



FOR IMMEDIATE RELEASE

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**JEFFERIES GROUP ANNOUNCES SECOND QUARTER AND
ALL-TIME RECORD FIRST HALF RESULTS**

**Net revenues up 18% to \$327 million
Net earnings up 29% to \$46 million
Earnings per share up 23% to \$0.32**

NEW YORK, July 18, 2006 -- Jefferies Group, Inc. (NYSE: JEF) today announced quarterly financial results for the quarter ended June 30, 2006.

Highlights for the second quarter ended June 30, 2006:

- Total revenues were up 33% to \$457.1 million versus \$344.2 million for the second quarter of 2005.
- Net revenues were up 18% to \$327.3 million versus \$276.6 million for the second quarter of 2005.
- Net earnings were up 29% to \$45.6 million compared to \$35.4 million for the second quarter of 2005.
- Earnings per share (diluted) were up 23% to \$0.32 compared to \$0.26 for the second quarter of 2005.
- Investment banking revenues were up 20% to \$122.9 million versus \$102.5 million for the second quarter of 2005.
- Total trading revenues were up 16% to \$165.8 million versus \$143.0 million for the second quarter of 2005.

Highlights for the first six months ended June 30, 2006:

- Total revenues were up 43% to a record \$981.2 million versus \$688.1 million for the first half of 2005.
- Net revenues were up 32% to a record \$742.8 million versus \$562.6 million for the first half of 2005.
- Net earnings were up 44% to a record \$104.0 million compared to \$72.1 million for the first half of 2005.
- Earnings per share (diluted) were up 35% to a record \$0.73 compared to \$0.54 for the first half of 2005. (This increase in earnings per share included \$0.01 related to the cumulative effect of a change in accounting principle, net of tax.)
- Investment banking revenues were up 14% to \$250.7 million versus \$220.0 million for the first half of 2005.
- Total trading revenues were up 39% to \$394.7 million versus \$284.6 million for the first half of 2005.

"We are pleased with our solid results for the second quarter given the unfavorable market conditions that dominated the last two months of the quarter," commented Richard B. Handler, Chairman and Chief Executive Officer of Jefferies. "We continue to appreciate the hard work of our 2,078 employee partners and the continued support of our loyal clients."

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Conference Call

A conference call with management discussion of financial results for the second quarter ended June 30, 2006 will be held July 18 at 9:00 AM eastern and can be accessed at 617-801-9714 (code: 94439838). A replay of the call will be available approximately two hours post-call at 617-801-6888 (code: 18328938). 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 8:45 AM Eastern on July 18.

About Jefferies

Jefferies, a global investment bank and institutional securities firm, has served growing and mid-sized companies and their investors for over 40 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).

-- 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, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Revenues:				
Commissions	\$ 71,634	\$ 58,239	\$ 140,636	\$ 127,147
Principal transactions	94,124	84,774	254,104	157,472
Investment banking	122,932	102,519	250,666	219,961
Asset management fees and investment income from managed funds	22,527	20,434	63,349	41,718
Interest	138,851	71,420	252,611	131,271
Other	7,051	6,777	19,830	10,487
Total revenues	457,119	344,163	981,196	688,056
Interest expense	129,776	67,605	238,439	125,488
Revenues, net of interest expense	327,343	276,558	742,757	562,568
Non-interest expenses:				
Compensation and benefits	176,675	152,003	409,409	313,991
Floor brokerage and clearing fees	16,934	12,096	30,867	24,291
Technology and communications	19,128	17,617	38,373	33,621
Occupancy and equipment rental	13,399	11,083	28,571	21,916
Business development	10,801	9,413	23,404	18,047
Other	9,691	14,036	34,011	28,219
Total non-interest expenses	246,628	216,248	564,635	440,085
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle				
	80,715	60,310	178,122	122,483
Income taxes	31,357	23,621	69,789	47,066
Earnings before minority interest and cumulative effect of change in accounting principle				
	49,358	36,689	108,333	75,417
Minority interest in earnings of consolidated subsidiaries, net	3,778	1,252	5,912	3,308
Earnings before cumulative effect of change in accounting principle, net				
	45,580	35,437	102,421	72,109
Cumulative effect of change in accounting principle	—	—	1,606	—
Net earnings	\$ 45,580	\$ 35,437	\$ 104,027	\$ 72,109
Earnings per share:				
Basic-				
Earnings before cumulative effect of change in accounting principle, net	\$ 0.34	\$ 0.29	\$ 0.78	\$ 0.59
Cumulative effect of change in accounting principle	—	—	0.01	—
Net earnings	\$ 0.34	\$ 0.29	\$ 0.79	\$ 0.59
Diluted-				
Earnings before cumulative effect of change in accounting principle, net	\$ 0.32	\$ 0.26	\$ 0.72	\$ 0.54
Cumulative effect of change in accounting principle	—	—	0.01	—
Net earnings	\$ 0.32	\$ 0.26	\$ 0.73	\$ 0.54
Weighted average shares:				
Basic	133,621	122,937	131,993	122,072
Diluted	147,605	134,844	145,287	133,990
Effective Tax Rate	38.8%	39.2%	39.2%	38.4%

