LEUCADIA NATIONAL CORP
Form 10-Q/A
August 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

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 Number)

315 Park Avenue South, New York, New York 10010-3607
(Address of principal executive offices) (Zip Code)

(212) 460-1900
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, at August 6, 2001: 55,313,257.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2001 and December 31, 2000
(Dollars in thousands, except par value)

ASSETS
Investments:
Available for sale (aggregate cost of $1,020,813 and $860,802)
Trading securities (aggregate cost of $186,252 and $150,951)
Held to maturity (aggregate fair value of $14,616 and $18,907)
Other investments, including accrued interest income

Total investments
Cash and cash equivalents
Reinsurance receivables, net
Trade, notes and other receivables, net
Prepaids and other assets
Property, equipment and leasehold improvements, net
Investments in associated companies

Total

LIABILITIES
Customer banking deposits
Trade payables and expense accruals
Other liabilities
Income taxes payable
Deferred tax liability
Policy reserves
Unearned premiums
Debt, including current maturities

Total liabilities

Minority interest

Company-obligated mandatorily redeemable preferred securities of
subsidiary trust holding solely subordinated debt securities of the Company

SHAREHOLDERS' EQUITY
Common shares, par value $1 per share, authorized 150,000,000 shares; 55,313,107

and 55,296,728 shares issued and outstanding, after deducting
63,117,284 and 63,116,263 shares held in treasury
Additional paid-in capital
Accumulated other comprehensive income (loss)
Retained earnings

Total shareholders' equity

Total

See notes to interim consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
For the periods ended June 30, 2001 and 2000
(In thousands, except per share amounts)
(Unaudited)

	For the T Period End
	2001
Revenues:	
Insurance revenues and commissions	$ 18,625
Manufacturing	12,613
Finance	28,898
Investment and other income	60,291
Equity in income of associated companies	18,509
Net securities gains	12,100
	151,036
Expenses:	
Provision for insurance losses and policy benefits	19,740
Amortization of deferred policy acquisition costs	3,565
Manufacturing cost of goods sold	8,346
Interest	14,641
Salaries	13,242
Selling, general and other expenses	48,453
	107,987
Income before income taxes, minority expense of trust preferred securities, extraordinary gain and cumulative effect of a change in accounting principle	43,049
Income taxes	15,795

Income before minority expense of trust preferred securities, extraordinary gain and cumulative effect of a change in accounting principle	27,254
Minority expense of trust preferred securities, net of taxes	1,380
Income before extraordinary gain and cumulative effect of a change in accounting principle	25,874
Extraordinary gain from early extinguishment of debt, net of taxes	--
Income before cumulative effect of a change in accounting principle	25,874
Cumulative effect of a change in accounting principle	--
Net income	$ 25,874
Basic earnings per common share:	
Income before extraordinary gain and cumulative effect of a change in accounting principle	$ .47
Extraordinary gain	--
Cumulative effect of a change in accounting principle	--
Net income	$ .47
Diluted earnings per common share:	
Income before extraordinary gain and cumulative effect of a change in accounting principle	$ .47
Extraordinary gain	--
Cumulative effect of a change in accounting principle	--
Net income	$ .47

See notes to interim consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the six months ended June 30, 2001 and 2000
(Unaudited)

Net cash flows from operating activities:

Net income
Adjustments to reconcile net income to net cash (used for) operations:
Extraordinary gain, net of taxes
Cumulative effect of a change in accounting principle
(Benefit) provision for deferred income taxes
Depreciation and amortization of property, equipment and leasehold improvements
Other amortization
Provision for doubtful accounts
Net securities gains
Equity in income of associated companies
Gain on disposal of real estate, property and equipment
Investments classified as trading, net
Deferred policy acquisition costs incurred and deferred
Net change in:
Reinsurance receivables
Trade and other receivables
Prepaids and other assets
Trade payables and expense accruals
Other liabilities
Income taxes payable
Policy reserves
Unearned premiums
Other

Net cash (used for) operating activities

Net cash flows from investing activities:
Acquisition of real estate, property, equipment and leasehold improvements
Proceeds from disposals of real estate, property and equipment
Advances on loan receivables
Principal collections on loan receivables
Advances on notes receivables
Collections on notes receivables
Investments in associated companies
Distributions from associated companies
Purchases of investments (other than short-term)
Proceeds from maturities of investments
Proceeds from sales of investments

