



JEFFERIES

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JEFFERIES ANNOUNCES THIRD QUARTER EARNINGS UP 8% AND RECORD NINE MONTH RESULTS

Investment Banking Revenues Increase 31% and 30% for Third Quarter and Nine Months, Respectively

New York, October 22, 2002 – Jefferies Group, Inc. (NYSE: JEF) today announced financial results for the third quarter and first nine months ended September 27, 2002.

Highlights for the third quarter ended September 27, 2002:

- Earnings per share (diluted) increased 8% to \$0.43 compared to \$0.40 for the third quarter of 2001.
- Earnings before income taxes increased 5% to \$19.3 million compared to \$18.4 million for the third quarter of 2001.
- Net earnings increased 11% to a \$11.8 million compared to \$10.6 million for the third quarter of 2001.
- Total revenues increased 8% to \$179.2 million compared to \$165.6 million for the third quarter of 2001.
- Investment banking revenues increased 31% to \$29.5 million compared to \$22.5 million for the third quarter of 2001.

Highlights for the first nine months ended September 27, 2002:

- Record earnings per share before extraordinary items (diluted) increased 4% to \$1.73 compared to \$1.67 for the first nine months of 2001.
- Record earnings before income taxes and extraordinary items increased 8% to \$80.0 million compared to \$74.1 million for the first nine months of 2001.
- Record net earnings before extraordinary items increased 11% to \$47.5 million compared to \$42.9 million for the first nine months of 2001.
- Total revenues were \$575.4 million compared to \$591.2 million for the first nine months of 2001.
- Investment banking revenues jumped 30% to \$108.8 million compared to \$83.6 million for the first nine months of 2001.

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"We are pleased to report higher quarterly results along with record year-to-date earnings, both of which were achieved with great effort and despite extremely difficult business conditions," said Richard B. Handler, Chairman and Chief Executive Officer of Jefferies. "Firmwide, we are committed to containing costs to improve our platform and build for the future."

"Given market conditions, the growth in Jefferies' equity trading and investment banking businesses during the period was exceptional," commented John C. Shaw, Jr., President of Jefferies. "We will continue to manage costs as we invest in our platform and remain focused on middle-market companies and investors. Our objective is to provide the best service to clients for the long-term," he added.

Conference Call

A conference call with management discussion of financial results for the third quarter ended September 27, 2002 will be held October 22 at 2 PM (Eastern) and can be accessed at 706-679-3621. A live audio Webcast and delayed replay will also be available under "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 calling 203-708-5975 by 1 PM Eastern on October 22.

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 more than ten percent of the daily reported volume on the NYSE.

Through its subsidiaries, Jefferies Group, Inc. employs more than 1,300 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		Nine Months Ended	
	Sept. 27, 2002	Sept. 28, 2001	Sept. 27, 2002	Sept. 28, 2001
Revenues:				
Commissions.....	\$ 72,183	\$ 51,081	\$ 199,819	\$ 165,488
Principal transactions	48,260	54,449	182,215	213,679
Investment banking	29,451	22,468	108,769	83,557
Interest	25,091	31,259	71,167	109,535
Asset management.....	2,390	4,652	8,601	15,192
Other	1,776	1,735	4,799	3,798
Total revenues	<u>179,151</u>	<u>165,644</u>	<u>575,370</u>	<u>591,249</u>
Interest expense	<u>20,242</u>	<u>28,565</u>	<u>60,588</u>	<u>95,821</u>
Revenues, net of interest expense	<u>158,909</u>	<u>137,079</u>	<u>514,782</u>	<u>495,428</u>
Non-interest expenses:				
Compensation and benefits	91,878	79,877	298,160	298,605
Floor brokerage and clearing fees	14,542	10,865	42,132	32,953
Communications	13,446	9,595	38,839	33,163
Occupancy and equipment rental	6,711	5,346	19,017	16,973
Travel and promotional.....	5,445	5,656	17,435	16,968
Other.....	7,573	7,351	19,249	22,672
Total non-interest expenses.....	<u>139,595</u>	<u>118,690</u>	<u>434,832</u>	<u>421,334</u>
Earnings before income taxes and extraordinary items				
	19,314	18,389	79,950	74,094
Income taxes	7,532	7,757	32,401	31,226
Earnings before extraordinary items.....	11,782	10,632	47,549	42,868
Extraordinary item – loss on early extinguishment of debt, net of tax.....	—	—	(480)	—
Net earnings.....	<u>\$ 11,782</u>	<u>\$ 10,632</u>	<u>\$ 47,069</u>	<u>\$ 42,868</u>
Earnings per share:				
Basic:				
Earnings before extraordinary items	\$ 0.48	\$ 0.43	\$ 1.93	\$ 1.76
Early extinguishment of debt, net of tax.	—	—	(0.02)	—
Net earnings.....	<u>\$ 0.48</u>	<u>\$ 0.43</u>	<u>\$ 1.91</u>	<u>\$ 1.76</u>
Diluted:				
Earnings before extraordinary items	\$ 0.43	\$ 0.40	\$ 1.73	\$ 1.67
Early extinguishment of debt, net of tax.	—	—	(0.02)	—
Net earnings.....	<u>\$ 0.43</u>	<u>\$ 0.40</u>	<u>\$ 1.71</u>	<u>\$ 1.67</u>
Weighted average shares:				
Basic.....	24,645	24,938	24,678	24,397
Diluted	27,618	26,593	27,479	25,746

