

Jefferies Announces 2018 Financial Results

New York, New York, January 10, 2019--Jefferies Financial Group Inc. (NYSE: JEF) today announced its financial results for the two and eleven month periods ended November 30, 2018, and the results of its principal operating subsidiary, Jefferies Group LLC, for the three and twelve month periods ended November 30, 2018. During the fourth quarter, Jefferies Financial Group changed its fiscal year end from December 31 to November 30, the same as Jefferies Group LLC, and thereby eliminated the financial reporting lag for Jefferies Group LLC, its largest subsidiary. Jefferies Financial Group's two and eleven month results include three and twelve month results, respectively, for Jefferies Group LLC, and two and eleven month results, respectively, for the balance of Jefferies Financial Group.

Highlights for Jefferies Financial Group for the eleven months ended November 30, 2018:

- Net income attributable to Jefferies Financial Group common shareholders of \$1.0 billion, or \$2.90 per diluted share
- Pre-tax income from continuing and discontinued operations of \$1.3 billion
- Jefferies Group (Investment Banking, Capital Markets and Asset Management) pre-tax income of \$410 million
- Merchant Banking pre-tax income from continuing and discontinued operations of \$1.1 billion, including pre-tax gains of \$873 million and \$222 million from the sales of 48% of National Beef and Garcadia, respectively, and an unrealized mark-to-market write-down of \$419 million on our investment in Spectrum Brands (NYSE: SPB)
- Total income taxes from continuing and discontinued operations of \$296 million, substantially all of which was offset by historic net operating loss carryforwards; at November 30, 2018, we continue to have approximately \$1.1 billion in U.S. federal net operating loss carryforwards that may be used to offset future income tax liabilities
- Dividends paid of \$0.45 per share
- Repurchase of 50 million shares, representing 13% of our fully diluted shares outstanding at the beginning of the year, for \$1.1 billion, or an average price of \$22.86 per share; when the share buyback is combined with dividends paid in the eleven month period of 2018, we returned to our shareholders an aggregate of \$1.3 billion, or 17% of our tangible common shareholders' equity¹ at the beginning of the year
- Additional \$500 million share repurchase authorization approved today by the Board of Directors
- Fully diluted tangible equity per share² increased by 22% from \$20.48 at the beginning of the fiscal year to \$24.90 at November 30
- Even after the \$1.3 billion we returned to shareholders and our \$400 million of investments to expand Vitesse Energy Finance and Leucadia Asset Management, Jefferies Financial Group ended fiscal 2018 with an increase of \$300 million in parent company liquidity, which now totals \$1.6 billion

Highlights for Jefferies Financial Group for the two months ended November 30, 2018:

- Net loss attributable to Jefferies Financial Group common shareholders of \$20 million, or \$0.06 per diluted share, including an unrealized mark-to-market write-down of \$190 million on our investment in Spectrum Brands
- Pre-tax loss of \$52 million
- Jefferies Group pre-tax income of \$78 million
- Merchant Banking pre-tax loss of \$109 million, as a result of the unrealized write-down of \$190 million on Spectrum Brands and a \$62 million reduction in the carrying value of the equity portion of our investment in FXCM, partially offset by an unrealized write-up of \$71 million on our investment in

WeWork (historical cost of \$9 million; our valuation is based upon the valuation implied by the most recent round of financing, but materially discounted due to structural considerations)

- Repurchase of 23.9 million shares for \$512 million, or an average price of \$21.44 per share

Highlights for Jefferies Group LLC for the twelve months ended November 30, 2018:

- Total Net Revenues of \$3.2 billion
- Investment Banking Net Revenues of \$1.9 billion (record advisory and equity capital markets fees)
- Total Equities and Fixed Income Net Revenues of \$1.2 billion
- Earnings Before Income Taxes of \$410 million
- Net Earnings of \$159 million after Provisional Charge related to the Tax Cuts and Jobs Act (the "Tax Act") of \$165 million, \$113 million of which is non-cash; without this charge, Jefferies Group would have reported Adjusted Net Earnings of \$324 million^{3,4}

Highlights for Jefferies Group LLC for the three months ended November 30, 2018:

- Total Net Revenues of \$762 million
- Investment Banking Net Revenues of \$522 million
- Total Equities and Fixed Income Net Revenues of \$251 million
- Earnings Before Income Taxes of \$78 million
- Net Earnings of \$62 million

Rich Handler, our CEO, and Brian Friedman, our President, said:

"In our fiscal year ended November 30, 2018, Jefferies Financial Group recorded net income attributable to common shareholders of \$1.0 billion, or \$2.90 per diluted share, and paid \$0.45 per share in dividends. Fully diluted tangible equity per share² increased by 22% from \$20.48 at the beginning of the fiscal year to \$24.90 at November 30.

"We recorded net revenues at Jefferies Group of almost \$3.2 billion, pre-tax income of \$410 million and adjusted return on tangible equity of 8.7%³. A solid first half of the year was offset by a slower second half, particularly a lighter than expected fourth quarter as the market turmoil dampened our trading results, as well as our performance in asset management.

"Jefferies Group's fourth quarter results reflect continued strong performance in Investment Banking. Our Investment Banking revenues for the fourth quarter were \$522 million, compared to \$452 million for the third quarter.

"Over the last several years, our strategic priority has been to build further our fee-based and non-capital intensive Investment Banking platform. In 2016, our Investment Banking net revenues were \$1.1 billion and represented 45% of our overall Jefferies Group net revenues. In 2018, our Investment Banking net revenues were \$1.8 billion (on a comparable basis, excluding the impact of recent revenue recognition rule changes) and represented 58% of our overall Jefferies Group net revenues⁵. In 2018, we achieved record Advisory revenues of more than \$800 million, record Equity Capital Markets revenue of more than \$450 million and a strong performance in Leverage Finance.

