



NEWS
FROM ADVO, INC.

ADVO Reports Second Quarter Results

WINDSOR, CT – April 25, 2006 – ADVO, Inc. (NYSE: AD) today reported that revenue for its second fiscal quarter ended March 25, 2006 was \$354.8 million versus \$338.8 million in the prior year quarter and diluted E.P.S. was \$0.17 versus \$0.33 in the prior year quarter. These results are consistent with the estimates provided by the Company on April 17. The Company's second quarter fiscal 2005 E.P.S. did not include incremental expenses of \$0.02 for the expensing of stock options as the result of the adoption of FAS123(R) in fiscal 2006.

The Company's shared advertising packages grew 3.3% to 1.07 billion. Pieces per package increased 2.7% to 8.4. Total shared advertising piece volumes grew 6.0% to 8.96 billion. Revenue per piece declined 3.7% due to declines in ShopWise® wrap revenue and continued circular lightweighting in the grocery sector.

Distribution expense as a percent of revenue increased 2.1 percentage points, print and paper expense and other operations expense each improved 0.1 percentage points, resulting in a decrease in gross margin as a percentage of revenue of 1.9 percentage points. SG&A for the second quarter increased \$5.1 million, or 8.5%, driven by planned expenses related to the Company's new order entry system, incentive compensation expense, and the change in accounting rules related to stock option expense.

Separately, the Company today announced two corporate actions aligned with driving profitable growth: 1) the consolidation and closure of its Memphis production facility and 2) the outsourcing of its graphics print production services.

Specifically, as a result of continued improvements in its production capabilities, the Company will absorb work currently handled in Memphis into four other facilities. In addition, the Company will be sourcing its graphics print production work to an outside supplier who specializes in providing these services. This change will result in significant annual cost savings for ADVO, and will improve the turnaround time to fulfill client orders. In total, these actions will result in savings of \$7 million annually, with savings from the Memphis facility beginning in September-October, 2006 and the majority of the savings from graphics print beginning in the October, 2006-January, 2007 time-frame. The Company expects to incur charges primarily related to severance totaling approximately \$4 million over the next three fiscal quarters beginning in the third quarter of fiscal 2006.

The combination of these two initiatives, and the new Southern California joint distribution agreement the Company announced on April 17, will yield savings of approximately \$18-\$20 million on an annual basis.

Scott Harding, ADVO's Chief Executive Officer, stated, "Our advertising piece volumes this quarter reflect the continuing gains in market share we are generating in a highly competitive media market. Even so, as we discussed last week, we are disappointed with our zone product performance and our earnings results, and are committed to driving more consistent, profitable growth in the future."

Mr. Harding went on to say, "Consistent with this goal, we continue to take aggressive actions to strengthen our business. We have a strategic effort under way to market our ShopWise® wrap to more clients and categories. Our new joint distribution agreement in Southern California will accelerate our financial progress in this key growth market and benefit our clients with a shared advertising package richer in content and consumer relevance. Over the last several months we have examined our processes and identified that the consolidation of our Memphis production facility will enable us to better leverage our current investments in technology, equipment and real estate. And, the outsourcing of our graphics print production activities will net significant savings at the same time it dramatically improves cycle times for our clients."

The Company will hold an analyst conference call to discuss its second quarter earnings today at 5:15-6:00 p.m. ET. The call in number is 1-800-818-5264, and the replay number is 1-888-203-1112 (access code #3314486). The replay will be available until midnight May 16, 2006. The call will also be available via webcast through the Investor Relations section of ADVO's website at www.advo.com.

Key Statistics – Year-to-date Fiscal 2006 Results and Growth vs. Year-to-date Fiscal 2005

	<u>1Q06</u>	<u>2Q06</u>	<u>YTD06</u>
Advertising Packages (<i>millions</i>)	1,041.0	1,072.6	2,113.6
Advertising Package Growth	-0.5%	3.3%	1.4%
Pieces per Package	8.35	8.36	8.35
Pieces per Package Growth	5.6%	2.7%	4.1%
Advertising Pieces (<i>millions</i>)	8,689.8	8,962.7	17,652.5
Advertising Piece Growth	5.1%	6.0%	5.6%
Revenue per Thousand Pieces	\$38.12	\$35.62	\$36.85
Revenue per Thousand Piece Growth	-2.4%	-3.7%	-3.1%
% Underweight	20.7%	23.5%	22.2%
Percentage Point Improvement	2.1pp	-0.1pp	0.9pp

