



**FOR IMMEDIATE RELEASE**

**JEFFERIES ANNOUNCES RECORD QUARTERLY RESULTS**

**Net revenues up 42% to record \$465 million  
Net earnings up 49% to record \$68 million  
Earnings per share up 41% to record \$0.45  
Investment banking up 81% to record \$223 million**

New York, July 17, 2007 – Jefferies Group, Inc. (NYSE: JEF) today announced financial results for the second quarter ended June 30, 2007.

Highlights for the second quarter ended June 30, 2007:

- Net revenues were up 42% to a record \$465.5 million, versus \$327.3 million for the second quarter of 2006.
- Net earnings were up 49% to a record \$67.8 million, compared to \$45.6 million for the second quarter of 2006.
- Earnings per share (diluted) were up 41% to a record \$0.45, compared to \$0.32 for the second quarter of 2006.
- Investment banking revenues were up 81% to a record \$223.1 million, compared to \$122.9 million for the second quarter of 2006.

“We would like to thank our loyal clients and our 2,313 employee-partners because they are the ones directly responsible for our best quarter in Jefferies’ 45-year history,” commented Richard B. Handler, Chairman and CEO of Jefferies.

“We are pleased with the integration, breadth and depth of our expanded investment banking platform, as well as our overall strong trading results. We look forward to building on our solid foundation,” added Brian P. Friedman, Chairman of the Executive Committee of Jefferies.

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## Conference Call

A conference call with management discussion of financial results for the second quarter ended June 30, 2007 will be held July 17 at 9:00 AM Eastern and can be accessed at 706-634-9290. A replay of the call will also be available at 402-977-9140 (code: 21343379). A live audio webcast and delayed replay will also be available at [www.jefferies.com](http://www.jefferies.com). Questions for consideration by management can be submitted by 8:30 AM Eastern on July 17 through the "Contact Us" function at [www.jefferies.com](http://www.jefferies.com) or by calling 203-708-5975.

## About Jefferies

Jefferies, a global investment bank and institutional securities firm, has served growing and mid-sized companies and their investors for 45 years. Headquartered in New York, with more than 25 offices around the world, Jefferies provides clients with capital markets and financial advisory services, institutional brokerage, securities research and asset management. The firm is a leading provider of trade execution in equity, high yield, convertible and international securities for institutional investors and high net worth individuals. Jefferies & Company, Inc. is the principal operating subsidiary of Jefferies Group, Inc. (NYSE: JEF; [www.jefferies.com](http://www.jefferies.com)).

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-- 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 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues:				
Commissions	\$83,094	\$71,634	\$160,126	\$140,636
Principal transactions	129,030	94,124	273,479	254,104
Investment banking	223,093	122,932	393,208	250,666
Asset management fees and investment income from managed funds	13,384	22,527	35,869	63,349
Interest	310,739	138,851	511,901	252,611
Other	7,005	7,051	15,046	19,830
Total revenues	<u>766,345</u>	<u>457,119</u>	<u>1,389,629</u>	<u>981,196</u>
Interest expense	<u>300,885</u>	<u>129,776</u>	<u>505,360</u>	<u>238,439</u>
Revenues, net of interest expense	<u>465,460</u>	<u>327,343</u>	<u>884,269</u>	<u>742,757</u>
Non-interest expenses:				
Compensation and benefits	251,602	176,675	479,268	409,409
Floor brokerage and clearing fees	16,527	16,934	31,109	30,867
Technology and communications	23,703	19,128	45,860	38,373
Occupancy and equipment rental	17,864	13,399	36,035	28,571
Business development	12,080	10,801	25,189	23,404
Other	15,293	9,691	34,924	34,011
Total non-interest expenses	<u>337,069</u>	<u>246,628</u>	<u>652,385</u>	<u>564,635</u>
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle, net	128,391	80,715	231,884	178,122
Income taxes	<u>45,046</u>	<u>31,357</u>	<u>85,704</u>	<u>69,789</u>
Earnings before minority interest and cumulative effect of change in accounting principle, net	83,345	49,358	146,180	108,333
Minority interest in earnings of consolidated subsidiaries, net	<u>15,510</u>	<u>3,778</u>	<u>16,086</u>	<u>5,912</u>
Earnings before cumulative effect of change in accounting principle, net	67,835	45,580	130,094	102,421
Cumulative effect of change in accounting principle, net	-	-	-	1,606
Net earnings	<u>\$67,835</u>	<u>\$45,580</u>	<u>\$130,094</u>	<u>\$104,027</u>
Earnings per share:				
Basic-				
Earnings before cumulative effect of change in accounting principle, net	\$0.48	\$0.34	\$0.92	\$0.78
Cumulative effect of change in accounting principle, net	-	-	-	0.01
Net Earnings	<u>\$0.48</u>	<u>\$0.34</u>	<u>\$0.92</u>	<u>\$0.79</u>
Diluted-				
Earnings before cumulative effect of change in accounting principle, net	\$0.45	\$0.32	\$0.86	\$0.72
Cumulative effect of change in accounting principle, net	-	-	-	0.01
Net Earnings	<u>\$0.45</u>	<u>\$0.32</u>	<u>\$0.86</u>	<u>\$0.73</u>
Weighted average shares:				
Basic	142,092	133,621	141,498	131,993
Diluted	154,301	147,605	153,183	145,287
Effective Tax Rate	35.1%	38.8%	37.0%	39.2%

