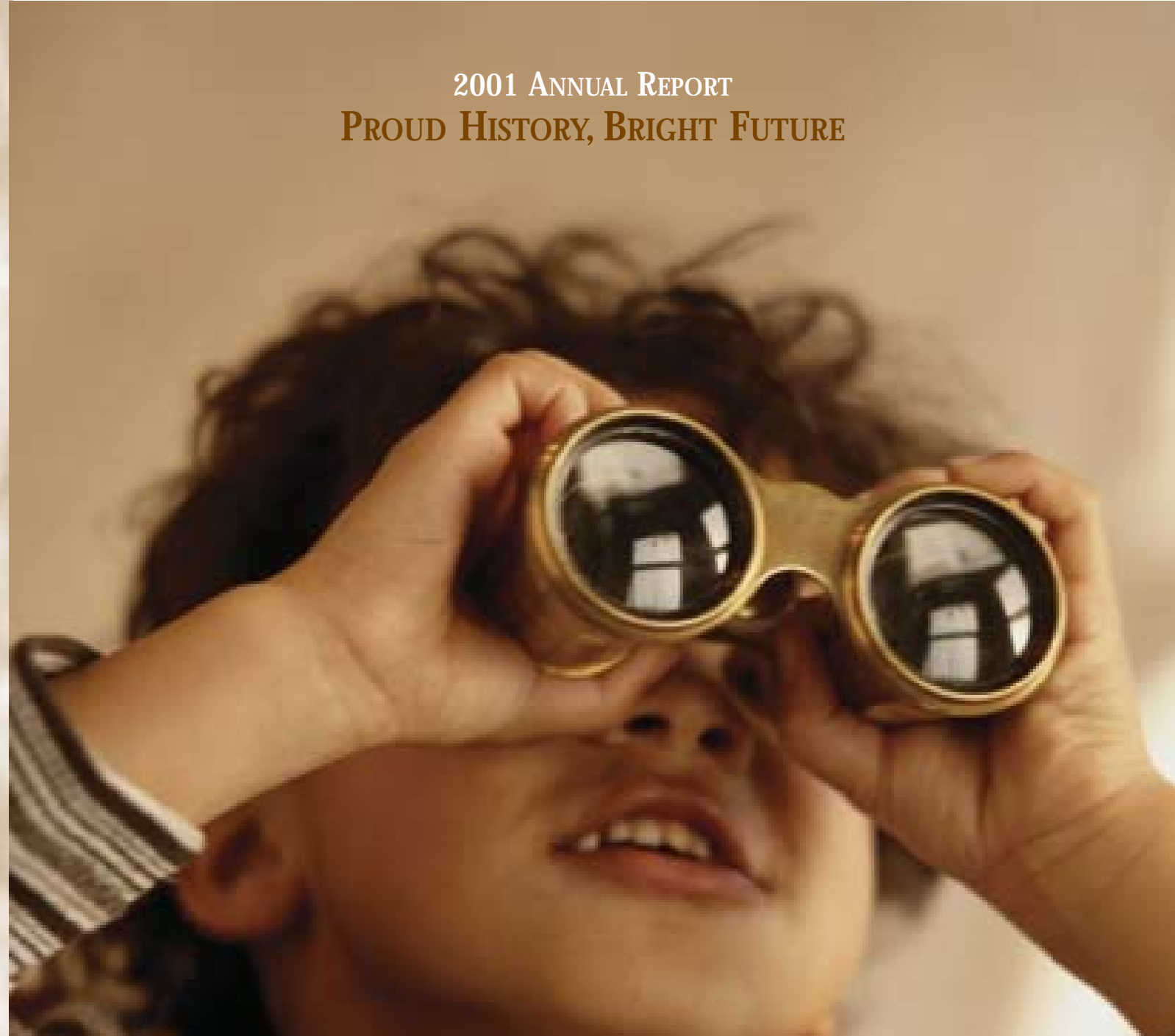


2001 ANNUAL REPORT  
PROUD HISTORY, BRIGHT FUTURE



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Livonia, MI 48152  
Tel 734.591.3000  
[www.valassis.com](http://www.valassis.com)  
NYSE: VCI

Valassis

Valassis

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## FINANCIAL HIGHLIGHTS: 2001 AT A GLANCE

**Note: This annual report is presented in two parts – 2001 Annual Report and 2001 Form 10-K. Complete financial information for 2001 is presented in the Form 10-K.**

<i>Year Ended December 31</i> <i>(in millions, except per share data)</i>	2001	2000	% change
Total Revenues	\$849.5	\$836.6 <sup>1</sup>	+1.5%
Earnings Before One-time Events	123.4 <sup>2</sup>	123.0 <sup>3</sup>	+0.3%
Earnings Per Share Before One-time Events	2.27 <sup>2</sup>	2.22 <sup>3</sup>	+2.3%

<i>At Year End</i> <i>(in thousands)</i>	2001	2000	% change
Total Assets	\$363,025	\$325,717	+11.5%
Total Long-term Debt	254,983	325,490	- 21.7%
Average Shares Outstanding, Diluted	54,406	55,478	- 1.9%

### FINANCIAL DECISION-MAKING

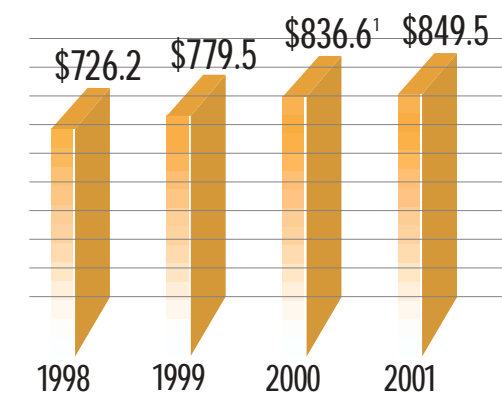
Throughout my 18 years here, I've witnessed Valassis' growth from its small company beginnings to becoming a public company traded on the New York Stock Exchange. Through internal growth, acquisitions and new product launches, Valassis has made strategic decisions to grow. I am proud of the role I've played in providing the tools necessary to make good business decisions based on sound financial information. I am also fortunate to work for a company that recognizes and supports the importance of family. I appreciate the freedom and flexibility to be so involved in the daily activities and needs of my children while still being an integral part of Valassis.