Net cash (used for) investing activities

Net cash flows from financing activities:
Net change in short-term borrowings
Net change in customer banking deposits
Issuance of long-term debt
Reduction of long-term debt
Purchase of common shares for treasury

Net cash provided by financing activities

Effect of foreign exchange rate changes on cash

Net (decrease) in cash and cash equivalents
Cash and cash equivalents at January 1,

Cash and cash equivalents at June 30,

See notes to interim consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2001 and 2000
(In thousands, except par value)
(Unaudited)

	Common Shares $1 Par Value	Additional Paid-In Capital	Ac Co In
Balance, January 1, 2000	$ 56,802	$ 84,929	$
Comprehensive income:			
Net change in unrealized gain (loss) on investments			
Net change in unrealized foreign exchange gain (loss)			
Net income			
Comprehensive income			
Purchase of stock for treasury	(1,505)	(30,589)	
Balance, June 30, 2000	$ 55,297	$ 54,340	$
Balance, January 1, 2001	$ 55,297	$ 54,340	$
Comprehensive loss:			
Net change in unrealized gain (loss) on investments			
Net change in unrealized foreign exchange gain (loss)			
Net change in unrealized gain (loss) on derivative instruments (including the cumulative effect of a change in accounting principle of $1,371)			
Net income			
Comprehensive loss			
Exercise of options to purchase common shares	17	376	
Purchase of stock for treasury	(1)	(33)	
Balance, June 30, 2001	$ 55,313	$ 54,683	$

See notes to interim consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
Notes to Interim Consolidated Financial Statements

1. The unaudited interim consolidated financial statements, which reflect all adjustments (consisting only of normal recurring items) that management believes necessary to present fairly results of interim operations, should be read in conjunction with the Notes to Consolidated Financial Statements (including the Summary of Significant Accounting Policies) included in the Company's audited consolidated financial statements for the year ended December 31, 2000, which are included in the Company's Annual Report filed on Form 10-K for such year (the "2000 10-K"). Results of operations for interim periods are not necessarily indicative of annual results of operations. The consolidated balance sheet at December 31, 2000 was extracted from the audited annual financial statements and does not include all disclosures required by generally accepted accounting principles for annual financial statements.

   Certain amounts for prior periods have been reclassified to be consistent with the 2001 presentation.

2. Certain information concerning the Company's segments for the six and three month periods ended June 30, 2001 and 2000 is as follows (in thousands):

	For the Three Period Ended J	
	2001	
Revenues:		
Property and casualty insurance	$ 26,902	$
Banking and lending	32,886	
Foreign real estate	6,533	
Manufacturing	12,657	
Other operations	30,618	
Total revenue for reportable segments	109,596	
Equity in associated companies	18,509	
Corporate	22,931	
Total consolidated revenues	$ 151,036	$

Income (loss) before income taxes, minority expense of trust preferred securities, extraordinary gain and cumulative effect of a change in accounting principle:

Property and casualty insurance	$ (1,239)	$
Banking and lending	5,789	
Foreign real estate	(2,401)	
Manufacturing	900	
Other operations	11,930	
Total income (loss) before income taxes, minority expense of trust preferred securities, extraordinary gain and cumulative effect of a change in accounting principle for reportable segments	14,979	
Equity in associated companies	18,509	
Corporate	9,561	
Total consolidated income before income taxes, minority expense of trust preferred securities, extraordinary gain and cumulative effect of a change in accounting principle	$ 43,049	$

Notes to Interim Consolidated Financial Statements, continued

3. 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. 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 up to $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 "Berkadia Loan"). The loan 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, bankruptcy court and necessary creditor approvals, the issuance to Berkadia and/or the Company and Berkshire Hathaway of newly issued common stock of FINOVA totaling 50% 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 also 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. All income related to the Berkadia Loan, after payment of financing costs, will be shared 90% to Berkshire Hathaway and 10% to the Company. All decisions with respect to the commitment, the financing of the commitment or the Berkadia Loan, are in the sole control of Berkshire Hathaway.