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

	Quarters ended					
	6/30/2007	3/31/2007	12/31/2006	9/30/2006	6/30/2006	3/31/2006
<b>Statement of Earnings</b>						
Revenues, net of interest expense	\$465,460	\$418,809	\$374,235	\$340,610	\$327,343	\$415,414
Non-interest expenses:						
Compensation and benefits	251,602	227,666	197,425	184,421	176,675	232,734
Non-personnel expenses	85,467	87,650	82,615	79,852	69,953	85,273
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle, net	128,391	103,493	94,195	76,337	80,715	97,407
Income taxes	45,046	40,658	38,018	29,734	31,357	38,432
Earnings before minority interest and cumulative effect of change in accounting principle, net	83,345	62,835	56,177	46,603	49,358	58,975
Minority interest in earnings of consolidated subsidiaries, net	15,510	576	394	663	3,778	2,134
Earnings before cumulative effect of change in accounting principle, net	67,835	62,259	55,783	45,940	45,580	56,841
Cumulative effect of change in accounting principle, net	-	-	-	-	-	1,606
Net earnings	\$67,835	\$62,259	\$55,783	\$45,940	\$45,580	\$58,447
Diluted earnings per share	\$0.45	\$0.42	\$0.38	\$0.32	\$0.32	\$0.41
<b>Financial Ratios</b>						
Pretax operating margin	27.6%	24.7%	25.2%	22.4%	24.7%	23.4%
Compensation and benefits / net revenues	54.1%	54.4%	52.8%	54.1%	54.0%	56.0%
Effective tax rate	35.1%	39.3%	40.4%	39.0%	38.8%	39.5%

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

	Quarters ended					
	6/30/2007	3/31/2007	12/31/2006	9/30/2006	6/30/2006	3/31/2006
<b>Revenues by Source</b>						
Equities	\$144,563	\$173,057	\$151,974	\$112,635	\$101,173	\$173,109
Fixed Income & Commodities	74,566	56,465	42,942	62,059	71,636	68,652
Total	219,129	229,522	194,916	174,694	172,809	241,761
Investment banking	223,093	170,115	145,167	144,763	122,932	127,734
Asset management fees and investment income from managed funds:						
Asset management fees	7,294	9,451	14,190	6,345	8,918	26,009
Investment income from managed funds	6,090	13,034	15,228	10,438	13,609	14,813
Total	13,384	22,485	29,418	16,783	22,527	40,822
Interest	310,739	201,162	143,847	132,424	138,851	113,760
Total revenues	<b>\$766,345</b>	<b>\$623,284</b>	<b>\$513,348</b>	<b>\$468,664</b>	<b>\$457,119</b>	<b>\$524,077</b>
<b>Other Data</b>						
Number of trading days	63	61	63	63	63	62
Average employees	2,319	2,265	2,239	2,212	2,078	2,030
Common shares outstanding	125,740	124,238	119,547	118,876	118,540	118,502
Weighted average shares:						
Basic	142,092	140,897	136,438	135,140	133,621	130,358
Diluted	154,301	152,058	150,599	148,908	147,605	142,942

As of June 30, 2007, stockholders' equity amounted to \$1.8 billion, resulting in book value of \$14.22 per share.