

Financial Highlights

	1999	1998	1997
Revenues	\$ 706,632,000	\$ 530,506,000	\$ 630,737,000
Net securities gains (losses)	\$ 10,885,000	\$ (60,871,000)	\$ 3,249,000
Income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and extraordinary loss	\$ 243,471,000	\$ 29,377,000	\$ (24,238,000)
Income tax provision (benefit)	\$ 44,521,000	\$ (25,073,000)	\$ (9,891,000)
Minority expense of trust preferred securities, net of taxes	\$ (5,521,000)	\$ (8,248,000)	\$ (7,942,000)
Income (loss) from continuing operations before extraordinary loss	\$ 193,429,000	\$ 46,202,000	\$ (22,289,000)
Income from discontinued operations, net of taxes	\$ 8,619,000	\$ 8,141,000	\$ 58,516,000
Gain on disposal of discontinued operations, net of taxes	\$ 15,582,000	\$ -	\$ 627,645,000
Income before extraordinary loss	\$ 217,630,000	\$ 54,343,000	\$ 663,872,000
Extraordinary loss from early extinguishment of debt, net of taxes	\$ (2,588,000)	\$ -	\$ (2,057,000)
Net income	\$ 215,042,000	\$ 54,343,000	\$ 661,815,000
Earnings (loss) per common share:			
Basic:			
Income (loss) from continuing operations before extraordinary loss	\$ 3.26	\$.73	\$ (.36)
Income from discontinued operations	\$.14	\$.13	\$.94
Gain on disposal of discontinued operations	\$.26	\$ -	\$ 10.09
Extraordinary loss	\$ (.04)	\$ -	\$ (.03)
Net income	\$ 3.62	\$.86	\$ 10.64
Diluted:			
Income (loss) from continuing operations before extraordinary loss	\$ 3.26	\$.73	\$ (.36)
Income from discontinued operations	\$.14	\$.13	\$.94
Gain on disposal of discontinued operations	\$.26	\$ -	\$ 10.09
Extraordinary loss	\$ (.04)	\$ -	\$ (.03)
Net income	\$ 3.62	\$.86	\$ 10.64
Total assets	\$ 3,070,227,000	\$ 3,958,951,000	\$ 3,745,336,000
Cash and investments	\$ 1,466,551,000	\$ 2,229,895,000	\$ 2,453,555,000
Common shareholders' equity	\$ 1,121,988,000	\$ 1,853,159,000	\$ 1,863,531,000
Book value per common share	\$ 19.75	\$ 29.90	\$ 29.17
Cash dividends per common share	\$ 13.58	\$ -	\$.25

Letter from the Chairman and President

To Our Shareholders

In 1999, the Company earned \$215 million after tax, or \$3.62 per share, which is a 19.2% return on ending equity of \$1.1 billion. In May and December, the Company distributed to shareholders an aggregate capital gains distribution of \$13.58 per share totaling \$811.9 million, 43.8% of our December 31, 1998 net worth.

As major shareholders, we are happy to have some of our personal money off the table and invested in mostly munis, which by today's standards are mundane and somnolent. Does anyone else remember municipal bonds? On a risk adjusted basis, munis feel good to us. Shareholders now have the proceeds from the two dividends to pursue otherthings.com!

Presented with the opportunity to return money to our shareholders in a tax-advantaged way, blessed by the I.R.S., we could not imagine a better thing to do. These aging dogs didn't believe they could keep \$2 billion in equity effectively invested, let alone employ the additional funds available to Leucadia in the capital markets. With our net worth of \$1.1 billion and substantial liquidity, we remain hard at work foraging in the financial ecology for the sweet smell of undervalued assets! More about this later.

