



Jennifer Convertibles, Inc., 419 Crossways Park Drive, Woodbury, NY 11797 516-496-1900

FOR IMMEDIATE RELEASE

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**JENNIFER CONVERTIBLES REPORTS
THIRD QUARTER RESULTS**

- **Revenue from continuing operations decreased 6.3% for quarter, 4.5% year-to-date**
- **Comparable store sales decreased by 8.2% for quarter, 5.6% year-to-date**
- **Income from continuing operations \$1,609,000 versus \$2,256,000 for quarter, \$2,230,000 versus \$3,555,000 year-to-date**
- **Basic EPS \$0.20 versus \$0.31 for quarter, \$0.28 versus \$0.50 year-to-date**
- **Diluted EPS \$0.18 versus \$0.26 for quarter, \$0.25 versus \$0.46 year-to-date**
- **First Ashley Furniture HomeStore Opens**

Woodbury, New York ***July 10, 2007*** Jennifer Convertibles, Inc. (AMEX: JEN) announced today its unaudited financial results for the third fiscal quarter ended May 26, 2007.

For the third quarter, revenue from continuing operations decreased by 6.3% to \$33.3 million from the \$35.5 million reported for the same period last year. For the nine-month period, revenue from continuing operations decreased 4.5% to \$99.4 million from the \$104.1 reported in the same period last year.

For the third quarter, the Company generated net income of \$1,609,000 or \$0.20 and \$0.18 per basic and diluted share, respectively, compared to net income of \$2,245,000 or \$0.31 and \$0.26 per basic and diluted share, respectively, for the same period last year. For the nine-month period, the net income was \$2,230,000 or \$0.28 and \$0.25 per basic and diluted share, respectively, compared to a net income of \$3,646,000 or \$0.50 and \$0.46 per basic and diluted share, respectively, for the same period last year.

Operating margins from continuing operations decreased during the current three and nine month periods to 32.0% and 30.5%, respectively, compared to operating margins from continuing operations of 32.5% and 31.4%, respectively, during the three and nine month periods last year.

For the third quarter, selling, general and administrative expenses from continuing operations increased to 26.9% as a percentage of revenue from continuing operations compared to 25.8% for the same period last year. For the nine-month period, selling, general and administrative expenses from continuing operations increased to 28.1% compared to 27.6% for the same period last year.

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During the third quarter, the Company did not close any stores. During fiscal 2006, the Company closed three stores, of which the operating results were reported as discontinued operations. Revenues from the closed stores reported as discontinued operations amounted to \$70,000 and \$345,000 in the thirteen and thirty-nine week periods ended May 27, 2006, respectively. Income (loss) from discontinued operations amounted to (\$11,000) and \$91,000 in the thirteen-week and thirty-nine week periods ended May 27, 2006, respectively. Income related to store closings approximated \$182,000 in the thirty-nine week period ended May 27, 2006.

During the quarter, the Company opened one store and had no store closings. In addition, the Company opened a big box, full line home furniture retail store that sells products and accessories of Ashley Homestores, Ltd.

Commenting on the results Harley J. Greenfield, Chief Executive Officer of Jennifer said, "I am pleased to report that the changes to our merchandising and advertising strategies and adjustment to margins which returned us to profitability during our second fiscal quarter continued to be successful. We achieved a 42% increase in income from operations during the quarter to \$1,470,000 from the \$1,032,000 reported in the second fiscal quarter despite the furniture industry being significantly depressed. Our balance sheet remains strong with over \$15 million in cash and short term investments."

Mr. Greenfield added, "We recently opened our first Ashley Furniture HomeStore on Glen Cove Road in Carle Place, New York. Our grand opening of this 40,000 square foot store took place in mid-June and we expect this location to produce substantial revenues and additional profitability to fuel Jennifer's growth. We are currently in the process of negotiating the lease for our second Ashley Furniture HomeStore location."

Jennifer Convertibles is the owner and licensor of the largest group of sofabed specialty retail stores in the United States, with 171 Jennifer Convertibles® stores and is the largest specialty retailer of leather furniture with 16 Jennifer Leather stores. As of May 26, 2007, the Company owned 163 stores and licensed 24 (including 23 owned and operated by a private company on a royalty free basis.) and operates one licensed Ashley Furniture HomeStore.

Statements in this press release other than the statements of historical fact are "forward-looking statements." Such statements are subject to certain risks and uncertainties, including changes in retail demand, vendor performance and other risk factors identified from time to time in the Company's filings with the Securities and Exchange Commission that could cause actual results to differ materially from any forward-looking statements. These forward-looking statements represent the Company's judgment as of the date of the release. The Company disclaims, however, any interest or obligations to update these forward-looking statements.

