



**FOR IMMEDIATE RELEASE**

**JEFFERIES ANNOUNCES THIRD QUARTER RESULTS**

**Net revenues of \$334 million  
Net earnings of \$39 million  
Earnings per share of \$0.26  
Investment banking of \$190 million**

New York, October 16, 2007 – Jefferies Group, Inc. (NYSE: JEF) today announced financial results for the third quarter ended September 30, 2007.

Highlights for the third quarter ended September 30, 2007:

- Net revenues were down 2% to \$334.4 million, versus \$340.6 million for the third quarter of 2006.
- Net earnings were down 16% to \$38.8 million, compared to \$45.9 million for the third quarter of 2006.
- Earnings per share (diluted) were down 19% to \$0.26, compared to \$0.32 for the third quarter of 2006.
- Investment banking revenues were up 31% to \$189.8 million, compared to \$144.8 million for the third quarter of 2006.

“We are pleased that the challenging third quarter is behind us,” commented Richard B. Handler, Chairman and Chief Executive Officer of Jefferies. “The fact that our net revenues and net earnings for the quarter were each merely \$7 million below last year's comparable period results is a testament to the hard work of our 2,513 employee partners, our diversified business model, our conservative balance sheet and the loyalty of our client base.”

Brian P. Friedman, Executive Committee Chairman, added, “Our investment banking revenues totaled \$190, million which represents our second best quarterly total ever. We are pleased with these results given the difficult market environment which made the normally slow summer months even more challenging.”

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## Conference Call

A conference call with management discussion of financial results for the third quarter ended September 30, 2007 will be held October 16<sup>th</sup> at 9:00 AM (Eastern) and can be accessed at 706-634-9290. A one-week replay of the call will also be available at 402-977-9140 (reservation code: 21352607). A live audio webcast and delayed replay can be accessed at [www.jefferies.com](http://www.jefferies.com). Questions for consideration by management can be submitted by 8:30 AM Eastern on October 16 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)). Jefferies International Limited is a UK-incorporated, wholly owned subsidiary of Jefferies Group, Inc.

Contact:        Joseph A. Schenk, CFO  
                      (212) 284-2338

-- 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	
	<u>Sept. 30, 2007</u>	<u>Sept. 30, 2006</u>	<u>Sept. 30, 2007</u>	<u>Sept. 30, 2006</u>
Revenues:				
Commissions	\$95,652	\$67,953	\$255,778	\$208,589
Principal transactions	47,325	98,984	320,804	353,088
Investment banking	189,780	144,763	582,988	395,429
Asset management fees and investment income from managed funds	(6,283)	16,783	29,586	80,132
Interest	334,056	132,424	845,957	385,035
Other	6,434	7,757	21,480	27,587
Total revenues	<u>666,964</u>	<u>468,664</u>	<u>2,056,593</u>	<u>1,449,860</u>
Interest expense	<u>332,540</u>	<u>128,054</u>	<u>837,900</u>	<u>366,493</u>
Revenues, net of interest expense	<u>334,424</u>	<u>340,610</u>	<u>1,218,693</u>	<u>1,083,367</u>
Non-interest expenses:				
Compensation and benefits	183,503	184,421	662,771	593,830
Floor brokerage and clearing fees	19,155	15,496	50,264	46,363
Technology and communications	26,120	21,490	71,980	59,863
Occupancy and equipment rental	20,280	15,819	56,315	44,390
Business development	13,791	12,653	38,980	36,057
Other	16,254	14,394	51,178	48,405
Total non-interest expenses	<u>279,103</u>	<u>264,273</u>	<u>931,488</u>	<u>828,908</u>
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle, net	55,321	76,337	287,205	254,459
Income taxes	<u>21,608</u>	<u>29,734</u>	<u>107,312</u>	<u>99,523</u>
Earnings before minority interest and cumulative effect of change in accounting principle, net	33,713	46,603	179,893	154,936
Minority interest in earnings of consolidated subsidiaries, net	<u>(5,060)</u>	<u>663</u>	<u>11,026</u>	<u>6,575</u>
Earnings before cumulative effect of change in accounting principle, net	38,773	45,940	168,867	148,361
Cumulative effect of change in accounting principle, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,606</u>
Net earnings	<u>\$38,773</u>	<u>\$45,940</u>	<u>\$168,867</u>	<u>\$149,967</u>
Earnings per share:				
Basic-				
Earnings before cumulative effect of change in accounting principle, net	\$0.27	\$0.34	\$1.19	\$1.12
Cumulative effect of change in accounting principle, net	-	-	-	0.01
Net Earnings	<u>\$0.27</u>	<u>\$0.34</u>	<u>\$1.19</u>	<u>\$1.13</u>
Diluted-				
Earnings before cumulative effect of change in accounting principle, net	\$0.26	\$0.32	\$1.12	\$1.03
Cumulative effect of change in accounting principle, net	-	-	-	0.01
Net Earnings	<u>\$0.26</u>	<u>\$0.32</u>	<u>\$1.12</u>	<u>\$1.04</u>
Weighted average shares:				
Basic	142,822	135,140	141,905	133,048
Diluted	155,480	148,908	153,911	146,502
Effective Tax Rate	39.1%	39.0%	37.4%	39.1%

