



2002 ANNUAL REPORT

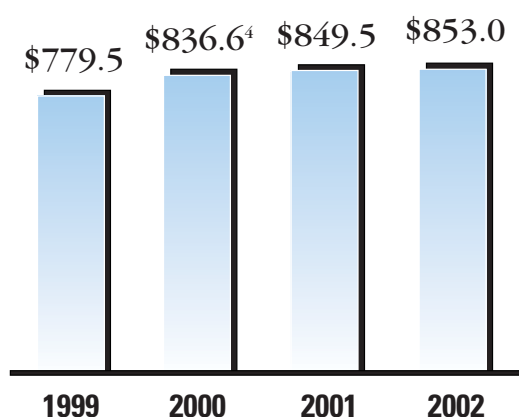
# Explore Our World



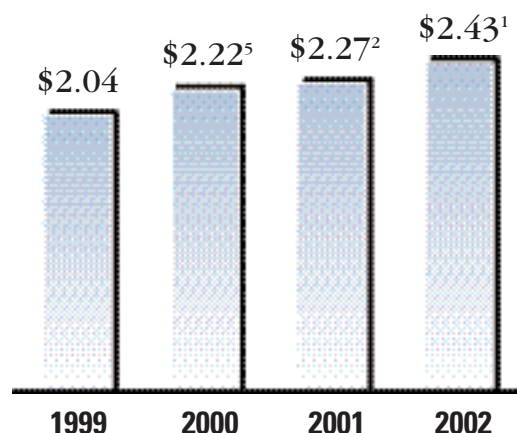
## Financial Highlights: 2002 at a Glance

<b>Year Ended December 31</b> <i>(in millions, except per share data)</i>	<b>2002</b>	<b>2001</b>	<b>% change</b>
Total Revenues	\$853.0	\$849.5	+ .4%
Earnings Before One-time Charges	130.6 <sup>1</sup>	123.4 <sup>2</sup>	+5.8%
Earnings Per Share Before One-time Charges	2.43 <sup>1</sup>	2.27 <sup>2</sup>	+7.0%
<b>At Year End</b> <i>(in thousands)</i>	<b>2002</b>	<b>2001</b>	<b>% change</b>
Total Assets	\$386,079	\$363,025	+6.4%
Total Debt, Net of Cash <sup>3</sup>	160,124	241,768	-33.8%
Average Shares Outstanding	53,752	54,406	-1.2%

**Total Revenues** *(in millions)*



**Earnings Per Share** *(before one-time charges)*



*Note: This annual report is presented in two parts – 2002 Annual Report and 2002 Form 10-K. Complete financial information for 2002 is presented in the Form 10-K.*

<sup>1</sup> Net earnings before one-time charges for the year were \$130.6 million or \$2.43 per share. Results exclude the effect of a \$55.3 million (\$35.3 million net of taxes) impairment charge (\$0.66 per share) taken in the fourth quarter of 2002 to record impairment of goodwill related to PreVision and VRMS and the writedown of a cost-basis internet investment. Net earnings including the one-time charges for the year were \$95.3 million or \$1.77 per share.

<sup>2</sup> Net earnings before one-time charges for the year were \$123.4 million or \$2.27 per share. Results exclude the effect of a \$4.3 million, after tax charge 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 (collectively, \$0.10 per share). Net earnings including the one-time charges for the year were \$117.9 million or \$2.17 per share.

<sup>3</sup> Represents the Company's outstanding long-term debt less its cash and cash equivalents at year end. Total debt for the year ended December 31, 2002 and December 31, 2001 was \$257.3 million and \$252.4 million, respectively. Cash on hand at December 31, 2002 and December 31, 2001 was \$97.2 million and \$10.5 million, respectively. Subsequent to December 31, 2002, the Company used approximately \$60 million of its existing cash to consummate the NCH transaction.

<sup>4</sup> Excludes revenue from a \$26.5 million lawsuit settlement (\$16.7 million net of taxes) in the first quarter of 2000.

<sup>5</sup> Net earnings per share before one-time charges for 2000 were \$2.22 per share. Results exclude the effect of a \$21.6 million (\$13.9 million net of taxes) impairment charge taken in the fourth 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 income from the lawsuit settlement mentioned above. Net earnings including these charges and the income from the lawsuit mentioned above were \$125.7 million or \$2.27 per share.



