



JEFFERIES

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JEFFERIES GROUP, INC. ANNOUNCES SECOND QUARTER AND RECORD FIRST HALF RESULTS

New York, July 16, 2002 -- Jefferies Group, Inc. (NYSE: JEF) today announced financial results for the second quarter and first half ended June 28, 2002.

Highlights for the second quarter ended June 28, 2002:

- Earnings per share (diluted) before an extraordinary item increased 2% to a record \$0.66 compared to \$0.65 for the second quarter of 2001. After the extraordinary item, earnings per share (diluted) were \$0.64 for the quarter.
- Earnings before an extraordinary charge increased 9% to a record \$18.1 million compared to \$16.6 million for the second quarter of 2001.
- Net earnings were \$17.6 million, a 6% increase over the \$16.6 million recorded for the second quarter of 2001.
- The extraordinary item relates to a \$480,000 after-tax charge from the early extinguishment of \$50 million face value of 8 7/8% senior notes due 2004.
- Total revenues were \$200.9 million compared to \$215.9 million for the second quarter of 2001.

Highlights for the first six months ended June 28, 2002:

- Earnings per share (diluted) before the extraordinary item increased 3% to a record \$1.31 compared to \$1.27 for the first half of 2001. After the extraordinary item, earnings per share (diluted) were a record \$1.29.
- Earnings before the extraordinary item increased 11% to a record \$35.8 million compared to \$32.2 million for the first half of 2001.
- Record net earnings were \$35.3 million, a 9% increase over the \$32.2 million in net earnings for the first half of 2001.
- Total revenues were \$396.2 million compared to \$425.6 million for the first half of 2001.
- Corporate finance revenues jumped 30% to \$79.3 million compared to \$61.1 million for the first half of 2001.

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“We are pleased to report solid earnings for the second quarter and a record first half as we continue to face brutal financial markets,” said Richard B. Handler, Chairman and Chief Executive Officer of Jefferies. “Our strategy to be a full-service investment bank focusing on middle-market companies is enabling us to weather this challenging environment. Although the markets are in disarray, Jefferies’ competitive position has never been better,” he added.

“We are proud of the results throughout our trading platform. The loyalty and trust of our customers has permitted us to gain market share in a terrible environment,” commented John C. Shaw, Jr., President of Jefferies. “Trading remains the backbone of Jefferies’ business and enables us to continue to build out our banking and research efforts.”

Conference Call

A conference call with management discussion of financial results for the second quarter ended June 28, 2002 will be held July 16 at 11:30 AM (Eastern) and can be accessed at 706-679-3621. A week-long replay will be available within two hours at 706-645-9291 (ID: 4463516). A live audio Webcast and delayed replay will also be available under “Investor Relations / Financials” at www.jefco.com. Questions for consideration by management can be submitted in advance through the “Contact Us” function at www.jefco.com or by contacting Amanda Bartley at 203-708-5975 by 10 AM Eastern on July 16.

About Jefferies

Jefferies Group, Inc. (NYSE: JEF) is a holding company whose affiliated companies, including its principal operating subsidiary, Jefferies & Company, Inc., offer a variety of services for institutional investors and growth companies. Subsidiaries of Jefferies Group, Inc., together, comprise a full-service investment bank and institutional securities firm focused on the middle market. Jefferies offers financial advisory, capital raising, mergers and acquisitions, and restructuring services to small and mid-cap companies. The firm provides outstanding trade execution in equity, high yield, convertible and international securities, as well as fundamental research and asset management capabilities, to institutional investors. Additional services include correspondent clearing, prime brokerage and securities lending. The firm’s leadership in equity trading is recognized by numerous consulting and survey organizations, and Jefferies’ subsidiary, Helfant Group, Inc., executes approximately ten percent of the daily reported volume on the NYSE.

Through its subsidiaries, Jefferies Group, Inc. employs more than 1,200 people in 20 offices worldwide, including Atlanta, Boston, Chicago, Dallas, Hong Kong, London, Los Angeles, New York, Paris, San Francisco, Tokyo and Zurich. Further information about Jefferies, including a description of investment banking, trading, research and asset management services, can be found at www.jefco.com.

