

Network Communications Reports Fiscal Year 2007 First Quarter Results

	First Quarter
Revenue	\$47.7 million
Operating Profit	\$4.5 million
Net Loss	\$(1.2) million
EBITDA ¹	\$11.5 million

LAWRENCEVILLE, GA, August 2, 2006 — Network Communications, Inc. today reported financial results for the quarter ended June 18, 2006. The Company reported revenues of \$47.7 million, up 19.5% from the same period in fiscal year 2006. Operating profit was \$4.5 million, an increase of 49.8% compared to the \$3.0 million from the same period last year. For the quarter, net loss was \$(1.2) million compared to \$(0.67) million in the same period last year. EBITDA for the first quarter increased by \$2.3 million or 24.9% from \$9.2 million in fiscal year 2006 to \$11.5 million in fiscal year 2007.

“We are pleased with our performance in the first quarter from both an operational and financial standpoint. We posted strong financial results that were driven by growth in our core operations as well as solid performance from our fiscal 2006 and fiscal 2007 acquisitions. During the quarter we continued to execute on our growth strategy by opening nine new markets and closing on three tuck-in acquisitions” said Dan McCarthy, Chairman and Chief Executive Officer for Network Communications.

FINANCIAL HIGHLIGHTS

Fiscal Year 2007 First Quarter

Revenue: First quarter revenue was \$47.7 million, an increase of 19.5% from revenue of \$39.9 million in the same period of fiscal year 2006. Revenue from our resale and new sales product area was \$29.1 million, a \$4.3 million or 17.4% increase compared to \$24.7 million in the same period of fiscal 2006. The increase was the result of ad page volume growth in our established *The Real Estate Book* (“TREB”), *Unique Homes* and *New Home Finder* (“NHF”) markets, the opening of new TREB markets and the contribution of two acquisitions, one made during fiscal 2006 and one completed in fiscal 2007. Rental and leasing product area revenue increased by \$0.74 million or 6.1% compared to fiscal year 2006 due to growth in ad pages in our existing *Apartment Finder* (“AF”) and *Mature Living Choices* (“MLC”) markets, partially offset by a year-over-year revenue decline for *Black’s Guide* of \$0.13 million. The remodeling and home improvement product area posted revenue of \$5.7 million, an increase of \$2.7 million, or 92%, compared to the prior year period. The revenue growth was the result of the contribution from the acquisitions of titles in the Atlanta, Colorado, St. Louis, Seattle, Arkansas and Las Vegas markets that we completed throughout fiscal 2006. First quarter revenue, excluding our fiscal 2006 and fiscal 2007 acquisitions, was \$44.5 million, an increase of 11.5% compared to fiscal 2006.

Operating Profit: First quarter 2007 operating profit was \$4.5 million, an increase of \$1.5 million or 49.8% compared to an operating profit of \$3.0 million in the same period of fiscal 2006. The revenue gains were partially offset by increases in labor, production and distribution expenses resulting from growth in our existing markets as well as the acquisitions completed during fiscal 2006 and fiscal 2007. Specifically, the Company experienced higher raw material costs as prices for both paper and fuel in the current quarter were higher than fiscal 2006.

- more -

Network Communications Reports fiscal year 2007 First Quarter Results—page 2

Depreciation and amortization expense for the first quarter of fiscal 2007 was \$7.0 million, an increase of \$0.8 million compared to \$6.2 million in the same period of fiscal 2006. The increase resulted from the intangibles recorded for our fiscal 2006 and fiscal 2007 acquisitions and the capital investments made during fiscal 2006 and fiscal 2007.

Net Loss: First quarter net loss was \$(1.2) million compared to \$(0.67) million in the same period of fiscal year 2006. This year-over-year decline reflects an increase in operating profit offset by an increase of \$2.2 million in net interest expense resulting from our refinancing in November 2005.

EBITDA¹: EBITDA for the first quarter was \$11.5 million, an increase of \$2.3 million, or 24.9%, from the \$9.2 million a year ago. First quarter EBITDA, excluding our fiscal 2006 and fiscal 2007 acquisitions, was \$10.5 million, an increase of 14.2% compared to the same period in fiscal 2006.

Cash Flow: Network Communications, Inc. reflected a use of \$3.0 million in cash from operations during the first quarter compared to a source of \$3.2 million in the same period of fiscal year 2006. Cash paid for interest increased by \$8.4 million from \$2.0 million in the first quarter of fiscal year 2006 to \$10.4 million in the same period of fiscal year 2007, reflecting the introduction of senior notes with semi-annual interest payments into the Company's capital structure. In the first quarter of fiscal 2007, the Company made its first interest payment on its senior notes. Cash capital spending was \$0.56 million in the 2007 first quarter, a decrease of \$0.18 million from the \$0.74 million in cash capital spending during the same period in fiscal 2006. During the first quarter, the company also made \$0.94 million in deposits related to a new printing press that is expected to be installed and operational in the first quarter of fiscal year 2008. The Company ended the quarter with a cash balance of \$7.8 million.

