

Jefferies

July 31, 2006

Jefferies Group, Inc. – Our Mission

To build the leading investment bank serving growing and mid-sized companies and their investors – led by the strongest capital markets trading platform in the industry



Jefferies Today

- Delivered record operating performance year after year, including Q2 2006 net revenues up 18% over Q2 2005
- Six consecutive years of record revenues and earnings
- Dominant position in target Middle Market
- Continued diversification of earnings as a firm overall and within virtually ALL operating segments
- A significant expansion of total capital base and high liquidity
- 2,164 employee-shareholders with significant ownership of Jefferies. Human capital is our most significant investment
- Strong and liquid capital position, with over \$1.4 billion in cash and short-term investments
- Continued conservative risk profile and aggressive risk management
- Strategic partnership with MassMutual
- Access to Capital: Upgraded by S&P to BBB+ in June 2006; Rated BBB+ by Fitch in January 2006; Rated Baa1 by Moody's in January 2005

LTM June 2006 Highlights – Record Results

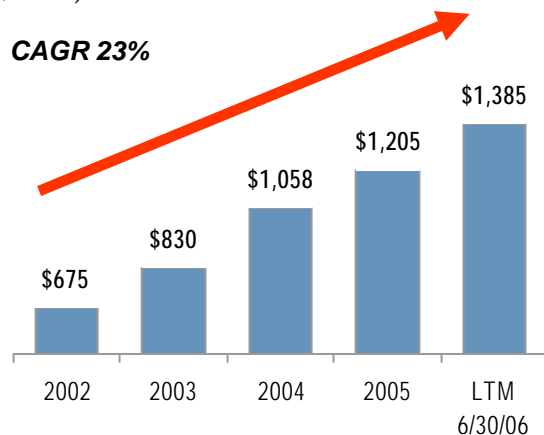
	2003	LTM 6/30/06	Improvement
Record Gross Revenues	\$927 million	\$1.8 billion	+93%
Record Net Revenues	\$830 million	\$1.4 billion	+67%
Record EBITDA ⁽¹⁾	\$257 million	\$748 million	+191%
Record Net Earnings	\$84 million	\$189 million	+125%
Record EPS	\$0.71	\$1.35	+90%
Book Value	\$838 million	\$1.4 billion	+71%
Current Market Capitalization (fully diluted) ⁽²⁾	\$2.0 billion	\$3.8 billion	+96%

Demonstrated Steady Growth

Net Revenues

(\$Millions)

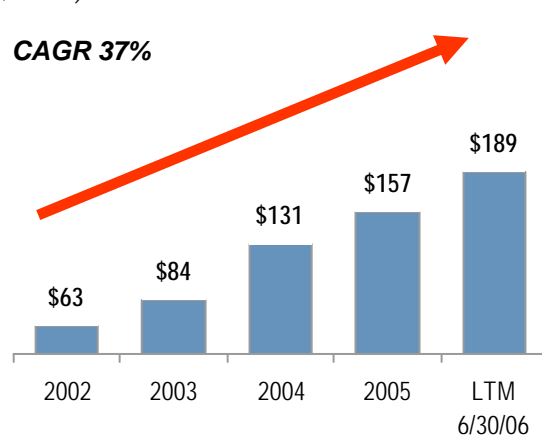
CAGR 23%



Net Earnings

(\$Millions)

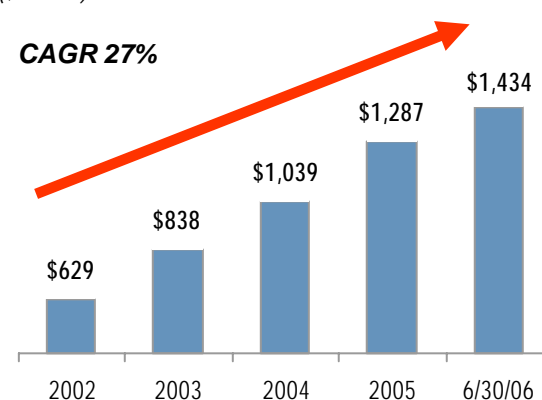
CAGR 37%



Book Value

(\$Millions)

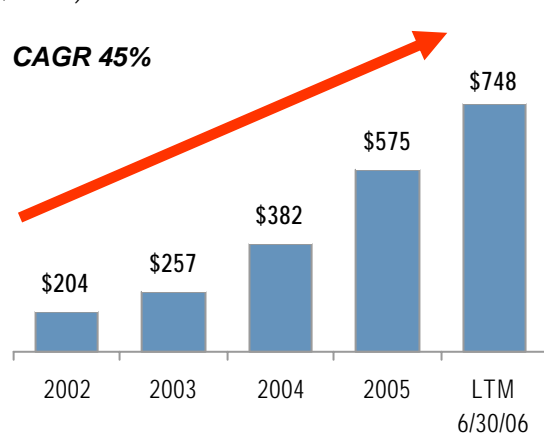
CAGR 27%



EBITDA

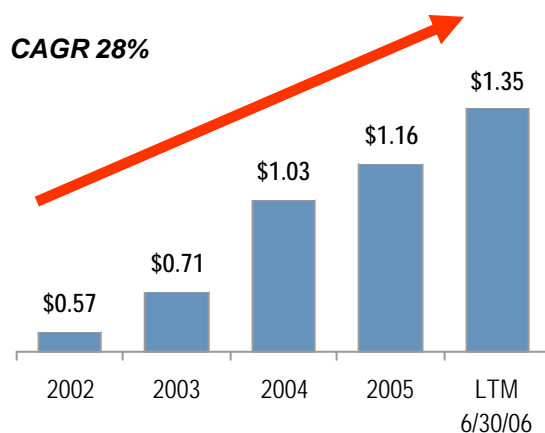
(\$Millions)

