation allowance principally relates to uncertainty as to the realization of the foreign tax loss carryforwards, unrealized capital losses and, in 1999, certain acquired tax loss carryforwards. During 2000, the valuation allowance was reduced due to the utilization of tax loss carryforwards.

The provision (benefit) for income taxes for each of the three years in the period ended December 31, 2000 was as follows (in thousands):

	2000	1999	1998
State income taxes (currently payable)	$ 1,500	$ 1,000	$ (1,500)
Federal income taxes:			
Current	27,976	(517)	(31,249)
Deferred	28,285	31,136	7,576
Foreign income taxes:			
Current	150	575	100
Deferred	14,845	12,327	-
	$72,756	$44,521	$(25,073)

16. Income Taxes, continued:

The table below reconciles expected statutory federal income tax to actual income tax provision (benefit) (in thousands):

	2000	1999	1998
Expected federal income tax	$67,656	$ 85,215	$ 10,282
State income taxes, net of federal income tax benefit	975	650	(975
Reduction in valuation allowance	-	(33,300)	(8,065
Recognition of additional tax benefits	(1,597)	(10,238)	(30,870
Tax on policyholder surplus account	-	-	5,406
Reduction of foreign deferred tax asset	6,193	-	-
Other	(471)	2,194	(851
Actual income tax provision (benefit)	$72,756	$ 44,521	$(25,073

Reflected above as recognition of additional tax benefits are reductions to the Company's income tax provision for the favorable resolution of certain federal income tax contingencies, in 1999, a $6,800,000 tax benefit from the recognition of additional capital losses, and in 1998, a benefit for a change in the Company's 1997 estimated federal income tax liability. During 1999, the valuation allowance was reduced by $33,300,000 due to the availability of capital loss carryforwards to offset a portion of the capital gain from the sale of the Company's interest in Caja. During 1998 certain matters were favorably resolved and the Company reduced the valuation allowance as reflected in the above reconciliation.

At December 31, 2000, the Company's foreign subsidiary, Fidei, had tax loss carryforwards of $98,000,000, of which $48,000,000 expire in 2002 through 2007 and $50,000,000 have no expiration date.

Limitations exist under the tax law which may restrict the utilization of the tax loss carryforwards and capital losses can only be used to offset capital gains. These limitations are considered in the determination of the valuation allowance.

Under certain circumstances, the value of tax loss carryforwards could be substantially reduced if certain changes in ownership were to occur. In order to reduce this possibility, the Company's certificate of incorporation includes restrictions which prohibit transfers of the Company's Common Stock under certain circumstances.

In connection with the sale of certain of the Company's operations in recent years, the Company has agreed to indemnify the purchasers for certain tax matters. The Company does not believe that such indemnification obligation will result in any additional material liability to the Company.

17. Pension Plans and Postretirement Benefits:

The Company has defined contribution pension plans covering certain employees. Contributions and costs are a percent of each covered employee's salary. Amounts charged to expense related to such plans were $2,701,000, $2,816,000 and $1,057,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Prior to 1999, the Company also maintained defined benefit pension plans covering employees of certain units who also met age and service requirements. Effective December 31, 1998, the Company froze its defined benefit pension plans which resulted in the recognition of $6,524,000 of net curtailment gains.

17. Pension Plans and Postretirement Benefits, continued:

A summary of activity with respect to the Company's defined benefit pension plans for 2000 and 1999 is as follows (in thousands):

	2000	1999
Projected Benefit Obligation:		
Projected benefit obligation at January 1,	$56,756	$63,395
Interest cost	3,872	4,237

Actuarial gain	(1,476)	(2,361)
Benefits paid	(6,337)	(3,400)
Settlements	-	(5,115)
Projected benefit obligation at December 31,	$52,815	$56,756
Change in Plan Assets:		
Fair value of plan assets at January 1,	$52,087	$62,482
Actual return of plan assets	3,261	577
Employer contributions	-	226
Benefits paid	(6,337)	(3,400)
Administrative expenses	-	(220)
Settlements	-	(7,578)
Fair value of plan assets at December 31,	$49,011	$52,087
Funded Status	$(3,804)	$(4,669)
Unrecognized prior service cost	61	63
Unrecognized net loss from experience differences and assumption changes	4,822	5,802
Accrued pension asset	$ 1,079	$ 1,196

Pension expense related to the defined benefit pension plans charged to operations included the following components (in thousands):

	2000	1999	1
Service cost	$ -	$ -	$
Interest cost	3,872	4,237	
Expected return on plan assets	(3,758)	(4,537)	(
Amortization of prior service cost	2	3	
Amortization of transition obligation	-	-	
Recognized net actuarial loss	-	-	
Net pension (income) expense	$ 116	$ (297)	$

The projected benefit obligation at December 31, 2000 and 1999 was determined using an assumed discount rate of 7.25% and the assumed long-term rate of return on plan assets was 7.5% at December 31, 2000 and 1999.