*Linda J. Schalek*  
Linda J. Schalek, Controller

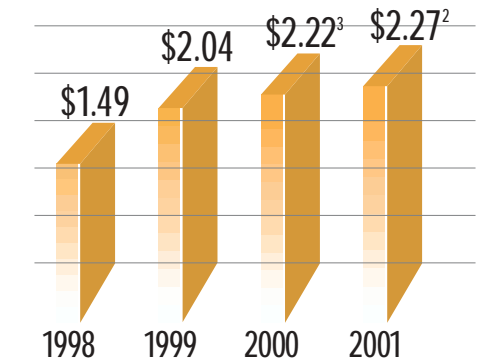


**Throughout the 2001 Annual Report, we recognize our employees and their commitment to Valassis.**

### TOTAL REVENUES *(in millions)*



### EARNINGS PER SHARE *(before one-time events)*



<sup>1</sup> Excludes income from a \$26.5 million lawsuit settlement (\$16.7 million net of taxes) in the first quarter of 2000.

<sup>2</sup> Excludes the effect of a \$4.3 million charge, after taxes, relating to the closedown of Save.com and subsequent reorganization costs and a \$1.3 million charge for early extinguishment of \$15.8 million of debt due 2003.

<sup>3</sup> Excludes the effect of \$21.6 million in impairment charges (\$13.9 million net of taxes) taken in the 4th quarter of 2000 to record losses on investments, loans and commitments related to Save.com and IDS, and the write-off of goodwill related to The Net's Best, as well as the income from the lawsuit settlement mentioned above.



# VALASSIS 1970-2001

2001

2000

1999

1998

1997

1996

1995

1993

1992

1989

Media planning and quoting software acquisition enhanced the industry's largest newspaper database

20-year zero coupon convertible notes offered

Aztec two-dimensional bar code patent granted

High-speed, state-of-the-art press added in Durham

Fourth 5-million share repurchase authorized

Reduced debt by \$70 million

Valassis Relationship Marketing Systems, LLC (VRMS) formed

Direct-to-door sampling business acquired

Third 5-million share repurchase program authorized

Minority investment made in Coupons.com

PreVision Marketing®, LLC, a leading customer relationship marketing firm, acquired

Valassis Internet couponing venture launched

Relationship Marketing Group, Inc. (RMG) investment provided retail-sponsored direct mail promotions

VCI stock split for the first time, 3 for 2

First variable data printing job on a web printing press

Financial restructuring plan included reducing debt, lowering interest rates, purchasing \$110 million of 9.55% senior notes due in 2003

Alan F. Schultz named Valassis Chairman, President and CEO

Valassis Promociones, a fulfillment group in Mexicali, Mexico, acquired

Second 5-million share repurchase program authorized

Through secondary public offering, CPH sold its interest in Valassis, making VCI an independent public company

Aztec Code technology, a two-dimensional bar code that contains significantly more data than a traditional UPC, introduced

First 5-million share repurchase program authorized

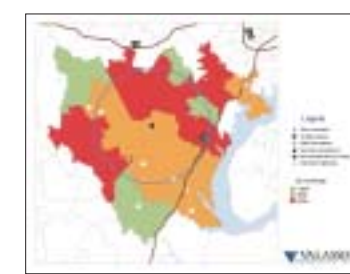
McIntyre & Dodd purchase expanded reach to Canadian market

First-time recognition in "100 Best Companies to Work for in America"

22.1 million shares of common stock on the New York Stock Exchange issued in initial public offering; CPH retained 49% ownership

Valassis Impact Promotions, a specialty print promotions operation, began

Specialty FSI introduced in rural communities



PROUD HISTORY, BRIGHT FUTURE

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## LETTER TO SHAREHOLDERS

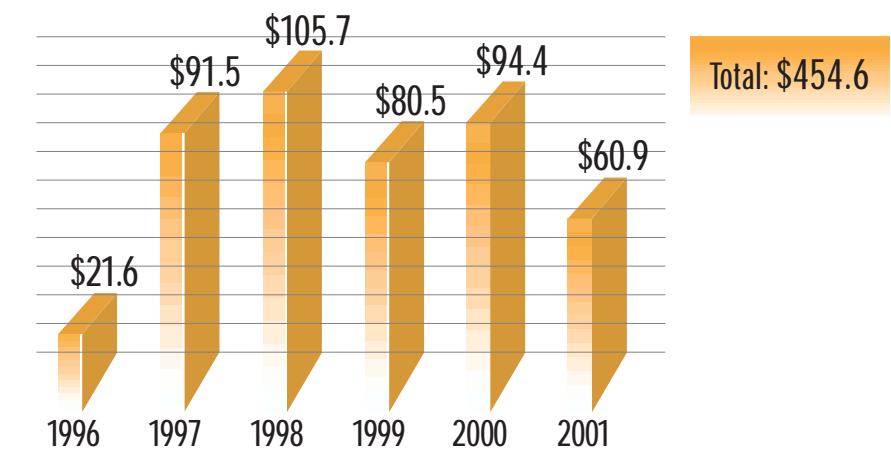


In a year of unprecedented uncertainty, the fundamental strength of our business shined brightly. **We continued to generate significant cash flow and achieved earnings per share and revenue growth, despite a difficult economy.** These positive financial results speak highly of our products and services and our clients' belief in these proven solutions. While much changed in the world, our vision to be the world's leading marketing services company did not change. Our commitment to expand our product portfolio and our customer base remains strong, as well. I am proud of how our company performed in 2001, and as I look forward, I am enthusiastic about our future.

### Making Money Today

**We achieved earnings per share growth, before one-time charges, of over 10% in the second half of 2001 versus the same time a year ago.** These results are impressive considering they were accomplished in the midst of an advertising spending recession, formidable economic and political unrest

### SHARE REPURCHASE (in millions)



and shattered consumer confidence. U.S. advertising spending was down 9.4% industry-wide in 2001, and without a doubt, the economy led our clients to tighten their marketing budgets. **This EPS growth is clear evidence that our Connective Media™ solutions weather the storm better than traditional media.**

These positive results can be attributed to aggressive sales and marketing efforts combined with strict control of our cost of goods components. Cost-containment initiatives were put in place in the latter part of the year, resulting in a 9.5% reduction of selling, general and administrative costs in the fourth quarter of 2001. Additionally, we lowered the company's debt by \$70 million in 2001 and continue to execute against our plan to create a risk-balanced portfolio of investments to drive future growth.

We made the difficult decision in 2001 not to continue to fund Save.com, an Internet couponing investment. We always set high

standards for all of our divisions and hold our investments to disciplined timelines for profitability. Save.com was unable to meet these targets, and we believed our resources would be better invested in areas where the opportunity is more visible, specifically our customer relationship marketing initiative.

