



FOR IMMEDIATE RELEASE

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**JEFFERIES GROUP ANNOUNCES FINANCIAL RESULTS FOR
THIRD QUARTER AND FIRST NINE MONTHS**

Net revenues up 14% to \$341 million
Net earnings up 19% to \$46 million
Earnings per share up 14% to \$0.32

NEW YORK, October 17, 2006 -- Jefferies Group, Inc. (NYSE: JEF) today announced financial results for the third quarter ended September 30, 2006.

Highlights for our third quarter ended September 30, 2006 include:

- Net revenues were up 14% to \$340.6 million, versus \$299.3 million for the third quarter of 2005.
- Net earnings were up 19% to \$45.9 million, compared to \$38.6 million for the third quarter of 2005.
- Earnings per share (diluted) were up 14% to \$0.32, compared to \$0.28 for the third quarter of 2005.
- Investment banking revenues were up 35% to \$144.8 million, versus \$107.6 million for the third quarter of 2005.
- Total trading revenues were up 3% to \$166.9 million, versus \$162.6 million for the third quarter of 2005.

Highlights for the nine months ended September 30, 2006 include:

- Net revenues were up 26% to a record \$1.1 billion, versus \$861.8 million for the first nine months of 2005.
- Net earnings were up 35% to a record \$150.0 million, compared to \$110.7 million for the first nine months of 2005.
- Earnings per share (diluted) were up 27% to a record \$1.04, compared to \$0.82 for the first nine months of 2005.
- Investment banking revenues were up 21% to a record \$395.4 million, versus \$327.5 million for the first nine months of 2005.
- Total trading revenues were up 26% to a record \$561.7 million, versus \$447.2 million for the first nine months of 2005.

"We thank our clients and employee-partners, who enabled us to complete the best third quarter in Jefferies history, and we look forward to doing our best in the fourth quarter as we attempt to complete our seventh consecutive record year," commented Richard B. Handler, Chairman and Chief Executive Officer of Jefferies.

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Conference Call

A conference call with management discussion of financial results for the third quarter ended September 30, 2006 will be held October 17 at 9:00 AM eastern and can be accessed at (706) 634-9290. A replay of the call will be available approximately two hours post-call at (402) 977-9140 (reservation number: 21306491). A live audio webcast and delayed replay will also be available at www.jefferies.com/3QEarnings2006. 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 October 17.

About Jefferies

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

-- 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	
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005
Revenues:				
Commissions	\$ 67,953	\$ 58,157	\$ 208,589	\$ 185,304
Principal transactions	98,984	104,415	353,088	261,887
Investment banking	144,763	107,556	395,429	327,517
Asset management fees and investment income from managed funds	16,783	21,667	80,132	63,385
Interest	132,424	81,467	385,035	212,738
Other	7,757	4,822	27,587	15,309
Total revenues	468,664	378,084	1,449,860	1,066,140
Interest expense	128,054	78,804	366,493	204,292
Revenues, net of interest expense	340,610	299,280	1,083,367	861,848
Non-interest expenses:				
Compensation and benefits	184,421	167,033	593,830	481,024
Floor brokerage and clearing fees	15,496	11,059	46,363	35,350
Technology and communications	21,490	16,432	59,863	50,053
Occupancy and equipment rental	15,819	10,936	44,390	32,852
Business development	12,653	9,651	36,057	27,698
Other	14,394	16,632	48,405	44,851
Total non-interest expenses	264,273	231,743	828,908	671,828
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	76,337	67,537	254,459	190,020
Income taxes	29,734	26,143	99,523	73,209
Earnings before minority interest and cumulative effect of change in accounting principle	46,603	41,394	154,936	116,811
Minority interest in earnings of consolidated subsidiaries, net	663	2,799	6,575	6,107
Earnings before cumulative effect of change in accounting principle, net	45,940	38,595	148,361	110,704
Cumulative effect of change in accounting principle	—	—	1,606	—
Net earnings	\$ 45,940	\$ 38,595	\$ 149,967	\$ 110,704
Earnings per share:				
Basic-				
Earnings before cumulative effect of change in accounting principle, net	\$ 0.34	\$ 0.31	\$ 1.12	\$ 0.90
Cumulative effect of change in accounting principle	—	—	0.01	—
Net earnings	\$ 0.34	\$ 0.31	\$ 1.13	\$ 0.90
Diluted-				
Earnings before cumulative effect of change in accounting principle, net	\$ 0.32	\$ 0.28	\$ 1.03	\$ 0.82
Cumulative effect of change in accounting principle	—	—	0.01	—
Net earnings	\$ 0.32	\$ 0.28	\$ 1.04	\$ 0.82
Weighted average shares:				
Basic	135,140	124,447	133,048	122,868
Diluted	148,908	136,225	146,502	134,747
Effective Tax Rate	39.0%	38.7%	39.1%	38.5%