17. Pension Plans and Postretirement Benefits, continued:

Several subsidiaries provide certain health care and other benefits to certain

retired employees under plans which are currently unfunded. The Company pays the cost of postretirement benefits as they are incurred. Amounts charged (credited) to expense (principally amortization of a curtailment gain in 1999 and 1998) related to such benefits were $477,000 in 2000, $(1,369,000) in 1999 and $(1,990,000) in 1998.

A summary of activity with respect to the Company's postretirement plans for 2000 and 1999 is as follows (in thousands):

	2000	1999
Accumulated postretirement benefit obligation at January 1,	$10,183	$11,891
Service cost	33	32
Interest cost	771	765
Contributions by plan participants	342	231
Actuarial (gain) loss	332	(1,538)
Benefits paid	(1,161)	(1,198)
Accumulated postretirement benefit obligation at December 31,	10,500	10,183
Unrecognized prior service cost	250	304
Unrecognized net actuarial gain	3,202	3,807
Accrued postretirement benefit obligation	$13,952	$14,294

The discount rate used in determining the accumulated postretirement benefit obligation was 7.5% and 8.0% at December 31, 2000 and 1999, respectively. The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation were between 6.0% and 10.0% for 2000, and 6.0% and 9.0% for 1999, declining to an ultimate rate of between 5.0% and 6.0% by 2010.

If the health care cost trend rates were increased or decreased by 1%, the accumulated postretirement obligation as of December 31, 2000 would have increased or decreased by $869,000 and $773,000, respectively. The effect of these changes on the aggregate of service and interest cost for 2000 would be immaterial.

18. Commitments:

The Company and its subsidiaries rent office space and office equipment under non-cancelable operating leases with terms generally varying from one to twenty years. Rental expense (net of sublease rental income) charged to operations was $11,264,000 in 2000, $10,964,000 in 1999 and $7,680,000 in 1998. Aggregate minimum annual rentals (exclusive of real estate taxes, maintenance and certain other charges) relating to facilities under lease in effect at December 31, 2000 are as follows (in thousands): 2001 - $9,215; 2002 - $8,919; 2003 - $8,270; 2004 - $8,548; 2005 - $8,157; and thereafter - $92,722. Future minimum sublease rental income relating to facilities under lease in effect at December 31, 2000 are as follows (in thousands): 2001 - $3,436; 2002 - $3,781; 2003 - $3,727; 2004 - $3,592; 2005 - $3,435; and thereafter - $39,797.

Included in the amounts shown above are the gross future minimum annual rental payments relating to a twenty year lease which the Empire Insurance Group entered into beginning November 1998 for its executive and administrative offices. These offices are in an office building in which the Company has an

equity interest. The above amounts have not been reduced for the Company's share of rental income due to its equity participation in this office building.

In connection with the sale of certain subsidiaries, the Company has made or guaranteed the accuracy of certain representations given to the acquiror. No material loss is expected in connection with such matters.

18. Commitments, continued:

In connection with the 1997 sale of the property and casualty insurance business of the Colonial Penn Insurance Company, the Company provided the purchaser with a $100,000,000 non-cancelable letter of credit to collateralize certain indemnification obligations. This letter of credit is collateralized by certain deposits of the Company aggregating $156,562,000, consisting of investments of $133,147,000 and cash and cash equivalents of $23,415,000.

The insurance and the banking and lending subsidiaries are limited by regulatory requirements and agreements in the amount of dividends and other transfers of funds that are available to the Company. Principally as a result of such restrictions, the net assets of subsidiaries which are subject to limitations on transfer of funds to the Company were approximately $198,900,000 at December 31, 2000.

19. Litigation:

The Company is subject to various litigation which arises in the course of its business. Based on discussions with counsel, management is of the opinion that such litigation will have no material adverse effect on the consolidated financial position of the Company or its consolidated results of operations.

