

Network Communications Reports Fiscal Year 2006 Fourth Quarter Results

	Fourth Quarter
Revenue	\$51.8 million
Operating Profit	\$0.43 million
Net Loss	\$(5.2) million
EBITDA ¹	\$9.8 million

LAWRENCEVILLE, GA, June 6, 2006 — Network Communications, Inc. today reported financial results for the quarter ended March 26, 2006. The Company reported revenues of \$51.8 million, up 26.0% from fiscal year 2005. Operating profit was \$0.43 million, a decrease of 62.8% compared to the \$1.2 million from the same period last year. For the quarter, net loss was \$(5.2) million compared to \$(2.9) million in the same period last year. EBITDA for the fourth quarter increased by \$1.5 million or 18.5% from \$8.3 million in fiscal year 2005 to \$9.8 million in fiscal year 2006.

“We posted strong operational and financial performance in the fourth quarter, especially in our core business. All three of our operating areas posted solid year-over-year revenue growth. We continued to invest in the business with focus on our online operations and physical distribution infrastructure. We also made good progress integrating the acquisitions that we made during fiscal year 2006” said Dan McCarthy, Chairman and Chief Executive Officer for Network Communications.

FINANCIAL HIGHLIGHTS

Fiscal Year 2006 Fourth Quarter

Revenue: Fourth quarter revenue was \$51.8 million, an increase of 26.0% from revenue of \$41.1 million in the same period of fiscal year 2005. Revenue from our resale and new sales product area was \$33.5 million, a \$5.5 million or 19.6% increase compared to \$28.0 million in the same period of fiscal 2005. 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, as well as the opening of new TREB and NHF markets and the contribution of one acquisition made in fiscal 2006. Rental and leasing product area revenue increased by \$1.4 million or 11.2% compared to fiscal year 2005 due to growth in ad pages in our existing *Apartment Finder* (“AF”) and *Mature Living Choices* (“MLC”) markets, and the opening of three new AF markets during the current year. The remodeling and home improvement product area posted revenue of \$4.5 million, an increase of \$3.8 million, or 577%, compared to the prior year period. The revenue growth was the result of double digit growth at *Kansas City Homes & Gardens* and the contribution from the acquisitions of titles in the Atlanta, Colorado, St. Louis, Seattle, Arkansas and Las Vegas markets that we completed during fiscal 2006. Fourth quarter revenue for our core business, excluding our fiscal 2006 acquisitions, was \$46.8 million, an increase of 13.9% compared to fiscal 2005.

Operating Profit: Fourth quarter 2006 operating profit was \$.43 million, a decline of \$0.73 million or 62.8% compared to an operating profit of \$1.2 million in the same period of fiscal 2005. The Company’s growth in revenue was partially offset by increases in labor expense and production expense resulting from growth in our existing markets as well as the acquisitions completed in fiscal 2006. There were price increases in raw materials such as paper and fuel in fiscal 2006 compared to fiscal 2005.

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Depreciation and amortization expense for the fourth quarter of fiscal 2006 was \$9.4 million, an increase of \$2.4 million compared to \$7.0 million in the same period of fiscal 2005. The increase resulted from the revaluation of our assets in January 2005 in conjunction with the sale of the Company, the intangibles recorded for our fiscal 2006 acquisitions and the capital investment made during fiscal 2006. The Company also incurred \$0.39 million in professional fees in the fourth quarter compared to \$0.08 million in fiscal 2005. The increase was primarily the result of increased audit and reporting requirements associated with our November 2005 refinancing.

Net Loss: Fourth quarter net loss was \$(5.2) million compared to \$(2.9) million in the same period of fiscal year 2005. This year-over-year decline reflects the decreased operating profit and an increase in net interest expense of \$3.0 million resulting primarily from the senior notes issued in November 2005, partially offset by the related income tax benefit.

EBITDA¹: EBITDA for the fourth quarter was \$9.8 million, an increase of \$1.5 million, or 18.5%, from the \$8.3 million a year ago. Fourth quarter EBITDA for our core business, excluding our fiscal 2006 acquisitions, was \$9.9 million, an increase of 19.5% compared to the same period in fiscal 2005. The remodeling and home improvement publications that we acquired during fiscal 2006 are seasonal and operated at an EBITDA loss in our fourth quarter, which was consistent with our expectations.

Cash Flow: Network Communications generated \$11.1 million in cash from operations during the fourth quarter compared to \$8.3 million in the same period of fiscal year 2005. Cash paid for interest decreased by \$3.1 million from \$3.8 million in the fourth quarter of fiscal year 2005 to \$0.7 million in the same period of fiscal year 2006 reflecting the introduction of senior notes with semi-annual payments into the Company's capital structure. Cash capital spending was \$2.7 million in the 2006 fourth quarter, an increase of \$0.9 million from the \$1.8 million in cash capital spending during the same period in fiscal 2005. The Company ended the quarter with a cash balance of \$16.4 million.

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

	Quarter ended			Fiscal Year ended		
	3/26/06	3/27/05	Change	3/26/06	3/27/05	Change
Revenue	\$ 51,816	\$ 41,120	26.0%	\$ 177,027	\$ 139,390	27.0%
Operating expenses	<u>51,384</u>	<u>39,958</u>	28.6%	<u>165,651</u>	<u>125,535</u>	32.0%
Operating profit	432	1,162	(62.8%)	11,376	13,855	(17.9%)
Other (expense) income, net:						
Interest expense, net	(8,734)	(5,765)	—	(28,560)	(11,963)	—
Realized gain (loss) on derivatives	3	—	—	6	418	—
Other, net	<u>5</u>	<u>86</u>	—	<u>5</u>	<u>152</u>	—
(Loss) income before income taxes	(8,294)	(4,517)	—	(17,173)	2,462	—
Income tax (benefit) expense	<u>(3,088)</u>	<u>(1,593)</u>	—	<u>(6,172)</u>	<u>1,248</u>	—
Net (loss) income	\$ (5,206)	\$ (2,924)	—	\$ (11,001)	\$ 1,214	—

Network Communications, Inc. EBITDA ¹ Reconciliation (unaudited, in thousands)				
	Quarter ended		Fiscal Year ended	
	3/26/06	3/27/05	3/26/06	3/27/05
Net (loss) income	\$ (5,206)	\$ (2,924)	\$(11,001)	\$ 1,214
Gain on derivatives	(3)	—	(6)	(418)
Depreciation	4,597	3,120	13,222	7,138
Amortization	4,793	3,927	15,049	9,407
Interest expense, net	8,734	5,765	28,560	11,963
Income tax (benefit) expense	<u>(3,088)</u>	<u>(1,593)</u>	<u>(6,172)</u>	<u>1,248</u>
EBITDA¹	\$ 9,827	\$ 8,295	\$ 39,652	\$ 30,552

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			Fiscal Year ended		
	3/26/06	3/27/05	Change	3/26/06	3/27/05	Change
Revenue:						
Resale and new sales	\$ 33,542	\$ 28,037	19.6%	\$109,978	\$ 91,895	19.7%
Rental and leasing	13,809	12,423	11.2%	51,558	44,870	14.9%
Remodeling and home improvement	<u>4,465</u>	<u>660</u>	<u>577%</u>	<u>15,491</u>	<u>2,625</u>	<u>490%</u>
Total	\$ 51,816	\$41,120	26.0%	\$177,027	\$139,390	27.0%

Conference Call

Network Communications will host a conference call discussing its fiscal year 2006 fourth quarter results on Tuesday June 6, 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 9791308. 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 9791308. 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