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

	Quarters ended				
	9/27/2002	6/28/2002	3/29/2002	12/31/2001	9/28/2001
Statement of Earnings					
Revenues, net of interest expense	\$158,909	\$178,129	\$177,744	\$174,854	\$137,079
Non-interest expenses:					
Compensation and benefits	91,878	101,715	104,567	101,554	79,877
Non-personnel expenses	47,717	45,742	43,213	44,742	38,813
Earnings before income taxes and extraordinary items	19,314	30,672	29,964	28,558	18,389
Income taxes	7,532	12,577	12,292	11,887	7,757
Earnings before extraordinary items.....	11,782	18,095	17,672	16,671	10,632
Early extinguishment of debt, net of tax.....	—	(480)	—	—	—
Net earnings.....	<u>\$11,782</u>	<u>\$17,615</u>	<u>\$17,672</u>	<u>\$16,671</u>	<u>\$10,632</u>
Diluted earnings per share:					
Earnings before extraordinary items.....	\$0.43	\$0.66	\$0.65	\$0.61	\$0.40
Early extinguishment of debt, net of tax.....	—	(0.02)	—	—	—
Net earnings	<u>\$0.43</u>	<u>\$0.64</u>	<u>\$0.65</u>	<u>\$0.61</u>	<u>\$0.40</u>
Financial Ratios					
Pretax operating margin	12.2%	17.2%	16.9%	16.3%	13.4%
Compensation and benefits/net revenues	57.8%	57.1%	58.8%	58.1%	58.3%
Effective tax rate	39.0%	41.0%	41.0%	41.6%	42.2%

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

	Quarters ended				
	9/27/2002	6/28/2002	3/29/2002	12/31/2001	9/28/2001
Revenues by Source					
Commissions and principal transactions:					
Equities.....	\$81,613	\$76,257	\$83,163	\$86,624	\$65,918
International.....	21,602	19,563	16,985	14,605	13,093
High yield.....	6,502	9,826	10,263	6,150	17,035
Convertibles	6,823	7,573	7,463	8,834	8,153
Execution.....	6,380	8,262	8,826	10,294	349
Other proprietary trading	(2,477)	8,870	4,540	1,922	982
Total	120,443	130,351	131,240	128,429	105,530
Investment banking.....	29,451	41,650	37,668	40,542	22,468
Interest	25,091	24,447	21,629	21,873	31,259
Asset management	2,390	2,724	3,487	2,495	4,652
Other	1,776	1,705	1,318	403	1,735
Total revenues.....	<u>\$179,151</u>	<u>\$200,877</u>	<u>\$195,342</u>	<u>\$193,742</u>	<u>\$165,644</u>
Other Data					
Number of trading days.....	63	64	60	64	63
Average employees	1,292	1,229	1,203	1,171	1,099
Common shares outstanding.....	26,895	26,930	26,774	26,836	26,933
Weighted average shares:					
Basic.....	24,645	24,626	24,766	25,233	24,938
Diluted	27,618	27,436	27,380	27,247	26,593

As of September 27, 2002, stockholders' equity amounted to \$609 million, resulting in a book value of \$22.64 per share.