The Company's share of the commitment fee, $30,000,000, has been deferred and was not recognized in income when received. If the funding is consummated, the Company's share of the non-refundable commitment fee and the funding fee will be amortized to income over the term of the Berkadia Loan. If the commitment is not funded, the Company will fully recognize in income its share of the non-refundable commitment fee and any termination fee when received.

On August 10, 2001, the bankruptcy court confirmed the chapter 11 reorganization plan for the FINOVA companies. While it is anticipated that consummation of the reorganization plan and completion of the loan will occur prior to August 31, 2001, the plan and loan remain subject to certain conditions and there can be no assurance that they ultimately will be consummated.

4. 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 filed plans of orderly withdrawal with the New York Insurance Department (the "Department") as required. Commercial lines policies were 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. Starting in the second quarter, Tower purchased 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 Empire Group increased reserves for loss and loss adjustment expenses by $39,000,000 and $6,000,000 for the six month periods ended June 30, 2001 and 2000, respectively, and $3,000,000 for the three month period ended June 30, 2000. The increase during the six month period ended June 30, 2001 reflected adverse development in commercial package lines of business, primarily due to increases in severity of liability claims, adverse development in workers' compensation and automobile lines of business and an increase in estimated loss adjustment expenses related to claims handled in house. In addition, the Empire Group wrote-off approximately $9,100,000 and $1,300,000 of deferred policy acquisition costs during the six and three month periods ended June 30, 2001, respectively, as their recoverability from premiums and related investment income was no longer anticipated.

In July 2001, the Department informed the Empire Group of its examination findings concerning the three-year period ended December 31, 1999. The report on examination has not been filed and the Empire Group is in the process of reviewing these findings with the Department. Among other matters, the Department's report indicated a loss reserve deficiency for the Empire Group. Although this deficiency is less than the combined surplus of the Empire Group, after it is allocated among the companies within the Empire Group, this deficiency causes Empire's stand alone statutory surplus to fall below minimum required levels. In addition, the Empire Group's current structure causes Empire's surplus to be reduced by a statutory limitation on the amount that it can invest in its insurance subsidiaries. Accordingly, the Empire Group is evaluating reorganizing its current structure to reduce and/or eliminate these statutory limitations. Additionally, the Empire Group is considering certain other transactions to increase Empire's surplus above the minimum required level on a stand alone basis and which will also increase surplus for the Group.

The Empire Group believes that these transactions will serve as a basis for providing the Department by the end of August 2001 with a plan for remedying Empire's surplus deficiency. Such a plan is subject to the review and approval of the Department. No assurance can be given that the Empire Group's plan will be approved by the Department or that material adverse regulatory action will not be taken, which could result in the Company recognizing a partial or total loss on its investment in the Empire Group.

The Company's investment in the Empire Group was approximately $63,600,000 at June 30, 2001.

5. In May 2001, the Company invested $75,000,000 in a new issue of restricted convertible preference shares of White Mountains Insurance Group, Ltd. ("WMIG"), that is expected to represent approximately 4% of WMIG on an as converted basis. At June 30, 2001, the Company's investment in WMIG, which is reflected in other investments, had a market value of $141,000,000 on an as converted basis. These securities will be automatically converted upon approval by WMIG's shareholders, which is being sought by WMIG. WMIG is a Bermuda-domiciled financial services holding company, principally engaged through its subsidiaries and affiliates in property and casualty insurance and reinsurance.

6. At December 31, 2000, the Company had outstanding collateralized notes receivable of $35,903,000, resulting from the 1999 sale of its 30% interest in Caja de Ahorro y Seguro S.A. to Assicurazioni Generali Group, an Italian insurance company. The receivable was paid in full in January 2001.

7. On January 1, 2001, the Company adopted Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended ("SFAS 133"). Under SFAS 133, the Company reflects its derivative

financial instruments at fair value. The Company has utilized derivative financial instruments to manage the impact of changes in interest rates on its customer banking deposits, hedge net investments in foreign subsidiaries and manage foreign currency risk on certain available for sale securities. Although the Company believes that these derivative financial instruments are practical economic hedges of the Company's risks, except for the hedge of the net investment in foreign subsidiaries, they do not meet the strict effectiveness criteria under the SFAS 133, and therefore are not accounted for as hedges.