-- financial tables follow --

JEFFERIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Amounts in Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2002	June 29, 2001	June 28, 2002	June 29, 2001
Revenues:				
Commissions.....	\$ 63,063	\$ 53,859	\$ 127,636	\$ 114,407
Principal transactions.....	67,288	72,404	133,955	159,230
Corporate finance.....	41,650	44,077	79,318	61,089
Interest	24,447	38,332	46,076	78,276
Asset management	2,724	5,811	6,211	10,540
Other	1,705	1,414	3,023	2,063
Total revenues	<u>200,877</u>	<u>215,897</u>	<u>396,219</u>	<u>425,605</u>
Interest expense.....	<u>22,748</u>	<u>34,453</u>	<u>40,346</u>	<u>67,256</u>
Revenues, net of interest expense.....	<u>178,129</u>	<u>181,444</u>	<u>355,873</u>	<u>358,349</u>
Non-interest expenses:				
Compensation and benefits.....	101,715	111,244	206,282	218,728
Floor brokerage and clearing fees	13,442	11,183	27,590	22,088
Communications.....	13,998	12,230	25,393	23,568
Occupancy and equipment rental.....	6,148	6,135	12,306	11,627
Travel and promotional	5,686	5,703	11,990	11,312
Other	6,468	6,375	11,676	15,321
Total non-interest expenses.....	<u>147,457</u>	<u>152,870</u>	<u>295,237</u>	<u>302,644</u>
Earnings before income taxes and extraordinary items.....				
	30,672	28,574	60,636	55,705
Income taxes	<u>12,577</u>	<u>12,022</u>	<u>24,869</u>	<u>23,469</u>
Earnings before extraordinary items	18,095	16,552	35,767	32,236
Extraordinary item – charge on early extinguishment of debt, net of tax.....	(480)	—	(480)	—
Net earnings.....	<u>\$ 17,615</u>	<u>\$ 16,552</u>	<u>\$ 35,287</u>	<u>\$ 32,236</u>
Earnings per share:				
Basic:				
Earnings before extraordinary items	\$ 0.73	\$ 0.68	\$ 1.45	\$ 1.34
Early extinguishment of debt, net of tax..	(0.01)	—	(0.02)	—
Net earnings.....	<u>\$ 0.72</u>	<u>\$ 0.68</u>	<u>\$ 1.43</u>	<u>\$ 1.34</u>
Diluted:				
Earnings before extraordinary items	\$ 0.66	\$ 0.65	\$ 1.31	\$ 1.27
Early extinguishment of debt, net of tax..	(0.02)	—	(0.02)	—
Net earnings.....	<u>\$ 0.64</u>	<u>\$ 0.65</u>	<u>\$ 1.29</u>	<u>\$ 1.27</u>
Weighted average shares:				
Basic.....	24,626	24,206	24,695	24,124
Diluted	27,436	25,564	27,407	25,321

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JEFFERIES GROUP, INC. AND SUBSIDIARIES
SELECTED STATISTICAL INFORMATION
(Dollars in Thousands, Except Per Share Amounts)
(Unaudited)

	Quarters ended				
	6/28/2002	3/29/2002	12/31/2001	9/28/2001	6/29/2001
Statement of Earnings					
Revenues, net of interest expense	\$178,129	\$177,744	\$174,854	\$137,079	\$181,444
Non-interest expenses:					
Compensation and benefits.....	101,715	104,567	101,554	79,877	111,244
Non-personnel expenses	45,742	43,213	44,742	38,813	41,626
Earnings before income taxes and extraordinary items	30,672	29,964	28,558	18,389	28,574
Income taxes.....	12,577	12,292	11,887	7,757	12,022
Earnings before extraordinary items.....	18,095	17,672	16,671	10,632	16,552
Early extinguishment of debt, net of tax.....	(480)	—	—	—	—
Net earnings	<u>\$17,615</u>	<u>\$17,672</u>	<u>\$16,671</u>	<u>\$10,632</u>	<u>\$16,552</u>
Diluted earnings per share:					
Earnings before extraordinary items.....	\$0.66	\$0.65	\$0.61	\$0.40	\$0.65
Early extinguishment of debt, net of tax.....	(0.02)	—	—	—	—
Net earnings.....	<u>\$0.64</u>	<u>\$0.65</u>	<u>\$0.61</u>	<u>\$0.40</u>	<u>\$0.65</u>
Financial Ratios					
Pretax operating margin	17.2%	16.9%	16.3%	13.4%	15.7%
Compensation and benefits/net revenues.....	57.1%	58.8%	58.1%	58.3%	61.3%
Effective tax rate	41.0%	41.0%	41.6%	42.2%	42.1%

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JEFFERIES GROUP, INC. AND SUBSIDIARIES
SELECTED STATISTICAL INFORMATION
(Dollars and Shares in Thousands)
(Unaudited)

	Quarters ended				
	6/28/2002	3/29/2002	12/31/2001	9/28/2001	6/29/2001
Revenues by Source					
Commissions and principal transactions:					
Equities	\$76,257	\$83,163	\$86,624	\$65,918	\$83,889
International	19,563	16,985	14,605	13,093	15,659
High yield	9,826	10,263	6,150	17,035	17,897
Convertibles	7,573	7,463	8,834	8,153	6,718
Execution	8,262	8,826	10,294	349	385
Other proprietary trading	8,870	4,540	1,922	982	1,715
Total	130,351	131,240	128,429	105,530	126,263
Corporate finance	41,650	37,668	40,542	22,468	44,077
Interest	24,447	21,629	21,873	31,259	38,332
Asset management	2,724	3,487	2,495	4,652	5,811
Other	1,705	1,318	403	1,735	1,414
Total revenues	<u>\$200,877</u>	<u>\$195,342</u>	<u>\$193,742</u>	<u>\$165,644</u>	<u>\$215,897</u>
Other Data					
Number of trading days	64	60	64	63	63
Average employees	1,229	1,203	1,171	1,099	1,073
Common shares outstanding	26,930	26,774	26,836	26,933	25,838
Weighted average shares:					
Basic	24,626	24,766	25,233	24,938	24,206
Diluted	27,436	27,380	27,247	26,593	25,564

As of June 28, 2002, stockholders' equity amounted to \$593 million, resulting in a book value of \$22.04 per share.