For the past several annual meetings, shareholders have asked why we missed the bull market in the S&P 500, and the roiling and boiling internet and biotech markets on the NASDAQ. Our answer has been that is not what we do. For new shareholders, here is what we do:

We tend to be buyers of assets and companies that are troubled or out of favor and as a result are selling substantially below the values which we believe are there. From time to time, we sell parts of these operations when prices available in the market reach what we believe to be advantageous levels. While we are not perfect in executing this strategy, we are proud of our long-term track record. We are not income statement driven and do not run your company with an undue emphasis on either quarterly or annual earnings. We believe we are conservative in our accounting practices and policies and that our balance sheet is conservatively stated.¹

To mutilate a hackneyed phrase, we are old dogs and we can't learn new tricks—we believe the ones we learned over the last 30 years continue to work just fine.

A few words now about the Company's operations and then some thoughts about the future.

Empire Insurance Company

Between 1991 and 1995 Empire's annual earned premiums increased from \$210.7 million to \$326.1 million. This undue growth brought to light significant deficiencies in personnel, systems, underwriting, claims and reserves. In 1995, we added \$34.5 million to reserves and began the slow, arduous and often disheartening process of examining the deficiencies and correcting them. That process continues today and is far from complete.

From 1995 to 1999 earned premiums decreased from \$326.1 million per annum to \$145.2 million per annum, almost a round trip. During this period, as we were tightening underwriting and increasing prices, the market was lowering prices as competition became fiercer. This is an industry with too much capital chasing too little business. A catastrophe or two would be good for the industry, although not for society.

¹ Originally reported in the 1988, and repeated in the 1990, 1991, 1995, 1996 and 1998 annual reports.

When we began restructuring Empire, we did not foresee such a precipitous drop in volume; which ballooned overhead out of proportion to revenues. This will take time to fix. Most importantly, the Internet is hanging like the sword of Damocles over all property and casualty companies as Internet-based "virtual" companies edge closer to reality. We hope the Internet will make our agents more effective, but time will tell whether agent-based companies will provide enough value to customers. We are working hard to merit their business.

If this sounds depressing, it sometimes feels that way. We are, however, making some progress and fortunately have sufficient capital to see the problem through to the end. Since 1995, we have added \$149.8 million to reserves and reported \$3.8 million in GAAP pre-tax losses.

This has been a difficult and thankless task for Bob Toppi and his crew. They have done, and continue to do, yeoman service fixing a problem not of their making.

Banking and Lending

The Company's banking and lending operations are principally conducted through American Investment Bank, N.A. (AIB), a national bank subsidiary, and American Investment Financial (AIF), an industrial loan corporation. AIB and AIF are insured by the FDIC. AIB's largest market segment is sub-prime auto loans, making loans to individuals to buy a car who are not the best credit risks. For taking this risk, AIB charges a higher rate of interest. AIF is a small lender to sub-prime boat and recreational vehicle buyers and also makes Small Business Administration guaranteed loans.

Up until 1995, the sub-prime auto business had been very profitable for AIB. In 1995, money poured into this challenging market and some competitors cut interest rates to unacceptable levels. AIB believed the better part of valor was not to reduce rates, but to retire from the field in good order. As a result, volume fell and AIB went into a prolonged hibernation while working on collections, underwriting and improving the electronic platforms from which the business is controlled.

By 1998, rationality began to return to the sub-prime automobile market. Several players who thought they could defy financial gravity ended up in bankruptcy. The acquisition in late 1998 of a \$36.9 million portfolio of sub-prime auto loans, purchased at a discount, jumpstarted AIB's return to the market.

In 1999, AIB acquired Tranex Credit Corp., a sub-prime auto lender based in Indianapolis, along with its \$67.9 million portfolio. Another subsidiary of Leucadia purchased from Tranex \$44.2 million of residual interests and excess servicing assets of related securitized trusts and \$12 million of other assets. Gary Levine, the Chairman/President of Tranex, has joined the bank as an Executive Vice President to manage AIB's auto program. As a result of all of this, banking and lending operations had loans outstanding of \$339.8 million at December 31, 1999 versus \$185.2 million at the end of the previous year.

AIB is actively back in the sub-prime business and generating nearly \$300 million in loans per annum from 29 states with an anticipated average life of 22 months. While these loans are not as profitable as in the pre-1995 era, the risk/reward relationship makes sense. Operating results for 1999 decreased due to provisions for loan losses on the growing portfolio of loans and because there were no earnings from the executive and professional loan portfolio which was sold in 1998 resulting in a non-recurring gain of \$6.5 million. We will continue to keep in mind the lessons of the past, and should events warrant, AIB will go back into its cave.

