



Jennifer Convertibles, Inc., 417 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 12.6% for quarter, 7.2% year-to-date**
- **Comparable store sales decreased by 19.8% for quarter, 15.2% year-to-date**
- **(Loss) income from continuing operations (\$644,000) versus \$1,675,000 for quarter, (\$2,232,000) versus \$2,361,000 year to date**
- **Basic EPS (\$0.10) versus \$0.20 for quarter, (\$0.35) versus \$0.28 year to date**
- **Diluted EPS (\$0.10) versus \$0.18 for quarter, (\$0.35) versus \$0.25 year-to-date**
- **Second Ashley Furniture HomeStore Opens**

Woodbury, New York ***July 08, 2008*** Jennifer Convertibles, Inc. (AMEX: JEN) announced today its unaudited financial results for the third fiscal quarter ended May 24, 2008.

For the third quarter, revenue from continuing operations decreased by 12.6% to \$28.4 million from the \$32.5 million reported for the same period last year. For the nine-month period, revenue from continuing operations decreased 7.2% to \$90.1 million from the \$97.1 reported in the same period last year.

For the third quarter, the Company had a net loss of (\$711,000) or (\$0.10) per basic and diluted share, compared to net income of \$1,609,000 or \$0.20 and \$0.18 per basic and diluted share, respectively, for the same period last year. For the nine-month period, the net loss was (\$2,462,000) or (\$0.35) per basic and diluted share, compared to net income of \$2,230,000 or \$0.28 and \$0.25 per basic and diluted share, respectively, for the same period last year.

Operating margins from continuing operations decreased during the current three-month period to 28.7% compared to 32.2% the same period last year. The decrease in operating margin is due to warehouse and occupancy costs being spread over a decreased revenue base. For the current nine-month period operating margins from continuing operations decreased to 28.8% compared to 30.6% for the nine-month period last year.

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For the third quarter, selling, general, and administrative expenses from continuing operations increased to 30.4% as a percentage of revenue from continuing operations compared to 26.8% for the same period last year. For the nine-month period, selling, general and administrative expenses from continuing operations increased to 30.9% compared to 28.0% for the same period last year.

During the third quarter, we closed three stores in Ohio and one store in New York compared to no store closings the same period last year. The operating results of the closed store in New York were recorded in continuing operations based on management's judgment that there will be significant continuing sales to customers of the closed stores from other stores in the respective areas. The operating results of the three closed stores in Ohio were reported as discontinued operations. Loss from operations of discontinued operations was \$67,000 and \$66,000 in the third quarter of fiscal 2008 and 2007, respectively. For the nine month periods for fiscal 2008 and 2007, loss from discontinued operations amounted to \$230,000 and \$131,000, respectively.

During the quarter, the Company opened one store, combined two stores through an expansion and closed four stores as described above.

Commenting on the results, Harley J. Greenfield, Chief Executive Officer of Jennifer said, "Although we are disappointed with the results for the quarter and fiscal year-to-date, we remain optimistic for the future. Sales have been dramatically impacted by the downturn in the economy and the housing market which has hit the furniture industry particularly hard. We are continuing to monitor our costs and to provide customers incredible values without sacrificing margins. We maintain cash balances in excess of \$9 million and are extremely well positioned to take advantage of the future upturn in the economy."

Mr. Greenfield added, "We are very excited about the progress we have made with our new Ashley Division. During the quarter we generated an operating profit of \$129,000 from our Ashley Division. At the end of the quarter we opened our second Ashley Furniture HomeStore."

Jennifer Convertibles is the owner and licensor of the largest group of sofabed specialty retail stores in the United States, with 158 Jennifer Convertibles® stores and is the largest specialty retailer of leather furniture with 14 Jennifer Leather stores. As of July 8, 2008, the Company owned 150 stores and licensed 22 stores (including 21 owned and operated by a related company on a royalty free basis) and operates two licensed Ashley Furniture HomeStores.

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)

