



**FOR IMMEDIATE RELEASE**

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**JEFFERIES ANNOUNCES SIXTH CONSECUTIVE RECORD YEAR WITH  
ALL-TIME RECORDS FOR QUARTERLY AND ANNUAL RESULTS**

- Record \$1.5 Billion in Annual Total Revenues, \$157 Million in Annual Net Earnings, and \$2.32 in Annual EPS
- Fourth Quarter Record EPS of 68 Cents Per Share
- Investment Banking Revenues of \$167 Million for the Quarter and \$495 Million for the Year

NEW YORK, January 18, 2006 -- Jefferies Group, Inc. (NYSE: JEF) today announced record quarterly financial results for the quarter ended December 31, 2005.

Highlights for the record fourth quarter ended December 31, 2005:

- Total revenues were up 33% to a record \$431.7 million versus \$325.3 million for the fourth quarter of 2004.
- Net earnings were up 32% to a record \$46.7 million compared to \$35.4 million for the fourth quarter of 2004.
- Earnings per share (diluted) were up 24% to a record \$0.68 compared to \$0.55 for the fourth quarter of 2004.
- Investment banking revenues were up 58% to \$167.5 million versus \$105.7 million for the fourth quarter of 2004.

Highlights for the record year ended December 31, 2005:

- Total revenues were up 25% to a record \$1.5 billion versus \$1.2 billion for 2004.
- Net earnings were up 20% to a record \$157.4 million compared to \$131.4 million for 2004.
- Earnings per share (diluted) were up 13% to a record \$2.32 compared to \$2.06 for 2004.
- Investment banking revenues were up 40% to a record \$495.0 million versus \$352.8 million for 2004.

"We are proud of our company and would like to thank each of our employee-partners, clients and investors for their strong support," 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 fourth quarter and year ended December 31, 2005 will be held January 18 at 9:00 AM (Eastern) and can be accessed at 617-801-9714 (code: 58602490). A replay of the call will be available two hours post-call at 617-801-6888 (code: 68173108). A live audio webcast and delayed replay will also be available under "Investor Relations" at [www.jefferies.com](http://www.jefferies.com). Questions for consideration by management can be submitted in advance through the "Contact Us" function at [www.jefferies.com](http://www.jefferies.com) or by calling 203-708-5975 by 8:45 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 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](http://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, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Revenues:				
Commissions .....	\$ 61,639	\$ 58,513	\$ 246,943	\$ 258,838
Principal transactions .....	87,602	80,544	349,489	358,213
Investment banking .....	167,497	105,738	495,014	352,804
Asset management fees and Investment income from managed funds .....	18,667	27,154	82,052	81,184
Interest .....	91,315	49,318	304,053	134,450
Other .....	5,013	4,006	20,322	13,150
Total revenues .....	<u>431,733</u>	<u>325,273</u>	<u>1,497,873</u>	<u>1,198,639</u>
Interest expense .....	<u>88,881</u>	<u>47,188</u>	<u>293,173</u>	<u>140,394</u>
Revenues, net of interest expense .....	<u>342,852</u>	<u>278,085</u>	<u>1,204,700</u>	<u>1,058,245</u>
Non-interest expenses:				
Compensation and benefits .....	188,933	159,696	669,957	595,887
Floor brokerage and clearing fees .....	11,294	13,172	46,644	52,922
Technology and communications .....	17,613	15,923	67,666	64,555
Occupancy and equipment rental .....	14,188	10,247	47,040	39,553
Business development .....	14,814	10,477	42,512	35,006
Other .....	17,623	12,426	62,474	43,333
Total non-interest expenses .....	<u>264,465</u>	<u>221,941</u>	<u>936,293</u>	<u>831,256</u>
Earnings before income taxes and minority interest .....	78,387	56,144	268,407	226,989
Income taxes .....	30,880	19,975	104,089	83,955
Earnings before minority interest .....	47,507	36,169	164,318	143,034
Minority interest in earnings of consolidated subsidiaries, net .....	768	773	6,875	11,668
Net earnings .....	<u>\$ 46,739</u>	<u>\$ 35,396</u>	<u>\$ 157,443</u>	<u>\$ 131,366</u>
Earnings per share:				
Basic .....	<u>\$ 0.74</u>	<u>\$ 0.61</u>	<u>\$ 2.55</u>	<u>\$ 2.29</u>
Diluted .....	<u>\$ 0.68</u>	<u>\$ 0.55</u>	<u>\$ 2.32</u>	<u>\$ 2.06</u>
Weighted average shares:				
Basic .....	62,985	58,112	61,823	57,453
Diluted .....	68,979	64,744	67,784	63,908