20. Earnings (Loss) Per Common Share:

For each of the three years in the period ended December 31, 2000, there were no differences in the numerators for the basic and diluted per share computations for income from continuing operations before extraordinary gain (loss). These numerators were $115,025,000, $193,429,000 and $46,202,000 for 2000, 1999 and 1998, respectively. The denominators for basic per share computations were 55,529,000, 59,338,000 and 63,409,000 for 2000, 1999 and 1998, respectively. There were no differences for the denominators for diluted per share computations except for the dilutive effect of 69,000, 14,000 and 101,000 options and warrants for 2000, 1999 and 1998, respectively, which had no impact on the per share amounts.

21. Fair Value of Financial Instruments:

The following table presents fair value information about certain financial instruments, whether or not recognized on the balance sheet. Where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The fair value amounts presented do not purport to represent and should not be considered representative of the underlying "market" or franchise value of the Company. The methods and assumptions used to estimate the fair values of each class of the financial instruments described below are as follows:

(a) Investments: The fair values of marketable equity securities, fixed maturity securities and investments held for trading purposes (which include securities sold not owned) are substantially based on quoted market prices, as disclosed in Note 7.

(b) Cash and cash equivalents: For cash equivalents, the carrying amount approximates fair value.

(c) Notes receivables on sale of the Colonial Penn Insurance Company and Caja, and other notes receivable: The fair values of variable rate notes receivable are estimated to be the carrying amount.

(d) Loan receivables of banking and lending subsidiaries: The fair value of loan receivables of the banking and lending subsidiaries is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities.

(e) Investments in associated companies: The fair value of a foreign power company is principally estimated based upon quoted market prices. The carrying value of the remaining investments in associated companies approximates fair value.

21. Fair Value of Financial Instruments, continued:

(f) Customer banking deposits: The fair value of customer banking deposits is estimated using rates currently offered for deposits of similar remaining maturities.

(g) Long-term and other indebtedness: The fair values of non-variable rate debt are estimated using quoted market prices and estimated rates which would be available to the Company for debt with similar terms. The fair value of variable rate debt is estimated to be the carrying amount.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2000 and 1999 are as follows (in thousands):

	2000		
	Carrying Amount	Fair Value	Carryi Amoun
Financial Assets:			
Investments	$1,060,418	$1,060,526	$1,170
Cash and cash equivalents	552,158	552,158	296
Notes receivable on sales of the Colonial Penn Insurance Company and Caja (including accrued interest)	35,903	35,903	295
Other notes receivable	78,890	78,890	92
Loan receivables of banking and lending subsidiaries, net of allowance	488,402	509,076	322
Investments in associated companies	192,545	204,539	74
Financial Liabilities:			
Customer banking deposits	526,172	529,591	329

Debt	374,523	367,842	483
Securities sold not owned	108,504	108,504	188
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debt securities of the Company	98,200	99,182	98

22. Segment Information:

For information with respect to the Company's segments, see "Financial Information about Industry Segments" in Item 1, pages 3 and 4, of the Report, which is incorporated by reference into these consolidated financial statements.

23. Selected Quarterly Financial Data (Unaudited):

	First Quarter	Second Quarter	Th Qu
		(In thousands, except per	
2000:			
Revenues	$156,955	$136,935	
Income from continuing operations before extraordinary gain	$ 25,011	$ 9,528	
Extraordinary gain from early extinguishment of debt, net of taxes	$ 562	$ -	
Net income	$ 25,573	$ 9,528	
Basic earnings per common share:			
Income from continuing operations before extraordinary gain	$.45	$.17	
Extraordinary gain	.01	-	
Net income	$.46	$.17	
Number of shares used in calculation	56,052	55,297	
Diluted earnings per common share:			
Income from continuing operations before extraordinary gain	$.45	$.17	
Extraordinary gain	.01	-	

Net income	$.46	$.17
Number of shares used in calculation	56,052	55,311

1999:		
Revenues	$298,585	$139,397
Income from continuing operations before extraordinary loss	$148,214	$ 15,318
Income from discontinued operations, net of taxes	$ 8,101	$ 518
Gain on disposal of discontinued operations, net of taxes	$ -	$ -
Extraordinary loss from early extinguishment of debt, net of income tax benefit	$ -	$ (2,588)
Net income	$156,315	$ 13,248
Basic earnings (loss) per common share:		
Income from continuing operations before extraordinary loss	$2.42	$ .25
Income from discontinued operations	.13	.01
Gain on disposal of discontinued operations	-	-
Extraordinary loss	-	(.04)
Net income	$2.55	$ .22
Number of shares used in calculation	61,338	60,020
Diluted earnings (loss) per common share:		
Income from continuing operations before extraordinary loss	$2.42	$ .25
Income from discontinued operations	.13	.01
Gain on disposal of discontinued operations	-	-
Extraordinary loss	-	(.04)
Net income	$2.55	$ .22
Number of shares used in calculation	61,393	60,020

23. Selected Quarterly Financial Data (Unaudited), continued:

In 2000 and 1999, the totals of quarterly per share amounts do not necessarily equal annual per share amounts.