Diluted Earnings per Share: Reconciliation of
The Pro Forma Impact of the Adoption of FAS123(R)*

	Three Months Ended	
	March 25, 2006	March 26, 2005
Diluted Earnings per share – As Reported	\$0.17	\$0.33
Pro Forma FAS123(R) expense	--	0.02
Diluted Earnings per share – Pro Forma	<u>\$0.17</u>	<u>\$0.31</u>

* This pro forma financial measure reconciliation is provided because the 2Q06 as reported E.P.S. includes incremental expenses the Company incurred as a result of the adoption of new accounting rules related to FAS123(R), and management believes that reconciling E.P.S. in this manner facilitates comparisons to prior period results.

This report contains certain forward looking statements regarding the Company's results of operations and financial position within the meaning of Sections 21E of the Securities Exchange Act of 1934, as amended. Such forward looking statements are based on current information and expectations and are subject to risks and uncertainties which could cause the Company's actual results to differ materially from those in the forward looking statements. The Company's business is promotional in nature, and ADVO serves its clients on a "just in time" basis. As a result, fluctuations in the amount, timing, pages, weight, and kinds of advertising pieces can vary significantly from period to period, depending on its customers' promotional needs, inventories, and other factors. In any particular period these transactional fluctuations are difficult to predict, and can materially affect the Company's revenue and profit results. The Company's business contains additional risks and uncertainties which include, but are not limited to: general changes in customer demand and pricing; the possibility of consolidation in the retail sector; the impact of economic or political conditions on advertising spending and the Company's distribution system; postal and paper prices; possible governmental regulation or legislation affecting aspects of the Company's business; the efficiencies achieved with technology upgrades; fluctuations in interest rates; and other general economic factors.

ADVO is the nation's leading direct mail media company, with annual revenues of nearly \$1.4 billion. Serving 17,000 national, regional and local retailers, the company reaches 114 million households, more than 90% of the nation's homes, with its ShopWise® shared mail advertising.

The company's industry-leading targeting technology, coupled with its unparalleled logistics capabilities, enable retailers seeking superior return on investment to target, version and deliver their print advertising directly to consumers most likely to respond.

Demonstrating ADVO's effectiveness as a print medium, the company's "Have You Seen Me?®" missing child card, distributed with each ShopWise® package, is the most recognized mail in America. This signature public service program has been responsible for safely recovering 141 children. The program was created in partnership with the National Center for Missing & Exploited Children and the U.S. Postal Service in 1985.

ADVO employs 3,700 people at its 24 mail processing facilities, 33 sales offices and headquarters in Windsor, CT. The company can be visited online at www.ADVO.com.

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ADVO, Inc.
Results of Operations
Three and Six Months Ended March 25, 2006 (Unaudited)
(In thousands, except per share data)

	<u><i>Three months ended</i></u>		<u><i>Six months ended</i></u>	
	<u><i>March 25,</i></u> <u><i>2006</i></u>	<u><i>March 26,</i></u> <u><i>2005</i></u>	<u><i>March 25,</i></u> <u><i>2006</i></u>	<u><i>March 26,</i></u> <u><i>2005</i></u>
Revenues	\$ 354,781	\$ 338,763	\$ 713,006	\$ 688,816
Cost of sales	279,833	260,673	556,181	529,398
Selling, general and administrative	<u>64,685</u>	<u>59,628</u>	<u>125,914</u>	<u>126,810</u>
Operating income	10,263	18,462	30,911	32,608
Interest expense	(2,080)	(1,694)	(4,066)	(3,240)
Equity earnings in joint ventures	738	417	1,565	1,073
Other income (expense), net	<u>49</u>	<u>(125)</u>	<u>88</u>	<u>(280)</u>
Income before income taxes	8,970	17,060	28,498	30,161
Provision for income taxes	<u>3,472</u>	<u>6,610</u>	<u>11,029</u>	<u>11,621</u>
Net income	<u>\$ 5,498</u>	<u>\$ 10,450</u>	<u>\$ 17,469</u>	<u>\$ 18,540</u>
Basic earnings per share	<u>\$ 0.18</u>	<u>\$ 0.34</u>	<u>\$ 0.56</u>	<u>\$ 0.60</u>
Diluted earnings per share	<u>\$ 0.17</u>	<u>\$ 0.33</u>	<u>\$ 0.55</u>	<u>\$ 0.59</u>
Dividends declared per share	<u>\$ 0.11</u>	<u>\$ 0.11</u>	<u>\$ 0.22</u>	<u>\$ 0.22</u>
Weighted average basic shares	31,361	30,985	31,305	30,857
Weighted average diluted shares	31,587	31,448	31,505	31,291