"Jefferies Finance, our corporate lending 50/50 joint venture with Mass Mutual, ended the year in a strong position in terms of risk exposure, having successfully syndicated all deals we brought to market during the year. Our commitments outstanding at year end were all of good quality, with terms consistent with current market conditions, and should be fully syndicated readily in the near-term. We remain vigilant in our underwriting process, while continuing to serve our clients and maintain our market position.

"Our Sales and Trading results were weaker than recent periods as a result of the challenging environment, which persisted for much of the quarter. Equities revenues for the quarter were \$164 million, versus \$181 million for the same period last year. Fixed Income revenues were \$87 million for the current quarter, compared to \$101 million

for last year's fourth quarter. Investors' risk appetite and activity levels fell during October and November, and negatively impacted our business. Notwithstanding this more subdued recent quarter, throughout 2018, our client-oriented Sales and Trading flow businesses continued to take market share, and invest in technology and talent. Noteworthy strong performances included: Global Electronic Equity Trading, Leveraged Credit and Prime Brokerage.

"As mentioned, we transferred our 50% interest in Berkadia and our Leucadia Asset Management ("LAM") seed investments into Jefferies Group as of October 1, 2018 to amalgamate our primary financial services operating businesses into one platform. Berkadia continues to perform well. Jefferies Group's share of Berkadia's net profits for the two months was \$20 million, which was reported through the 'Other' line within Jefferies Group's Capital Markets segment. This was offset by negative revenues of \$34 million for the quarter in Asset Management, reflecting weak investment performance due to the significant declines in the equity markets and net interest expense associated with the capital utilized in LAM.

"Jefferies Group's quarter end gross assets have remained at approximately \$40 billion since the balance sheet deleveraging and de-risking we undertook in late 2015 and early 2016. During the fourth quarter of 2015, we reduced our risk (as measured by average VaR) by 40% to \$10 million. Average VaR for the fourth quarter of 2018 was also \$10 million, after including the impact of adding the LAM interests. Maintaining these consistently lower levels of risk and balance sheet for the last few years has helped limit the downside during times of market stress.

"Consistent with the theme of conservative risk levels, it's worth noting that Jefferies Group's tangible leverage has declined to 9.0 times from 10.4 times in the third quarter 2018 due to retained earnings and the infusion of equity capital to support the Berkadia and asset management transfer. Excess liquidity remains at close to historic highs, with cash and highly liquid unencumbered securities representing 16.0% of total assets. Level 3 assets were \$337 million at November 30, 2018 and remain at historic lows, representing only 7.7% of tangible equity and 2.1% of inventory. We have steadily reduced Level 3 assets since the end of 2015 when they were \$542 million, or 15.1% of tangible equity and 3.3% of inventory.

"Overall, Jefferies Group's competitive position and brand strengthened further over the course of the year. Several of our primary competitors continue to experience challenges, which may lead to further industry consolidation and create additional market share growth opportunities. We therefore believe Jefferies Group is poised for acceleration in our performance on the back of our continued investment in growing and developing our entire platform and, in particular, our investment banking effort, which represented 60% of Jefferies Group's 2018 net revenues. While our prospects are always subject to market forces, we continue to be focused on revenue growth and margin expansion across our business lines.

"Our Merchant Banking fourth quarter results reflect continued strong performance from National Beef and Vitesse. Increased supply of cattle for National Beef was coupled with strong demand for beef, leading to a positive sales and margin environment. We recorded pre-tax income of \$27 million for the two month period in respect of National Beef. Vitesse's April 2018 acquisition of non-operated assets has increased production; however, the majority of its pre-tax income of \$36 million for the two month period represents the positive impact of our oil hedge portfolio.

"Our fourth quarter results were negatively impacted by a \$190 million mark-to-market decrease in the value of our investment in Spectrum Brands, which is in the midst of a transformation involving significant management, operational and strategic changes. As a result of these changes, Spectrum Brands will consist of a narrower portfolio of business units and should achieve better results with a stronger balance sheet.

"We also recorded an impairment charge related to the equity component of our investment in FXCM, which is based on updated expectations that have been impacted by the recently revised regulations of the European Securities Market Authority and dampened operating results. Through November 30, 2018, we have received a cumulative \$350 million in principal, interest and fees from our initial \$279 million investment in FXCM, and continue to hold \$68 million of principal balance outstanding on our loan, earning a coupon of 20.5%, and \$75 million of equity value in the underlying business. Our fourth quarter results also include a \$71 million positive fair value adjustment

for our investment in WeWork. Our historical cost of this investment is \$9 million, we have realized \$13 million in cash to date and this valuation adjustment is based upon the valuation implied by the most recent round of financing, but materially discounted due to structural considerations.

"We believe we are well positioned for 2019 and we thank all Jefferies' shareholders, bondholders and employee partners for their continued support."

Jefferies Financial Group is releasing today the Annual Letter from our CEO and President. We expect to file our Form 10-K on or about January 28, 2019.

* * * *

Amounts herein pertaining to November 30, 2018 represent a preliminary estimate as of the date of this earnings release and may be revised upon filing our Transition Report on Form 10-K with the Securities and Exchange Commission ("SEC"). More information on our results of operations for the two and eleven month periods ended November 30, 2018 will be provided upon filing our Transition Report on Form 10-K with the SEC.

This press release contains "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements about our future and statements that are not historical facts. These forward-looking statements are usually preceded by the words "should," "expect," "intend," "may," "will," or similar expressions. Forward-looking statements may contain expectations regarding revenues, earnings, operations, and other results, and may include statements of future performance, plans, and objectives. Forward-looking statements also include statements pertaining to our strategies for future development of our businesses and products. Forward-looking statements represent only our belief regarding future events, many of which by their nature are inherently uncertain. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors, including Risk Factors that could cause actual results to differ, perhaps materially, from those in our forward-looking statements is contained in reports we file with the SEC. You should read and interpret any forward-looking statement together with reports we file with the SEC.