Quarterly data for 2000 includes pre-tax gains on the sale of JTP ($24,821,000) in the first quarter and FNF ($90,896,000) primarily in the fourth quarter.

First quarter 1999 includes pre-tax gains on the sale of Caja ($120,793,000), The Sperry and Hutchinson Company, Inc. ($18,725,000) and PIB ($29,545,000).

24. Subsequent Events:

In February 2001, the Company, Berkshire Hathaway Inc., and Berkadia LLC, an entity jointly owned by the Company and Berkshire Hathaway, announced a commitment to lend $6,000,000,000 on a senior secured basis to FINOVA Capital Corporation, the principal operating subsidiary of The FINOVA Group Inc. ("FINOVA") to facilitate a chapter 11 restructuring of the outstanding debt of FINOVA and its principal subsidiaries. The parties intend that the commitment will be financed with the Company guaranteeing 10% of the financing and Berkshire Hathaway guaranteeing 90% of the financing. The commitment, which expires on August 31, 2001, provides that Berkadia will receive $6,000,000,000 principal amount of newly issued five year senior notes of FINOVA Capital, secured by substantially all of the assets of FINOVA and its subsidiaries. FINOVA will pay certain fees to Berkadia in connection with this commitment, including a $60,000,000 non-refundable commitment fee that was paid at the time of execution and has agreed to pay a funding fee of $60,000,000 upon funding (or a termination fee of $60,000,000 if the commitment is not funded except in certain limited circumstances).

The commitment is subject to, among other things, Berkadia's satisfaction with the restructuring plan of the FINOVA companies, including bankruptcy court and necessary creditor approvals, the issuance to the Company and Berkshire Hathaway of newly issued common stock of FINOVA totaling 51% of the stock of FINOVA to be outstanding on a fully diluted basis, and Berkadia being able to designate a majority of the Board of Directors of FINOVA. In connection with the commitment, the Company entered into a ten-year management agreement with FINOVA pursuant to which the Company agreed to provide general management services, including services with respect to the formulation of a restructuring plan. For these services, the Company will receive an annual fee of $8,000,000, the first of which was paid when the agreement was signed.

Under the agreement governing Berkadia, the Company and Berkshire Hathaway have agreed to equally share the commitment fee, funding or termination fee and all management fees. All income related to the secured notes will be shared 90% to Berkshire Hathaway and 10% to the Company.

There can be no assurance that this transaction ultimately will be consummated.

SCHEDULE V - Valuation and Qualifying Accounts
LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
For the years ended December 31, 2000, 1999 and 1998

Additions	Deductions
Charged	

Description	Balance at Beginning of Period	to Costs and Expenses	Recoveries	Acquisitions	Write-Offs	Sale Receiv
				(In thousands)		
2000						
Loan receivables of banking and lending subsidiaries	$16,975	$30,169	$5,681	$ -	$25,461	$
Trade, notes and other receivables	36,864	2,060	1,459	-	8,091	
Total allowance for doubtful accounts	$53,839	$32,229	$7,140	$ -	$33,552	$
1999						
Loan receivables of banking and lending subsidiaries	$ 9,398	$11,401	$5,455	$ -	$ 9,279	$
Trade, notes and other receivables	47,624	3,985	2,828	-	11,736	
Total allowance for doubtful accounts	$57,022	$15,386	$8,283	$ -	$21,015	$
1998						
Loan receivables of banking and lending subsidiaries	$10,199	$ 4,900	$4,915	$ -	$ 8,996	$1,
Trade, notes and other receivables	6,131	4,573	876	48,307	12,138	
Total allowance for doubtful accounts	$16,330	$ 9,473	$5,791	$48,307	$21,134	$1,

EXHIBIT INDEX

3.1 Restated Certificate of Incorporation (filed as Exhibit 5.1 to the Company's Current Report on Form 8-K dated July 14, 1993).*

