



FOR IMMEDIATE RELEASE

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**JEFFERIES ANNOUNCES SECOND BEST QUARTERLY RESULTS EVER
AND SEVENTH CONSECUTIVE RECORD ANNUAL RESULTS**

**Net revenues up 9% to \$374 million
Net earnings up 19% to \$56 million
Earnings per share up 12% to \$0.38**

NEW YORK, January 18, 2007 -- Jefferies Group, Inc. (NYSE: JEF) today announced financial results for the fourth quarter ended December 31, 2006.

Highlights for the record fourth quarter ended December 31, 2006:

- Net revenues were up 9% to \$374.2 million, versus \$342.9 million for the fourth quarter of 2005.
- Net earnings were up 19% to \$55.8 million, compared to \$46.7 million for the fourth quarter of 2005.
- Fully Diluted EPS were up 12% to \$0.38, compared to \$0.34 for the fourth quarter of 2005.

Highlights for the record year ended December 31, 2006:

- Net revenues were up 21% to a record \$1.5 billion, versus \$1.2 billion for 2005.
- Net earnings were up 31% to a record \$205.8 million, compared to \$157.4 million for 2005.
- Fully Diluted EPS were up 22% to a record \$1.42, compared to \$1.16 for 2005.

"We are proud of our 2,257 employee-partners who enabled our firm to provide record annual results across the board in Sales and Trading, Investment Banking, and Asset Management," commented Richard B. Handler, Chairman and Chief Executive Officer of Jefferies. "2006 was a year of significant investment for Jefferies in all of our businesses. The fact that we were able to achieve these record results while investing so heavily for the future of our firm reflects the quality of our employee-partners and the loyalty of our clients."

"Jefferies has never had a stronger capital base, a more diversified business platform, or a more qualified group of employee-owners," added Brian P. Friedman, Chairman, Executive Committee, Jefferies. "After seven consecutive years of growth and record financial performance, we are excited for the future as we look to further serve growing and mid-sized companies and their investors."

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Conference Call

A conference call with management discussion of financial results for the fourth quarter ended December 31, 2006 will be held January 18 at 9:00 AM Eastern and can be accessed at (706) 634-9290 (no code necessary). A replay of the call will be available approximately two hours post-call at (402) 977-9140 (reservation number: 21322716). A live audio webcast and delayed replay will also be available under "Investor Relations" at www.jefferies.com. Questions for consideration by management can be submitted in advance through the "Contact Us" function at www.jefferies.com or by calling 203-708-5975 by 8:30 AM Eastern on January 18.

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 30 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).

-- 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, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Revenues:				
Commissions	\$ 72,092	\$ 61,639	\$ 280,681	\$ 246,943
Principal transactions	114,914	87,602	468,002	349,489
Investment banking	145,167	167,497	540,596	495,014
Asset management fees and investment income from managed funds	29,418	18,667	109,550	82,052
Interest	143,847	91,315	528,882	304,053
Other	7,910	5,013	35,497	20,322
Total revenues	<u>513,348</u>	<u>431,733</u>	<u>1,963,208</u>	<u>1,497,873</u>
Interest expense	139,113	88,881	505,606	293,173
Revenues, net of interest expense	<u>374,235</u>	<u>342,852</u>	<u>1,457,602</u>	<u>1,204,700</u>
Non-interest expenses:				
Compensation and benefits	197,425	188,933	791,255	669,957
Floor brokerage and clearing fees	16,201	11,294	62,564	46,644
Technology and communications	20,977	17,613	80,840	67,666
Occupancy and equipment rental	15,402	14,188	59,792	47,040
Business development	12,577	14,814	48,634	42,512
Other	17,458	17,623	65,863	62,474
Total non-interest expenses	<u>280,040</u>	<u>264,465</u>	<u>1,108,948</u>	<u>936,293</u>
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	94,195	78,387	348,654	268,407
Income taxes	38,018	30,880	137,541	104,089
Earnings before minority interest and cumulative effect of change in accounting principle	56,177	47,507	211,113	164,318
Minority interest in earnings of consolidated subsidiaries, net	394	768	6,969	6,875
Earnings before cumulative effect of change in accounting principle, net	55,783	46,739	204,144	157,443
Cumulative effect of change in accounting principle	—	—	1,606	—
Net earnings	<u>\$ 55,783</u>	<u>\$ 46,739</u>	<u>\$ 205,750</u>	<u>\$ 157,443</u>
Earnings per share:				
Basic-				
Earnings before cumulative effect of change in accounting principle, net	\$ 0.41	\$ 0.37	\$ 1.53	\$ 1.27
Cumulative effect of change in accounting principle	—	—	0.01	—
Net earnings	<u>\$ 0.41</u>	<u>\$ 0.37</u>	<u>\$ 1.54</u>	<u>\$ 1.27</u>
Diluted-				
Earnings before cumulative effect of change in accounting principle, net	\$ 0.38	\$ 0.34	\$ 1.41	\$ 1.16
Cumulative effect of change in accounting principle	—	—	0.01	—
Net earnings	<u>\$ 0.38</u>	<u>\$ 0.34</u>	<u>\$ 1.42</u>	<u>\$ 1.16</u>
Weighted average shares:				
Basic	136,438	125,971	133,898	123,646
Diluted	150,599	137,959	147,531	135,569
Effective Tax Rate	40.4%	39.4%	39.4%	38.8%