H.E. "Bud" Scruggs and Randy Jenson, who joined Leucadia in 1997 after graduating from Harvard Business School, have orchestrated this resurrection. Recently, in recognition of his accomplishments, Randy was promoted to President of AIB, Bud Scruggs remains as Chairman. Congratulations are due to both of them and their staffs who have assisted them through a difficult period.

Manufacturing

Conwed Plastics manufactures and markets proprietary plastic netting for a variety of industrial uses including construction, agriculture, packaging, carpet padding and filtration. Conwed has plants in Minneapolis, Minnesota and in Athens, Georgia. Results are below:

(In millions)	1997	1998	1999
Sales	\$50.9	\$56.6	\$64.0
Pre-tax profits	8.9	10.1	11.9
Return on net invested assets	32.5%	29.5%	31.9%
Return on average equity	37.8%	39.7%	42.2%

Business has been great under the bright skies of a long expanding business cycle—rising tides lift all boats.

Although this is a mundane old-economy business, it provides a very high return on net invested assets (total assets minus current liabilities) and has some internal growth potential.

Our worries are everybody's: when the new economy stumbles for whatever reason, will it bring down the old economy as well? An added worry, Conwed's raw material is polypropylene and polypropylene prices are rising as they must unavoidably do when petroleum prices rise. Not good.

John Rosenberger and his crew have done a remarkable job of increasing productivity in both plants and have given us a banner year. Had they not applied their innovative minds to the problems, we would have had capacity constraints before now. Kudos to all for working smart!

Winery

The Company has a 90% interest in two wineries: Pine Ridge Winery in Napa Valley, California, which was acquired in 1991, and Archery Summit located in the Willamette Valley, Oregon, which the Company started from scratch in 1993. These wineries primarily sell super-ultra-premium wines (wines that sell at retail from \$25 to \$125 per bottle).

During 1999, the wineries sold 76,300 9-liter equivalent cases versus 62,000 cases in 1998. As a result of our investments over the past few years in land and facilities, we are closer to our target of producing approximately 100,000 cases per year. At this level, we will balance our sales, grape production and winery capacity to produce all estate bottled wine. (Estate bottled wines are made from grapes farmed on vineyards owned by the winery.) At December 31, 1999, our combined investment in these wineries was \$51.9 million. We believe our purchases of land to implement this plan were made at attractive prices.

Our partners, Gary and Nancy Andrus are extraordinary. They have the knowledge and enthusiasm to make and sell great wine. Call (800) 486-0503, if you would like to visit the wineries or to find out where you can buy Pine Ridge or Archery Summit near where you live. Depending upon your state's liquor laws, wine may be ordered through the mail at (800) 575-9777 or through the Internet store at www.pineridgewinery.com or www.archerysummit.com. Remember, in moderate quantities, wine is a medicinal food!

MK Gold

We have increased our stake in MK Gold to 72.5% through the purchase of additional shares for \$15.8 million. During 1999, these funds, plus a \$20 million loan from Leucadia and \$6.2 million of their own money, were used to acquire Cobre Las Cruces S.A., a Spanish company that holds the mineral rights to the Las Cruces copper deposit in the pyrite belt of Spain. Two hundred seventy-nine drill holes totaling 272,000 feet have indicated the existence of a 15.2 million metric ton resource containing approximately 6.1% copper overlain by 150 meters of unconsolidated overburden. Actual mining will be subject to significant financing, permitting, engineering and construction. An unaffiliated company has a one-year option to purchase 35% of Cobre Las Cruces at MK Gold's cost plus interest. Assets at historically low prices are investments we like best.

MK Gold has a 25% equity interest in, and the mining contract for, a small California gold mine. MK Gold is actively looking for further opportunities to do contract mining and make equity investments in the mining sector.

Frank Joklik and his team of very experienced mining executives ably lead MK Gold.