### Measuring Strength by Cash Flow

We generated over \$120 million in cash flow in 2001, enabling us to stay the course for our long-term growth plan. **Over the last six years we allocated more than \$450 million to share repurchase,** which is reflective of the confidence we have in our future and the strength of our company. In 2001, our board authorized a 5-million share repurchase plan for the fourth consecutive time. We remain committed to allocating at least 50% of our yearly net income to share repurchase.

**We also continued to strengthen our balance sheet through the sale of zero coupon convertible senior notes and the**



**Bill Griffeth, anchor:** *"I know you still do the co-op ads, but what are you broadening into?"*

**Alan Schultz:** *"We've been known for years as a free-standing insert company because we started the free-standing insert business 30 years ago. We now do customer relationship management and database marketing programs. In fact, we are currently doing programs off the frequent shopper data that you get from the grocery stores. We also do direct mail advertising, direct-to-door advertising and newspaper advertising....All of our products build awareness and image but they also call the consumer to action and that's the unique attribute of the products and services we offer."*

*CNBC broadcast transcript  
"Power Lunch" April 4, 2001*



**retirement of outstanding 9.55% bonds, lowering our overall cost of debt to approximately 5%.** In 2002, we anticipate continued reduction of net debt. We expect to have the flexibility to accelerate share repurchase, if we so choose.

Allocating \$15 million toward capital expenditures allowed us to add a highly efficient printing press in 2001. Another printing press is planned for 2002. Among our priorities is maintaining our competitive advantage by equipping our facilities with the latest technology and remaining the low-cost producer for all of our product lines.

### **Tomorrow... A Bright Future**

As we have built our mass- and cluster-targeted products, they have provided us with the profitability and wherewithal to innovate, invest in and build our technology-based product portfolio. **With the capability of reaching 59 million consumers nearly every week through FSIs and a grocery frequent shopper database of 38 million**

**households, the possibilities are limitless. As the database is further developed and the data becomes richer over time, the potential for growth and new applications increases dramatically.** This broad reach and valuable data afford us the ability to attract additional and diversified customers. Our clients have a high regard for us, believe in our integrity and know we deliver on our promises. We strive to maintain that trust and further build on these great relationships.

We offer our clients three customer relationship marketing (CRM) platforms. The first is PreVision Marketing, specializing in developing turnkey integrated customer marketing and multi-channel communication programs for a large and loyal client base. Second is Valassis Relationship Marketing Systems (VRMS), offering solutions for grocery retailers and consumer packaged goods manufacturers. We expect VRMS, a joint venture with VNU Marketing, a leading international media and information group, to double sales in 2002; and we anticipate breaking even in 2003.

Our third CRM platform is customized direct mail, meeting the targeted needs of a broad base of clients from diverse industries such as automotive, franchise retailers, telecommunications and packaged goods.

Additionally, we have invested in on-line media planning, quoting and purchasing tools utilizing the industry's largest and most efficient newspaper database to better meet the emerging needs of our clients. We believe the trend to more closely integrate traditional advertising techniques with non-traditional media tools, such as those offered by Valassis, will continue. Our product lines offer dynamic ways to help our growing client base deliver their advertising and sales promotion messages and build relationships with consumers.

The entrepreneurial spirit, in which the company was founded three decades ago, is still alive today. **We look forward to 2002 as a year with continued strong cash flow and EPS growth fueled, in**

**part, by increasing revenues from all of our one-to-one products.** With the money we are making today, we are investing in tomorrow.

**Alan F. Schultz**  
**Chairman, President and CEO**



## MASS-MARKETING PRODUCTS

- Co-op Newspaper Inserts (Free-Standing Inserts)
- On-page Newspaper Advertising: Run-of-Press (ROP)

*The FSI represents 84% of all coupons distributed. It touches 60% of all U.S. households nearly every week.*



*In the 1970s, Valassis found a new way to mass market coupons.*

*FSIs...mass reach, low cost, connect people to brands*

### Yesterday

The cents-off coupon is nothing new; it dates back to 1894. But in the early 1970s, Valassis found a new way to mass market the coupon to consumers. The concept for a cooperative coupon insert – called the flagwaver because the coupons were cut loosely along the side of the page and waved like flags – grouped coupon promotions from several companies together in one program.

The first Valassis free-standing insert (FSI) was published in August of 1972. General Foods and Colgate were early supporters of this program and soon other packaged goods manufacturers began to come on board. The FSI provides manufacturers with a cost-efficient, four-color vehicle that can deliver coupons to millions of people in a single day. Publishing a set schedule and market list in 1973 turned out to be a pivotal decision.



Yesterday... The flagwaver, the first free-standing insert

Today... FSIs are distributed to about 59 million households.

Tomorrow... Mass customization is a trend to watch.

The 1980s represented a decade of phenomenal growth for Valassis. By 1984, FSIs had become the number one coupon distribution vehicle. In 1986, we purchased one of our largest competitors, Newspaper Co-op Couponing (NCC). Acquisition of this company added a new product to our growing portfolio. It was first known as Valassis Black & White, and at the time, Valassis became the only company to offer both FSI and on-page newspaper promotions.

An industry was launched, and the rest is history.

**Today**

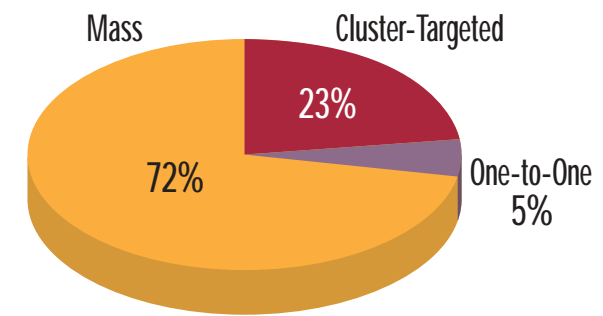
The co-op free-standing insert continues to provide mass reach at a low cost and connect people to the brands they use each and every day. Today, the FSI represents 84% of all coupons distributed. Nearly every week, around 59 million households find valuable coupons, refunds and promotional offers in these colorful magazine-like booklets, which are delivered across the country via Sunday

newspapers. We saw our market share grow slightly in 2001 and circulation increase as we went to gross paid circulation.

There was decreased FSI activity among consumer packaged goods clients in 2001, attributed to the slowing economy and our clients' tightening marketing budgets. Overall, however, Valassis fared better than the advertising industry as a whole, which was down 9.4% in 2001 versus 2000. The lack of e-commerce clients, which made a significant impact in 2000, contributed to the softness in the industry.