CAGR 45%



EPS

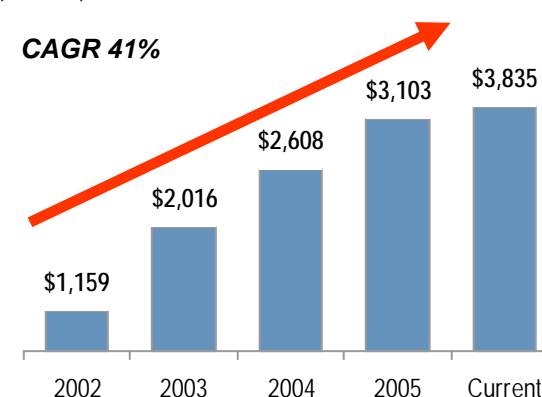
CAGR 28%



Market Capitalization⁽¹⁾

(\$Millions)

CAGR 41%



Aligned & Motivated Management Team

Name	Title	Years at Jefferies	Years in the Industry	Ownership % ⁽¹⁾
Richard B. Handler ⁽²⁾	Chairman and CEO	15	18	9.4%
Brian P. Friedman ⁽²⁾	Chairman, Executive Committee	4	21	2.3%
Joseph A. Schenk ⁽²⁾	CFO	11	15	0.6%
Other 6 Executive Committee Members		90	144	6.2%
Total Executive Committee		120	198	18.7%

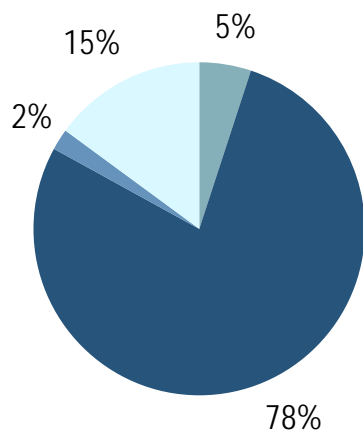
(1) Includes all equity holdings, options, interests in compensation and incentive plans, and economic interests. Assumes expiration of all vesting and deferral periods.

(2) Based on information contained in Jefferies' Proxy Statement filed with the SEC on April 12, 2006.

(3) Includes all Jefferies employees, management, directors and retirees currently working as consultants to the Company.

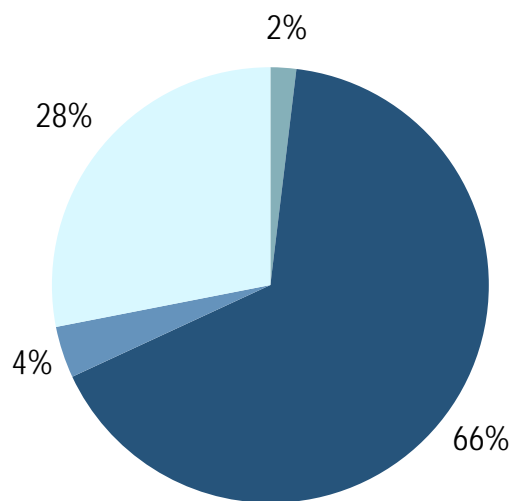
Diversified Net Revenues

2000



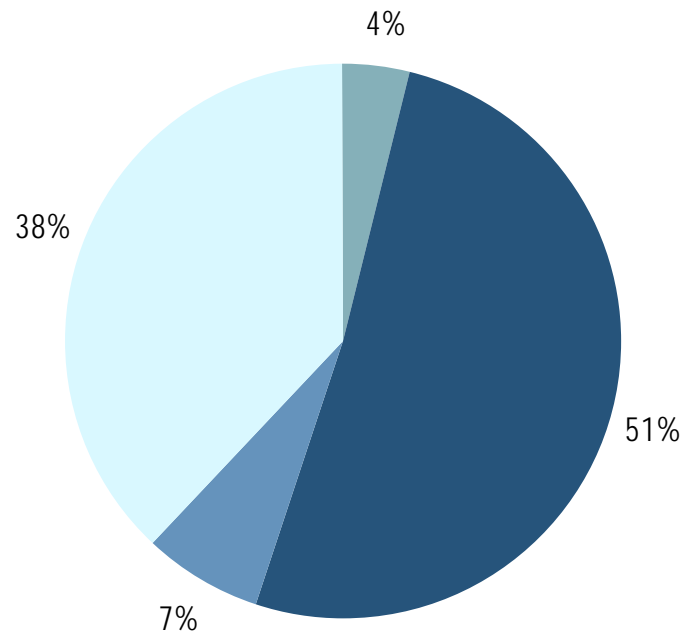
\$617mm

2003



\$830mm

LTM 6/30/06



\$1,385mm

Sales & Trading

Investment Banking

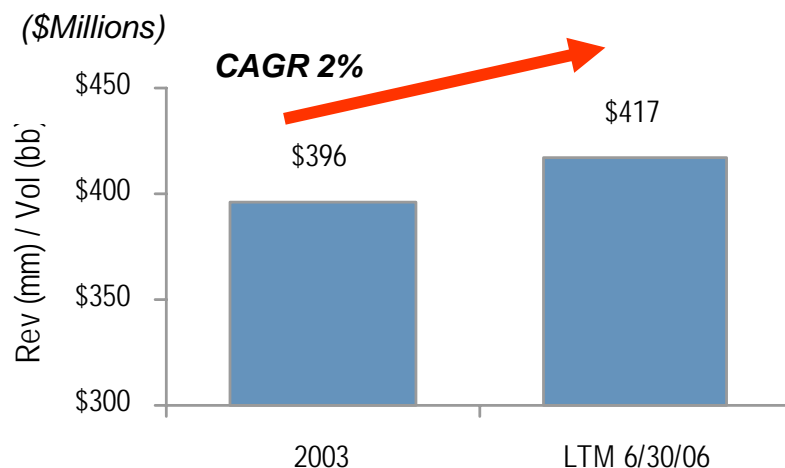
Asset Management

Interest & Other

Strong Equity Franchise

- #1 for best execution of all exchange-listed stock trades⁽¹⁾
- OTC: #3 trader of combined NASDAQ and Bulletin Board stocks⁽²⁾
- Listed: Jefferies Execution Services executes nearly 150 million shares per day, or nearly 7% of average daily reported NYSE volume