Fidei

Fidei is a 100% owned French subsidiary, which was found and acquired for Leucadia by our esteemed colleagues Zalman Jacobs and Luis Medeiros. Its head office is in Paris.

When we acquired it, the Company had over 150 investments in real estate, mostly in Paris and its environs. Since acquisition, Fidei has had all of its real estate holdings for sale, and during 1999 sold 62 properties for a pre-tax gain of \$37.9 million. At December 31, 1999, there were 88 properties remaining available for sale, representing 2,100,000 square feet, with a book value of \$87.6 million. Our net investment in Fidei at December 31, 1999, was \$38.1 million, after reporting profits of \$33 million and receiving a return of capital of \$41.4 million. Fidei has cash of \$125.6 million and long-term debt of \$214.6 million as of the end of 1999. We are currently looking at further opportunities in Europe for Fidei. This was and is a good investment.

Real Estate

At December 31, 1999, we had domestic real estate investments totaling \$196.5 million versus \$151.5 million at December 31, 1998.

Renaissance Plaza, completed in 1998, is located in downtown Brooklyn, New York. It is 809,000 square feet of office space, a 376 room Marriott Hotel and 1,100 indoor parking spaces. After all our investment is returned, together with a 12.5% per annum preferred return, we own 57.5% of the office building and parking spaces and 16% of the hotel. The hotel is enjoying a 92% occupancy rate and the office space is 100% leased. Consideration is being given by the partners to add approximately 280 additional hotel rooms.

The Rosemary Beach, Florida community development continues to do well. The project is cash positive with more to sell. We have a property management company to rent the homes when the owners wish. This horizontal hotel will eventually have approximately 2,000 beds. Rosemary Beach is a gorgeous community on a beautiful white beach on the Florida panhandle. Contact Patrick Bienvenue at (801) 521-5400, who has ably guided this project from the beginning, if you would like a brochure.

Union Square in Washington, D.C., not far from the U.S. Capitol Building, is 630,000 square feet of office buildings we purchased out of bankruptcy and completely renovated. It is leased to the District of Columbia. We have \$76.5 million invested with a net operating income of \$11.4 million. Mark Hornstein and our partner Chip Akridge did a great job of untangling, renovating and leasing this project.

At Cypress Ridge, near San Luis Obispo, California, our partner Denis Sullivan is struggling to get final approval for the sale of 378 completed lots. One hundred of these lots are under contract for sale. The golf course is approaching its second year and is wonderful. If you would like to play Cypress Ridge, call the Pro Shop at (805) 474-7979. If you want to retire to a beautiful central California climate, call Denis at (805) 489-2781.

One Harbor Drive in San Diego, California, is complete. The last commercial unit is in escrow. In 1994, we paid too much, \$42 million, to buy the project out of bankruptcy. We have realized an 11% return—all of our bad deals should go so well!

A reminder to our shareholders of record on August 25, 1998, you should have received your shares of HomeFed Corporation, which were distributed as a special dividend in October 1999. If you did not receive those shares, please contact Laura Ulbrandt at (212) 460-1900.

HomeFed is a real estate company in Carlsbad, California, which manages San Elijo Hills, a fully entitled master-planned community of 3,400 homes and apartments located in San Marcos, California, which owes Leucadia \$71.4 million including its preferred return. HomeFed also purchased (in partnership with Leucadia) 4,800 acres in the Otay Ranch master-planned community southeast of San Diego for \$19.5 million. Leucadia provided financing for this project and is owed \$11.2 million including its preferred return. If you haven't sold your shares in HomeFed, you will hear more about these projects from them. Contact Paul Borden, President of HomeFed, at (760) 918-8200, if you would like more information about this project.

Money and Other Things

Investment and other income in 1999 included the gains on the sale of La Caja of \$120.8 million (our formerly 30% owned Argentina insurance company), The Sperry and Hutchinson Company, Inc., \$18.7 million, and Pepsi International Bottlers, \$29.5 million; Fidei rental income and gains on sales of properties, \$60.4 million; corporate investment income, \$77.9 million; and the gain on sale of an equity interest in an associated company, \$8.7 million.