While FSI revenue for the year was down slightly, Retail Connection®, a four-color retailer FSI page that runs in conjunction with a national coupon ad, grew. As manufacturers and retailers continue to look for opportunities to partner, a Retail Connection FSI draws additional attention to the brand while offering the consumer additional savings at a specific retailer. We expect this product to grow again in 2002.

2001 SHARE OF REVENUES



FSI revenue also was impacted by the effect of decreasing direct response pages. This discounted "remnant" space is sold on an auction basis to marketers selling their products directly through the insert. As economic conditions led to lowered pricing in 2000, we embarked on a strategy to improve pricing in our direct response client segment. Direct response pricing has increased and stabilized as a result of our strategy. We began gradually increasing direct response pages in the second half of the year, striking a balance between direct response page volume and acceptable pricing.

In addition, Valassis produces some specialty FSIs, including one that reaches 5.4 million households in smaller rural communities and another, which reaches 5 million Canadian households through home-delivered newspapers.

Another of our mass-marketing products, ROP advertising, allows our clients to run their promotions directly on the pages of

over 13,000 newspapers across the country. With over 31 years of experience building relationships with newspapers, Valassis provides substantial buying power and top service for our ROP clients. Combined with our superb research, targeting, logistics, and media placement services, Valassis offers a one-stop source for strategic on-page promotions. Our clients look to Valassis as specialists in newspapers and rely on our ability to plan and place newspaper ad campaigns quickly, accurately and cost-effectively. With more and more clients interested in targeting their promotions, ROP also allows them to target demographically via newspaper sections, days-of-the-week and zoning.

Overall, ROP revenues grew 24% in 2001, attributable to additional sales focus in this area, as we identified a market need for more last-minute ad placement capabilities. In addition, increased placement of ROP improves our partnership and negotiation position with newspapers.



## ADVANCING WITH TECHNOLOGY

The Valassis QuickQuote Planning System is one of the most challenging client-oriented Extranet systems we've developed. The technology and the techniques we used were all so new and we worked on an aggressive deadline. But with great teamwork, we beat the deadline and delivered a high-quality product, which has spearheaded additional internal use and has the potential to be further developed into a suite of promotional tools.

*Leonardo Brito*  
Leonardo Brito, Senior Business Analyst



As we build the industry's largest newspaper database, the Valassis QuickQuote Planning System™ allows our clients the ability to enter all of their ROP order variables into the system and receive a quick-turnaround quote. This new ROP system allows our clients to plan and quote their newspaper media advertising with the ease of a simple on-line tool, 24 hours a day, 7 days a week.

### Tomorrow... Outlook 2002

In a tight economy, FSIs typically fare well, appealing to the incentive-conscious consumer. In a good economy, coupons and FSIs do well, too, because there are more new product introductions and manufacturers like to promote product trial with high-value coupons. This enables FSIs to weather economic change better than more traditional media.

However, due to the economic environment, client-marketing budgets are projected to be down slightly in 2002, and clients will likely reduce new product introductions. As a result, we anticipate FSI industry revenues

will be flat to slightly down. But, based on Valassis' performance in 2001 versus the advertising industry, we continue to be positioned as an all-weather business and investment.

### Trends we will be watching in 2002:

- **Mass customization:** We anticipate Retail Connection® will continue to grow significantly as our clients seek customization of a mass-marketed product. We are targeting 100% growth in 2002 as this retailer FSI page provides a unique opportunity for consumer packaged goods manufacturers to partner with retailers to strategically grow market share in key markets.
- **Custom co-ops:** FSI margins are projected to be under some pressure, as custom co-ops are expected to increase during the year, beyond previous levels. Custom co-ops are multi-page booklets featuring many brands from a single corporation. They offer clients date flexibility and



ROP...one-stop source for strategic on-page promotions



QuickQuote Planning System allows clients to enter all of their ROP order variables on-line.

the ability to reinforce their corporate brand, but average fewer pages than the regular FSI so are less profitable for Valassis. However, this shortfall will be partially offset by a lower cost of paper in 2002.

- **Themed FSIs:** We expect to produce one additional themed FSI in 2002, bringing the total to four. Valassis themed events are attention-grabbing promotions in which a brand is associated with a common cause, event or tie-in property. Incremental revenue is often gained by client participation in themed events. Themes in 2002 include the got milk?® campaign; Hot Summer, Cool Prizes; Second Annual Chance of a Lifetime Sweepstakes; and Ronald McDonald House Charities.
- **Circulation:** FSI circulation is projected to be at 58.8 million, down from 60.1 million in 2001. This decrease is attributable to the trimming of ancillary circulation, specifically direct mail supplemental

distribution, which proved unpopular with clients in 2001. Household coverage will still be desirable at this level, and we expect good client feedback and participation.

The groundwork was laid in 2001 to continue to grow ROP revenue with the new efficiencies put into place. Automating ROP procedures will shorten the processing time considerably. Additionally, in the first quarter of 2002, Valassis introduced a system that allows clients to follow the processing of their ROP orders through Valassis and the newspapers, on-line and in real time. With these new systems, our capabilities become even more comprehensive and revenues are expected to be up in 2002.



Advertising Age, August 20, 2001



## CLUSTER-TARGETED MARKETING PRODUCTS

- Newspaper-delivered Product Sampling
- Newspaper Polybag Advertising
- Solo Newspaper Inserts
- Direct-to-Door Sampling/Advertising

*Solo Inserts can provide mass reach to over 80 million households each week or they can be targeted and delivered to meet specific marketing objectives.*



*Solo insert diecut attracts attention.*



*Newspouch® delivers a sample with your newspaper.*

### Yesterday

The company began producing specialty print promotions for individual customers in the late 1980s in our Solo/Commercial Department. In September of 1988, the department completed its largest job – a 100 million circulation, four-page solo insert with 32 versions in seven languages, for McDonald's. On January 3, 1989, the Solo/Commercial Department officially became a new division – Valassis Impact Promotions.

Growth continued in the 1990s as Valassis acquired a newspaper-sampling product from the Newspaper Association of America and the *Chicago Tribune* in April of 1993. Not only was product sampling one of the fastest growing forms of consumer promotion, it was also a natural fit with the FSI. What started out with one newspaper-delivered sampling product has grown to include a wide range of solutions, including Newspac®, Newspouch®, Direct-to-Door Sampling, Brand Bag™ and Brand Bag+™.