# Exploring our Products & Services



## Mass

### , Co-op Insert

Four-color, multi-page, free-standing insert (FSI) reaching up to 59 million consumers at one time

### , Hispanic Co-op FSI

FSI delivered to over 3.2 million readers of the top Spanish-language newspapers in leading Hispanic markets

### , Retail Connection®

Four-color newspaper insert linked to the Co-op Insert, C&D County Co-op or Solo Inserts, connecting retailers and their brand partners

### , Themed Events

Attention-grabbing promotions in which a brand is associated with a common cause or event

### , C&D County

FSI delivered to over 5.4 million households in smaller "C" & "D" sized counties

### , ROP (Run of Press)

Promotional advertising directly on the pages of up to 13,000 newspapers



## Cluster Targeted

### , Solo Insert

Full-color, single-advertiser FSI delivered via the newspaper

### , Express Insert

Targeted insert in five formats with quick turnaround

### , C&D County Solo

Single-advertiser FSI in "C" & "D" sized counties

### , Newspouch®

Full-color polybag "billboard" advertising a brand and including a heat-sealed pouch containing a product sample and/or brochure

### , Newspac®

Single-advertiser, four-page product brochure with a removable flat-pack sample

### , Brand Bag™ & Brand Bag+™

Full-color polybag "billboard" that surrounds home-subscriber newspapers. Brand Bag+ includes a perforated space on the end of the polybag that drives consumer sales via a coupon, sweepstakes offer or other promotional event

### , Direct-to-Door

Product samples and advertisements hung on consumers' doors



## 1 to 1

### , Direct Mail Advertising & Direct Mail Sampling

Turnkey programs utilizing a variety of data sources to build loyalty and increase sales and profitability through 1 to 1, personalized communications with target customers

### , Valassis Relationship Marketing Systems (VRMS), LLC

Customer relationship marketing (CRM) solutions based on frequent shopper data, CRM/loyalty marketing software, analytic services and an established network of supermarket retailers

### , Shopper Connection™

Targeted cooperative mailer featuring offers on top consumer brands using frequent shopper data sent to retailers' best customers

### , PreVision Marketing®, LLC

Leading CRM agency specializing in developing integrated customer marketing and multi-channel communication, CRM marketing strategy, creative, analytic and technology solutions



## International & Services

### , NCH Marketing Services, Inc.

Promotion information management products, marketing services and coupon clearing in:

- United States
- United Kingdom
- France
- Germany
- Italy
- Spain
- Mexico

### , Valassis Canada

### , Shop & Save

FSI reaching over 5 million Canadian households

### , Coupons, Inc.

On-line couponing and marketing services in Canada

### , Promotion Watch, Inc.

Premier provider of promotion security consulting services

### , Specialized Services

- Consumer Navigator™
- Target Navigator™
- Fulfillment
- Media Planning
- Media Placement
- Targeting
- Valassis QuickQuote Planning System™
- Research
- Creative

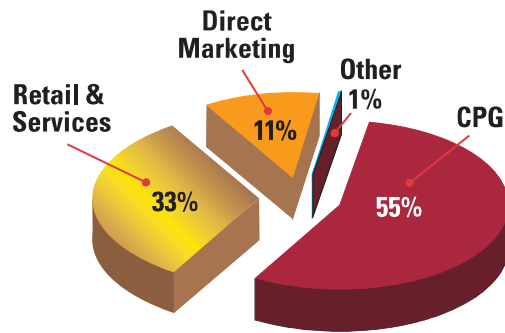


## Focusing on *our* Customers

The Valassis Sales Team consults with customers, providing solutions to power their marketing programs. Our Marketing Specialists offer customized targeting, extensive research and analytics. Our Press Operators oversee the quality of each and every printed piece at our production and manufacturing facilities. At Valassis, the focus is on our customers. We make it our business to know our customers' businesses.

Our customers are leading manufacturers and retailers of products in such diverse industries as consumer packaged goods (CPG), franchise food, grocery, retail & services, mass merchandisers, computers, e-commerce, direct response, telecommunications, entertainment and automotive.