The increase in selling, general and other expense is related to Fidei's expenses, higher provisions for loan losses at AIB on the growing portfolio of loans and the inevitable legal and other expenses from developing the plan to pay the \$811.9 million dividend.

Income taxes for 1999 reflect a benefit of \$40.1 million from the use of capital loss carryforwards.

Payment of the \$811.9 million dividend to the shareholders required the Company to make an offer to repurchase all of its Senior Subordinated Notes, with an aggregate principal outstanding of \$235 million, plus accrued interest. We purchased \$194.2 million of these bonds.

In previous years we wrote down our ill-fated investments in Russian and Polish securities to \$10 million, the current book value. At December 31, 1999, these investments had a value of \$36.4 million—subject to change without notice! For the time being, we are leaving this long-term bet on the table, primarily in basic industries of those two countries.

During 1999, we repurchased 5,182,958 Leucadia shares for \$125.5 million (8.4% of the shares outstanding). From January 1, 2000 to March 13, 2000, we repurchased 1,505,000 shares for \$32.1 million (2.6% of the shares outstanding). We invest in Leucadia stock when shareholders want to sell and we think the price is attractive. After all, of all possible investments, we know Leucadia best.

In the first quarter of 2000, Leucadia will record a \$24.6 million gain from the sale of certain securities of Jordan Telecommunication Products, Inc., and may receive \$7.5 million more, subject to resolution of certain contingencies. A long, pleasurable and profitable relationship with Jay Jordan and David Zalaznick continues unabated. They are very gifted investors.

Earlier this year we made an arrangement with our old friends and advisors at Jefferies & Company to share with them some of their adventures in the junk bond markets. (High yield bonds to those with delicate ears.) The junk bond market is in disarray and presents opportunities.

We invested in shares of Fidelity National Financial, Inc. (FNF) and Chicago Title Corporation during and after the pendency of their merger, which created a position in the combined company, FNF, of 9.9% of the shares. We view this position as an interesting investment.

The Future

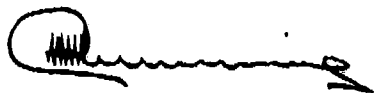
1999 was a good year. In fact, it was the second best since we began this journey in 1979. The distribution to the shareholders was the right thing to do; we are properly sized for our appetites. However, as long as the madness in the public markets persists, it will be difficult to invest. Some companies are trading at market capitalizations that suggest they will become more valuable than the GDP of most Western economies. We say this realizing the enormous wealth that has been created for others and the opportunities we may have missed, but we are sticking to our knitting. Several people have pointed out that the market is bifurcated—new economy stocks are high, everything else is low. What worries us is that when the bubble bursts, every boat, large or small, will sink regardless of its intrinsic value. These are perilous times. Taking into account the distribution of \$811.9 million to our shareholders and the repurchase of Leucadia stock, since 1979 we have compounded Leucadia's equity at 21.5%. This used to be a respectable record!

Over the past several years we have added several freshly-minted MBAs. They are leavening the loaf and looking at things with new eyes while adding to the corporate vigor, soaking up our eccentric culture and, most importantly, collecting frequent flyer miles on young bottoms! One, Randy Jenson, graduated into an important operating position at American Investment Bank.

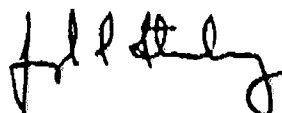
We found Thomas Mara, our Executive Vice President, at Talcott National (Leucadia's predecessor) when we arrived in 1978. He has been a constant force for order in our ever-changing environment. We appreciate him greatly and thank his family for their forbearance during his 74 round trips to Buenos Aires over the last five years, let alone trips to Israel, Japan, Croatia and many other exotic and not so exotic destinations. Without him, these past 21 years would not have been possible.

As usual, we are ably assisted by our staff and advisors also without whom none of this would have been possible!

One of us had a dream.



Ian M. Cumming
Chairman



Joseph S. Steinberg
President