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal the corresponding indicated performance level(s).

For further information, please contact:

Teresa S. Gendron
Chief Financial Officer
Jefferies Financial Group Inc.
Tel. (212) 460-1932

Peregrine C. Broadbent
Chief Financial Officer
Jefferies Group LLC
Tel. (212) 284-2338

-
- ¹ Tangible common shareholders' equity of \$7,643 million at December 31, 2017 is a non-GAAP measure and equals Jefferies Financial Group common shareholders' equity of \$10,106 million less Intangible assets, net and goodwill of \$2,463 million. Management believes such non-GAAP measures are useful to investors as they allow them to view our results through the eyes of management, while facilitating a comparison across historical periods.
 - ² Fully diluted tangible equity per share, a non-GAAP measure, is defined as tangible common shareholders' equity divided by fully diluted shares outstanding. Tangible common shareholders' equity, a non-GAAP measure, is defined as Jefferies Financial Group common shareholders' equity less Intangible assets, net and goodwill. Fully diluted outstanding shares, a non-GAAP measure, is defined as Jefferies Financial Group shares outstanding plus restricted stock units and other shares that have not been issued yet. Management believes such non-GAAP measures are useful to investors as they allow them to view our results through the eyes of management, while facilitating a comparison across historical periods. Refer to schedule on page 11 for reconciliation to U.S. GAAP amounts.
 - ³ Adjusted financial measures are non-GAAP financial measures. Management believes such measure for the year ended November 30, 2018 provides meaningful information to investors as it enables investors to evaluate Jefferies Group LLC results excluding the impact of the provisional tax charge resulting from the Tax Act. Jefferies Group LLC's Adjusted Net Earnings for the year ended November 30, 2018 of \$324 million results in an 8.7% return on tangible equity (a non-GAAP financial measure), based on the twelve months ended November 30, 2018 Jefferies Group LLC adjusted net earnings divided by adjusted tangible Jefferies Group LLC member's equity at November 30, 2017 of \$3,716 million. Adjusted tangible Jefferies Group LLC member's equity is calculated as tangible Jefferies Group LLC member's equity (a non-GAAP financial measure) of \$3,916 million at November 30, 2017 reduced by the \$200 million distribution to Jefferies Financial Group, which was paid on January 31, 2018. Refer to the schedule on page 14 for a reconciliation of Adjusted measures to the respective direct U.S. GAAP financial measures. These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.
 - ⁴ As a result of Jefferies Financial Group's previous fiscal year end being December 31, the charge recorded by Jefferies Group LLC related to the Tax Act was included in Jefferies Financial Group's consolidated results during 2017, and therefore excluded from Jefferies Financial Group's 2018 financial results.
 - ⁵ Adjusted financial measures are non-GAAP financial measures. Management believes such measure for the year ended November 30, 2018 provides meaningful information to investors as it enables investors to evaluate Jefferies Group LLC results excluding the impact of the increase in Investment banking revenues, as a result of the new revenue standard, which was adopted on December 1, 2017 (see "Impact of Adopting Revenue Recognition Guidance" in Part I, Item 2 "Management's Discussion and Analysis" in Jefferies Group LLC's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2018). Refer to the schedule on page 14 for a reconciliation of Adjusted measures to the respective direct U.S. GAAP financial measures. These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

Summary for Jefferies Financial Group Inc. and Subsidiaries

(In thousands, except per share amounts)

(Unaudited)

| | Two Months Ended November 30, 2018 | Three Months Ended December 31, 2017 | Eleven Months Ended November 30, 2018 | Twelve Months Ended December 31, 2017 |
|--|---|---|--|--|
| Net revenues | \$ 806,594 | \$ 1,056,835 | \$ 3,764,034 | \$ 4,077,445 |
| Income (loss) from continuing operations before income taxes and income (loss) related to associated companies | \$ (24,573) | \$ 184,191 | \$ 239,077 | \$ 681,403 |
| Income (loss) related to associated companies | (27,297) | 9,512 | 57,023 | (74,901) |
| Income (loss) from continuing operations before income taxes | (51,870) | 193,703 | 296,100 | 606,502 |
| Income tax provision (benefit) | (32,552) | 515,088 | 19,008 | 642,286 |
| Income (loss) from continuing operations | (19,318) | (321,385) | 277,092 | (35,784) |
| Income from discontinued operations, net of income tax provision of \$0, \$27,825, \$47,045 and \$118,681 | — | 69,480 | 130,063 | 288,631 |
| Gain on disposal of discontinued operations, net of income tax provision \$0, \$0, \$229,553 and \$0 | — | — | 643,921 | — |
| Net income (loss) | (19,318) | (251,905) | 1,051,076 | 252,847 |
| Net (income) loss attributable to the noncontrolling interests | (233) | 1,514 | 12,975 | 3,455 |
| Net (income) loss attributable to the redeemable noncontrolling interests | 31 | (20,038) | (37,263) | (84,576) |
| Preferred stock dividends | (851) | (1,172) | (4,470) | (4,375) |
| Net income (loss) attributable to Jefferies Financial Group Inc. common shareholders | \$ (20,371) | \$ (271,601) | \$ 1,022,318 | \$ 167,351 |
| Basic earnings (loss) per common share attributable to Jefferies Financial Group Inc. common shareholders: | | | | |
| Income (loss) from continuing operations | \$ (0.06) | \$ (0.88) | \$ 0.82 | \$ (0.10) |
| Income from discontinued operations | — | 0.14 | 0.27 | 0.55 |
| Gain on disposal of discontinued operations | — | — | 1.84 | — |
| Net income (loss) | \$ (0.06) | \$ (0.74) | \$ 2.93 | \$ 0.45 |
| Number of shares in calculation | 329,101 | 366,000 | 347,261 | 368,197 |
| Diluted earnings (loss) per common share attributable to Jefferies Financial Group Inc. common shareholders: | | | | |
| Income (loss) from continuing operations | \$ (0.06) | \$ (0.88) | \$ 0.81 | \$ (0.10) |
| Income from discontinued operations | — | 0.14 | 0.26 | 0.55 |
| Gain on disposal of discontinued operations | — | — | 1.83 | — |
| Net income (loss) | \$ (0.06) | \$ (0.74) | \$ 2.90 | \$ 0.45 |
| Number of shares in calculation | 329,101 | 366,000 | 351,275 | 370,701 |

