



JEFFERIES

FOR IMMEDIATE RELEASE

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JEFFERIES ANNOUNCES FOURTH QUARTER AND YEAR-END FINANCIAL RESULTS

Achieves Third Consecutive Record Annual Earnings of \$63 Million in 2002

NEW YORK, January 22, 2003 – Jefferies Group, Inc. (NYSE: JEF) today announced financial results for the fourth quarter and year ended December 31, 2002.

Highlights for the fourth quarter ended December 31, 2002:

- Net earnings were \$15.5 million, compared to \$11.8 million in the third quarter and \$16.7 million for the fourth quarter of 2001.
- Earnings per share (diluted) were \$0.56 versus \$0.43 in the third quarter and \$0.61 for the fourth quarter of 2001.
- Total revenues were \$179.4 million, compared to \$179.2 million in the third quarter and \$193.7 million for the fourth quarter of 2001.

Highlights for the year ended December 31, 2002:

- Earnings before extraordinary items increased 6% to a record \$63.1 million compared to \$59.5 million for 2001.
- Net earnings increased 5% to a record \$62.6 million versus \$59.5 million in 2001.
- Earnings per share (diluted) before extraordinary items were a record \$2.29 compared to \$2.28 for 2001.
- Total revenues were \$754.8 million, versus \$785.0 million for 2001.
- Investment banking revenues increased 13% to \$140 million compared to \$124 million in 2001.

"We are very pleased to report record financial results during a year in which we made substantial investments in the Jefferies platform," said Richard B. Handler, Chief Executive Officer of Jefferies. "With the addition of many veteran professionals across Jefferies' investment banking, sales and trading, asset management and research areas, we are in the best position ever to serve our clients."

"In 2002 we significantly expanded the depth and breadth of our ability to execute in the capital markets," added John C. Shaw, Jr., President of Jefferies. "The acquisition of Quarterdeck Investment Partners, as well as groups from Robertson Stephens, Herzog and ABN Amro, have broadened the Jefferies network and the capabilities we offer to our clients."

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Conference Call

A conference call with management discussion of financial results for the fourth quarter ended December 31, 2002 will be held January 22 at 11 AM (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 9 AM Eastern on January 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, private client services 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 twelve percent of the daily reported volume on the NYSE.

Through its subsidiaries, Jefferies Group, Inc. employs more than 1,350 people in 21 offices worldwide, including Atlanta, Boston, Chicago, Dallas, Hong Kong, London, Los Angeles, New York, Paris, San Francisco, Tokyo, Washington 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.

This press release contains statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may contain expectations regarding revenues, earnings, operations and other financial projections, and may include statements of future performance, positioning, plans and objectives. These forward-looking statements include the word "continue" and other similar expressions. These forward-looking statements represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. Actual results could differ materially from those projected in these forward-looking statements. Please refer to our recent Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 8, 2002 and other filings we make with the Securities and Exchange Commission for a discussion of important factors that could cause actual results to differ materially from those projected in these forward-looking statements. We do not assume any obligation to update any forward-looking statement we make.

-- financial tables follow --

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

	Three Months Ended		Year Ended	
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Revenues:				
Commissions.....	\$ 69,165	\$ 68,372	\$ 268,984	\$ 233,860
Principal transactions.....	53,066	60,057	235,281	273,736
Investment banking.....	31,059	40,542	139,828	124,099
Interest.....	20,860	21,873	92,027	131,408
Asset management.....	3,425	2,495	12,026	17,687
Other.....	1,831	403	6,630	4,201
Total revenues.....	<u>179,406</u>	<u>193,742</u>	<u>754,776</u>	<u>784,991</u>
Interest expense.....	19,499	18,888	80,087	114,709
Revenues, net of interest expense.....	<u>159,907</u>	<u>174,854</u>	<u>674,689</u>	<u>670,282</u>
Non-interest expenses:				
Compensation and benefits.....	87,425	101,554	385,585	400,159
Floor brokerage and clearing fees.....	12,549	14,498	54,681	47,451
Communications.....	13,377	11,420	52,216	44,583
Occupancy and equipment rental.....	7,139	5,943	26,156	22,916
Travel and promotional.....	5,538	4,381	22,973	21,349
Other.....	9,362	8,500	28,611	31,172
Total non-interest expenses.....	<u>135,390</u>	<u>146,296</u>	<u>570,222</u>	<u>567,630</u>
Earnings before income taxes and				
Extraordinary items.....	24,517	28,558	104,467	102,652
Income taxes.....	9,015	11,887	41,416	43,113
Earnings before extraordinary items.....	<u>15,502</u>	<u>16,671</u>	<u>63,051</u>	<u>59,539</u>
Extraordinary item – loss on early extinguishment of debt, net of tax.....	—	—	(480)	—
Net earnings.....	<u>\$ 15,502</u>	<u>\$ 16,671</u>	<u>\$ 62,571</u>	<u>\$ 59,539</u>
Earnings per share:				
Basic:				
Earnings before extraordinary items.....	\$ 0.63	\$ 0.66	\$ 2.56	\$ 2.42
Early extinguishment of debt, net of tax..	—	—	(0.02)	—
Net earnings.....	<u>\$ 0.63</u>	<u>\$ 0.66</u>	<u>\$ 2.54</u>	<u>\$ 2.42</u>
Diluted:				
Earnings before extraordinary items.....	\$ 0.56	\$ 0.61	\$ 2.29	\$ 2.28
Early extinguishment of debt, net of tax..	—	—	(0.02)	—
Net earnings.....	<u>\$ 0.56</u>	<u>\$ 0.61</u>	<u>\$ 2.27</u>	<u>\$ 2.28</u>
Weighted average shares:				
Basic.....	24,439	25,233	24,616	24,612
Diluted.....	27,618	27,247	27,510	26,132