	05/24/08	08/25/07
	(Unaudited)	
CASH AND CASH EQUIVALENTS	\$ 9,210	\$ 8,375
MARKETABLE AUCTION RATE SECURITIES	125	8,300
RESTRICTED CASH	1,108	1,076
ACCOUNTS RECEIVABLE	974	855
MERCHANDISE INVENTORIES, Net	11,886	14,391
DUE FROM RELATED COMPANY	4,153	4,834
PREPAID EXPENSES AND OTHER CURRENT ASSETS	1,479	1,235
	<u>28,935</u>	<u>39,066</u>
MARKETABLE AUCTION RATE SECURITIES	1,400	-
FIXTURES, EQUIPMENT & LEASEHOLD IMPROVEMENTS, Net	3,214	3,377
GOODWILL	1,650	1,650
OTHER ASSETS	695	706
	<u>\$ 35,894</u>	<u>\$ 44,799</u>
ACCOUNTS PAYABLE	\$ 14,053	\$ 19,718
CUSTOMER DEPOSITS	6,550	6,543
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	3,513	4,183
DUE TO RELATED COMPANY	500	550
DEFERRED RENT AND ALLOWANCES – Current Portion	660	713
TOTAL CURRENT LIABILITIES	<u>25,276</u>	<u>31,707</u>
DEFERRED RENT AND ALLOWANCES – Net of Current Portion	2,889	2,948
OBLIGATIONS UNDER CAPITAL LEASES – Net of Current Portion	150	119
TOTAL LIABILITIES	<u>28,315</u>	<u>34,774</u>
STOCKHOLDERS' EQUITY	<u>7,579</u>	<u>10,025</u>
	<u>\$ 35,894</u>	<u>\$ 44,799</u>

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

	<u>THREE MONTHS ENDED</u>		<u>NINE MONTHS ENDED</u>	
	<u>05/24/08</u>	<u>05/26/07</u>	<u>05/24/08</u>	<u>05/26/07</u>
REVENUE:				
NET SALES	\$ 26,755	\$ 30,343	\$ 84,784	\$ 90,790
REVENUE FROM SERVICE CONTRACTS	1,674	2,193	5,337	6,351
	<u>28,429</u>	<u>32,536</u>	<u>90,121</u>	<u>97,141</u>
COST OF SALES AND OTHER CHARGES	20,280	22,057	64,172	67,385
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	8,641	8,713	27,857	27,216
DEPRECIATION AND AMORTIZATION	249	229	758	665
	<u>29,170</u>	<u>30,999</u>	<u>92,787</u>	<u>95,266</u>
(LOSS) INCOME FROM OPERATIONS	(741)	1,537	(2,666)	1,875
INTEREST INCOME	102	187	451	541
INTEREST EXPENSE	<u>(5)</u>	<u>(4)</u>	<u>(11)</u>	<u>(11)</u>
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(644)	1,720	(2,226)	2,405
INCOME TAXES	<u>-</u>	<u>45</u>	<u>6</u>	<u>44</u>
(LOSS) INCOME FROM CONTINUING OPERATIONS	(644)	1,675	(2,232)	2,361
LOSS FROM OPERATIONS OF DISCONTINUED OPERATIONS (including loss on store closings of \$19 and \$89 for the for the periods ended in fiscal 2008, respectively)	<u>(67)</u>	<u>(66)</u>	<u>(230)</u>	<u>(131)</u>
NET (LOSS) INCOME	<u>\$ (711)</u>	<u>\$ 1,609</u>	<u>\$ (2,462)</u>	<u>\$ 2,230</u>
BASIC (LOSS) INCOME PER COMMON SHARE:				
(LOSS) INCOME FROM CONTINUING OPERATIONS	\$ (0.09)	\$ 0.21	\$ (0.32)	\$ 0.30
LOSS FROM DISCONTINUED OPERATIONS	(0.01)	(0.01)	(0.03)	(0.02)
NET (LOSS) INCOME PER COMMON SHARE	<u>\$ (0.10)</u>	<u>\$ 0.20</u>	<u>\$ (0.35)</u>	<u>\$ 0.28</u>

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DILUTED (LOSS) INCOME PER COMMON SHARE:

(LOSS) INCOME FROM CONTINUING OPERATIONS	\$ (0.09)	\$ 0.19	\$ (0.32)	\$ 0.27
LOSS FROM DISCONTINUED OPERATIONS	(0.01)	(0.01)	(0.03)	(0.02)
NET (LOSS) INCOME PER COMMON SHARE	<u>\$ (0.10)</u>	<u>\$ 0.18</u>	<u>\$ (0.35)</u>	<u>\$ 0.25</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	7,073,466	6,925,320	7,073,466	6,856,009
COMMON SHARES ISSUABLE ON CONVERSION OF SERIES A PARTICIPATING PREFERRED STOCK	<u>-</u>	<u>924,500</u>	<u>-</u>	<u>924,500</u>
TOTAL WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	7,073,466	7,849,820	7,073,466	7,780,509
EFFECT OF POTENTIAL COMMON SHARE ISSUANCE:				
STOCK OPTIONS	-	604,678	-	837,917
WARRANTS	-	73,384	-	83,352
SERIES B CONVERTIBLE PREFERRED STOCK	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING DILUTED	<u>7,073,466</u>	<u>8,527,972</u>	<u>7,073,466</u>	<u>8,701,778</u>