JEF Equity Trading Revenues



New Products

	2003	LTM 6/30/06	Improvement
Bulletin Boards	\$ 18.5	\$ 29.5	+ 59%
ADR	31.0	32.9	+ 6%
ETF / Derivatives	2.7	18.7	+ 593%
Total	\$ 52.2	\$ 81.1	+ 55%

Equity Franchise Growth Strategy

- Electronic and Algorithmic Trading
- Equity Products
- Quantitative Trading
- Prime Brokerage
- Securities Lending
- Added 11 new research professionals in 2006, for a total of 111
 - Since 2002, expanded coverage of U.S. companies from 343 to 597, or 74%
 - 14 professionals covering 146 European/UK companies

Investment Banking Expansion

■ “2005 Middle Market Investment Bank of the Year⁽¹⁾”

■ Leading M&A advisor

- #1 – Deals under \$250mm
- #5 – Deals under \$1billion

■ Leading high yield underwriter

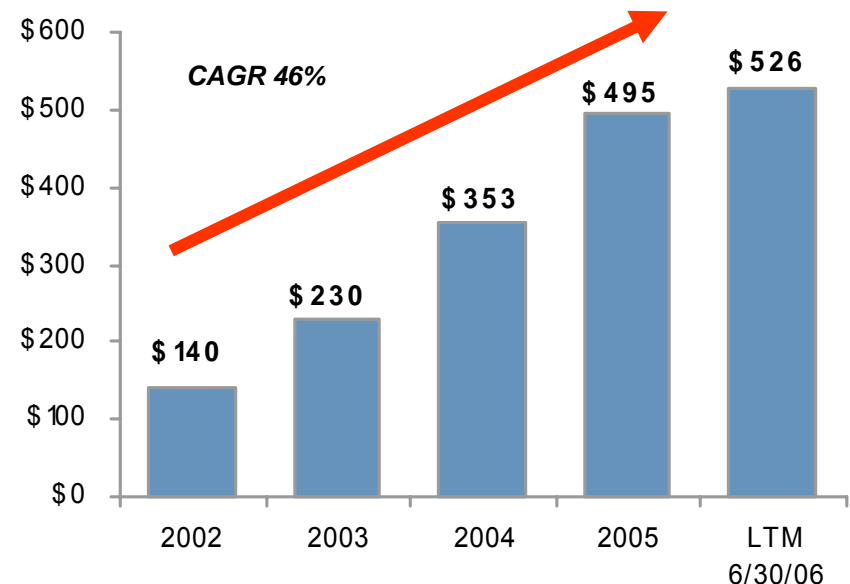
- #1 – Deals under \$150mm

■ Acquired sector leading boutique investment banks – **accounted for almost \$200mm of incremental revenues in 2005**

- Broadview International (12/03)
- Randall & Dewey (1/05)
- Helix Associates (5/05)

Investment Banking Revenues

(\$Millions)

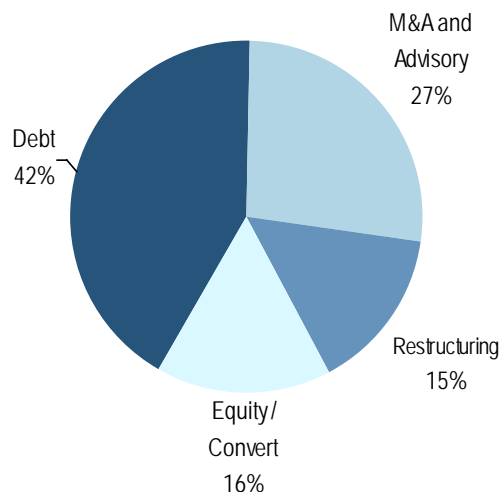


Investment Banking Growth Strategy

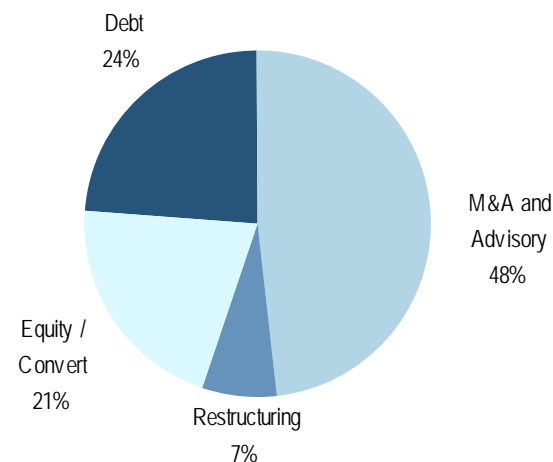
- New capital markets initiatives
 - Hired additional senior professionals
 - Expanded presence in technology capital markets
- Continued development of new industry groups
 - Industrials
 - Healthcare
 - Consumer
- Jefferies Finance LLC
 - **Partners:** Jefferies and MassMutual's Babson Capital
 - **Objective:** Provide senior lending to middle market customers
 - **Potential loans to be written over 3-4 years:** \$10 billion
 - **Estimated hold capacity of JV:** \$2 billion in loans
 - **Equity:** \$250 million commitment by each partner
 - Significantly enhanced ability to compete for corporate clients and to provide committed financing to equity sponsors in M&A auction processes