A summary of results for the two months ended November 30, 2018 is as follows (in thousands):

| | Jefferies Group | Merchant Banking | Corporate | Parent Company Interest | Consolidation Adjustments | Total |
|---|--------------------|---------------------|-------------------|-------------------------------|------------------------------|--------------------|
| Net revenues | \$ 761,958 | \$ 42,204 | \$ 7,525 | \$ — | \$ (5,093) | \$ 806,594 |
| Expenses: | | | | | | |
| Compensation and benefits | 408,504 | 17,662 | 7,177 | — | — | 433,343 |
| Cost of sales | — | 49,570 | — | — | — | 49,570 |
| Floor brokerage and clearing fees | 53,260 | — | — | — | (842) | 52,418 |
| Interest expense | — | 4,796 | — | 9,839 | — | 14,635 |
| Depreciation and amortization | 17,467 | 9,920 | 570 | — | — | 27,957 |
| Selling, general and other expenses | 204,764 | 41,688 | 7,811 | — | (1,019) | 253,244 |
| Total expenses | <u>683,995</u> | <u>123,636</u> | <u>15,558</u> | <u>9,839</u> | <u>(1,861)</u> | <u>831,167</u> |
| Income (loss) from continuing operations before income taxes and loss related to associated companies | 77,963 | (81,432) | (8,033) | (9,839) | (3,232) | (24,573) |
| Loss related to associated companies | — | (27,297) | — | — | — | (27,297) |
| Income (loss) from continuing operations before income taxes | <u>\$ 77,963</u> | <u>\$ (108,729)</u> | <u>\$ (8,033)</u> | <u>\$ (9,839)</u> | <u>\$ (3,232)</u> | <u>(51,870)</u> |
| Income tax benefit from continuing operations | | | | | | (32,552) |
| Net loss | | | | | | <u>\$ (19,318)</u> |

A summary of results for the three months ended December 31, 2017 is as follows (in thousands):

| | Jefferies Group | Merchant Banking | Corporate | Parent Company Interest | Consolidation Adjustments | Total |
|---|--------------------|---------------------|--------------------|-------------------------------|------------------------------|---------------------|
| Net revenues | \$ 822,610 | \$ 230,570 | \$ 2,049 | \$ — | \$ 1,606 | \$1,056,835 |
| Expenses: | | | | | | |
| Compensation and benefits | 455,469 | 14,587 | 11,633 | — | 873 | 482,562 |
| Cost of sales | — | 70,118 | — | — | — | 70,118 |
| Floor brokerage and clearing fees | 41,257 | — | — | — | 104 | 41,361 |
| Interest expense | — | 9,698 | — | 14,742 | — | 24,440 |
| Depreciation and amortization | 15,791 | 11,604 | 871 | — | — | 28,266 |
| Selling, general and other expenses | 167,813 | 49,274 | 9,835 | — | (1,025) | 225,897 |
| Total expenses | <u>680,330</u> | <u>155,281</u> | <u>22,339</u> | <u>14,742</u> | <u>(48)</u> | <u>872,644</u> |
| Income (loss) from continuing operations before income taxes and income related to associated companies | 142,280 | 75,289 | (20,290) | (14,742) | 1,654 | 184,191 |
| Income related to associated companies | — | 9,512 | — | — | — | 9,512 |
| Income (loss) from continuing operations before income taxes | <u>\$ 142,280</u> | <u>\$ 84,801</u> | <u>\$ (20,290)</u> | <u>\$ (14,742)</u> | <u>\$ 1,654</u> | 193,703 |
| Income tax provision from continuing operations | | | | | | 515,088 |
| Income from discontinued operations, net of income tax provision | | | | | | <u>69,480</u> |
| Net loss | | | | | | <u>\$ (251,905)</u> |

A summary of results for the eleven months ended November 30, 2018 is as follows (in thousands):