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

	Quarters ended				
	12/31/2002	9/27/2002	6/28/2002	3/29/2002	12/31/2001
Statement of Earnings					
Revenues, net of interest expense	\$159,907	\$158,909	\$178,129	\$177,744	\$174,854
Non-interest expenses:					
Compensation and benefits.....	87,425	91,878	101,715	104,567	101,554
Non-personnel expenses	47,965	47,717	45,742	43,213	44,742
Earnings before income taxes and extraordinary items	24,517	19,314	30,672	29,964	28,558
Income taxes.....	9,015	7,532	12,577	12,292	11,887
Earnings before extraordinary items.....	15,502	11,782	18,095	17,672	16,671
Early extinguishment of debt, net of tax.....	—	—	(480)	—	—
Net earnings	<u>\$15,502</u>	<u>\$11,782</u>	<u>\$17,615</u>	<u>\$17,672</u>	<u>\$16,671</u>
Diluted earnings per share:					
Earnings before extraordinary items.....	\$0.56	\$0.43	\$0.66	\$0.65	\$0.61
Early extinguishment of debt, net of tax.....	—	—	(0.02)	—	—
Net earnings.....	<u>\$0.56</u>	<u>\$0.43</u>	<u>\$0.64</u>	<u>\$0.65</u>	<u>\$0.61</u>
Financial Ratios					
Pretax operating margin	15.3%	12.2%	17.2%	16.9%	16.3%
Compensation and benefits/net revenues.....	54.7%	57.8%	57.1%	58.8%	58.1%
Effective tax rate	36.8%	39.0%	41.0%	41.0%	41.6%

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

	Quarters ended				
	12/31/2002	9/27/2002	6/28/2002	3/29/2002	12/31/2001
Revenues by Source					
Commissions and principal transactions:					
Equities	\$86,802	\$81,613	\$76,257	\$83,163	\$86,624
International.....	16,703	21,602	19,563	16,985	14,605
High yield.....	7,479	6,502	9,826	10,263	6,150
Convertibles.....	7,825	6,823	7,573	7,463	8,834
Execution.....	5,842	6,380	8,262	8,826	10,294
Other proprietary trading	(2,420)	(2,477)	8,870	4,540	1,922
Total.....	122,231	120,443	130,351	131,240	128,429
Investment banking.....	31,059	29,451	41,650	37,668	40,542
Interest.....	20,860	25,091	24,447	21,629	21,873
Asset management.....	3,425	2,390	2,724	3,487	2,495
Other	1,831	1,776	1,705	1,318	403
Total revenues.....	\$179,406	\$179,151	\$200,877	\$195,342	\$193,742
Other Data					
Number of trading days	65	63	64	60	64
Average employees.....	1,323	1,292	1,229	1,203	1,171
Common shares outstanding	26,952	26,895	26,930	26,774	26,836
Weighted average shares:					
Basic.....	24,439	24,645	24,626	24,766	25,233
Diluted.....	27,618	27,618	27,436	27,380	27,247

As of December 31, 2002, stockholders' equity amounted to \$629 million, resulting in a book value of \$23.32 per share.