Stronger, More Diversified Investment Banking

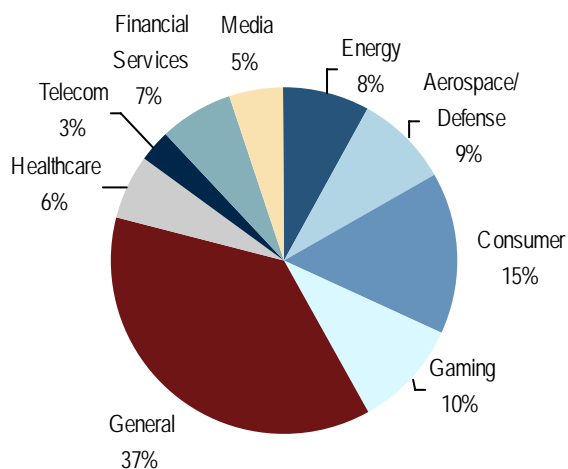
By Product – FY 2003



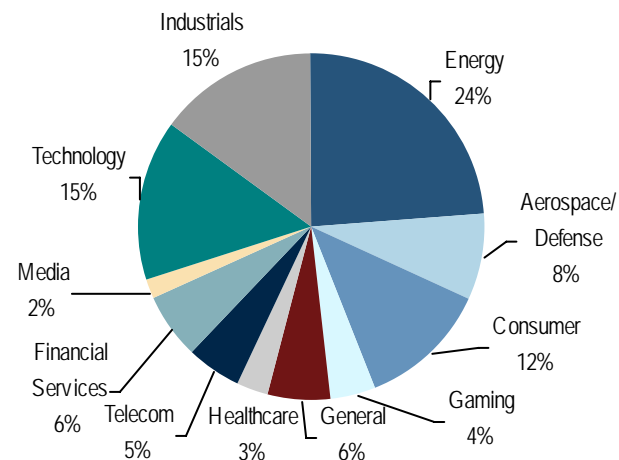
By Product – FY 2005



By Industry – FY 2003



By Industry – FY 2005



Underwriting and Advisory Rankings

2001 – 2005 Single B New Issues Under \$150 Million

Manager	Proceeds	Rank	Deals
Jefferies & Company, Inc.	\$3,026.8	1	34
Banc of America Securities	1,734.9	2	27
JP Morgan	1,593.5	3	26
Deutsche Bank	1,542.4	4	22
Credit Suisse First Boston	1,524.0	5	23
Citigroup	959.3	6	13
UBS	909.9	7	13
Wachovia Corp	796.8	8	12
Goldman Sachs	734.7	9	9
Bear Stearns	674.4	10	9

2005 Single B New Issues Under \$150 Million

Manager	Proceeds	Rank	Deals
Jefferies & Company, Inc.	\$415.5	1	5
Banc of America Securities	348.4	2	6
Bear Stearns	250.7	3	4
Lehman Brothers	228.0	4	3
JP Morgan	169.8	5	3
Citigroup	150.8	6	3
UBS	136.5	7	3
Merrill Lynch	127.5	8	2
Wachovia Corp	61.5	9	1
Deutsche Bank	60.0	10	1

YTD 2006 - Deals <\$250 million

Rank	Financial Advisor	Deals
1	Jefferies & Company, Inc.	22
2	Credit Suisse First Boston	17
3	UBS	14
4*	Sandler O'Neill Partners	13
4*	JP Morgan	13
4*	Goldman Sachs	13
7*	Morgan Stanley	12
7*	Citigroup	12
9	Houlihan Lokey	11
10*	Merrill Lynch	10
10*	BB&T Corp.	10

YTD 2006 - Deals <\$500 million

Rank	Financial Advisor	Deals
1*	UBS	24
1*	JP Morgan	24
3*	Jefferies & Company, Inc.	23
3*	Credit Suisse First Boston	23
5*	Citigroup	20
5*	Goldman Sachs	20
7	Lehman Brothers	18
8*	Merrill Lynch	16
8*	Morgan Stanley	16
10	Sandler O'Neill Partners	15
11	Houlihan Lokey	14

YTD 2006 - Deals <\$1,000 million

Rank	Financial Advisor	Deals
1*	UBS	28
1*	JP Morgan	28
3	Credit Suisse First Boston	26
4	Lehman Brothers	24
5*	Jefferies & Company, Inc.	23
5*	Goldman Sachs	23
7	Citigroup	22
8	Merrill Lynch	20
9	Morgan Stanley	19
10*	Houlihan Lokey	15
10*	Sandler O'Neill Partners	15

Note: Excludes split rated, mortgage and asset-backed securities. Full credit to book runner, equal credit if joint-book runners.

Source: Securities Data Corporation and Jefferies & Company, Inc.

Source: Thompson Financial. Transactions announced 1/1/2006 - 3/31/2006. All tables include transactions where value is undisclosed. Excludes: tender offers, exchange offers, self-tenders, repurchases, remaining interests, privatizations.

Jefferies – Branded Market Presence



When you need to trade, every second counts.

You need execution to be quick and precise. And you need it to happen according to your specific trading objectives, naturally, with minimal market impact. At Jefferies, we seek to match you with buyers or sellers quickly, through our vast network of investor relationships. Such speed and accuracy, combined with our sectorized approach and award-winning research, makes us a leading trader of equity, high yield and convertible securities. With over 600 sales and trading professionals, we make a market in over 4,000 stocks and trade the securities of over 8,500 companies – our affiliate, Jefferies Execution Services, accounts for nearly 10% of the average daily reported volume of the NYSE. We excel in US, European, Asian, Canadian, Latin American, Australian, and South African equities, and are adept at executing special situations. So whatever trading you need to get done, with Jefferies, it's all possible.

Investment Banking
Sales & Trading
Research
Asset Management
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Jefferies 



Jefferies. On the move.

We are moving with enormous momentum following six consecutive record years¹. In 2005, we worked with growing and mid-sized companies on over 250 transactions, valued at more than \$65 billion. This record performance was based on one solid principle – we succeed when our clients succeed. And below, you'll find a sampling of the transactions that helped our clients achieve their goals – and more. Reassurance that whatever your objectives for the year ahead, with Jefferies, it's all possible.

Jefferies – Middle Market Investment Bank of the Year²



More than 250 transactions worth over \$65 billion in 2005 serving a broad range of industries.

- Aerospace & Defense • Energy • Financial & Business Services • Gaming • Healthcare • Industrial
- Media & Communications • Oil Services & Maritime • Retail & Consumer • Technology

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Jefferies 



Our award winning research can put your goals within reach.

In The Wall Street Journal's recent "Best on the Street 2005 Analysis Survey," Jefferies' equity research group scored the highest batting average among the top 10 firms, and ranked second in total awards. Praise indeed, but it's institutional investors who really benefit: our focus on growing and mid-sized companies enables us to identify unique investment ideas, the growth opportunities that can make the difference in a tough market. And few analysts look harder or dig deeper than our established team. Combined with our high yield and convertible research efforts, we cover nearly 1,000 companies in more than 40 industries to provide the in-depth, objective research you can trust. Reassurance that, whatever your goals, with our insight it's all possible.

