First Quarter Financial Results

The preliminary estimates presented below are derived from our preliminary unaudited results for the three months ended March 31, 2010 and are subject to the completion and review of our interim financial statements for this period. Our actual results of operations for the three months ended March 31, 2010 may differ from these preliminary estimates, which are not necessarily indicative of the results to be achieved for the remainder of 2010 or any other future periods, including as a result of quarter-end closing procedures or review adjustments, and any such changes could be material. We expect our interim consolidated financial statements for the three months ended March 31, 2010 to be available on or about May 10, 2010. We may include such financial statements, including management's discussion and analysis of our results of operations for the three months ended March 31, 2010, on this website once they become available.

Actual (in thousands)	**Three months ended March 31, 2010**		**Three months ended March 31, 2009**	
	Revenue	**Adj. EBITDA**	**Revenue**	**Adj. EBITDA**
Advertising Inserts	$ 191,282	$ 19,768	$ 230,022	$ 19,744
Direct Marketing	76,149	8,958	74,026	5,405
Corporate & Other	21,880	(426)	26,035	(2,405)
Intersegment revenue	(2,046)	-	(1,822)	-
Total	$ 287,265	$ 28,300	$ 328,261	$ 22,744

Revenue

For the three months ended March 31, 2010, our consolidated revenue decreased $41.0 million, or 12.5%, to $287.3 million, from $328.3 million in the corresponding period in 2009. This decrease in revenues was primarily caused by declines in paper prices and volume in our Advertising Inserts segment and volume in our Integrated Media Solutions business units.

Revenue from our Advertising Inserts segment for the three months ended March 31, 2010 declined $38.7 million, or 16.8%, to $191.3 million, from $230.0 million in the corresponding period in 2009. The primary factor causing this decline was the drop in overall paper prices as well as in the volume of paper used, which accounted for $24.6 million of the revenue decline in our Advertising Inserts segment. The cost of paper is a significant factor in our pricing to certain customers since a substantial portion of our revenue includes the cost of paper, therefore changes in the cost of paper and changes in the proportion of paper supplied by our customers significantly affects our revenue generated from the sale of advertising insert and direct marketing products, both of which are products where paper is a substantial portion of the cost of production. We are generally able to pass on increases in the cost of paper to customers, while decreases in paper cost result in lower prices to our customers and, as a result, can lower our revenues. The overall production volume decline for the Advertising Inserts segment was 3.9% for the three months ended March 31, 2010. Pricing and overall product mix accounted for the remaining decline in revenue for Advertising Inserts.

In our Direct Marketing segment, revenue increased $2.1 million, or 2.9%, in the three months ended March 31, 2010, from the corresponding period in 2009. The primary driver of the increase in the 2010 period was higher volume partially offset by reduced pricing driven by customer and product mix. The increase in Direct Marketing volume in this three month period is attributed to an increase in our in-line and conventional customer base in several sectors: financial (credit card), insurance and healthcare. With respect to price and mix, the lower price is attributable to lower value added per unit as customers simplify and reduce the cost of mail programs, particularly in our in-line business which is highly automated.

In our Integrated Media Solutions units, which are included in the Corporate and Other segment, revenue declined $4.2 million due to reduced volume.

Adjusted EBITDA

Adjusted EBITDA for the three months ended March 31, 2010 amounted to $28.3 million, an increase of $5.6 million, or 24.4%, from the corresponding period in 2009. The improvement in Adjusted EBITDA is the result of cost savings achieved through plant consolidations resulting in increased utilization and efficiencies, supply chain initiatives and reductions in redundant labor and overhead costs.

In our Advertising Inserts segment, Adjusted EBITDA for the three months ended March 31, 2010 increased $24,000 from the corresponding period in 2009 as the improved cost structure created by synergy savings from the execution of our integration plan with ACG (the "*Integration Plan*") and other cost savings initiatives, offset the declines in volume and pricing identified above. As a percentage of revenue, Adjusted EBITDA in our Advertising Inserts segment increased to 10.3% in 2010 compared to 8.6% in the corresponding period in 2009.

For our Direct Marketing segment, Adjusted EBITDA for the three months ended March 31, 2010 increased $3.6 million, or 65.7%, from the corresponding period in 2009 due to the volume and pricing factors noted above. As a percentage of revenue, Adjusted EBITDA in our Direct Marketing segment increased to 11.8% in 2010 compared to 7.3% in the corresponding period in 2009.

