

Network Communications Reports Fiscal Year 2006 Third Quarter Results

	Third Quarter
Revenue	\$43.4 million
Operating Profit	\$3.8 million
Net Income	\$(4.9) million
EBITDA ¹	\$10.3 million

LAWRENCEVILLE, GA, January 19, 2006 — Network Communications, Inc. today reported financial results for the third quarter ended December 4, 2005. The Company reported revenues of \$43.4 million, up 28.8% from the third quarter of fiscal year 2005. Operating profit was \$3.8 million, a decrease of 28.7% over the \$5.4 million from the same period last year. For the quarter, net income was \$(4.9) million compared to \$1.8 million in the same period last year. EBITDA for the third quarter increased by \$2.3 million or 27.8% from \$8.0 million in fiscal year 2005 to \$10.3 million in fiscal year 2006.

“We are pleased with our operational and financial performance in the third quarter,” said Dan McCarthy, Chairman and Chief Executive Officer for Network Communications. “The third quarter results reflect strong organic revenue growth across our three publication areas and continued focus on improving the efficiency of our operations.”

FINANCIAL HIGHLIGHTS

Fiscal Year 2006 Third Quarter

Revenue: Third quarter revenue was \$43.4 million, an increase of 28.8% from revenue of \$33.7 million in the third quarter of fiscal year 2005. Revenue from our resale and new sales product area was \$27.2 million, a \$5.0 million increase compared to \$22.2 million in the third quarter of fiscal 2005. The increase was the result of ad page volume growth in our established TREB, Unique Homes and NHF markets, as well as the opening of new TREB markets. Rental and leasing product area revenue increased by \$1.3 million or 12.2% compared to the third quarter of fiscal 2005 due to growth in ad pages in our existing AF markets, and the opening of three new AF markets during the current year. The remodeling and home improvement product area posted revenue of \$4.0 million, an increase of \$3.4 million 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 acquisition of titles in the Atlanta, Colorado, St. Louis, Seattle and Arkansas markets.

Operating Profit: Fiscal year 2006 operating profit was \$3.8 million, a decline of \$1.6 million or 28.7% compared to an operating profit of \$5.4 million in the third quarter 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. Depreciation and amortization expense for the third quarter of fiscal 2006 was \$6.5 million, an increase of \$3.8 million compared to \$2.7 million in the third quarter of fiscal 2005. This increase was the result of our assets being revalued in January 2005 in conjunction with the sale of the Company. The Company also incurred \$0.3 million in transaction related costs in the third quarter related to its November 2005 refinancing.

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Net Income: Third quarter net income was (\$4.9) million compared to \$1.8 million in the third quarter of fiscal year 2005. This year-over-year decline reflects the decreased operating profit and an increase in interest expense of \$8.7 million resulting primarily from the write-off of deferred financing fees in conjunction with our November 2005 refinancing, partially offset by the related income tax benefit.

EBITDA¹: EBITDA for the third quarter was \$10.3 million, an increase of \$2.3 million from the \$8.0 million a year ago.

Cash Flow: Network Communications generated \$3.8 million in cash from operations during the third quarter of fiscal 2006 compared to \$5.3 million in the third quarter of fiscal year 2005. Cash interest expense increased by \$2.8 million from \$2.2 million in the third quarter of fiscal year 2005 to \$5.0 million in the same period of fiscal year 2006 reflecting the change in the Company's capital structure in January 2005. Cash capital spending was \$0.7 million in the third quarter of fiscal 2006, a decrease of \$0.4 million from the \$1.1 million in cash capital spending during the same period in fiscal 2005. The company ended the quarter with a cash balance of \$8.3 million.

Network Communications, Inc.						
Condensed Consolidated Statements of Income						
(unaudited, in thousands)						
	Three periods ended			Nine Periods ended		
	12/4/05	12/5/04	Change	12/4/05	12/5/04	Change
Revenue	\$43,395	\$33,701	29%	\$125,211	\$98,270	27%
Operating expenses	<u>39,579</u>	<u>28,350</u>	40%	<u>114,267</u>	<u>85,577</u>	34%
Operating profit	3,816	5,351	(29%)	10,944	12,693	(14%)
Other (expense) income, net:						
Interest expense, net	(10,979)	(2,244)	—	(19,826)	(6,198)	—
Realized gain (loss) on derivatives	—	—	—	3	418	—
Other, net	<u>(2)</u>	<u>5</u>	—	<u>—</u>	<u>66</u>	—
(Loss) income before income taxes	(7,165)	3,112	—	(8,879)	6,979	—
Income tax (benefit) expense	<u>(2,228)</u>	<u>1,267</u>	—	<u>(3,084)</u>	<u>2,841</u>	—
Net (loss) income	\$(4,937)	\$1,845	—	\$(5,795)	\$4,138	—

Network Communications, Inc.				
EBITDA¹ Reconciliation				
(unaudited, in thousands)				
	Three periods ended		Nine periods ended	
	12/4/05	12/5/04	12/4/05	12/5/04
Net income	\$ (4,937)	\$ 1,845	\$ (5,795)	\$ 4,138
Gain on derivatives	—	—	—	(418)
Depreciation	2,920	836	8,625	4,018
Amortization	3,530	1,840	10,256	5,480
Interest expense, net	10,979	2,244	19,823	6,198
Income tax (benefit) expense	<u>(2,228)</u>	<u>1,267</u>	<u>(3,084)</u>	<u>2,841</u>
EBITDA¹	\$10,264	\$8,032	\$29,825	\$22,257

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)						
	Three periods ended			Nine periods ended		
	FY 2006	FY 2005	Change	FY 2006	FY 2005	Change
Revenue:						
Resale and new sales	\$27,217	\$22,234	22.4%	\$76,436	\$63,858	19.7%
Rental and leasing	12,141	10,823	12.2%	37,749	32,447	16.3%
Remodeling and home improvement	<u>4,037</u>	<u>644</u>	<u>527%</u>	<u>11,026</u>	<u>1,965</u>	<u>461%</u>
Total	\$43,395	\$33,701	28.8%	\$125,211	\$98,270	27.4%

Conference Call

Network Communications will host a conference call discussing its fiscal year 2006 third quarter results on Thursday, January 19, 2006, at 11:00 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 4374791. 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 4374791. 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 500 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*®, *CorporateChoices.com*®, *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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