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

	Quarters ended					
	9/30/2007	6/30/2007	3/31/2007	12/31/2006	9/30/2006	6/30/2006
<b>Statement of Earnings</b>						
Revenues, net of interest expense	\$334,424	\$465,460	\$418,809	\$374,235	\$340,610	\$327,343
Non-interest expenses:						
Compensation and benefits	183,503	251,602	227,666	197,425	184,421	176,675
Non-personnel expenses	95,600	85,467	87,650	82,615	79,852	69,953
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle, net	55,321	128,391	103,493	94,195	76,337	80,715
Income taxes	21,608	45,046	40,658	38,018	29,734	31,357
Earnings before minority interest and cumulative effect of change in accounting principle, net	33,713	83,345	62,835	56,177	46,603	49,358
Minority interest in earnings of consolidated subsidiaries, net	(5,060)	15,510	576	394	663	3,778
Net earnings	\$38,773	\$67,835	\$62,259	\$55,783	\$45,940	\$45,580
Diluted earnings per share	\$0.26	\$0.45	\$0.42	\$0.38	\$0.32	\$0.32
<b>Financial Ratios</b>						
Pretax operating margin	16.5%	27.6%	24.7%	25.2%	22.4%	24.7%
Compensation and benefits / net revenues	54.9%	54.1%	54.4%	52.8%	54.1%	54.0%
Effective tax rate	39.1%	35.1%	39.3%	40.4%	39.0%	38.8%

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

	Quarters ended					
	9/30/2007	6/30/2007	3/31/2007	12/31/2006	9/30/2006	6/30/2006
<b>Revenues by Source</b>						
Equities	\$140,296	\$144,563	\$173,057	\$151,974	\$112,635	\$101,173
Fixed Income & Commodities						
Fixed Income (excluding high yield)						
and Commodities	16,502	40,443	46,128	32,964	50,871	28,227
High Yield	(7,387)	34,123	10,337	9,978	11,188	43,409
Fixed Income & Commodities Total	9,115	74,566	56,465	42,942	62,059	71,636
 Total	 149,411	 219,129	 229,522	 194,916	 174,694	 172,809
Investment banking	189,780	223,093	170,115	145,167	144,763	122,932
Asset management fees and investment income from managed funds:						
Asset management fees	5,369	7,294	9,451	14,190	6,345	8,918
Investment income from managed funds	(11,652)	6,090	13,034	15,228	10,438	13,609
Total	(6,283)	13,384	22,485	29,418	16,783	22,527
Interest	334,056	310,739	201,162	143,847	132,424	138,851
Total revenues	<b>\$666,964</b>	<b>\$766,345</b>	<b>\$623,284</b>	<b>\$513,348</b>	<b>\$468,664</b>	<b>\$457,119</b>
 <b>Other Data</b>						
Number of trading days	63	63	61	63	63	63
Average employees	2,472	2,319	2,265	2,239	2,212	2,078
Common shares outstanding	125,657	125,740	124,238	119,547	118,876	118,540
Weighted average shares:						
Basic	142,822	142,092	140,897	136,438	135,140	133,621
Diluted	155,480	154,301	152,058	150,599	148,908	147,605

As of September 30, 2007, stockholders' equity amounted to \$1.8 billion, resulting in book value of \$14.58 per share