Network Communications, Inc.
Condensed Consolidated Statements of Operations
(unaudited, in thousands)

	Quarter ended		
	6/18/06	6/19/05	Change
Revenue	\$ 47,664	\$ 39,892	19.5%
Operating expenses	<u>43,145</u>	<u>36,875</u>	17.0%
Operating profit	4,519	3,017	49.8%
Other (expense) income, net:			
Interest expense, net	(6,378)	(4,208)	51.6%
Unrealized gain on derivatives	7	—	—
Other, net	<u>(10)</u>	<u>7</u>	—
Loss before income taxes	(1,862)	(1,184)	57.3%
Income tax benefit	<u>(660)</u>	<u>(511)</u>	29.2%
Net loss	\$ (1,202)	\$ (673)	78.6%

- more -

Network Communications Reports fiscal year 2007 First Quarter Results—page 3

Network Communications, Inc. EBITDA ¹ Reconciliation (unaudited, in thousands)	Quarter ended	
	6/18/06	6/19/05
Net loss	\$ (1,202)	\$ (673)
Unrealized gain on derivatives	(7)	—
Depreciation	3,341	2,836
Amortization	3,604	3,311
Interest expense, net	6,378	4,208
Income tax benefit	<u>(660)</u>	<u>(511)</u>
EBITDA ¹	\$ 11,454	\$ 9,171

¹EBITDA is not intended to represent cash flows from operating activities and should not be considered as an alternative to net income as determined in conformity with accounting principles generally accepted in the United States of America. EBITDA as presented may not be comparable to similarly titled measures reported by other companies since not all companies necessarily calculate EBITDA in an identical manner, and therefore, is not necessarily an accurate measure of comparison between companies.

Network Communications, Inc. Revenue Summary by Area (unaudited, in thousands)	Quarter ended		
	6/18/06	6/19/05	Change
Revenue:			
Resale and new sales	\$ 29,054	\$ 24,745	17.4%
Rental and leasing	12,923	12,185	6.1%
Remodeling and home improvement	<u>5,687</u>	<u>2,962</u>	<u>92.0%</u>
Total	\$ 47,664	\$ 39,892	19.5%

Conference Call

Network Communications will host a conference call discussing its fiscal year 2007 first quarter results on Wednesday, August 2, 2006, at 10:00 a.m. EST. The conference call number is (888) 542-8560 if you are in the U.S., or (706) 634-8024 if you are outside the U.S. The conference ID is 3568082. Please note that a replay of the Earnings Conference Call will be available after the conference call at (800) 642-1687 in the U.S., or (706) 645-9291, if you are outside the U.S. The conference ID is 3568082. The call will be available for 10 days from the date of the call.

About Network Communications

Network Communications, Inc. is the leading publisher of printed and online real estate information in North America. The company was acquired by Citigroup Venture Capital Equity Partners in January of 2005. Its magazines are read by over 12 million readers in over 650 markets and deliver more than one million leads to advertisers each month. Network Communications' assets, *The Real Estate Book*®, *Apartment Finder / Blue Book*™, *Mature Living Choices*®, *Black's Guide*®, *New Home Finder*®, *Enclave*™, *Unique Homes*™, *Kansas City Homes & Gardens*™, *Atlanta Homes & Lifestyles*, *Atlanta Home Improvement*, *At Home In Arkansas*, *Relocating In Las Vegas*, *Colorado Homes & Lifestyles*, *St. Louis Homes & Lifestyles*, *Seattle Homes & Lifestyles*, and *Mountain Living*, include publications that millions of readers around the country turn to when looking for the latest information about the real estate and home design markets. Network Communications is on a March fiscal year end. Online magazine content can be accessed at www.livingchoices.com.

Statements in this release and any exhibits hereto which are not purely historical facts, including statements about forecasted financial projections or other statements about anticipations, beliefs, expectations, hopes, intentions or strategies for the future, may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements are based upon information available to Network Communications, Inc. ("the Company") on the date this release was submitted. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, including, but not limited to, risks and uncertainties related to: the Company's revenue being dependent on the residential market for existing and new home sales; significant increases in paper, ink, printing plates or fuel costs; and other changes or events which impact the residential and commercial real estate markets or alter the manner in which consumers access housing related information. More information on potential risks and uncertainties is available in the Company's recent Rule 144A filing.

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CONTACT: Gerard Parker, 770-962-7220 ext 24234, e-mail: gparker@treb.com