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Jefferies has the highest batting average among the Top 10 in The Wall Street Journal's "Best on the Street 2005 Analysis Survey."

Rank	Firm	Total Awards	Qualifying Analysts	Rating Average
1	Merrill Lynch	10	19	0.169
2	Jefferies	8	19	0.421
3	J.P. Morgan Chase	8	11	0.157
4	Piper Jaffray	7	22	0.318
5	Frederman, Birnbaum, Ramsey	7	27	0.259
6	Windsor Securities	7	12	0.219
7	Raymond James	7	13	0.212
8	A.C. Edwards	7	18	0.184
9	Standard & Poor's	7	40	0.175
10	Robert W. Baird	6	23	0.261

Source: Wall Street Journal, "Best on the Street 2005 Analysis Survey." Data compiled by Jefferies & Company, Inc. The batting average is the ratio of the number of awards won to the number of analysts who qualified for the survey.

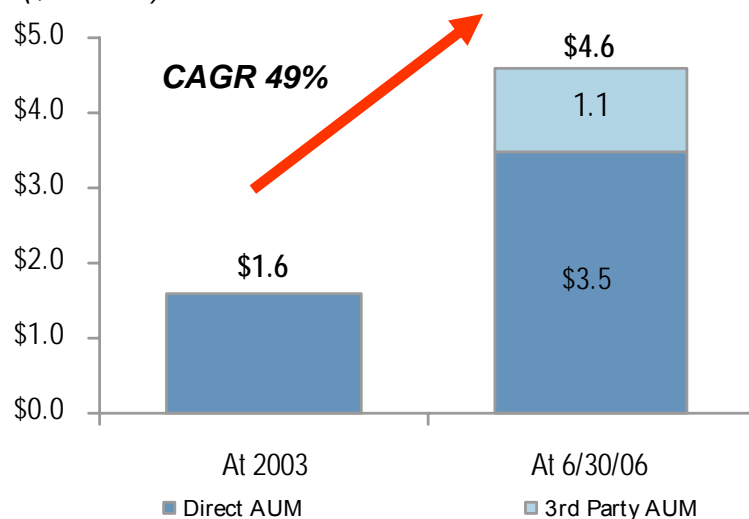
Jefferies 

Growing Asset Management

Continue to build the infrastructure for a substantial asset management business - total headcount of 59

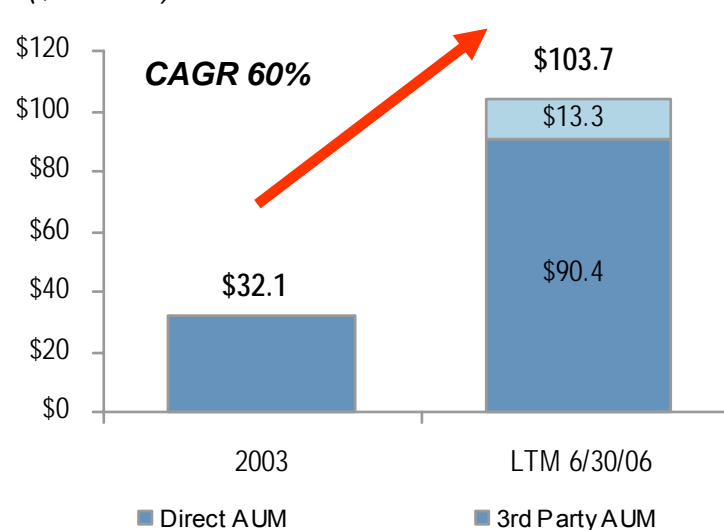
Managed Assets

(\$Billions)



Asset Management Revenues

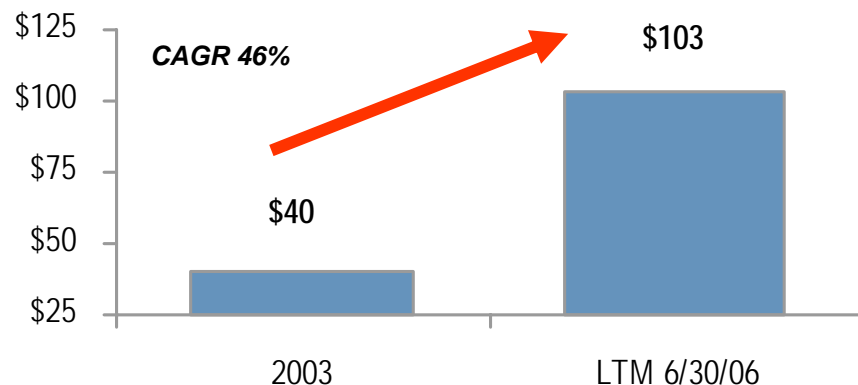
(\$Millions)



Strong High Yield Franchise

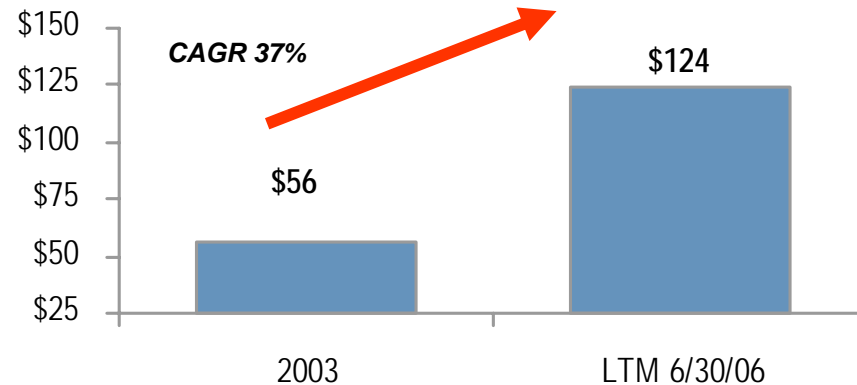
High Yield Secondary Market Revenues

(\$Millions)