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JENNIFER CONVERTIBLES, INC. & SUBSIDIARIES
SUMMARY CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	<u>05/26/07</u>	<u>08/26/06</u> <u>(Restated)</u>
CASH AND CASH EQUIVALENTS	\$ 7,047	\$ 7,641
SHORT TERM INVESTMENTS	8,150	5,000
RESTRICTED CASH	74	864
ACCOUNTS RECEIVABLE	1,196	906
MERCHANDISE INVENTORIES, Net	13,412	13,597
DUE FROM AFFILIATED COMPANY	4,896	4,869
PREPAID EXPENSES AND OTHER CURRENT ASSETS	1,427	1,160
	<u>36,202</u>	<u>34,037</u>
FIXTURES, EQUIPMENT & LEASEHOLD IMPROVEMENTS, Net	3,301	2,682
ANNUITY CONTRACT	-	935
GOODWILL	1,650	1,650
OTHER ASSETS	685	703
	<u>\$ 41,838</u>	<u>\$ 40,007</u>
ACCOUNTS PAYABLE	\$ 16,813	\$ 18,838
CUSTOMER DEPOSITS	8,557	7,036
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	3,891	4,383
DUE TO AFFILIATED COMPANY	550	500
DEFERRED RENT AND ALLOWANCES – Current Portion	673	587
TOTAL CURRENT LIABILITIES	<u>30,484</u>	<u>31,344</u>
DEFERRED RENT AND ALLOWANCES – Net of Current Portion	2,948	2,959
OBLIGATIONS UNDER CAPITAL LEASES – Net of Current Portion	126	145
TOTAL LIABILITIES	<u>33,558</u>	<u>34,448</u>
STOCKHOLDERS' EQUITY	<u>8,280</u>	<u>5,559</u>
	<u>\$ 41,838</u>	<u>\$ 40,007</u>

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JENNIFER CONVERTIBLES, INC. & SUBSIDIARIES
SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA)

	<u>THREE MONTHS ENDED</u>		<u>NINE MONTHS ENDED</u>	
	<u>05/26/07</u>	<u>05/27/06</u>	<u>05/26/07</u>	<u>05/27/06</u>
REVENUE:				
NET SALES	\$ 31,012	\$ 33,071	\$ 92,897	\$ 97,105
REVENUE FROM SERVICE CONTRACTS	2,258	2,425	6,543	7,065
	<u>33,270</u>	<u>35,496</u>	<u>99,440</u>	<u>104,170</u>
COST OF SALES AND OTHER CHARGES	22,613	23,944	69,101	71,412
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	8,950	9,146	27,905	28,723
DEPRECIATION AND AMORTIZATION	237	223	690	617
	<u>31,800</u>	<u>33,313</u>	<u>97,696</u>	<u>100,752</u>
INCOME FROM OPERATIONS	1,470	2,183	1,744	3,418
INTEREST INCOME	188	109	541	264
INTEREST EXPENSE	(4)	(22)	(11)	(22)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,654	2,270	2,274	3,660
INCOME TAXES	45	14	44	105
INCOME FROM CONTINUING OPERATIONS	1,609	2,256	2,230	3,555
(LOSS) INCOME FROM DISCONTINUED OPERATIONS (including income on store closings of \$182 for the thirty-nine weeks ended in 2006)	-	(11)	-	91
NET INCOME	<u>\$ 1,609</u>	<u>\$ 2,245</u>	<u>\$ 2,230</u>	<u>\$ 3,646</u>
BASIC INCOME (LOSS) PER COMMON SHARE:				
INCOME FROM CONTINUING OPERATIONS	\$ 0.20	\$ 0.31	\$ 0.28	\$ 0.49
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	-	-	-	0.01
NET INCOME	<u>\$ 0.20</u>	<u>\$ 0.31</u>	<u>\$ 0.28</u>	<u>\$ 0.50</u>

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DILUTED INCOME (LOSS) PER COMMON SHARE:

INCOME FROM CONTINUING OPERATIONS	\$ 0.18	\$ 0.26	\$ 0.25	\$ 0.45
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	-	-	-	.01
NET INCOME	<u>\$ 0.18</u>	<u>\$ 0.26</u>	<u>\$ 0.25</u>	<u>\$ 0.46</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	6,925,320	5,933,705	6,856,009	5,851,919
COMMON SHARES ISSUABLE ON CONVERSION OF OUTSTANDING SERIES A PARTICIPATING PREFERRED STOCK	<u>924,500</u>	<u>1,396,722</u>	<u>924,500</u>	<u>1,415,309</u>
TOTAL WEIGHTED AVERAGE COMMON SHARES BASIC	7,849,820	7,330,427	7,780,509	7,267,228
EFFECT OF POTENTIAL COMMON SHARE ISSUANCE:				
STOCK OPTIONS	604,768	1,115,264	837,917	615,877
WARRANTS	73,384	82,543	83,352	63,693
SERIES B CONVERTIBLE PREFERRED STOCK	-	62,216	-	56,379
WEIGHTED AVERAGE COMMON SHARES DILUTED	<u>8,527,972</u>	<u>8,590,450</u>	<u>8,701,778</u>	<u>8,003,177</u>