



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**

- **Reports Fifth Consecutive Profitable Quarter**
- **Revenue from continuing operations increased 16.4% for quarter, 21.4% year-to-date**
- **Comparable store sales increased by 15.9% for quarter, 20.8% year-to-date**
- **Income (loss) from continuing operations \$2,256,000 versus \$1,476,000 for quarter, \$3,534,000 versus (\$5,501,000) year-to-date**
- **Basic EPS \$0.31 versus 0.19 for quarter, \$0.50 versus (\$1.12) year-to-date**
- **Diluted EPS \$0.26 versus 0.19 for quarter, \$0.44 versus (\$1.12) year-to-date**
- **Stockholder's equity increased to \$3.5 million**

Woodbury, New York ***July 11, 2006*** Jennifer Convertibles, Inc. (AMEX: JEN) announced today its unaudited financial results for the third fiscal quarter ended May 27, 2006.

For the third quarter, revenue from continuing operations increased by 16.4% to \$35.5 million from the \$30.5 million reported for the same period last year. For the nine-month period, revenue from continuing operations increased 21.4% to \$104.2 million from the \$85.8 reported in the same period last year.

For the third quarter, the Company generated net income of \$2,245,000 or \$0.31 and \$0.26 per basic and diluted share, respectively, compared to net income of \$1,373,000 or \$0.19 per basic and diluted share for the same period last year. For the nine-month period, the net income was \$3,646,000 or \$0.50 and \$0.44 per basic and diluted share, respectively, compared to a net loss of \$6,455,000 or (\$1.12) per basic and diluted share for the same period last year.

Operating margins from continuing operations increased during the current three and nine month periods to 32.5% and 31.4%, respectively, compared to operating margins from continuing operations of 29.2% and 27.2%, respectively, during the three and nine month periods last year.

For the third quarter, selling, general and administrative expenses from continuing operations decreased to 25.8% as a percentage of revenue from continuing operations compared to 30.2% for the same period last year. For the nine-month period, selling, general and administrative expenses from continuing operations decreased to 27.6% compared to 32.9% for the same period last year.

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During the third quarter, we closed a store in Las Vegas, Nevada. The operating results of this closed store and two stores closed during the prior two quarters are recorded in discontinued operations. During fiscal 2005, the Company closed 20 stores, of which the operating results of 18 were reported as discontinued operations. Loss from discontinued operations amounted to (\$11,000) and (\$103,000) in the third quarter of 2006 and 2005, respectively. For the nine month periods for fiscal 2006 and 2005, income (loss) from discontinued operations amounted to \$112,000 and (\$954,000), respectively.

During the quarter, the Company did not open any stores and closed one store as described above.

Commenting on the results Harley J. Greenfield, Chief Executive Officer of Jennifer said, "We are extremely pleased to again report significant increases in revenues and operating results for our third fiscal quarter. This marks our fifth consecutive profitable quarter."

Mr. Greenfield added, "Strong demand for our product offerings has continued and we anticipate reporting increasing revenues, while maintaining operating margins, resulting in continued profitability. We believe the results, which have been achieved during the previous five quarters, confirm that our plan is on course to restore profitability and growth. We expect this to continue into the future."