| | Jefferies Group | Merchant Banking | Corporate | Parent Company Interest | Consolidation Adjustments | Total |
|---|--------------------|---------------------|--------------------|-------------------------------|------------------------------|--------------------|
| Net revenues | <u>\$3,183,376</u> | <u>\$ 571,831</u> | <u>\$ 22,300</u> | <u>\$ —</u> | <u>\$ (13,473)</u> | <u>\$3,764,034</u> |
| Expenses: | | | | | | |
| Compensation and benefits | 1,736,264 | 77,169 | 50,222 | — | (873) | 1,862,782 |
| Cost of sales | — | 307,071 | — | — | — | 307,071 |
| Floor brokerage and clearing fees | 189,068 | — | — | — | (4,858) | 184,210 |
| Interest expense | — | 35,159 | — | 54,090 | — | 89,249 |
| Depreciation and amortization | 68,296 | 48,852 | 3,169 | — | — | 120,317 |
| Selling, general and other expenses | 780,081 | 150,115 | 35,049 | — | (3,917) | 961,328 |
| Total expenses | <u>2,773,709</u> | <u>618,366</u> | <u>88,440</u> | <u>54,090</u> | <u>(9,648)</u> | <u>3,524,957</u> |
| Income (loss) from continuing operations before income taxes and income related to associated companies | 409,667 | (46,535) | (66,140) | (54,090) | (3,825) | 239,077 |
| Income related to associated companies | — | 57,023 | — | — | — | 57,023 |
| Income (loss) from continuing operations before income taxes | <u>\$ 409,667</u> | <u>\$ 10,488</u> | <u>\$ (66,140)</u> | <u>\$ (54,090)</u> | <u>\$ (3,825)</u> | 296,100 |
| Income tax provision from continuing operations | | | | | | 19,008 |
| Income from discontinued operations, net of income tax provision | | | | | | 130,063 |
| Gain on disposal of discontinued operations, net of income tax provision | | | | | | 643,921 |
| Net income | | | | | | <u>\$1,051,076</u> |

A summary of results for the twelve months ended December 31, 2017 is as follows (in thousands):

| | Jefferies Group | Merchant Banking | Corporate | Parent Company Interest | Consolidation Adjustments | Total |
|---|--------------------|---------------------|--------------------|-------------------------------|------------------------------|-------------------|
| Net revenues | \$3,198,109 | \$ 876,180 | \$ 6,306 | \$ — | \$ (3,150) | \$4,077,445 |
| Expenses: | | | | | | |
| Compensation and benefits | 1,829,096 | 73,811 | 46,655 | — | 1,373 | 1,950,935 |
| Cost of sales | — | 280,952 | — | — | — | 280,952 |
| Floor brokerage and clearing fees | 179,478 | — | — | — | (4,972) | 174,506 |
| Interest expense | — | 42,259 | — | 58,943 | — | 101,202 |
| Depreciation and amortization | 62,668 | 44,257 | 3,470 | — | — | 110,395 |
| Selling, general and other expenses | 621,943 | 131,627 | 34,983 | — | (10,501) | 778,052 |
| Total expenses | <u>2,693,185</u> | <u>572,906</u> | <u>85,108</u> | <u>58,943</u> | <u>(14,100)</u> | <u>3,396,042</u> |
| Income (loss) from continuing operations before income taxes and loss related to associated companies | 504,924 | 303,274 | (78,802) | (58,943) | 10,950 | 681,403 |
| Loss related to associated companies | — | (74,901) | — | — | — | (74,901) |
| Income (loss) from continuing operations before income taxes | <u>\$ 504,924</u> | <u>\$ 228,373</u> | <u>\$ (78,802)</u> | <u>\$ (58,943)</u> | <u>\$ 10,950</u> | 606,502 |
| Income tax provision from continuing operations | | | | | | 642,286 |
| Income from discontinued operations, net of income tax provision | | | | | | 288,631 |
| Net income | | | | | | <u>\$ 252,847</u> |

Jefferies Financial Group Inc.
Non-GAAP Reconciliations

The following tables reconcile Jefferies Financial Group non-GAAP measures to their respective U.S. GAAP measures. Management believes such non-GAAP measures are useful to investors as they allow them to view our results through the eyes of management, while facilitating a comparison across historical periods. These measures should not be considered a substitute for, or superior to, measures prepared in accordance with U.S. GAAP.

Tangible Common Shareholders' Equity GAAP Reconciliation

Reconciliation of Jefferies Financial Group common shareholders' equity to tangible common shareholders' equity (a non-GAAP measure) (dollars in millions):

| | November 30, 2018 | December 31, 2017 |
|---|-------------------|-------------------|
| Jefferies Financial Group common shareholders' equity (GAAP) | \$ 10,061 | \$ 10,106 |
| Less: Intangible assets, net and goodwill | (1,890) | (2,463) |
| Jefferies Financial Group tangible common shareholders' equity (non-GAAP) | \$ 8,171 | \$ 7,643 |

Fully Diluted Shares Outstanding GAAP Reconciliation

Reconciliation of Jefferies Financial Group shares outstanding to fully diluted shares outstanding (a non-GAAP measure) (shares in thousands):

| | November 30, 2018 | December 31, 2017 |
|---|-------------------|-------------------|
| Jefferies Financial Group shares outstanding (GAAP) | 307,515 | 356,227 |
| Restricted stock units | 19,779 | 16,000 |
| Other | 878 | 887 |
| Jefferies Financial Group fully diluted shares outstanding (non-GAAP) | 328,172 | 373,114 |

Note: Fully diluted shares exclude shares for options, preferred shares and, at December 31, 2017, convertible debt. The convertible debt was redeemed in early 2018. Fully diluted shares include the target number of shares under the senior executive award plan.

The following financial tables provide information for the results of Jefferies Group LLC and should be read in conjunction with Jefferies Group LLC's Quarterly Report on Form 10-Q for the quarter ended August 31, 2018 and its Annual Report on Form 10-K for the year ended November 30, 2017. Amounts herein pertaining to November 30, 2018 represent a preliminary estimate as of the date of this earnings release and may be revised in Jefferies Group LLC's Annual Report on Form 10-K for the year ended November 30, 2018.