In our Integrated Media Solutions units, which are included in our Corporate and Other segment, Adjusted EBITDA for the three months ended March 31, 2010 increased $1.2 million, or 98.6%, from the corresponding period in 2009 due to synergy savings from the execution of the Integration Plan as well as other cost savings initiatives. The remaining improvement in Adjusted EBITDA for the three months ended March 31, 2010, is due to reduced corporate expenses of $0.8 million as a result of cost savings initiatives.

Liquidity

At March 31, 2010, the aggregate outstanding borrowings under both tranches of our existing revolving credit facility was $42.1 million with an additional $16.2 million in outstanding letters of credit. Including our cash balance as of March 31, 2010 of $0.2 million, our total availability under both tranches was $72.9 million as of March 31, 2010.

Non-GAAP Financial Measures

EBITDA represents net (loss) income plus interest expense (net of interest income), income tax expense (benefit) and depreciation and amortization of intangibles. Adjusted EBITDA represents EBITDA (as defined above) adding back all restructuring charges as well as charges related to the achievement of the Integration Plan and certain non-cash items as defined under our existing debt agreements. This is the measurement reported to our chief operating decision maker for the purpose of making decisions about allocating resources to the segments and assessing performance of the segments.

We present EBITDA and Adjusted EBITDA to provide additional information regarding our performance and because these are measures by which we gauge the profitability and assess the performance of our segments as we believe these are appropriate metrics to use in measuring our ability to service our existing debt obligations. These EBITDA calculations are not measures of financial performance in accordance with accounting principles generally accepted in the United States of America. You should not consider these measures alternatives to net income (loss) as measures of operating performance or to cash flows from operating activities as a measure of liquidity. Our calculation of EBITDA and Adjusted EBITDA may be different from the calculations used by other companies and therefore comparability may be limited. A reconciliation of EBITDA and Adjusted EBITDA to net loss is provided as follows:

(in thousands)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net loss	$ (38,917)	$ (38,960)
Interest expense, net	46,863	43,788
Income tax benefit	(11,948)	(24,430)
Depreciation and amortization of intangibles	24,630	32,678
EBITDA	$20,628	$13,076
Restructuring charges	7,307	3,868
Integration costs	151	6,144
Other non-cash items, net	214	(344)
Adjusted EBITDA	$ 28,300	$ 22,744

Possible Termination of Long-Term Cash Incentive Plan and Adoption of New Equity Incentive Plan

As previously disclosed, we have been discussing with Mr. Quincy Allen restructuring our Long-Term Cash Incentive Plan (the "*Incentive Plan*") in connection with the refinancing transactions we are currently undertaking (the "*Refinancing Transactions*"). These discussions have continued and if the Refinancing Transactions are consummated, we intend to terminate the Incentive Plan and adopt a new equity incentive plan (the "*Equity Plan*") which will provide for the issuance of equity awards to management. We intend for the Equity Plan to have a share reserve representing an aggregate of 15% of Vertis Holdings, Inc.'s ("*Holdings*") common stock on a fully diluted basis following the completion of the Refinancing Transactions. The board of directors will determine (i) the type of awards available for grant under the Equity Plan (which we intend will include restricted stock, restricted stock units and options), (ii) the number of shares subject to such awards, and (iii) the terms of such awards (including vesting conditions). As part of any award, we may have the option to repurchase vested shares upon termination of the recipient's employment and any award may include a time-based vesting schedule. Certain awards of restricted stock units will vest and be settled in cash upon the earlier to occur of a sale of the company or a qualified public offering, in either case, subject to the holder's continued employment through the date of such event. If the Equity Plan is adopted, the Incentive Plan will be terminated and outstanding grants thereunder will be void. In light of the possible extinguishment of such grants and their efforts in connection with the Refinancing Transactions, we have determined to pay a cash bonus to each of Mr. Allen and Mr. Sokol of approximately $7.5 million in the aggregate, to be paid upon the successful consummation of the Refinancing Transactions, the termination of the Incentive Plan and the adoption of the Equity Plan. If the Equity Plan is adopted, Mr. Allen and Mr. Sokol are expected to receive grants of restricted stock equal to approximately 6% and 2.25%, respectively, of Holdings' common stock on a fully diluted basis, and will be entitled to receive certain cash payments not to exceed $7.5 million in the aggregate to cover certain tax obligations related to such grants. Although we expect to terminate the Incentive Plan and adopt the Equity Plan if the Refinancing Transactions are consummated, the Equity Plan has not been approved by our board of directors and there can be no assurance that we will take such actions.