We are committed to growing our existing customer base and providing products and services to maximize the efficiencies and effectiveness of promotions for our customers. Our extensive portfolio of products and marketing knowledge extends our



**Customer Segments in 2002**

reach to many new customer segments, allowing for further growth.

We repositioned our sales organization in 2002 and have made great strides toward becoming consultants to our customers. We provide a wide range of Connective Media™ solutions to meet our customers' marketing objectives. We believe this consultative approach, which we call solution selling, provides a stronger platform for our long-term growth with existing and prospective customers.

In 2002, we identified our top 11 CPG customers and established Customer Business Managers to provide more personalized attention and offer our customers integrated solutions – multiple products and services that work together strategically. This will drive results for both our business and that of our customers. We have implemented a similar focus and team-selling approach among our grocery and retail customers and aligned our operations by customer type.

CPG customers, who laid the foundation for our FSI product, drove growth in our direct mail business in 2002. Many of these CPG customers used the frequent shopper data collected in our 1 to 1 Solutions Division to target their audiences. Valassis has the ability to use this data intelligence and also apply it to mass and cluster targeted products, offering customer-specific data to help plan, execute and evaluate our customers' marketing plans.

By identifying growth categories, we have been able to acquire many new customers in 2002, particularly in the specialty retail sector, which grew 33%. The specialty retail sector includes customers in such diverse industries as retail, automotive, entertainment, home improvement and hardware.

As we journey into 2003 and beyond, we strive to achieve our vision to be an innovative, integrated marketing solutions company. Our destination continues to be our customers.



# Letter to Shareholders

## Welcome to *our* World

In the early 1970s, Valassis launched the free-standing insert (FSI) industry after realizing the great potential to reach the masses by delivering millions of manufacturer coupons in a new and innovative way. It was a risk, but one worth taking. This cost-effective FSI has become Valassis' flagship product, allowing customers to reach over 69 million North American households.

The same entrepreneurial spirit that created the FSI 32 years ago, expanded to include cluster targeted products 13 years ago, sampling nine years ago and 1 to 1 solutions, two and a half years ago. Through a combination of organic growth, start-up ventures and acquisitions focused on capabilities, Valassis has become a multi-product consumer promotion company, specializing in at-home delivery. Today, consumer packaged goods (CPG) customers are but one of our growing customer segments. We offer Connective Media™ solutions with mass, cluster targeted and 1 to 1 reach. This is what sets us apart from our competitors. No other company offers the integrated





solutions Valassis does. **Welcome to our world...it is a world where we connect people to brands...a world centered on our customers.**

### **Setting the Direction**

2002 was a year in which corporate America came under close scrutiny, leading to new corporate governance, auditing and disclosure rules. In keeping with these new rules, Valassis reaffirmed that all six of our existing outside Board of Directors met the NYSE criteria for independence and all of our committees were correctly composed. We also established a Corporate Governance/Nominating Committee. These new laws did not require any major changes on our part. Valassis has always taken a conservative approach to matters of finance and corporate governance. Our Board of Directors set the direction for the Company and it is one based on financial responsibility, accountability and integrity.

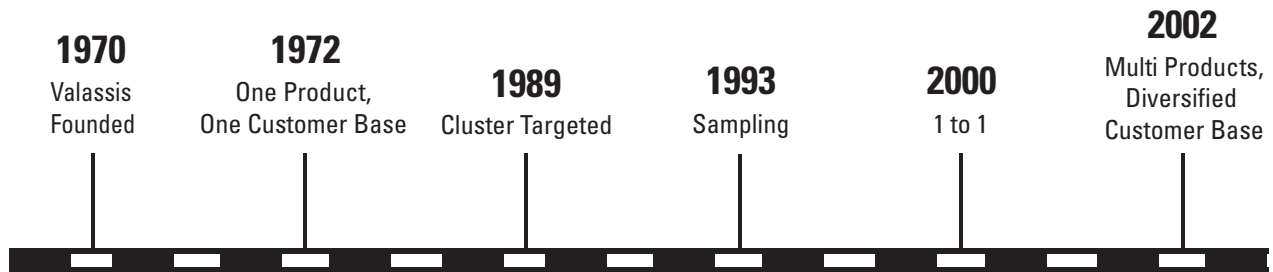
### **Journeying to our Destination: Our Customers**

In 2002, we realigned our sales

organization by customer type. We created experts around our customers' industries to better offer strategic marketing solutions to generate the best results for their products and brands. This customer focus and expertise is valued, in particular, at a time when marketing budgets have been reduced and more importance placed on the bottom-line. The recession in the advertising industry, which has spanned the past two years, has been the worst the industry has experienced since the Great Depression. Yet, Valassis has grown revenues and earnings per share over this two-year period by offering a broad range of Connective Media™ solutions.