ADVO, Inc.
Consolidated Balance Sheets
(In thousands, except share data)

	<i>March 25, 2006</i>	<i>September 24, 2005</i>
	<i>(Unaudited)</i>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 37,864	\$ 46,238
Accounts receivable, net	185,010	162,542
Inventories	2,447	2,500
Prepaid postage	211	10,747
Prepaid expenses and other current assets	5,513	6,360
Federal income taxes receivable	--	2,884
Deferred income taxes	<u>12,873</u>	<u>10,996</u>
Total current assets	243,918	242,267
Property, plant and equipment	440,295	420,738
Less accumulated depreciation and amortization	<u>(244,499)</u>	<u>(226,735)</u>
Net property, plant and equipment	195,796	194,003
Investment in deferred compensation plan	16,248	15,134
Goodwill	22,829	22,824
Other assets	<u>3,935</u>	<u>4,502</u>
TOTAL ASSETS	<u>\$ 482,726</u>	<u>\$ 478,730</u>
LIABILITIES		
Current liabilities:		
Accounts payable	31,869	55,276
Accrued compensation and benefits	25,964	27,919
Customer advances	15,505	7,302
Federal and state income taxes payable	1,823	325
Other current liabilities	<u>23,829</u>	<u>25,468</u>
Total current liabilities	98,990	116,290
Long-term debt	123,905	124,867
Deferred income taxes	28,775	29,641
Deferred compensation plan	17,350	16,172
Other liabilities	11,758	6,475
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value		
(Authorized 5,000,000 shares, none issued)	---	---
Common stock, \$.01 par value (Authorized		
80,000,000 shares, issued 32,025,736		
and 31,719,419 shares, respectively)	320	317
Additional paid-in capital	183,273	180,510
Unamortized deferred compensation	--	(3,846)
Accumulated earnings	27,724	17,182
Less shares of common stock held in treasury at cost	(8,847)	(8,124)
Less shares of common stock held in deferred compensation trust	(1,101)	(1,038)
Accumulated other comprehensive income	<u>579</u>	<u>284</u>
Total stockholders' equity	<u>201,948</u>	<u>185,285</u>
TOTAL LIABILITIES & STOCKHOLDERS'		
 EQUITY	<u>\$ 482,726</u>	<u>\$ 478,730</u>

ADVO, Inc.
Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	<i>Six Months Ended</i>	
	<i>March 25, 2006</i>	<i>March 26, 2005</i>
Cash flows from operating activities:		
Net income	\$ 17,469	\$ 18,540
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation	20,382	19,039
Stock-based compensation	3,837	1,313
Amortization of debt issue costs	277	277
Deferred income taxes	(2,928)	1,225
Provision for bad debts	3,278	3,633
Equity earnings from joint ventures	(1,565)	(1,073)
Other	18	149
Change in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(25,739)	(12,811)
Inventories	54	(371)
Prepaid postage	10,536	(830)
Prepaid expenses and other current assets	847	518
Investment in deferred compensation plan	181	(306)
Other assets	345	2,641
Accounts payable	(23,410)	(6,015)
Accrued compensation and benefits	(1,957)	(2,399)
Deferred compensation plan	(181)	306
Customer advances	8,203	187
Federal and state income taxes payable	4,252	(136)
Other liabilities	3,172	(446)
Distributions from equity joint ventures	1,510	1,157
Net cash provided by operating activities	18,581	24,598
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(22,567)	(20,293)
Proceeds from disposals of property, plant and equipment	375	81
Net cash used by investing activities	(22,192)	(20,212)
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,426	9,272
Tax benefit from stock transactions	479	---
Treasury stock transactions related to stock awards	(722)	(1,382)
Cash dividends paid	(6,950)	(6,802)
Net cash (used) provided by financing activities	(4,767)	1,088
Effect of exchange rate changes on cash and cash equivalents	4	55
Change in cash and cash equivalents	(8,374)	5,529
Cash and cash equivalents at beginning of period	46,238	30,284
Cash and cash equivalents at end of period	\$ 37,864	\$ 35,813