



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 increased 16.3% for quarter, increased 5.0 % year-to-date**
- **Comparable store sales increased by 13.1% for quarter, 0.2% decrease year to date**
- **Basic EPS \$0.22 versus (\$0.24) for quarter, (\$0.27) versus (\$0.30) year-to-date**
- **Diluted EPS \$0.17 versus (\$0.24) for quarter, (\$0.27) versus (\$0.30) year-to-date**
- **Comparative Results impacted by delivery of prior quarter backlog of orders**

Woodbury, New York ***July 13, 2004*** Jennifer Convertibles, Inc. (AMEX: JEN) announced today its unaudited financial results for the third fiscal quarter ended May 29, 2004.

For the third quarter, revenue increased by 16.3% to \$35.0 million from the \$30.1 million reported for the same period last year. For the nine-month period, revenue increased 5.0% to \$101.4 million from the \$96.6 reported in the same period last year. Comparable store sales (sales at those stores open for the current and prior year periods) increased 13.1% for the third quarter and decreased by 0.2% for the nine-month period.

These comparative results were impacted by the delivery of the backlog of orders that existed at the end of the prior quarter. This backlog was attributable to (1) an increase in sales written during President's Day this year versus last year due to adverse weather in the Northeast during 2003 and (2) a delay in the delivery of sales. Sales were delayed as a result of ordering more products overseas, which increased the length of time to manufacture and deliver the products to our customers. During the thirteen week period ended May 29, 2004, we were able to deliver most of this backlog of merchandise from an overseas supplier as well as deliver sales written during President's Day.

For the third quarter, net income was \$1,283,000 or \$0.22 per basic share compared to a net loss of \$1,380,000 or (\$0.24) per basic share for the same period last year. On a fully diluted basis, income per share was \$0.17 for the third quarter of fiscal 2004 and loss per share was (\$0.24) for the same period last year. For the nine-month period, the net loss was \$1,535,000 or (\$0.27) per basic and diluted share compared to a net loss of \$1,698,000 or (\$0.30) per basic and diluted share for the same period last year.

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Operating margins increased in the third quarter to 31.4% from 30.9% in the same period last year. The increase is largely attributable to normal margins on a new product line during the current quarter. For the nine-month period, operating margins decreased to 29.4% from 32.2% for the same period last year. The decreases are primarily due to an increase in store occupancy costs as well as lower gross margins on certain products during the first half of the fiscal year.

For the third quarter, selling, general, and administrative expenses decreased to 26.6% as a percentage of revenue compared to 34.3% for the same period last year. For the nine-month period, selling, general and administrative expenses decreased to 29.7% compared to 32.9% for the same period last year.

During the quarter, the Company opened two new stores and closed one.

Harley J. Greenfield, Chief Executive of Jennifer commenting on the results for the quarter said, "We are extremely pleased to have returned to profitability during the quarter. Customer reaction to our new product line continues to be strong following the end of our introductory pricing. We believe that at our normal margins we still give our customers extraordinary value."

Mr. Greenfield added, "We believe we are now well positioned to take advantage of increased demand for furniture when the industry comes out of its downturn. Our innovative marketing and merchandising techniques will allow us to continue to be the leader in our category and to continue to report increased sales and profitability."

Jennifer Convertibles is the owner and licensor of the largest group of sofabed specialty retail stores in the United States, with 201 Jennifer Convertibles® stores and 17 Jennifer Leather stores. As of May 29, 2004, the Company owned 142 stores and licensed 76 (including 26 owned and operating stores by a private company on a royalty free basis.)

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>05/29/04</u>	<u>8/30/03</u>
CASH AND CASH EQUIVALENTS	\$ 4,480	\$ 12,761
RESTRICTED CASH	110	0
ACCOUNTS RECEIVABLE	723	408
MERCHANDISE INVENTORIES, Net	15,469	12,721
DUE FROM AFFILIATED COMPANY, Net	3,960	3,150
DEFERRED TAX ASSET	2,895	2,895
PREPAID EXPENSES AND OTHER CURRENT ASSETS	<u>1,218</u>	<u>1,398</u>
	28,855	33,333
FIXTURES, EQUIPMENT & LEASEHOLD IMPROVEMENTS, Net	3,100	3,854
ANNUITY CONTRACTS	1,080	
DEFERRED LEASE COSTS AND OTHER INTANGIBLES, Net	50	98
GOODWILL, Net	1,796	1,796
OTHER ASSETS	<u>624</u>	<u>626</u>
	<u>\$ 35,505</u>	<u>\$ 39,707</u>
ACCOUNTS PAYABLE	\$ 12,342	\$ 15,049
CUSTOMER DEPOSITS	8,550	9,203
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	4,967	4,135
DUE TO AFFILIATED COMPANY	500	500
DEFERRED RENT AND ALLOWANCES – Current Portion	<u>533</u>	<u>821</u>
TOTAL CURRENT LIABILITIES	26,892	29,708
DEFERRED RENT AND ALLOWANCES – Net of Current Portion	3,192	3,155
STOCKHOLDERS' EQUITY	<u>5,421</u>	<u>6,844</u>
	<u>\$ 35,505</u>	<u>\$ 39,707</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	<u>05/29/04</u>	<u>05/31/03</u>	<u>05/29/04</u>	<u>05/31/03</u>
REVENUE:				
NET SALES	\$ 32,698	\$ 28,061	\$ 94,745	\$ 90,496
REVENUE FROM SERVICE CONTRACTS	2,323	2,061	6,710	6,095
	<u>35,021</u>	<u>30,122</u>	<u>101,455</u>	<u>96,591</u>
COST OF SALES AND OTHER CHARGES	24,032	20,810	71,638	65,510
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	9,319	10,343	30,090	31,746
DEPRECIATION AND AMORTIZATION	376	435	1,236	1,292
	<u>33,727</u>	<u>31,588</u>	<u>102,964</u>	<u>98,548</u>
OPERATING INCOME (LOSS)	<u>1,294</u>	<u>(1,466)</u>	<u>(1,509)</u>	<u>(1,957)</u>
INTEREST INCOME	19	29	67	112
INTEREST EXPENSE	1	4	2	4
INCOME (LOSS) BEFORE INCOME TAXES	1,312	(1,441)	(1,444)	(1,849)
INCOME TAX EXPENSE (BENEFIT)	29	(61)	91	(151)
NET INCOME (LOSS)	<u>\$ 1,283</u>	<u>\$ (1,380)</u>	<u>\$ (1,535)</u>	<u>\$ (1,698)</u>
PER SHARE DATA:				
BASIC INCOME (LOSS) PER COMMON SHARE	<u>\$ 0.22</u>	<u>\$ (0.24)</u>	<u>\$ (0.27)</u>	<u>\$ (0.30)</u>
DILUTED INCOME (LOSS) PER COMMON SHARE	<u>\$ 0.17</u>	<u>\$ (0.24)</u>	<u>\$ (0.27)</u>	<u>\$ (0.30)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC INCOME (LOSS) PER SHARE	<u>5,713,058</u>	<u>5,712,058</u>	<u>5,713,058</u>	<u>5,708,847</u>
DILUTED INCOME (LOSS) PER SHARE	<u>7,646,152</u>	<u>5,712,058</u>	<u>5,713,058</u>	<u>5,708,847</u>

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