* 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					
	6/30/2006	3/31/2006	12/31/2005	9/30/2005	6/30/2005	3/31/2005
Statement of Earnings						
Revenues, net of interest expense	\$327,343	\$415,414	\$342,852	\$299,280	\$276,558	\$286,010
Non-interest expenses:						
Compensation and benefits	176,675	232,734	188,933	167,033	152,003	161,988
Non-personnel expenses	69,953	85,273	75,532	64,710	64,245	61,849
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	80,715	97,407	78,387	67,537	60,310	62,173
Income taxes	31,357	38,432	30,880	26,143	23,621	23,445
Earnings before minority interest and cumulative effect of change in accounting principle	49,358	58,975	47,507	41,394	36,689	38,728
Minority interest in earnings of consolidated subsidiaries, net	3,778	2,134	768	2,799	1,252	2,056
Earnings before cumulative effect of change in accounting principle	45,580	56,841	46,739	38,595	35,437	36,672
Cumulative effect of change in accounting principle	—	1,606	—	—	—	—
Net earnings	\$45,580	\$58,447	\$46,739	\$38,595	\$35,437	\$36,672
Diluted earnings per share	\$0.32	\$0.41	\$0.34	\$0.28	\$0.26	\$0.28
Financial Ratios						
Pretax operating margin	24.7%	23.4%	22.9%	22.6%	21.8%	21.7%
Compensation and benefits / net revenues	54.0%	56.0%	55.1%	55.8%	55.0%	56.6%
Effective tax rate	38.8%	39.5%	39.4%	38.7%	39.2%	37.7%

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

	Quarters ended					
	6/30/2006	3/31/2006	12/31/2005	9/30/2005	6/30/2005	3/31/2005
Revenues by Source						
Equities	\$101,173	\$173,109	\$111,806	\$118,990	\$104,621	\$102,663
Fixed Income & Commodities	71,636	68,652	42,448	48,404	45,169	42,653
Total	172,809	241,761	154,254	167,394	149,790	145,316
Investment banking	122,932	127,734	167,497	107,556	102,519	117,442
Asset management fees and investment income from managed funds:						
Asset management fees	8,918	26,009	8,215	14,239	13,580	14,909
Investment income from managed funds	13,609	14,813	10,452	7,428	6,854	6,375
Total	22,527	40,822	18,667	21,667	20,434	21,284
Interest	138,851	113,760	91,315	81,467	71,420	59,851
Total revenues	\$457,119	\$524,077	\$431,733	\$378,084	\$344,163	\$343,893
Other Data						
Number of trading days	63	62	63	64	64	61
Average employees	2,078	2,030	2,013	2,001	1,916	1,817
Common shares outstanding	118,540	118,502	116,221	116,166	115,517	116,180
Weighted average shares:						
Basic	133,621	130,358	125,971	124,447	122,937	121,139
Diluted	147,605	142,942	137,959	136,225	134,844	131,994

As of June 30, 2006, stockholders' equity amounted to \$1.4 billion, resulting in book value of \$12.10 per share.