Jefferies Group LLC and Subsidiaries
Consolidated Statements of Earnings
(Amounts in Thousands)
(Unaudited)

| | Quarter Ended | | |
|--|----------------------|--------------------|----------------------|
| | November 30, 2018 | August 31, 2018 | November 30, 2017 |
| Revenues: | | | |
| Commissions and other fees | \$ 173,645 | \$ 155,539 | \$ 155,710 |
| Principal transactions | 25,713 | 143,308 | 108,065 |
| Investment banking | 504,589 | 465,326 | 528,699 |
| Asset management fees | 5,084 | 5,184 | 4,122 |
| Interest | 336,605 | 305,347 | 245,278 |
| Other | 52,307 | 13,581 | 39,625 |
| Total revenues | <u>1,097,943</u> | <u>1,088,285</u> | <u>1,081,499</u> |
| Interest expense | 335,985 | 310,670 | 258,889 |
| Net revenues | <u>761,958</u> | <u>777,615</u> | <u>822,610</u> |
| Non-interest expenses: | | | |
| Compensation and benefits | 408,504 | 428,033 | 455,469 |
| Non-compensation expenses: | | | |
| Floor brokerage and clearing fees | 53,260 | 45,745 | 41,257 |
| Underwriting costs | 16,485 | 20,528 | — |
| Technology and communications | 83,320 | 76,877 | 73,817 |
| Occupancy and equipment rental | 25,809 | 25,559 | 25,759 |
| Business development | 39,523 | 39,733 | 27,661 |
| Professional services | 38,170 | 35,316 | 31,167 |
| Other | 18,924 | 18,723 | 25,200 |
| Total non-compensation expenses | <u>275,491</u> | <u>262,481</u> | <u>224,861</u> |
| Total non-interest expenses | <u>683,995</u> | <u>690,514</u> | <u>680,330</u> |
| Earnings before income taxes | 77,963 | 87,101 | 142,280 |
| Income tax expense | 16,313 | 26,923 | 52,331 |
| Net earnings | <u>61,650</u> | <u>60,178</u> | <u>89,949</u> |
| Net earnings (loss) attributable to noncontrolling interests | 257 | (4) | 36 |
| Net earnings attributable to Jefferies Group LLC | <u>\$ 61,393</u> | <u>\$ 60,182</u> | <u>\$ 89,913</u> |
| Pretax operating margin (1) | 10.2% | 11.2% | 17.3% |
| Effective tax rate | 20.9% | 30.9% | 36.8% |

(1) The results in the quarters ended November 30, 2018 and August 31, 2018 include an increase in Investment banking revenues and a corresponding increase in Total non-compensation expenses of \$30.6 million and \$36.3 million, respectively, as a result of the new revenue standard, which was adopted on December 1, 2017 (see "Impact of Adopting Revenue Recognition Guidance" in Part I, Item 2 "Management's Discussion and Analysis" in Jefferies Group LLC's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2018).

Jefferies Group LLC and Subsidiaries
Consolidated Statements of Earnings
(Amounts in Thousands)
(Unaudited)

| | Twelve Months Ended | |
|---|----------------------|----------------------|
| | November 30, 2018 | November 30, 2017 |
| Revenues: | | |
| Commissions and other fees | \$ 635,190 | \$ 593,257 |
| Principal transactions (1) | 524,296 | 796,633 |
| Investment banking | 1,910,203 | 1,764,285 |
| Asset management fees (1) | 21,214 | 20,490 |
| Interest | 1,207,095 | 905,601 |
| Other | 131,634 | 98,316 |
| Total revenues | <u>4,429,632</u> | <u>4,178,582</u> |
| Interest expense | 1,246,256 | 980,473 |
| Net revenues | <u>3,183,376</u> | <u>3,198,109</u> |
| Non-interest expenses: | | |
| Compensation and benefits | 1,736,264 | 1,829,096 |
| Non-compensation expenses: | | |
| Floor brokerage and clearing fees | 189,068 | 179,478 |
| Underwriting costs | 64,317 | — |
| Technology and communications | 305,655 | 279,242 |
| Occupancy and equipment rental | 100,952 | 102,904 |
| Business development | 163,756 | 99,884 |
| Professional services | 139,885 | 114,711 |
| Other | 73,812 | 87,870 |
| Total non-compensation expenses | <u>1,037,445</u> | <u>864,089</u> |
| Total non-interest expenses | <u>2,773,709</u> | <u>2,693,185</u> |
| Earnings before income taxes | 409,667 | 504,924 |
| Income tax expense | 250,650 | 147,340 |
| Net earnings | <u>159,017</u> | <u>357,584</u> |
| Net earnings attributable to noncontrolling interests | 256 | 86 |
| Net earnings attributable to Jefferies Group LLC | <u>\$ 158,761</u> | <u>\$ 357,498</u> |
| Pretax operating margin (2) | 12.9% | 15.8% |
| Effective tax rate (3) | 61.2% | 29.2% |

- (1) Certain reclassifications within revenue line items have been made for the year ended November 30, 2017. Jefferies Group LLC has reorganized the presentation of its gains and losses generated from its capital invested in asset management funds managed by Jefferies Group LLC and its related parties. This was previously presented as Asset management: Investment income (loss) from investments in managed funds and is now presented within Principal transactions revenues.
- (2) The results in the year ended November 30, 2018 include an increase in Investment banking revenues and a corresponding increase in Total non-compensation expenses of \$131.8 million, as a result of the new revenue standard, which was adopted on December 1, 2017 (see "Impact of Adopting Revenue Recognition Guidance" in Part I, Item 2 "Management's Discussion and Analysis" in Jefferies Group LLC's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2018).
- (3) The effective tax rate for the year ended November 30, 2018 includes a provisional tax charge of \$165 million as a result of the Tax Act.