We have continued to make capital investments in our company. In 2003, we will embark on an information technology initiative, which will touch every aspect of our business and support our multi-product offerings. Additionally, we began a share repurchase program in 1996 and have bought approximately 17.8 million shares of our stock since that time. Still, we ended 2002 with \$97 million cash on





the books and expect to generate over \$105 million in cash flow in 2003.

The market share for the FSI in 2003 is expected to be between 43 and 45%, leading to lower earnings per share. However, we believe this shortfall in the FSI market share will be temporary, and we are committed to returning market share to traditional levels.

Our debt, net of cash, at the end of 2002 of \$160 million is the lowest since Valassis became a public company in 1992.

The pricing and terms of our new \$125 million revolving credit facility, which we entered into in 2002, are a testament to our Company and its financial strength.

We have achieved this financial success despite the economic challenges by embracing team and integrated solution selling, broadening our customer base, expanding our product portfolio and growing and evolving our existing customers, products and services while containing costs.


As part of our strategic Growth Plan, we acquired NCH Marketing Services,

Inc. in February of 2003. The acquisition of this premier, worldwide coupon processing and promotion information management company complements Valassis' Vision of being the world's leading innovative, integrated marketing solutions company. This acquisition provides Valassis with another tool to offer our customers a closed-loop solution to their promotions. With operations in the United States, Europe and Mexico, the NCH acquisition also provides a platform for Valassis to test our suite of promotion products internationally.

2003 will be a year in which we will expand our product portfolio and diversify our customer base even more. We will:

- *Invest in new computer technology and systems*
- *Invest in new manufacturing technology*
- *Evolve our established businesses*
- *Invest in training our employees*

Our commitment to make Valassis a great place to work remains strong and we are proud to be named by *Fortune* magazine for the sixth



Our growth strategies include enhancing the use of technology, information and analytics.

consecutive year as one of the “100 Best Places to Work for in America.”

### **Navigating our Future**

Our Growth Plan is in place, and our people will keep the focus on our customers and help us grow and achieve our Vision. We successfully executed integrated solutions in 2002 by creating plans that include our mass, cluster targeted and 1 to 1 solutions.

No longer do we offer one product or serve one customer segment. Today, the CPG industry represents 55% of our revenue. Many of our longtime CPG customers have expanded their marketing plans to not only reach the masses through the FSI, but also to take advantage of the cluster targeted and 1 to 1 capabilities we offer. This includes our 49 million household frequent shopper database and our direct mail business. Much like we did with the FSI, we built our direct mail business from a zero-revenue base.

We have embraced new marketing methods and ideas. We also have

enhanced our use of technology, information and analytics to provide our customers with the best market segmentation and media recommendations for their mass, cluster targeted and 1 to 1 promotions.

Our promotional and advertising products are supported by extensive research, targeting, media planning and placement, strategic planning and fulfillment services. With manufacturing and production facilities in North America and Europe, we pride ourselves on being the low-cost producer. And with our latest acquisition, we now have an international infrastructure in place, which further complements our business.

Valassis offers a world of opportunities for our shareholders, our customers and our employees. I would like to thank you for your support.



**Alan F. Schultz**

**Chairman, President and CEO**





## Expanding our Product Portfolio



### How do we Connect with the Fastest Growing Segment of the Population?

Valassis paired its print promotional expertise with Papel Media's robust Hispanic database and newspaper network in 2002 to test market a Hispanic FSI. Delivered to 3.2 million readers of top Spanish-speaking newspapers in leading Hispanic markets, this FSI will publish on four dates in 2003.