**Cadillac DeVille Brand Bag™**  
*"Feedback about the polybag was nothing short of phenomenal," according to the agency. A follow-up phone survey of subscribers who got the ad found that 63% recalled the bagged ad, and 7.6% said they would consider buying a Cadillac DeVille."*

**MediaWeek**  
**June 19, 2000**



Yesterday...Newspac®, our first sampling product

Today...Brand Bag™ sends retailer's message.

Tomorrow...Diversified customer base includes automotive, telecommunications and computer industries.

## Today

As Valassis repositioned itself as the nation's premier provider of Connective Media™ solutions in 2001, we reorganized our divisions to better reflect our mass-, cluster-targeted and one-to-one media services. As a result of this change, the former Valassis Impact Promotions (VIP) and Targeted Marketing Services (TMS) divisions were merged into one – cluster-targeted group. This new structure is more reflective of how Valassis does business today. The move was prompted by the similarities in growth and margin structure, product lines and clients. It offers internal efficiencies, drives additional client demand and creates a smoother growth pattern in the long term. We offer our clients the broadest spectrum of solutions, and this new structure readily facilitates this capability.

One cluster-targeted solution is the Valassis solo insert, a full-color, single-advertiser free-standing insert delivered via the newspaper. Solo inserts can provide mass

reach to over 80 million households each week in every major city, in all 50 states and Canada; or, they can be targeted and delivered to meet specific marketing objectives. The state of the economy also impacted our solo inserts in 2001. They experienced heavy competition from commercial printers, and some advertisers traded down to less expensive print formats.

Overall, revenues for cluster-targeted products experienced growth in the first half of the year, driven in large part by polybag sampling. We entered several agreements with large department stores in 2001 such as J.C. Penney, Nordstrom, Macy's and Marshall Field's. The second half was impacted by the economic climate and tightening marketing budgets; however, we ended the year with revenues for cluster-targeted products that were slightly up from revenues a year ago as we saw our emerging-categories client base grow. New customers in 2001 included Border's, Payless Shoes, Murray Discount Auto and Verizon. In addition, computer

## CUSTOMER-DRIVEN

*Our clients are looking for creative solutions that make an impact and work for their brands. Our cluster-targeted products give them a variety of solutions to choose from and offer fun, innovative ways to attract attention and drive business. In addition, as more and more of our clients focus on their top prospects, our targeting capabilities allow them to direct their marketing dollars to reach the right consumer with the right message. I work with my clients to help them achieve their marketing objectives and optimize their relationships with consumers.*

*Kathleen O'Connor*

Kathleen O'Connor, Marketing Services Consultant, Chicago



hardware also was an active category for cluster-targeted products in 2001.

## Tomorrow...Outlook 2002

Going forward, as we expand our cluster-targeted products, revenues are expected to grow. With a broad platform of existing clients, our primary focus in 2002 will be to expand the number of cluster-targeted products we offer our top customers and thus grow revenue with our existing customers. However, revenue growth rates and gross margins are projected to be lower than past levels, due to continued staunch competition, marketing cutbacks and the slowdown of new product introductions.

At the same time, we will concentrate on building a new and diversified customer base for these proven products, primarily within the telecommunications, computer and automotive industries, where we see great opportunity.



## ONE-TO-ONE MARKETING PRODUCTS

- Direct Mail Sampling/Advertising
- Customized Frequent Shopper Direct Mail
- Customer Relationship Marketing (CRM) Software
- Internet-delivered Promotions
- Consulting and Agency Services

*With the ability to draw from a grocery frequent shopper database of 38 million households, the potential to target consumers and drive business is limitless.*



*Valassis has the ability to manage, analyze and utilize frequent shopper data to drive business for our clients.*

### Yesterday

In the late 1990s, we began investigating the trend toward more targeted one-to-one marketing products. Inspired by the spirit in which the company was founded, and supported by a strong foundation built by our mass- and cluster-targeted products and proven models, we began pursuing one of the strategies of our growth plan: to grow through mergers and acquisitions. With the substantial cash flow Valassis generates, we invested in new capabilities, predominantly systems that support cooperative and solo CRM programs as well as CRM software.

We've invested in technology and systems capable of managing, analyzing and utilizing larger consumer databases. Our investments are highly complementary, and we leverage these investments in many directions.

In 2000, Valassis acquired the nation's leading CRM consulting and technology firm, PreVision Marketing®, LLC. This



*"Valassis' key advantage lies in the detailed coupon-redemption and loyalty-card statistics it collects from supermarkets, many of which also use software developed by Valassis to manage their loyalty programs."*

*Business 2.0  
October, 2001*



Yesterday... Personalized promotional mailings target consumers.

Today... The Aztec Code's proprietary reporting system opened up CRM direct mail to the automotive industry.

Tomorrow... Receiving promotions via e-mail.

acquisition provided a critical element to Valassis' one-to-one marketing strategy. It extended our one-to-one products to include full CRM agency services and customized solutions for the grocery, retail, telecommunications, high-tech and B2B industries.

The one-to-one segment also includes Promotion Watch, a Valassis company, which was established in 1983 as a consulting service for our clients' promotion security needs.

### Today

Our newly-acquired capabilities also allow us to offer our manufacturer and retailer clients a wide range of CRM products. Reaching the right consumer with the right messages and promotional offers is the objective of all of these products, including solo mail for a single retailer or manufacturer and cooperative mailing pieces that include brands sold by many manufacturers. Programs run the gamut, from specially-designed pieces to help build and sustain a

loyal customer base for retailers; personalized promotional mailings from packaged goods clients who have teamed up with grocers to target consumers based on past buying behaviors; or, a direct mailer from an automotive dealership making a special offer to meet car repair needs of their buyers.

With the addition of PreVision, we now have the ability to offer clients fully customized loyalty program solutions that maximize a company's ability to acquire, grow and retain loyal and profitable customer relationships. PreVision is a nationally recognized CRM leader. Their unique integration of high-level strategy, (often matched against the Big 5 consultancies) full-service execution, (on par with top agencies) analytical prowess and unparalleled innovation have led to many industry firsts and to stronger ROI for clients including Toys "R" Us, Ahold's Stop & Shop, Talbots, Bose, Qwest, iDine and Monster.com.

Despite 2001's tough economy, PreVision was able to grow its business. The company's

### QUALITY IS PRIORITY

*Quality is the common denominator within Valassis Promociones whether it be customer satisfaction, a well trained and consistent workforce or manufacturing cost efficiencies. Quality of production includes a pre-planned regimen of audit and verification activities for each production line and process within a given job. We currently have over 110 individualized standard operating practices in Spanish and English that are maintained by a separate document control team. Valassis Promociones is always improving our processes to better meet the needs of our clients.*

Terrence Magee, Manager of Quality Control and Planning  
Valassis Promociones, Mexico



continued growth is due to their high level of client satisfaction, strong economic and analytical focus – which is in high demand during recessionary times -- and their proven track record for successful execution of complex customer loyalty and acquisition programs.