Jefferies Group LLC and Subsidiaries
Consolidated Adjusted Selected Financial Data
(Amounts in Thousands, Except Where Noted)
(Unaudited)

| | Twelve Months Ended November 30, 2018 | | |
|---|---------------------------------------|--------------|--------------|
| | GAAP | Adjustments | Adjusted |
| Net earnings (excluding provisional tax charge) | \$ 159,017 | \$ 165,150 | \$ 324,167 |
| Investment banking net revenues | \$ 1,913,841 | \$ (131,789) | \$ 1,782,052 |
| Investment banking net revenues - % of Net revenues (excluding impact of adopting revenue recognition guidance) | 60.1% | (1.7)% | 58.4% |

This presentation of Adjusted financial information is an unaudited non-GAAP financial measure. Adjusted financial information for Net earnings begins with information prepared in accordance with U.S. GAAP and then those results are adjusted to exclude the provisional tax charge of \$165 million related to the enactment of the Tax Act in the year ended November 30, 2018. Adjusted financial information for Investment banking net revenues begins with information prepared in accordance with U.S. GAAP and then those results are adjusted to exclude \$132 million due to the impact of adopting revenue recognition guidance in the year ended November 30, 2018. Jefferies Group LLC believes that the disclosed Adjusted measures and any adjustments thereto, when presented in conjunction with comparable U.S. GAAP measures, are useful to investors as they enable investors to evaluate Jefferies Group LLC's results excluding the impact of the provisional tax charge as a result of the enactment of the Tax Act and the impact of adopting revenue recognition guidance. These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

Jefferies Group LLC and Subsidiaries
Selected Statistical Information
(Amounts in Thousands, Except Other Data)
(Unaudited)

| | Quarter Ended | | |
|--|----------------------|--------------------|----------------------|
| | November 30, 2018 | August 31, 2018 | November 30, 2017 |
| Net Revenues by Source: | | | |
| Equities | \$ 164,086 | \$ 170,611 | \$ 181,055 |
| Fixed income | 86,826 | 139,846 | 101,169 |
| Total sales and trading | <u>250,912</u> | <u>310,457</u> | <u>282,224</u> |
| Equity | 127,942 | 139,220 | 122,424 |
| Debt | 152,335 | 138,515 | 174,484 |
| Capital markets | 280,277 | 277,735 | 296,908 |
| Advisory | 224,312 | 187,591 | 231,791 |
| Other investment banking | 17,523 | (13,732) | 12,339 |
| Total investment banking | <u>522,112</u> | <u>451,594</u> | <u>541,038</u> |
| Other | 22,448 | 4,910 | (1,065) |
| Total Capital Markets | <u>795,472</u> | <u>766,961</u> | <u>822,197</u> |
| Asset management fees | 5,084 | 5,184 | 4,122 |
| Investment return | (38,598) | 5,470 | (3,709) |
| Total Asset Management | <u>(33,514)</u> | <u>10,654</u> | <u>413</u> |
| Net Revenues | <u>\$ 761,958</u> | <u>\$ 777,615</u> | <u>\$ 822,610</u> |
| Other Data: | | | |
| Number of trading days | 63 | 65 | 63 |
| Number of trading loss days (1) | 18 | 11 | 5 |
| Average firmwide VaR (in millions) (2) | \$ 9.59 | \$ 7.53 | \$ 5.29 |

(1) The November 30, 2018 period includes two months of Jefferies Group LLC's investments in LAM, which were transferred to Jefferies Group LLC on October 1, 2018 from Jefferies Financial Group Inc.

(2) VaR estimates the potential loss in value of Jefferies Group LLC's trading positions due to adverse market movements over a one-day time horizon with a 95% confidence level. The quarter ended November 30, 2018 includes two months of Jefferies Group LLC's investments in LAM, which were transferred to Jefferies Group LLC on October 1, 2018 from Jefferies Financial Group Inc. For a further discussion of the calculation of VaR, see "Value-at-Risk" in Part II, Item 7 "Management's Discussion and Analysis" in Jefferies Group LLC's Annual Report on Form 10-K for the year ended November 30, 2017.

Jefferies Group LLC and Subsidiaries
Selected Statistical Information
(Amounts in Thousands, Except Other Data)
(Unaudited)

| | Twelve Months Ended | |
|--|----------------------|----------------------|
| | November 30, 2018 | November 30, 2017 |
| Net Revenues by Source: | | |
| Equities | \$ 665,557 | \$ 674,424 |
| Fixed income | 559,712 | 618,388 |
| Total sales and trading | <u>1,225,269</u> | <u>1,292,812</u> |
| Equity | 454,555 | 344,973 |
| Debt | 635,606 | 649,220 |
| Capital markets | 1,090,161 | 994,193 |
| Advisory | 820,042 | 770,092 |
| Other investment banking | 3,638 | 19,776 |
| Total investment banking | <u>1,913,841</u> | <u>1,784,061</u> |
| Other | 45,316 | 92,987 |
| Total Capital Markets | <u>3,184,426</u> | <u>3,169,860</u> |
| Asset management fees | 21,214 | 19,224 |
| Investment return | (22,264) | 9,025 |
| Total Asset Management | <u>(1,050)</u> | <u>28,249</u> |
| Net Revenues | <u>\$ 3,183,376</u> | <u>\$ 3,198,109</u> |
| Other Data: | | |
| Number of trading days | 252 | 252 |
| Number of trading loss days (1) | 45 | 14 |
| Average firmwide VaR (in millions) (2) | \$ 7.56 | \$ 7.79 |

(1) The November 30, 2018 period includes two months of Jefferies Group LLC's investments in LAM, which were transferred to Jefferies Group LLC on October 1, 2018 from Jefferies Financial Group Inc.

(2) VaR estimates the potential loss in value of Jefferies Group LLC's trading positions due to adverse market movements over a one-day time horizon with a 95% confidence level. The twelve months ended November 30, 2018 includes two months of Jefferies Group LLC's investments in LAM, which were transferred to Jefferies Group LLC on October 1, 2018 from Jefferies Financial Group Inc. For a further discussion of the calculation of VaR, see "Value-at-Risk" in Part II, Item 7 "Management's Discussion and Analysis" in Jefferies Group LLC's Annual Report on Form 10-K for the year ended November 30, 2017.