In accordance with the transition provisions of SFAS 133, the Company recorded income from a cumulative effect of a change in accounting principle of $411,000, net of taxes, in results of operations for the six month period ended June 30, 2001 and recorded a loss of $1,371,000, net of taxes, as a cumulative effect of a change in accounting principle in accumulated other comprehensive income (loss). The Company expects to reclassify a net pre-tax charge of $705,000 during the next twelve months to investment and other income from the transition adjustment that was recorded in accumulated other comprehensive income (loss). Amounts recorded in investment and other income for the six and three month periods ended June 30, 2001 as a result of accounting for its derivative financial instruments in accordance with SFAS 133 were not material.

8. A summary of accumulated other comprehensive income (loss) at June 30, 2001 and December 31, 2000 is as follows (in thousands):

	June 30, 2001
Net unrealized gains on investments	$ 6,199
Net unrealized foreign exchange losses	(21,532)
Net unrealized losses on derivative instruments	(139)
	$(15,472)

9. Per share amounts were calculated by dividing net income by the sum of the weighted average number of common shares outstanding and, for diluted earnings per share, the incremental weighted average number of shares issuable upon exercise of outstanding options and warrants for the periods they were outstanding. The number of shares used to calculate basic earnings per share amounts was 55,304,000 and 55,728,000 for the six month periods ended June 30, 2001 and 2000, respectively, and 55,309,000 and 55,297,000 for the three month periods ended June 30, 2001 and 2000, respectively. The number of shares used to calculate diluted earnings per share amounts was 55,640,000 and 55,735,000 for the six month periods ended June 30, 2001 and 2000, respectively, and 55,635,000 and 55,311,000 for the three month periods ended June 30, 2001 and 2000, respectively.

10. Cash paid for interest and income taxes (net of refunds) was $28,070,000 and $11,786,000, respectively, for the six month period ended June 30, 2001

and $25,472,000 and $8,002,000, respectively, for the six month period ended June 30, 2000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Interim Operations.

The following should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2000 10-K.

Liquidity and Capital Resources

For the six month periods ended June 30, 2001 and 2000 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 of June 30, 2001, the Company's readily available cash, cash equivalents and marketable securities, excluding those amounts held by its regulated subsidiaries, totaled $716,400,000. Additional sources of liquidity as of June 30, 2001 include $163,700,000 of cash and marketable securities collateralizing letters of credit, $175,200,000 of cash, cash equivalents and marketable securities held by Fidei and the investment in WMIG described below.

In February 2001, the Company received $30,000,000 representing its share of the commitment fee paid by FINOVA in connection with a $6,000,000,000 loan commitment made by Berkadia, an entity jointly owned by the Company and Berkshire Hathaway. For more information related to the loan commitment and related agreements, see Note 3 of Notes to Interim Consolidated Financial Statements.

In May 2001, the Company invested $75,000,000 in a new issue of restricted convertible preference shares of WMIG, that is expected to represent approximately 4% of WMIG on an as converted basis. At June 30, 2001, the Company's investment in WMIG, which is reflected in other investments, had a market value of $141,000,000 on an as converted basis. These securities will be automatically converted upon approval by WMIG's shareholders, which is being sought by WMIG. WMIG is a Bermuda-domiciled financial services holding company, principally engaged through its subsidiaries and affiliates in property and casualty insurance and reinsurance.

In May 2001, the Company borrowed $53,135,000 secured by its corporate aircraft. The promissory notes bear interest based on a floating rate and mature in ten years.

At December 31, 2000, the Company had outstanding collateralized notes receivable of $35,903,000 resulting from the 1999 sale of its 30% interest in Caja de Ahorro y Seguro S.A. to Assicurazioni Generali Group, an Italian insurance company. The receivable was paid in full in January 2001.

Results of Operations

The 2001 Periods Compared to the 2000 Periods

Net earned premium revenues of the Empire Group were $41,828,000 and $56,174,000 for the six month periods ended June 30, 2001 and 2000, respectively, and $18,625,000 and $28,208,000 for the three month periods ended June 30, 2001 and 2000, respectively. Earned and written premiums declined in almost all lines of business. The declines are due, in part, to previously announced decisions not to issue any new (as compared to renewal) insurance policies in any lines of business effective March 1, 2001, to non-renew all statutory automobile policies (public livery vehicles) effective March 1, 2001, and to not accept any new private passenger automobile policies effective December 2000. Commercial lines policies were non-renewed or canceled in accordance with New York insurance law or replaced by Tower. Starting in the second quarter, Tower purchased 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.