Additionally, PreVision augmented its suite of marketing software, PREVISIONWARE™, with new releases, culminating in version 1.5. This innovative software suite represents a new breed of technology leveraging marketing intelligence and analytic insights to help users effectively boost their customer-driven marketing initiatives. CRM industry analyst David Raab heralded PREVISIONWARE as "perhaps the most sophisticated in-house product introduced last year."

In partnership with our supermarket clients, Valassis Relationship Marketing Systems (VRMS) is building an immense purchase behavior database. Today, it includes household purchase data from 38 million households, representing 1.5 billion shopping trips per

year. As more retailers join VRMS' loyalty marketing cooperative, the number of households and transaction data volumes will increase proportionately. To protect consumer privacy, household purchases are tracked on an anonymous basis. Names and addresses are acquired from each retailer just to print a name and address on a mailing piece.

### From VRMS' mountain of frequent shopper data, VRMS can quickly answer marketers' questions such as:

- How many households shop once a week?
- Of these loyal shoppers, how many buy in a specific category on a regular basis?
- How many are buying a specific brand?
- What is the category and brand spending of each household?
- Among loyal shoppers who buy Brand X, what's most frequently purchased?
- What is the basket size of my best customers?

With answers to these questions and more, our clients can then reach the right consumer





*One class of CRM programs is enabled, in part, by the Aztec Code, a two-dimensional bar code that captures unique customer data.*



**BUILDING AND GROWING**  
*I have touched just about every aspect of our business, spending 10 years working on the FSI side and using the strategies and proven practices I learned there to help build our direct mail product line. I like to compare it to building a start-up company. Our direct mail business has grown so rapidly and we haven't even scratched the surface yet. The opportunity for growth is enormous, and I'm so excited to be a part of this incredibly targeted product where the return on investment is clearly evident.*

*Robyn Marcotte*  
 Robyn Marcotte, Director of CRM Operations



with the right offer, creating the opportunity to drive more efficient business results and increase consumer loyalty for the brand and retailer. In 2001, VRMS reached its goal of delivering its personalized mailings to 4 million customers (per cycle) of some 4,000 retail stores including large retailers like Ahold's Stop & Shop, Kroger and Food Lion. In doing this, VRMS gained tremendous credibility in the packaged goods community.

Using the rich grocery frequent shopper database, mid-year we introduced the next generation of sampling. We offered a direct mail solo-sampling program, targeting consumers based on past purchasing behavior. Interest for this product continues to be strong, and we have executed programs for companies such as Heinz, Land O'Lakes and others.

Fueled by great interest in both the frequent shopper-based programs and solo programs utilizing multiple data sources, the Valassis internal direct mail operation represents one of our fastest growing CRM products. Our

direct mail offering helps our clients build loyalty and increase sales and profitability using high impact, personalized communications and targeted product samples.

Another class of CRM programs is enabled, in part, by our Aztec Code products. The Aztec Code is a two-dimensional bar code that captures unique customer data. For example, we executed a successful program for General Motors (GM) to further meet the needs of their customers based on the information from the Aztec Code's proprietary reporting system and opening up CRM direct mail to a new category. In 2001, Valassis received a patent for exclusive promotional use of the Aztec Code and similar codes.

In addition to our company's fast growing, technology-based businesses, our CRM Division includes our Internet investments. Revenues for our Internet couponing ventures, have been slower than expected, which led Valassis, in the third quarter of 2001, to no longer fund our primary Internet investment,

Save.com. While the venture achieved significant accomplishments in its 23 months, it was unable to garner a critical mass of advertisers in an uncertain economic environment where advertisers were wary of the untested. Valassis continues our long-term interest in Internet couponing with an investment in Coupons, Inc. Valassis Canada, along with Coupons, Inc., has expanded consumer promotion to the Internet for Canadian consumers. Promotions are available at their destination site, [www.coupons.com/canada](http://www.coupons.com/canada). Additionally, promotions can be delivered by e-mail or directly from marketer websites.

There has been a heightened awareness of promotional sweepstakes' security needs, which drives business for Promotion Watch, another member of our one-to-one group. Our premier provider of promotion security consulting services exceeded its target for 2001.

**Tomorrow...Outlook 2002**

Our manufacturer and retailer clients are increasingly focused on the value they derive from their consumers. Our CRM capabilities are media independent. In addition to direct mail, our delivery vehicles include e-mail and other emerging techniques.

For 2002, PreVision is well positioned to deliver increased revenues with the introduction of several new exciting products and the addition of major accounts to its roster. Despite the economy, we anticipate increased business from the retail, telecommunications, high-tech, grocery, B2B and financial services sectors. On the technology side, we are excited about the ongoing development of PREVISIONWARE and the prospects for several new complementary programs and partnerships.

Growth for our direct mail sampling products will be driven by frequent shopper direct mail programs using the information-rich data this grocery frequent shopper database provides. This program, which piqued the



interest of our clients in 2001, has enormous potential in 2002 and beyond. Additionally, internal direct mail/database marketing programs are expected to grow revenues by more than 20% in 2002 versus 2001.

We will continue to build and expand upon the grocery frequent shopper database and partner with our clients to make this valuable information work to drive business for them. Innovative tools such as the Shopper Connection™, a cooperative mailer featuring valuable discounts on top consumer brands directed to the retailers' most responsive customers, and Household Navigator™, VRMS' proprietary targeting method, will drive business in this high-potential market. As a result, VRMS revenues are expected to double in 2002 as clients see the results this database can bring. Valassis expects that this investment will reach critical mass in 2003.



*"PREVISIONWARE is perhaps the most sophisticated in-house product introduced last year."  
DM News, January 21, 2002*

## COSTS AND PRODUCTION: BUILDING FOR THE FUTURE

### PRESSROOM – LOW-COST PRODUCER

*As a trailblazer of sorts as a female Press Operator in a more traditional male role, I've seen Valassis blaze its own trails, too, in my 16 years here. The efficiencies and speed in today's Pressroom are impressive. With the addition of the newest state-of-the-art press in Durham, we are reaching speeds unfathomable when I started in 1986. We've been using robotics and automated wire-guided vehicles since before I started, and we are continually looking for ways to improve our efficiencies and introduce the latest technology and equipment to remain a low-cost producer.*

*June K. Mayse*  
June K. Mayse, Press Operator,  
Durham Printing



### Yesterday

Throughout the years, Valassis has built a competitive manufacturing organization that uses the latest technology and equipment to help the company remain a low-cost producer. What started with one press has grown to include printing facilities in Livonia, Michigan, Durham, North Carolina and Wichita, Kansas; a pre-press facility in Plymouth, Michigan; and fulfillment group in Mexicali, Mexico. With growth comes expansion and efficiencies on which Valassis has built its reputation.