Jefferies Group LLC and Subsidiaries
Financial Highlights
(Amounts in Millions, Except Where Noted)
(Unaudited)

| | Quarter Ended | | |
|---|----------------------|--------------------|----------------------|
| | November 30, 2018 | August 31, 2018 | November 30, 2017 |
| Financial position: | | | |
| Total assets (1) | \$ 41,169 | \$ 40,572 | \$ 39,706 |
| Average total assets for the period (1) | \$ 49,427 | \$ 48,022 | \$ 47,058 |
| Average total assets less goodwill and intangible assets for the period (1) | \$ 47,653 | \$ 46,189 | \$ 45,215 |
| Cash and cash equivalents (1) | \$ 5,146 | \$ 4,813 | \$ 5,164 |
| Cash and cash equivalents and other sources of liquidity (1) (2) | \$ 6,604 | \$ 6,098 | \$ 6,709 |
| Cash and cash equivalents and other sources of liquidity - % total assets (1) (2) | 16.0% | 15.0% | 16.9% |
| Cash and cash equivalents and other sources of liquidity - % total assets less goodwill and intangible assets (1) (2) | 16.8% | 15.7% | 17.7% |
| Financial instruments owned (1) | \$ 16,400 | \$ 15,196 | \$ 14,193 |
| Goodwill and intangible assets (1) | \$ 1,825 | \$ 1,829 | \$ 1,843 |
| Total equity (including noncontrolling interests) (1) | \$ 6,182 | \$ 5,557 | \$ 5,760 |
| Total Jefferies Group LLC member's equity (1) | \$ 6,180 | \$ 5,548 | \$ 5,759 |
| Tangible Jefferies Group LLC member's equity (1) (3) | \$ 4,355 | \$ 3,719 | \$ 3,916 |
| Level 3 financial instruments: | | | |
| Level 3 financial instruments owned (1) (4) (5) | \$ 337 | \$ 311 | \$ 328 |
| Level 3 financial instruments owned - % total assets (1) (4) | 0.8% | 0.8% | 0.8% |
| Level 3 financial instruments owned - % total financial instruments (1) (4) | 2.1% | 2.0% | 2.3% |
| Level 3 financial instruments owned - % tangible Jefferies Group LLC member's equity (1) (4) | 7.7% | 8.4% | 8.4% |
| Other data and financial ratios: | | | |
| Total long-term capital (1) (6) | \$ 11,840 | \$ 11,261 | \$ 11,162 |
| Leverage ratio (1) (7) | 6.7 | 7.3 | 6.9 |
| Tangible gross leverage ratio (1) (8) | 9.0 | 10.4 | 9.7 |
| Number of trading days | 63 | 65 | 63 |
| Number of trading loss days (5) | 18 | 11 | 5 |
| Average firmwide VaR (9) | \$ 9.59 | \$ 7.53 | \$ 5.29 |
| Number of employees, at period end | 3,596 | 3,526 | 3,450 |

Jefferies Group LLC and Subsidiaries
Financial Highlights - Footnotes

- (1) Amounts pertaining to November 30, 2018 represent a preliminary estimate as of the date of this earnings release and may be revised in Jefferies Group LLC's Annual Report on Form 10-K for the fiscal year ended November 30, 2018.
- (2) At November 30, 2018, other sources of liquidity include high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities of \$959 million, in aggregate, and \$499 million, being the estimated amount of additional secured financing that could be reasonably expected to be obtained from Jefferies Group LLC's financial instruments that are currently not pledged after considering reasonable financing haircuts. The corresponding amounts included in other sources of liquidity at August 31, 2018 were \$948 million and \$337 million, respectively, and at November 30, 2017, were \$1,031 million and \$514 million, respectively.
- (3) Tangible Jefferies Group LLC member's equity (a non-GAAP financial measure) represents total Jefferies Group LLC member's equity less goodwill and identifiable intangible assets. We believe that tangible Jefferies Group LLC member's equity is meaningful for valuation purposes, as financial companies are often measured as a multiple of tangible equity, making these ratios meaningful for investors.
- (4) Level 3 financial instruments represent those financial instruments classified as such under Accounting Standards Codification 820, accounted for at fair value and included within Financial instruments owned.
- (5) The November 30, 2018 period includes two months of Jefferies Group LLC's investments in LAM, which were transferred to Jefferies Group LLC on October 1, 2018 from Jefferies Financial Group Inc.
- (6) At November 30, 2018, August 31, 2018 and November 30, 2017, total long-term capital includes Jefferies Group LLC's long-term debt of \$5,657 million, \$5,703 million and \$5,403 million, respectively, and total equity. Long-term debt included in total long-term capital is reduced by amounts outstanding under the revolving credit facility and the amount of debt maturing in less than one year, as applicable.
- (7) Leverage ratio equals total assets divided by total equity.
- (8) Tangible gross leverage ratio (a non-GAAP financial measure) equals total assets less goodwill and identifiable intangible assets divided by tangible Jefferies Group LLC member's equity. The tangible gross leverage ratio is used by rating agencies in assessing Jefferies Group LLC's leverage ratio.
- (9) VaR estimates the potential loss in value of Jefferies Group LLC's trading positions due to adverse market movements over a one-day time horizon with a 95% confidence level. The quarter ended November 30, 2018 includes two months of Jefferies Group LLC's investments in LAM, which were transferred to Jefferies Group LLC on October 1, 2018 from Jefferies Financial Group Inc. For a further discussion of the calculation of VaR, see "Value-at-Risk" in Part II, Item 7 "Management's Discussion and Analysis" in Jefferies Group LLC's Annual Report on Form 10-K for the year ended November 30, 2017.