## Mass

*Connective Media™ Solutions*

Products which provide  
**mass reach**  
at a **low cost**

Valassis' mass-distributed products provide high quality and unparalleled reach at a low cost. The free-standing insert (FSI), a four-color, multi-page booklet featuring coupons, refunds, sweepstakes and other promotional advertising, is distributed via Sunday newspapers across the country. The FSI, Valassis' flagship product, reaches over 69

million households at one time and has a call to action as consumers actively look for, clip and use coupons. Despite continuing uncertainty in the economy, the FSI industry grew industry pages 2% in 2002. Valassis, whose strong foundation has its roots in the FSI, produced 45 co-op inserts in 2002. Our largest customers drove our FSI business, specifically in the second half of 2002. Our added sales focus provided greater growth with our top 11 consumer packaged goods (CPG) customers increasing business with us. There was an increased interest in:

- **Retail Connection®**, a four-color newspaper insert that allows for retailers and their CPG manufacturer partners to run fully integrated print promotions that can be linked to FSIs or solo inserts. Additional CPG and retailer participation in this account-specific promotion led it to more than double revenue in 2002.
- **Themed Event FSIs**, attention-grabbing promotions in which a brand is associated with a common cause or event. Valassis produced five themed FSIs in 2002. Research

Research conducted in 2002 found that brands associated with themed events, such as this Ronald McDonald House Charities® themed FSI, experience heightened awareness.



million households at one time and has a call to action as consumers actively look for, clip and use coupons. The FSI remains the main source of the nation's coupons, representing 88.5% of all coupons distributed.<sup>1</sup>

conducted in 2002 found that brands associated with themed events experience heightened awareness. We expect this trend toward themed events to continue with five themed FSIs planned in 2003. Themes in 2003 include: got milk?<sup>®</sup>, March of Dimes, Hot Summer Cool Prizes!, Chance of a Lifetime Sweepstakes and Ronald McDonald House Charities<sup>®</sup>.

date flexibility and exclusivity for their brands. They average fewer pages than an FSI and therefore have a lower profit margin than the co-op insert.

In 2002, Valassis and Papel Media identified an opportunity to target consumers in the Hispanic market. The Hispanic community is growing at a faster rate than the general



Additionally, Valassis' flexible themes provide customers with tie-in opportunities that can add value to an FSI promotion and in-store activity. Customers also can choose from an extensive list of today's hottest entertainment, retail and sports-related properties.

- **Custom Co-ops**, which are multi-page booklets featuring many brands from a single corporation. Custom co-ops offer customers

population, according to U.S. Census data, and represents more than \$450 billion in buying power. By utilizing our extensive database, we can reach more than 14 million members of the Hispanic





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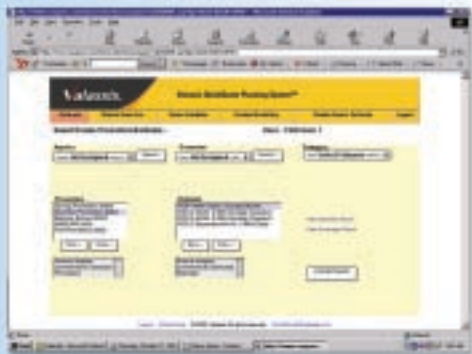
community through a wide variety of promotional products.

Our unrivaled targeting capabilities help our customers to further segment this growing population. We expect our Hispanic initiative to more than double in revenue as marketers recognize the potential of this untapped and rapidly growing population and begin to specifically

households<sup>2</sup> through weekend, home-delivered newspapers.

Additionally, Valassis offers customers the ability to run their promotional advertising directly on the pages of newspapers in niche markets. Throughout the Company's 32 years, it has built business relationships with some 13,000 newspapers. Valassis experienced 29% growth in its run of press (ROP) on-page advertising business in 2002 due to additional sales focus. The short lead time associated with this business, combined with the technological advancements the Company has made, make this medium attractive for last-minute marketing decisions, particularly with advertising agencies.