Jennifer Convertibles is the owner and licensor of the largest group of sofabed specialty retail stores in the United States, with 175 Jennifer Convertibles® stores and 16 Jennifer Leather stores. As of May 27, 2006, the Company owned 167 stores and licensed 24 (including 23 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>05/27/06</u>	<u>08/27/05</u>
CASH AND CASH EQUIVALENTS	\$ 9,809	\$ 7,177
RESTRICTED CASH	864	111
ACCOUNTS RECEIVABLE	500	1,089
MERCHANDISE INVENTORIES, Net	13,981	13,366
DUE FROM AFFILIATED COMPANY	4,765	4,890
PREPAID EXPENSES AND OTHER CURRENT ASSETS	1,352	1,072
	<u>31,271</u>	<u>27,705</u>
FIXTURES, EQUIPMENT & LEASEHOLD IMPROVEMENTS, Net	2,557	2,259
ANNUITY CONTRACT	928	1,013
GOODWILL	1,650	1,650
OTHER ASSETS	635	588
	<u>\$ 37,041</u>	<u>\$ 33,215</u>
ACCOUNTS PAYABLE	\$ 16,472	\$ 18,612
CUSTOMER DEPOSITS	8,711	7,840
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	4,208	3,559
DUE TO AFFILIATED COMPANY	550	450
DEFERRED RENT AND ALLOWANCES – Current Portion	562	551
TOTAL CURRENT LIABILITIES	<u>30,503</u>	<u>31,012</u>
DEFERRED RENT AND ALLOWANCES – Net of Current Portion	2,978	3,051
OBLIGATIONS UNDER CAPITAL LEASES – Net of Current Portion	128	-
TOTAL LIABILITIES	<u>33,609</u>	<u>34,063</u>
STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)	<u>3,432</u>	<u>(848)</u>
	<u>\$ 37,041</u>	<u>\$ 33,215</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>05/27/06</u>	<u>05/28/05</u>	<u>05/27/06</u>	<u>05/28/05</u>
REVENUE:				
NET SALES	\$ 33,071	\$ 28,383	\$ 97,105	\$ 80,187
REVENUE FROM SERVICE CONTRACTS	2,425	2,085	7,065	5,624
	<u>35,496</u>	<u>30,468</u>	<u>104,170</u>	<u>85,811</u>
COST OF SALES AND OTHER CHARGES	23,944	21,583	71,433	62,430
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	9,146	9,191	28,723	28,232
IMPAIRMENT OF GOODWILL	-	-	-	146
DEPRECIATION AND AMORTIZATION	223	201	617	697
RECOVERY OF PRIOR YEAR RECEIVABLES FROM PRIVATE COMPANY	-	(2,000)	-	(2,000)
	<u>33,313</u>	<u>28,975</u>	<u>100,773</u>	<u>89,505</u>
INCOME (LOSS) FROM OPERATIONS	2,183	1,493	3,397	(3,694)
INTEREST INCOME	109	33	264	82
INTEREST EXPENSE	<u>22</u>	<u>1</u>	<u>22</u>	<u>2</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,270	1,525	3,639	(3,614)
INCOME TAXES	<u>14</u>	<u>49</u>	<u>105</u>	<u>1,887</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS	2,256	1,476	3,534	(5,501)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (including income (loss) on store closings of \$0 and \$31 for the thirteen weeks and \$182 and (\$300) for the thirty-nine weeks ended in 2006 and 2005, respectively)	<u>(11)</u>	<u>(103)</u>	<u>112</u>	<u>(954)</u>
NET INCOME (LOSS)	<u>\$ 2,245</u>	<u>\$ 1,373</u>	<u>\$ 3,646</u>	<u>\$ (6,455)</u>

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BASIC INCOME (LOSS) PER COMMON SHARE:

INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 0.31	\$ 0.20	\$ 0.48	\$ (0.96)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(0.01)	0.02	(0.16)
NET INCOME (LOSS)	<u>\$ 0.31</u>	<u>\$ 0.19</u>	<u>\$ 0.50</u>	<u>\$ (1.12)</u>

DILUTED INCOME (LOSS) PER COMMON SHARE:

INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 0.26	\$ 0.20	\$ 0.43	\$ (0.96)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(0.01)	0.01	(0.16)
NET INCOME (LOSS)	<u>\$ 0.26</u>	<u>\$ 0.19</u>	<u>\$ 0.44</u>	<u>\$ (1.12)</u>

WEIGHTED AVERAGE COMMON SHARES
OUTSTANDING

5,933,705	5,783,058	5,851,919	5,767,948
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WEIGHTED AVERAGE COMMON SHARES ISSUABLE
ON CONVERSION OF OUTSTANDING SERIES A
PARTICIPATING PREFERRED STOCK

<u>1,396,722</u>	<u>1,424,500</u>	<u>1,415,309</u>	<u>-</u>
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TOTAL WEIGHTED AVERAGE COMMON SHARES
BASIC

7,330,427	7,207,558	7,267,228	5,767,948
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EFFECT OF POTENTIAL COMMON SHARE ISSUANCE:

STOCK OPTIONS	1,115,264	103,550	615,877	-
WARRANTS	287,979	-	269,193	-
SERIES B CONVERTIBLE PREFERRED STOCK	62,216	40,167	62,216	-

WEIGHTED AVERAGE COMMON SHARES DILUTED

<u>8,795,886</u>	<u>7,351,275</u>	<u>8,214,514</u>	<u>5,767,948</u>
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