Total High Yield Revenues ⁽¹⁾

(\$Millions)



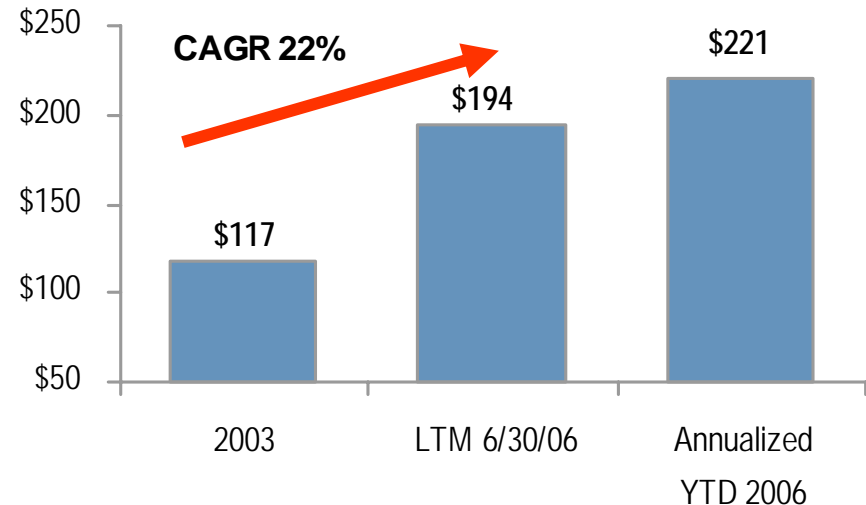
Continued Diversification - Other Products

■ Fixed Income and Commodities

- Convertibles Sales & Trading
 - \$46 million in LTM 6/30/06 revenues
 - 75 experienced professionals located on trading desks in New York, London, Tokyo, Zurich and Paris who have relationships with over 350 accounts
 - Make markets in over 400 convertible securities
- Correspondent Clearing
 - \$27 million in LTM 6/30/06 revenues
- Jefferies Bonds Direct
 - \$40 million in LTM 6/30/06 revenues
 - Management team with over 125 years of combined experience; 105 employees
- Jefferies Financial Products (Commodity Trading)
 - \$47 million in LTM 6/30/06 revenues

Revenues – Other Products

(\$Millions)



■ Interest

- Securities Lending
 - \$34 million in LTM 6/30/06 revenues
 - Approximately \$7.0 billion matched assets / liabilities
 - Low risk with high margins

Research – Small and Mid-Cap Focus

	Professionals	Covered Companies
Equity	89	597
High Yield	14	300
Converts	1	80
International	12	123
Total	116	1,100

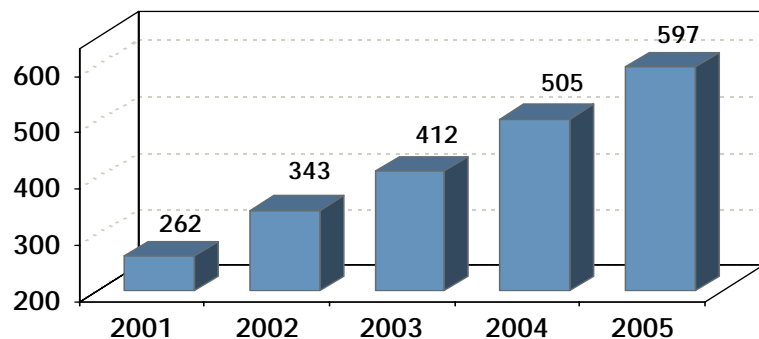
Equity - Covered Companies by Market Cap

\$0-\$500mm	22%
\$500mm-\$2.0B	37%
\$2.0B-\$5.0B	17%
\$5.0B +	24%

Sectors Under Coverage

Consumer	Media & Entertainment
Energy	Oil Services and Maritime
Financials	Post-Reorganization Services
Gaming & Leisure	Special Situations
Healthcare	Technology
Industrials	Telecommunications

Equity Research – Companies Covered

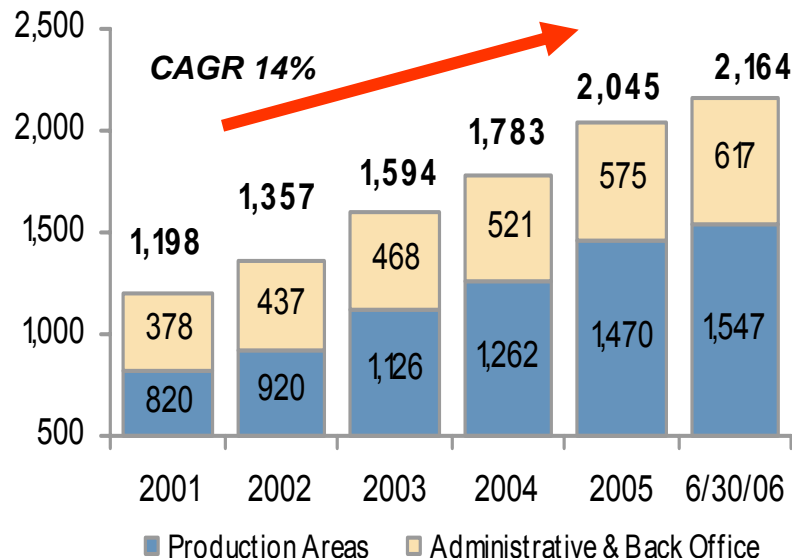


Ranked No. 2 Firm in the Wall Street Journal's "2005 Best on the Street" survey and a Top 10 firm in the 2004 Forbes/StarMine Analyst Awards