*Yesterday... The "Blue Goose" printing press retired in 1976.*

### Today

Valassis strives to maintain our low-cost producer status and stay as efficient as possible while maintaining leadership positions in all of our product lines. Pricing in the paper market continued to be favorable in 2001. In addition, we have worked diligently to negotiate our media costs, which refer to the fees we pay newspapers to distribute our products. Valassis partners with more than 13,000 newspapers nationwide.



*Today... The MAN Roland, installed in 2001, can produce 13 billion FSI pages a year.*



## STRATEGIC SOURCING

*My father was a pioneer member of the Valassis sales team, who retired in 1996 after an illustrious 20-year career. He is one of my idols. The skills I bring to my job in strategic sourcing come, in part, from his sales talents. I purchase, among other things, paper for all of our product lines, which amounts to about \$170 million annually – 180,000 tons of paper. It's not just about buying paper; it's about producing quality products, instituting cost efficiencies and implementing sophisticated systems to monitor quality. It's about doing your best to be the best in the industry.*

*William H. Blackmer*

William H. Blackmer, Director, Strategic Sourcing



The third component in our FSI cost structure is production. We achieved efficiencies with the addition of our first MAN Roland printing press in our Durham printing facility. This 56-page printing press can produce 3,000 feet per minute and has a shorter cutoff than our other presses, resulting in paper savings. The MAN Roland has the potential to produce 13 billion FSI pages a year. Additionally, the completion of our computer-to-plate initiative created savings.

Other cost efficiencies came with the restructuring of our debt and improving our capital structure. In the second quarter of 2001, Valassis sold \$150 million of convertible bonds at 3% interest, which lowered our overall interest expense. The company continues to generate strong cash flow and has utilized it for share repurchase and the retirement of outstanding 9.55% bonds. Over the last six years, Valassis has bought more than 14.5 million shares of our stock. The company is in the midst of our fourth consecutive 5-million share repurchase program.

## Tomorrow... Outlook 2002

Costs and expenses are expected to decrease year-over-year with media projected to be our largest cost component in 2002. In addition, new press installations are expected to yield more efficient paper utilization. As we build for our future, we have committed approximately \$15 million in capital expenditures in 2002 and will add another equally efficient press in Durham.

With a capital expenditure plan in place and low debt levels, share repurchase is a great way to enhance shareholder returns. Valassis continues to be committed to allocating at least 50% of its yearly net income to share repurchase. Certain provisions in our public debt restrict share repurchase to approximately 50% of net income. Even within these confines, Valassis still has some flexibility to increase its share repurchase beyond 50%.

## OUR PEOPLE



Valassis Family Room

## Yesterday

Armed with a dream and the passion to pursue that dream, in 1970 George F. Valassis & Company was founded. It has grown into a major public company, traded on the New York Stock Exchange. Initially, Valassis had five employees. Ten years later, there were 215 employees.

## Today

Still alive with the entrepreneurial spirit, in which the company was founded, Valassis has grown to include nearly 1,600 employees in offices and manufacturing facilities throughout the United States, Canada and Mexico. The people who make up Valassis continually impress our visitors, customers, and even new employees. The overwhelming response when we ask our employees to define Valassis is captured in that one word – people. Our success is a result of the fine people we hire, the culture we foster and the respect we give to one another. We hire very talented people, challenge them to provide great service to our customers and



FORTUNE, February 4, 2002



Workout Facility



A doctor provides on-site services.

reward them for doing an exceptional job. This recognition is reflective of the caliber of employees we have at Valassis. Valassis is a people-oriented company committed to making this company a great place to work. **In 2001, we were recognized by FORTUNE magazine for the fifth consecutive year as one of the "100 Best Places to Work for in America." At Valassis:**

- We want our employees to build their careers here: We believe in promoting from within and offer many opportunities for employees to move laterally, as well as to learn even more about our business.
- We promote a friendly work environment: The importance we place on our people is evident. We offer a number of convenience services from an on-site doctor to fully equipped fitness centers, and family rooms designed to provide comfort and privacy for mothers returning to work. We know family is important to our employees, and we have programs in place to recognize that.

- We recognize the various life stages our employees are in and have made a commitment to flexibility: Long before there were formal alternative work schedules in place, flexible schedules were being utilized by employees.
- We strongly believe in open communication: We use memos, e-mails, voice mails and forums to communicate with our employees everyday.
- We make a commitment to diversity: Our Diversity Councils are visible, raising awareness to diversity of all kinds. We have established three Diversity Councils serving our Michigan facilities; Durham, North Carolina; and Wichita, Kansas locations.
- We believe in being a good corporate citizen: In addition to donations of both time and money, directed by the Employee Giving Committee each year, Valassis employees select a corporate charity and raise funds for that organization. In 2001, Valassis employees supported the Make-A-Wish Foundation.

### Tomorrow... Outlook 2002

Our people are our success stories. While change is constant and we must readily adapt to change, the importance we place on our people is one philosophy that remains the same.

### EXTENDED FAMILY

*I can't imagine my life without the flexibility and support of my Valassis family. I had worked in the Marketing Department at Valassis for eight years when my life turned upside down with the birth of my son three months prematurely. That was eight years ago, and my professional responsibilities and work schedule have been adjusted several times to meet the changing needs of my family. Valassis allows me to be the kind of mother I need to be, while still contributing in a meaningful way to the business as editor of our client magazine and providing client support.*

*Dawn Northrup*

Dawn Northrup, Product Support Manager



### A UNIQUE CULTURE

*It's been 16 years since I started what was to be a one-day assignment at Valassis. Valassis not only talks about how important their people are - they believe it and our programs and work environment are proof of this unique culture. I enjoy the people I work with. Everyone respects one another. If you don't give respect to people then you don't get it back. This is my philosophy and it's refreshing to see it valued in the workplace.*

*Helen J. Lofton*

Helen J. Lofton, Production Coordinator, Durham Printing





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DIRECTORS**



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President and CEO  
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**Robert L. Recchia** <sup>(E)</sup>  
Executive Vice President and Chief  
Financial Officer – Valassis



**Kenneth V. Darish** <sup>(A)</sup>  
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**Marcella A. Sampson** <sup>(C)</sup>  
Retired Dean of Students and Director of  
Career Services – Central State University, Ohio



**Patrick F. Brennan** <sup>(A)</sup>  
Retired President and CEO  
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**Ambassador Faith Whittlesey** <sup>(C) (E)</sup>  
Chairman and President  
American Swiss Foundation



**Barry P. Hoffman**  
Executive Vice President and  
General Counsel – Valassis



**Seth Goldstein** <sup>(A)</sup>  
Co-founder and Partner  
Majestic Partners

**Board Committees:**

A – Audit Committee C – Compensation/Stock Option Committee E – Executive Committee

Valassis would like to thank and pay tribute to Richard N. Anderson, who served on the Board of Directors and retired as Valassis Executive Vice President of Manufacturing and Purchasing in 2001 after 19 years of service.