3.2 Amended and Restated By-laws as amended through February 23, 1999 (filed as Exhibit 3.2 to the 1998 10-K).*

4.1 The Company undertakes to furnish the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10.1 1999 Stock Option Plan (filed as Annex A to the 1999 Proxy Statement).*

10.2 Articles and Agreement of General Partnership, effective as of April 15, 1985, of Jordan/Zalaznick Capital Company (filed as Exhibit 10.20 to the Company's Registration Statement No. 33-00606).*

10.3 Operating Agreement of The Jordan Company LLC, dated as of July 23, 1998 (filed as Exhibit 10.3 to the 1998 10-K).*

10.4 Leucadia National Corporation Senior Executive Warrant Plan (filed as Annex B to the 1999 Proxy Statement).*

10.5 Amended and Restated Shareholders Agreement dated as of December 16, 1997 among the Company, Ian M. Cumming and Joseph S. Steinberg (filed as Exhibit 10.4 to the 1997 10-K).*

10.6 Deferred Compensation Agreement between the Company and Joseph S. Steinberg dated December 8, 1998 (filed as Exhibit 10.6 to the 1998 10-K).*

10.7 Settlement Agreement between Baldwin-United Corporation and the United States dated August 27, 1985 concerning tax issues (filed as Exhibit 10.14 to the 1992 10-K).*

10.8 Acquisition Agreement, dated as of December 18, 1992, by and between Provident Mutual Life and Annuity Company of America and Colonial Penn Annuity and Life Insurance Company (filed as Exhibit 10.15 to the 1992 10-K).*

10.9 Form of Amended and Restated Revolving Credit Agreement dated as of June 27, 2000 between the Company, Fleet National Bank as Administrative Agent, The Chase Manhattan Bank, as Syndication Agent and the Banks signatory thereto, with Fleet Boston Robertson Stephens, Inc., as Arranger.

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* Incorporated by reference.

10.10 Purchase Agreement among Conseco, Inc., the Company, Charter, Colonial Penn Group, Inc., Colonial Penn Holdings, Inc., Leucadia Financial Corporation, Intramerica, Colonial Penn Franklin Insurance Company and Colonial Penn Insurance Company dated as of April 30, 1997 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997).*

10.11 Purchase Agreement among General Electric Capital Corporation, the Company, Charter, Colonial Penn Group Inc. and Colonial Penn Holdings, Inc. dated as of June 30, 1997 (filed as Annex A to the 1997 Proxy Statement).*

10.12 Purchase Agreement by and among Allstate Life Insurance

Company, Allstate Life Insurance Company of New York, Charter, Intramerica and the Company, dated February 11, 1998 (filed as Exhibit 10.16 to the 1997 10-K).*

10.13 Leucadia National Corporation Senior Executive Annual Incentive Bonus Plan (filed as Annex D to the 1997 Proxy Statement).*

10.14 Stock Purchase Agreement by and between the Company and Allstate Life Insurance Company dated as of December 18, 1998 (filed as Exhibit 10.14 to the 1998 10-K).*

10.15 Deferred Compensation Agreement between the Company and Joseph S. Steinberg dated as of December 30, 1999 (filed as Exhibit 10.16 to the 1999 10-K).*

10.16 Deferred Compensation Agreement between the Company and Mark Hornstein dated as of January 10, 2000 (filed as Exhibit 10.17 to the 1999 10-K).*

10.17 Deferred Compensation Agreement between the Company and Thomas E. Mara dated as of January 10, 2000.

10.18 Deferred Compensation Agreement between the Company and Mark Hornstein dated as of December 29, 2000.

10.19 Commitment Letter dated February 26, 2001 among the Company, Berkshire Hathaway Inc., Berkadia LLC, The FINOVA Group Inc. and FINOVA Capital Corporation.

10.20 Management Services Agreement dated as of February 26, 2001 among The FINOVA Group Inc., the Company and Leucadia International Corporation.

10.21 Operating Agreement of Berkadia LLC dated February 26, 2001 between Berkshire Hathaway Inc. and the Company.

21 Subsidiaries of the registrant.

23 Consent of independent accountants with respect to the incorporation by reference into the Company's Registration Statement on Form S-8 (File No. 2-84303), Form S-8 and S-3 (File No. 33-6054), Form S-8 and S-3 (File No. 33-26434), Form S-8 and S-3 (File No. 33-30277), Form S-8 (File No. 33-61682), Form S-8 (File No. 33-61718) and Form S-8 (File No. 333-51494).

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* Incorporated by reference.