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

	Quarters ended				
	12/31/2005	9/30/2005	6/30/2005	3/31/2005	12/31/2004
<b><u>Statement of Earnings</u></b>					
Revenues, net of interest expense.....	\$342,852	\$299,280	\$276,558	\$286,010	\$278,085
Non-interest expenses:					
Compensation and benefits.....	188,933	167,033	152,003	161,988	159,696
Non-personnel expenses.....	75,532	64,710	64,245	61,849	62,245
Earnings before income taxes and minority interest.....	78,387	67,537	60,310	62,173	56,144
Income taxes.....	30,880	26,143	23,621	23,445	19,975
Earnings before minority interest.....	47,507	41,394	36,689	38,728	36,169
Minority interest in earnings of consolidated subsidiaries, net.....	768	2,799	1,252	2,056	773
Net earnings.....	<u>\$46,739</u>	<u>\$38,595</u>	<u>\$35,437</u>	<u>\$36,672</u>	<u>\$35,396</u>
Diluted earnings per share.....	<u>\$0.68</u>	<u>\$0.57</u>	<u>\$0.53</u>	<u>\$0.56</u>	<u>\$0.55</u>
<b><u>Financial Ratios</u></b>					
Pretax operating margin .....	22.9%	22.6%	21.8%	21.7%	20.2%
Compensation and benefits / net revenues.....	55.1%	55.8%	55.0%	56.6%	57.4%
Effective tax rate .....	39.4%	38.7%	39.2%	37.7%	35.6%

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

	Quarters ended				
	12/31/2005	9/30/2005	6/30/2005	3/31/2005	12/31/2004
<b>Revenues by Source</b>					
Commissions and principal transactions:					
Equities .....	\$100,479	\$105,360	\$91,917	\$95,067	\$104,596
High yield .....	10,050	20,985	14,188	16,650	9,829
Convertibles .....	10,495	9,514	8,948	8,115	10,484
Execution .....	5,424	5,074	5,472	7,060	7,350
Bonds Direct.....	6,747	7,612	7,140	7,234	7,472
Other proprietary .....	16,046	14,027	15,348	7,480	(674)
Total.....	149,241	162,572	143,013	141,606	139,057
Investment banking.....	167,497	107,556	102,519	117,442	105,738
Asset management fees and investment income from managed funds:					
Asset management fees.....	8,215	14,239	13,580	14,909	12,472
Investment income from managed funds .....	10,452	7,428	6,854	6,375	14,682
Total.....	18,667	21,667	20,434	21,284	27,154
Interest.....	91,315	81,467	71,420	59,851	49,318
Other .....	5,013	4,822	6,777	3,710	4,006
Total revenues.....	\$431,733	\$378,084	\$344,163	\$343,893	\$325,273
<b>Other Data</b>					
Number of trading days.....	63	64	64	61	64
Average employees .....	2,013	2,001	1,916	1,817	1,750
Common shares outstanding .....	58,110	58,083	57,759	58,090	57,289
Weighted average shares:					
Basic .....	62,985	62,224	61,468	60,570	58,112
Diluted .....	68,979	68,112	67,422	65,997	64,744

As of December 31, 2005, stockholders' equity amounted to \$1.3 billion, resulting in a book value of \$22.14 per share.

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

	Quarters ended				
	12/31/2005	9/30/2005	6/30/2005	3/31/2005	12/31/2004
<b><u>Revenues by Source</u></b>					
Equities	\$122,670	\$130,211	\$113,563	\$110,292	\$133,537
Fixed Income & Commodities	31,584	37,183	36,227	35,024	9,526
<b>Total</b>	<b>154,254</b>	<b>167,394</b>	<b>149,790</b>	<b>145,316</b>	<b>143,063</b>
Investment banking	167,497	107,556	102,519	117,442	105,738
Asset management fees and investment income from managed funds:					
Asset management fees	8,215	14,239	13,580	14,909	12,472
Investment income from managed funds	10,452	7,428	6,854	6,375	14,682
<b>Total</b>	<b>18,667</b>	<b>21,667</b>	<b>20,434</b>	<b>21,284</b>	<b>27,154</b>
Interest	91,315	81,467	71,420	59,851	49,318
<b>Total revenues</b>	<b>\$431,733</b>	<b>\$378,084</b>	<b>\$344,163</b>	<b>\$343,893</b>	<b>\$325,273</b>

**Other Data**

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Average employees	2,013	2,001	1,916	1,817	1,750
Common shares outstanding	58,110	58,083	57,759	58,090	57,289
Weighted average shares:					
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Diluted	68,979	68,112	67,422	65,997	64,744

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