**EXECUTIVE COMMITTEE**

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President and CEO

**Robert L. Recchia**  
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**Richard P. Herpich**  
Executive Vice President,  
Manufacturer Services

**Barry P. Hoffman**  
Executive Vice President  
and General Counsel

**MaryAnn D. Rivers**  
Executive Vice President,  
Targeted Print & Media Solutions

**William F. Hogg, Jr.**  
Executive Vice President,  
Manufacturing

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Vice President,  
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Purchasing

**Suzanne E. Griffin**  
Chief Executive Officer,  
Valassis Relationship Marketing  
Systems, LLC

**Sandra L. Robinson**  
Vice President and  
Assistant General Counsel

**Suzanne C. Brown**  
Vice President,  
Sales Development,  
Valassis Sales & Marketing  
Services, Inc.

**Timothy J. Halfmann**  
Vice President,  
Midwest Sales, Valassis Sales  
& Marketing Services, Inc.

**Stephen L. Swanson**  
President,  
Retail Sales Division,  
Valassis Sales & Marketing  
Services, Inc.

**Amy S. Courter**  
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Technology

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Valassis Manufacturing  
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Western Sales,  
Valassis Sales & Marketing  
Services, Inc.

**Ruth N. Libbey**  
Vice President,  
Targeted Print & Media  
Solutions, Valassis  
Manufacturing Company

**Michael A. Wood**  
Vice President,  
Wichita Printing, Valassis  
Manufacturing Company

**Blaine G. Gerber**  
Vice President,  
Durham Printing,  
Valassis Manufacturing  
Company

**Lynn M. Liddle**  
Vice President,  
Investor Relations and  
Communications Center

**Gary A. Yost**  
Vice President,  
Marketing, Valassis Sales  
& Marketing Services, Inc.

**Ronald L. Goolsby**  
Vice President, Operations,  
Valassis Manufacturing  
Company

**Robert A. Mason**  
Vice President of Sales,  
Targeted Print & Media  
Solutions, Valassis Sales &  
Marketing Services, Inc.

## SHAREHOLDER INFORMATION



## GROWING WITH VALASSIS

*I was 17 and fresh out of high school when I started with Valassis. That was 31 years ago when the company was in its infancy. From the very beginning, it was apparent; there was something special about Valassis. I've seen this company grow phenomenally, and I've grown my career here as well. The things that have made this company successful are the ability of our employees to always work together, to be flexible and to set the high bar high.*

*Mike Wood*

Mike Wood, Vice President, Wichita Printing



### Form 10-K

A copy of the Valassis Annual Report on Form 10-K filed with the Securities and Exchange Commission for fiscal 2001 is available on the company website or at: Valassis Investor Relations  
19975 Victor Parkway  
Livonia, MI 48152  
(734) 591-3000  
[www.valassis.com](http://www.valassis.com)

### Stock Exchange Listing

New York Stock Exchange (NYSE)  
Ticker Symbol: VCI

### Transfer Agent and Registrar

Inquiries regarding stock certificate holdings, changes in registration or address, lost certificates and other shareholder account matters should be directed to Valassis' transfer agent:  
American Stock Transfer & Trust Co.  
59 Maiden Lane, Plaza Level  
New York, NY 10038  
(800) 937-5449

### Annual Meeting

Shareholders are invited to attend the company's annual meeting, to be held Tuesday, May 14, 2002 at 9:00 a.m. (EDT) at Valassis Headquarters, 19975 Victor Parkway, Livonia, MI, 48152

### Quarterly Calendar

Quarterly reporting periods end:  
March 31, 2002  
June 30, 2002  
September 30, 2002  
December 31, 2002

### Manufacturing and Production

Durham, NC  
Livonia, MI  
Mexicali, Mexico  
Plymouth, MI  
Wichita, KS

### Sales Offices

Chicago, IL  
Dallas, TX  
Livonia, MI  
Minneapolis, MN  
Seal Beach, CA  
Shelton, CN  
Toronto, Ont.

**Written and designed by:** Cindy Hopman, Heidi Rock, Dane Cooper, Natalie Simovski and Dawn Northrup, Valassis

**Prepped and printed using computer-to-plate technology by:** Valassis' Operations, Plymouth, Michigan and Richard N. Anderson Printing, Livonia, Michigan

**Photography by:** Ameen Howrani Studios, Detroit, Michigan; Valassis employees featured

*Valassis connects people to brands through our wide range of marketing services programs offered to a variety of premier manufacturers and retailers. From mass, cluster-targeted, to one-to-one communications, Valassis leads the industry in providing Connective Media™ solutions. The company does business with the majority of the nation's top advertisers, and holds the premier position in all the markets in which it competes. These include newspaper-delivered co-op and specialty inserts, advertising, product sampling, direct mail, direct-to-door, on-line promotions, customer relationship marketing programs, and consulting services – all of which build relationships with consumers on behalf of a brand. Established in 1970, Valassis is headquartered in Livonia, Michigan, with printing and manufacturing facilities in Michigan, North Carolina, Kansas, and Mexico, providing the company low-cost producer status. The company's innovative employee practices have resulted in many awards, including status as Fortune magazine's 29th Best Company to Work for in America. Valassis subsidiaries and investments include Valassis Canada, PreVision Marketing®, LLC, Coupons.com, and Valassis Relationship Marketing Systems, LLC. For additional information, visit the company website at [www.valassis.com](http://www.valassis.com)*

*Certain statements found in this document constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: new competitors in any of the Company's businesses; a shift in customer preference for different promotional materials, strategies or coupon delivery methods; an unforeseen increase in the Company's paper costs; or general business and economic conditions. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*