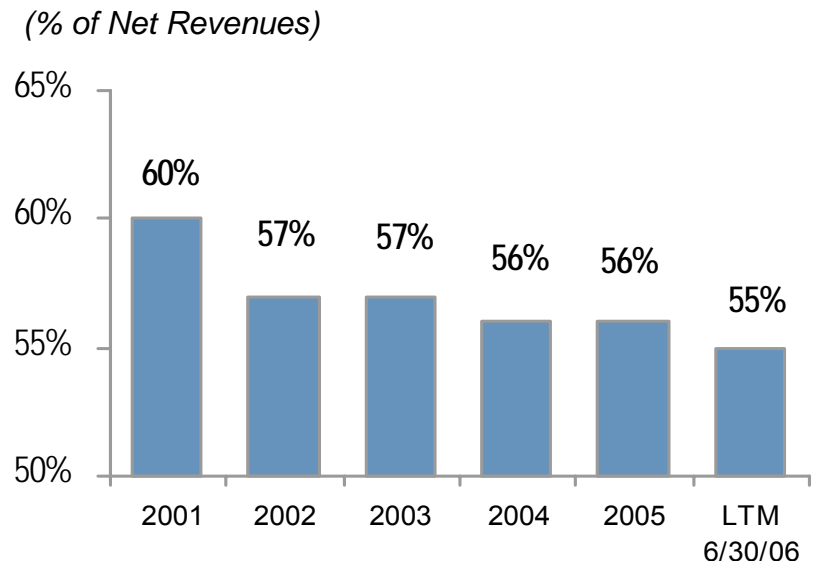
Investment in Human Capital

- Jefferies' highly variable expense structure is responsive to all economic environments – more than 60% of total compensation expense is variable
- Expanded Production staff
 - Increased employees from 820 to 1,547, or 89% increase
- Expanded Legal and Compliance staff
 - Increased employees from 21 to 50, or 138% increase

Total Headcount



Compensation & Benefits



Strong Capital Position

- Nearly \$2.8 billion in capital
- Over \$1.4 billion in cash and short-term investments
- Investment grade since debt offering in 1994
 - Upgraded to BBB+ by S&P in June 2006
 - BBB+ by Fitch in January 2006
 - Baa1 by Moody's in January 2005
- Jefferies continues to maintain relatively low leverage and strong liquidity
 - Long Term Debt/Equity ratio of approximately 99% (versus approximately 380% for comparable broker-dealers)

Long-Term Debt
Series A Convertible Preferred
Total Stockholder's Equity
Total Capitalization

June 30, 2006

\$1,263
\$125
1,434

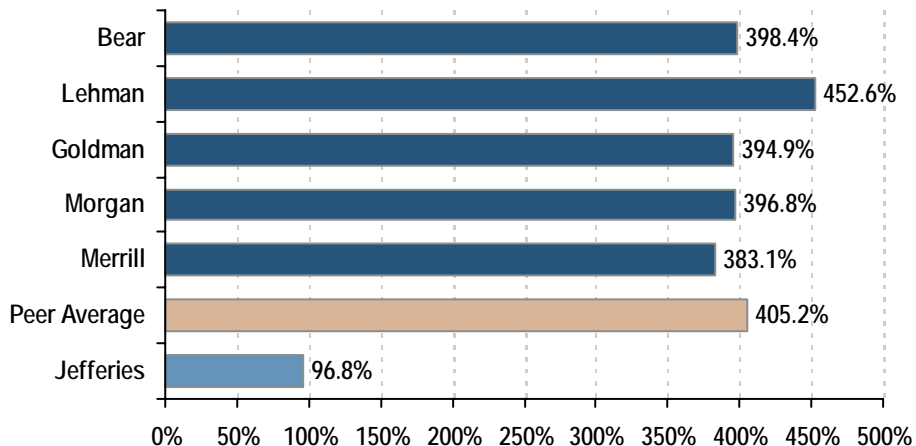
\$2,822

Credit Statistics:

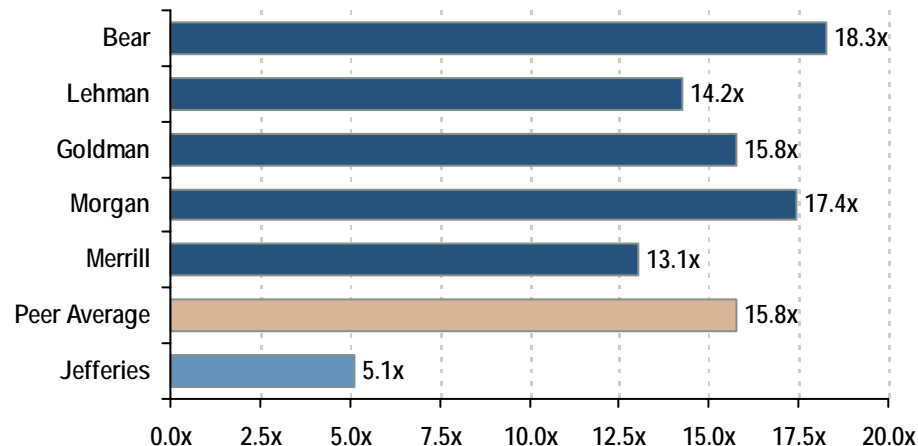
Long-Term Debt/Equity	97%
Liquid Assets/Total Assets	94%
Total Assets/Stockholders' Equity	10.7x
Adjusted Assets (excludes stock borrow)/SSE	5.1x