Pre-tax losses for the Empire Group were $51,571,000 and $4,919,000 for the six month periods ended June 30, 2001 and 2000, respectively, and $1,454,000 and $3,261,000 for the three month periods ended June 30, 2001 and 2000, respectively. The pre-tax losses include increases for loss and loss adjustment expenses for prior accident years of $39,000,000 and $6,000,000 for the six month periods ended June 30, 2001 and 2000, respectively, and $3,000,000 for the three month period ended June 30, 2000. In addition, during the six and three month periods ended June 30, 2001, the Empire Group wrote-off approximately $9,100,000 and $1,300,000, respectively, of deferred policy acquisition costs as their recoverability from premiums and related investment income was no longer anticipated.

During 2001, the Empire Group increased its reserve estimates for its commercial package policies lines of business, primarily due to an increase in severity of liability claims for accident years 1998 and prior. The Empire Group, along with other carriers that write similar risks in the New York marketplace, has exposure for third party liability claims in many of its lines of business. During 2001, there were several settlements and court decisions on third party liability cases for amounts that are greater than the industry's historical experience for similar claims, which had formed the basis for the Empire Group's estimated loss reserves. While many of these decisions are being appealed, these results may signal a change in the judicial environment in the Empire Group's marketplace. Accordingly, the Empire Group has increased its loss reserve estimate for the six month period ended June 30, 2001 by approximately $18,000,000 due to an estimated increase in severity for certain of these exposures.

Reserve strengthening in the six month period ended June 30, 2001 also resulted from unfavorable development principally in its automobile lines of business for the 1998 through 2000 accident years, primarily relating to personal injury protection coverage ("PIP") and in its workers' compensation lines of business. The Empire Group believes that the increased loss estimates for PIP are consistent with recent trends in the industry, and has strengthened loss reserves for all automobile lines by $9,000,000 for the six month period ended

June 30, 2001. In addition, during the six month period ended June 30, 2001, the Empire Group recalculated its estimate of loss adjustment expenses and increased its reserve by $7,000,000, primarily as a result of increased costs to settle claims handled in house.

In management's judgment, information currently available has been appropriately considered in estimating the Empire Group's loss reserves. However, the reserving process relies on the basic assumption that past experience is an appropriate basis for predicting future events. As additional experience and other data become available and are reviewed, the Company's estimates and judgments may be revised.

In July 2001, the Department informed the Empire Group of its examination findings concerning the three-year period ended December 31, 1999. The report on examination has not been filed and the Empire Group is in the process of reviewing these findings with the Department. Among other matters, the Department's report indicated a loss reserve deficiency for the Empire Group. Although this deficiency is less than the combined surplus of the Empire Group, after it is allocated among the companies within the Empire Group, this deficiency causes Empire's stand alone statutory surplus to fall below minimum required levels. In addition, the Empire Group's current structure causes Empire's surplus to be reduced by a statutory limitation on the amount that it can invest in its insurance subsidiaries. Accordingly, the Empire Group is evaluating reorganizing its current structure to reduce and/or eliminate these statutory limitations. Additionally, the Empire Group is considering certain other transactions to increase Empire's surplus above the minimum required level on a stand alone basis and which will also increase surplus for the Group.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Interim Operations, continued.

The Empire Group believes that these transactions will serve as a basis for providing the Department by the end of August 2001 with a plan for remedying Empire's surplus deficiency. Such a plan is subject to the review and approval of the Department. No assurance can be given that the Empire Group's plan will be approved by the Department or that material adverse regulatory action will not be taken, which could result in the Company recognizing a partial or total loss on its investment in the Empire Group.

The Company's investment in the Empire Group was approximately $63,600,000 at June 30, 2001.

Manufacturing revenues, gross profit and pre-tax results declined in the 2001 periods primarily due to increased competition, customer inventory reductions and economic conditions.