* All share and per share information has been restated to retroactively reflect the effect of the two-for-one stock split effected as a stock dividend on May 15, 2006.

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

	Quarters ended					
	12/31/2006	9/30/2006	6/30/2006	3/31/2006	12/31/2005	9/30/2005
Statement of Earnings						
Revenues, net of interest expense	\$374,235	\$340,610	\$327,343	\$415,414	\$342,852	\$299,280
Non-interest expenses:						
Compensation and benefits	197,425	184,421	176,675	232,734	188,933	167,033
Non-personnel expenses	82,615	79,852	69,953	85,273	75,532	64,710
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	94,195	76,337	80,715	97,407	78,387	67,537
Income taxes	38,018	29,734	31,357	38,432	30,880	26,143
Earnings before minority interest and cumulative effect of change in accounting principle	56,177	46,603	49,358	58,975	47,507	41,394
Minority interest in earnings of consolidated subsidiaries, net	394	663	3,778	2,134	768	2,799
Earnings before cumulative effect of change in accounting principle	55,783	45,940	45,580	56,841	46,739	38,595
Cumulative effect of change in accounting principle	—	—	—	1,606	—	—
Net earnings	\$55,783	\$45,940	\$45,580	\$58,447	\$46,739	\$38,595
Diluted earnings per share	\$0.38	\$0.32	\$0.32	\$0.41	\$0.34	\$0.28
Financial Ratios						
Pretax operating margin	25.2%	22.4%	24.7%	23.4%	22.9%	22.6%
Compensation and benefits / net revenues	52.8%	54.1%	54.0%	56.0%	55.1%	55.8%
Effective tax rate	40.4%	39.0%	38.8%	39.5%	39.4%	38.7%

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

	Quarters ended					
	12/31/2006	9/30/2006	6/30/2006	3/31/2006	12/31/2005	9/30/2005
Revenues by Source						
Equities	\$151,974	\$112,635	\$101,173	\$173,109	\$111,806	\$118,990
Fixed Income & Commodities	42,942	62,059	71,636	68,652	42,448	48,404
Investment banking	145,167	144,763	122,932	127,734	167,497	107,556
Asset management fees and investment income from managed funds:						
Asset management fees	14,190	6,345	8,918	26,009	8,215	14,239
Investment income from managed funds	15,228	10,438	13,609	14,813	10,452	7,428
Total	29,418	16,783	22,527	40,822	18,667	21,667
Interest	143,847	132,424	138,851	113,760	91,315	81,467
Total revenues	\$513,348	\$468,664	\$457,119	\$524,077	\$431,733	\$378,084

Other Data

Number of trading days	63	63	63	62	63	64
Average employees	2,239	2,212	2,078	2,030	2,013	2,001
Common shares outstanding	119,547	118,876	118,540	118,502	116,221	116,166
Weighted average shares:						
Basic	136,438	135,140	133,621	130,358	125,971	124,447
Diluted	150,599	148,908	147,605	142,942	137,959	136,225

As of December 31, 2006, stockholders' equity amounted to \$1.6 billion, resulting in book value of \$13.23 per share.