Conservative Balance Sheet

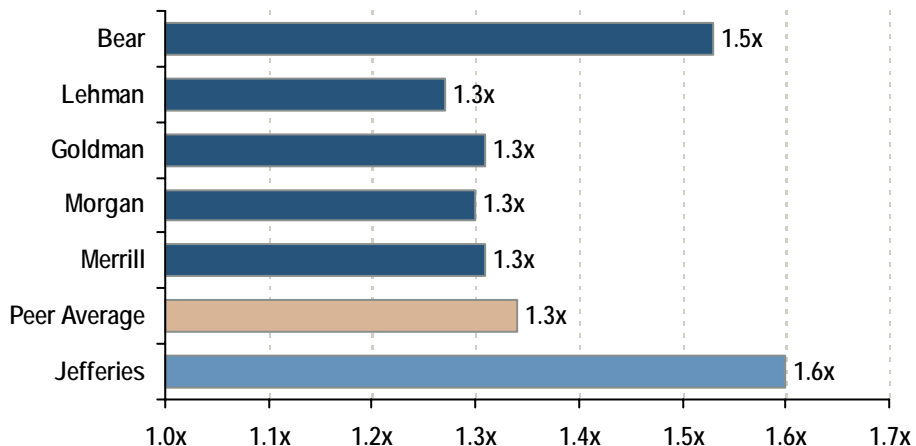
Long-Term Debt to Stockholders' Equity



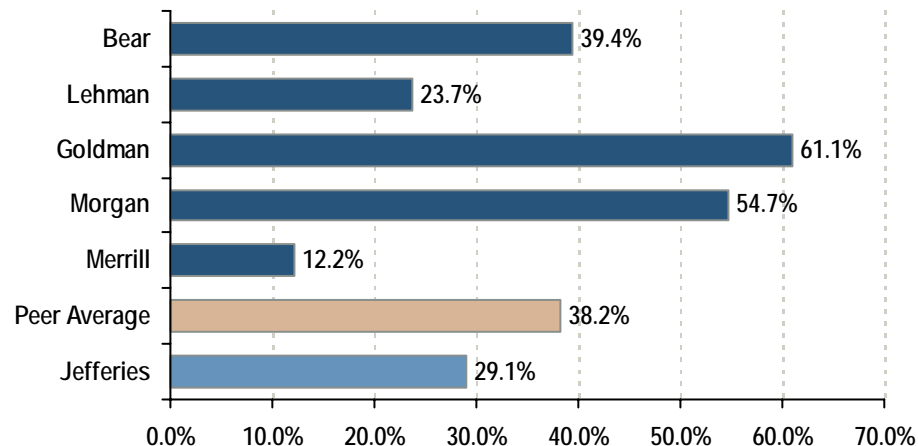
Adjusted Total Assets⁽¹⁾ / Stockholder's Equity



Fixed Charge Coverage Ratio⁽²⁾



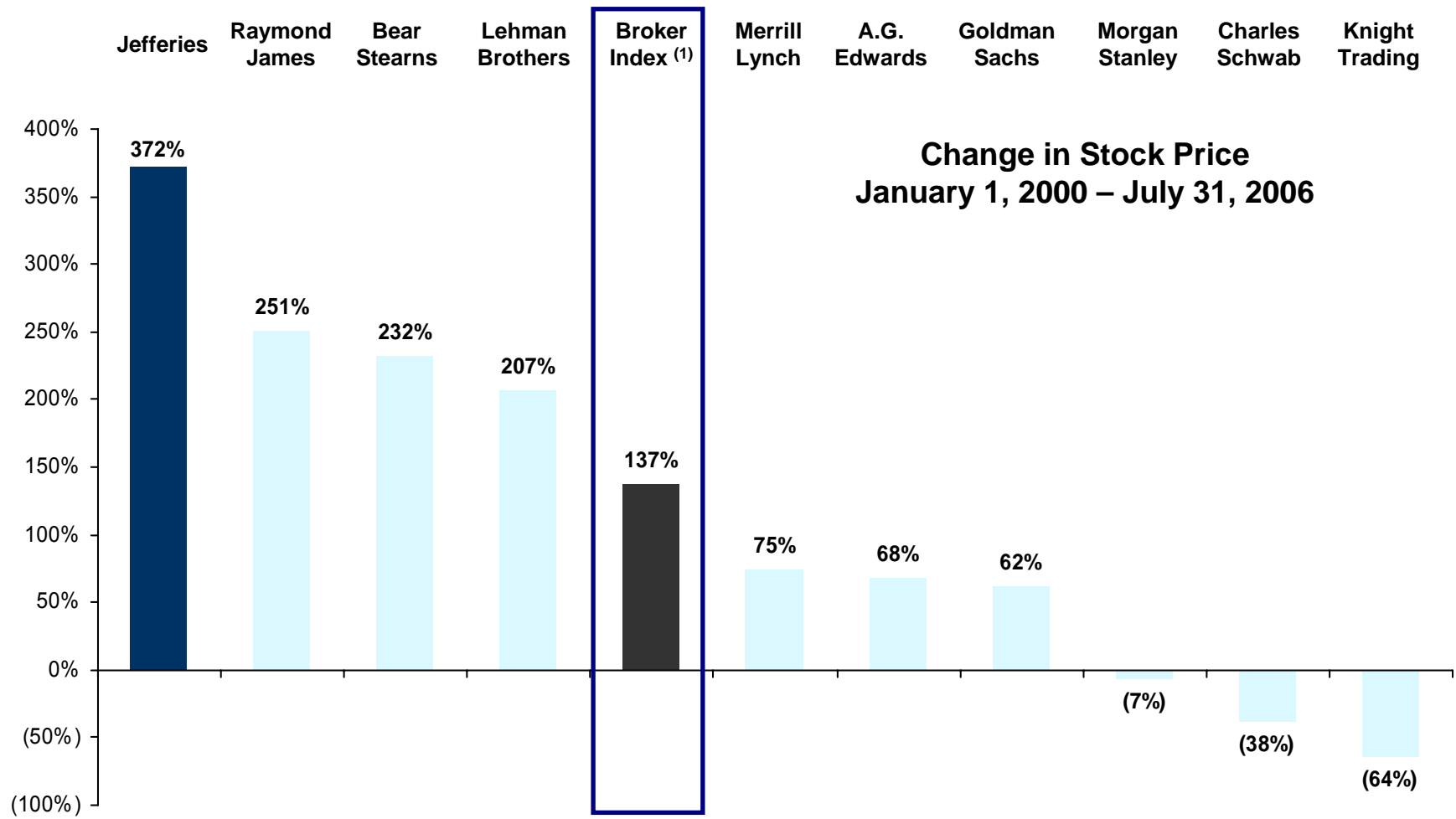
Illiquid Assets⁽³⁾ / Stockholders' Equity



Conservative Leverage, Coverage, Risk Profile and Liquidity vs. Leading Industry Competitors



JEF Stock Performance Relative to Peers



(1) AMEX Securities Broker/Dealer Index ®.



**A global investment bank and institutional securities firm
serving growing and mid-sized companies and their
investors.**