* 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					
	9/30/2006	6/30/2006	3/31/2006	12/31/2005	9/30/2005	6/30/2005
Statement of Earnings						
Revenues, net of interest expense	\$340,610	\$327,343	\$415,414	\$342,852	\$299,280	\$276,558
Non-interest expenses:						
Compensation and benefits	184,421	176,675	232,734	188,933	167,033	152,003
Non-personnel expenses	79,852	69,953	85,273	75,532	64,710	64,245
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	76,337	80,715	97,407	78,387	67,537	60,310
Income taxes	29,734	31,357	38,432	30,880	26,143	23,621
Earnings before minority interest and cumulative effect of change in accounting principle	46,603	49,358	58,975	47,507	41,394	36,689
Minority interest in earnings of consolidated subsidiaries, net	663	3,778	2,134	768	2,799	1,252
Earnings before cumulative effect of change in accounting principle	45,940	45,580	56,841	46,739	38,595	35,437
Cumulative effect of change in accounting principle	—	—	1,606	—	—	—
Net earnings	\$45,940	\$45,580	\$58,447	\$46,739	\$38,595	\$35,437
Diluted earnings per share	\$0.32	\$0.32	\$0.41	\$0.34	\$0.28	\$0.26
Financial Ratios						
Pretax operating margin	22.4%	24.7%	23.4%	22.9%	22.6%	21.8%
Compensation and benefits / net revenues	54.1%	54.0%	56.0%	55.1%	55.8%	55.0%
Effective tax rate	39.0%	38.8%	39.5%	39.4%	38.7%	39.2%

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

	Quarters ended					
	9/30/2006	6/30/2006	3/31/2006	12/31/2005	9/30/2005	6/30/2005
Revenues by Source						
Equities	\$112,635	\$101,173	\$173,109	\$111,806	\$118,990	\$104,621
Fixed Income & Commodities	62,059	71,636	68,652	42,448	48,404	45,169
Total	174,694	172,809	241,761	154,254	167,394	149,790
Investment banking	144,763	122,932	127,734	167,497	107,556	102,519
Asset management fees and investment income from managed funds:						
Asset management fees	6,345	8,918	26,009	8,215	14,239	13,580
Investment income from managed funds	10,438	13,609	14,813	10,452	7,428	6,854
Total	16,783	22,527	40,822	18,667	21,667	20,434
Interest	132,424	138,851	113,760	91,315	81,467	71,420
Total revenues	\$468,664	\$457,119	\$524,077	\$431,733	\$378,084	\$344,163
Other Data						
Number of trading days	63	63	62	63	64	64
Average employees	2,212	2,078	2,030	2,013	2,001	1,916
Common shares outstanding	118,876	118,540	118,502	116,221	116,166	115,517
Weighted average shares:						
Basic	135,140	133,621	130,358	125,971	124,447	122,937
Diluted	148,908	147,605	142,942	137,959	136,225	134,844

As of September 30, 2006, stockholders' equity amounted to \$1.5 billion, resulting in book value of \$12.56 per share.
