

(unaudited)

Net Sales	\$ 201,656	\$194,412
Cost of sales	125,947	121,348
Gross profit	75,709	73,064
Selling, general and administrative expenses	72,544	67,341
Operating income	3,165	5,723
Other income (expense):		
Interest expense	(1,686)	(792)
Interest income	-	5
Other income (expense), net	378	174
Other income (expense)	(1,308)	(613)
Income before income taxes	1,857	5,110
Income tax expense	701	1,947
Net income	\$ 1,156	\$3,163
Earnings Per Share:		
Net income per common share:		
Basic	\$0.03	\$0.08
Diluted	\$0.03	\$0.08
Weighted average number of common shares:		
Basic	41,440	41,392
Diluted	41,585	41,584

Consolidated Balance Sheets
(in thousands)

	Sept. 30, 2007 (unaudited)	Sept. 30, 2006 (unaudited)	June 30, 2007
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,918	\$ 8,906	\$ 10,303
Inventories	346,017	302,533	288,791
Prepaid expenses and other assets	9,991	8,887	5,954
Deferred income taxes	-	5,071	1,211
Total current assets	367,926	325,397	306,259
Property and Equipment, net	82,432	86,888	83,776
Other long-term assets:			
Deferred financing costs	654	556	704
Other assets	3,679	4,781	3,582
Total Assets	\$ 454,691	\$ 417,622	\$ 394,321
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	\$ 74,000	\$ -	\$ 26,500
Accounts payable	90,334	103,778	82,453

Accrued liabilities	32,555	31,119	31,223
Deferred income taxes	1,372	-	-
Income taxes payable	441	6,199	712
Total current liabilities	198,702	141,096	140,888
Revolving credit facility, excl. current portion	30,000	47,000	30,000
Deferred rent	4,542	4,571	4,534
Deferred income taxes	3,582	6,267	3,459
Total Liabilities	236,826	198,934	178,881
Stockholders' equity	217,865	218,688	215,440
Total Liabilities and Stockholders' Equity	\$ 454,691	\$ 417,622	\$ 394,321

Consolidated Statement of Cash Flows
(in thousands)

	Sept. 30, 2007	Sept. 30, 2006
	(unaudited)	
Net cash flows from operating activities:		
Net income	\$ 1,156	\$ 3,163
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation and amortization	4,442	4,153
Amortization of financing fees	50	43
Deferred income taxes	2,706	-
Amortization of restricted stock compensation	50	-
Loss on disposal of fixed assets	169	111
Stock compensation expense	1,292	828
Other non-cash charges	66	(4)
Net change in operating assets and liabilities	(55,702)	(27,075)
Net cash used in operating activities	(45,771)	(18,781)
Net cash flows from investing activities:		
Capital expenditures	(3,267)	(4,284)
Net cash used in investing activities	(3,267)	(4,284)
Net cash flows from financing activities:		
Borrowings-revolving credit facility	82,500	68,500
Repayments-revolving credit facility	(35,000)	(42,500)
Change in cash overdraft	3,157	-
Proceeds from exercise of common stock options and stock purchase plan purchases	(4)	205
Other	-	-
Net cash provided by financing act.	50,653	26,205
Net decrease in cash and cash equivalents	1,615	3,140
Cash and cash equivalents, beginning of period	10,303	5,766
Cash and cash equivalents, end of period	\$ 11,918	\$ 8,906

SOURCE Tuesday Morning Corporation

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