Finance revenues, which reflect the level and mix of consumer instalment loans, increased in the six and three month periods ended June 30, 2001 as compared to the similar periods in 2000 due to greater average loans outstanding. Average loans outstanding during the six and three month periods ended June 30, 2001 were $536,608,000 and $548,727,000, respectively, as compared to $370,814,000 and $393,408,000, respectively, during the six and three month periods ended June 30, 2000. Operating results also increased, but were negatively affected by higher interest expense due to the increased customer banking deposits and higher interest rates thereon, a larger provision for loan losses and, for the six month period ended June 30, 2001, changes in market values of interest rate swaps. The Company believes that a weaker economy and increased bankruptcies have contributed to its loan losses. In an effort to reduce losses, during 2001 the Company began to exit certain states and automobile dealer relationships with historically higher loan losses. As a result, the volume of new subprime automobile loans generated has begun to decline.

Pre-tax results for the banking and lending segment for the six month period ended June 30, 2001 reflect approximately $3,100,000 of charges primarily resulting from a mark-to-market loss on its interest rate swaps. Such mark-to-market adjustment was not material for the three month period ended June 30, 2001. The Company uses interest rate swaps to manage the impact of interest rate changes on its customer banking deposits. Although the Company believes that these derivative financial instruments serve as economic hedges, they do not meet certain effectiveness criteria under SFAS 133, and therefore are not accounted for as hedges.

Investment and other income decreased in the six month period ended June 30, 2001 as compared to the six month period ended June 30, 2000 principally due to decreased gains from sales of real estate properties, a reduction in investment income resulting primarily from a reduction in investments held by the Empire Group, decreased rent income related to Fidei's smaller base of remaining real estate properties and a reduction in revenues related to MK Gold Company. Such decreases were partially offset by increased revenues from the Company's oil and gas operations which totaled $6,300,000 for the six month period ended June 30, 2001.

Equity in income of associated companies increased in the six and three month periods ended June 30, 2001 primarily due to the Company's equity investment in Jefferies Partners Opportunity Fund II, LLC and from the Company's equity investments in real estate businesses.

In the six month period ended June 30, 2000, net securities gains includes a pre-tax gain of approximately $24,600,000 on the sale of Jordan Telecommunication Products, Inc.

Selling, general and other expenses for the six and three month periods ended June 30, 2001 includes a charge of $4,600,000 related to value added taxes assessed against Fidei for a previously sold property.

The number of shares used to calculate basic earnings per share amounts was 55,304,000 and 55,728,000 for the six month periods ended June 30, 2001 and 2000, respectively, and 55,309,000 and 55,297,000 for the three month periods ended June 30, 2001 and 2000, respectively. The number of shares used to calculate diluted earnings per share was 55,640,000 and 55,735,000 for the six month periods ended June 30, 2001 and 2000, respectively, and 55,635,000 and 55,311,000 for the three month periods ended June 30, 2001 and 2000, respectively.

Cautionary Statement for Forward-Looking Information

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Interim Operations 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 Management's Discussion and Analysis of Financial Condition and Results of Interim Operations, 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 and loss adjustment expense reserves, prevailing interest rate levels, weather related conditions that may affect the Company's operations, effectiveness 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, regulatory approval of the Empire Group's plan in response to the findings of the New York Insurance Department, adverse regulatory action against 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, implementation of the FINOVA restructuring plan 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 Management's Discussion and Analysis of Financial Condition and Results of Interim Operations or to reflect the occurrence of unanticipated events.

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PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

The following matters were submitted to a vote of shareholders at the Company's 2001 Annual Meeting of Shareholders held on June 6, 2001.

a) Election of directors.

	Number of Shares	
	For	Withheld
Ian M. Cumming	49,691,439	66,652
Paul M. Dougan	49,690,694	67,397
Lawrence D. Glaubinger	49,690,499	67,592
James E. Jordan	49,689,234	68,857

Jesse Clyde Nichols, III	49,691,339	66,752
Joseph S. Steinberg	49,691,429	66,662

b) Ratification of PricewaterhouseCoopers LLP, as independent auditors for the year ended December 31, 2001.

For	49,691,219
Against	27,414
Abstentions	39,458
Broker non votes	-

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits.

None.

b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements 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
(Registrant)

Date: August 14, 2001

By: /s/ Barbara L. Lowenthal

Barbara L. Lowenthal
Vice President and Comptroller
(Chief Accounting Officer)