The Valassis QuickQuote Planning System™ provides instantaneous quoting and complete campaign management. More than 50 demographic targeting variables may be used to create tailored newspaper print campaigns.



budget for promotions in this market. Valassis also produces specialty FSIs, one which offers extended reach to 5.4 million households in smaller rural counties and another which reaches more than 5 million Canadian

In late 2001, we launched the Valassis QuickQuote Planning System™, an on-line media tool that allows our customers to efficiently design, estimate and place on-page newspaper advertising. This system provides instantaneous quoting and complete campaign management. QuickQuote's

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Specialty Products Network offers customers numerous ROP specialty options including gatefolds, TV books, adhesive notes, special sections and more. QuickQuote is representative of Valassis' commitment to its customers, allowing them to create tailored newspaper print campaigns using more than 50 demographic targeting variables to reach the right audiences with the right messages.

### Outlook

The underlying fundamentals and trends in our business remain strong, including an increase in customer demand, a favorable cost structure and substantial cash flow. During the second half of 2002, we saw strong industry page growth in the FSI, which we anticipate will continue in 2003. Also, our added sales resources will continue to drive growth in on-page newspaper advertising in 2003. Competitive pricing pressure will cause Valassis to experience reduced market share in 2003. We anticipate this temporary shortfall in FSI market share will result in lower earnings

per share. Going forward, we are committed to improving market share to traditional levels of approximately 50%. As a result of decreased market share, Valassis will publish on 40 dates in 2003. We also expect to publish a similar number of custom co-ops in 2003 as we did in 2002.

Valassis will continue to expand our product portfolio and broaden our customer base, implementing closed-loop solutions.

<sup>1</sup> 2002, NCH Marketing Services, Inc.

<sup>2</sup> In 2003, revenues from Valassis Canada will be reported under International & Services







## Cluster Targeted

*Connective Media™ Solutions*

Products **targeted**  
around **geographic &**  
**demographic** clusters



# Broadening our Customer Base



## What can Other Customer Segments Learn from the Franchise Food Industry?

The franchise food industry has provided a marketing blueprint for new customer segments for our cluster targeted solutions. In 2002, this customer base grew to include specialty retail, telecommunications, computer and automotive. These solutions help build awareness, recall, trial and response by targeting the right audience with a focused message across a diversified customer base.

In today's competitive marketplace, information is key. Our experts work with our customers to understand their marketing objectives and develop targeting strategies to achieve those objectives. Cluster targeting is our ability to use both quantitative and qualitative data to identify and efficiently reach a defined

audience with a relevant advertising or promotional message. We combine the use of several data sources and segmentation and mapping systems to determine the best vehicle and circulation.

Valassis' cluster targeted products build brand leadership in key markets and meet marketing objectives that require significant product awareness, recall, trial and response.

These products include sampling, newspaper polybag advertising and

Solo Inserts. Our sampling products experienced lower revenues due to fewer new product introductions and reduced discretionary spending in 2002. However, in 2003, we anticipate increased activity in new product introductions, which should positively impact sampling and advertising.

Our fulfillment center also offers complete sampling and promotion fulfillment services including quoting, coordination and full execution. Valassis Promociones, based in Mexicali, Mexico, specializes in hand-assembly work of any kind, processing millions of pieces per week at competitive rates.

New in 2002, Valassis and General Motors teamed to execute an integrated Hispanic program utilizing a Solo Insert, Direct Mail and Brand Bag+™ coupled with radio and TV. Brand Bag+™ is a high-impact, full-color polybag billboard with a perforated space on the end of the polybag for a coupon, sample or other promotion. Valassis also continued to build strong



Valassis and General Motors executed an integrated Hispanic program utilizing a Solo Insert, Direct Mail and Brand Bag+™ coupled with radio and TV.

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relationships with large retailers using the polybag program to target their messages to consumers in proximity to their locations.

Other sampling/advertising products include Newspouch®, a full-color polybag billboard that advertises a brand and includes a heat-sealed pouch and a sample or brochure; Newspac®, a single-advertiser, four-page product

Another successful integrated program in 2002 partnered Valassis with a large computer company. Multiple Solo Inserts were distributed via newspapers as part of a campaign, which also incorporated television and broadcast into its marketing plan. The Valassis Solo Insert is a full-color, single advertiser free-standing insert delivered via the newspaper. Specialty formats and creative options include

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**Build Brand** + **Target Consumers** = **Cluster Targeted Solutions**

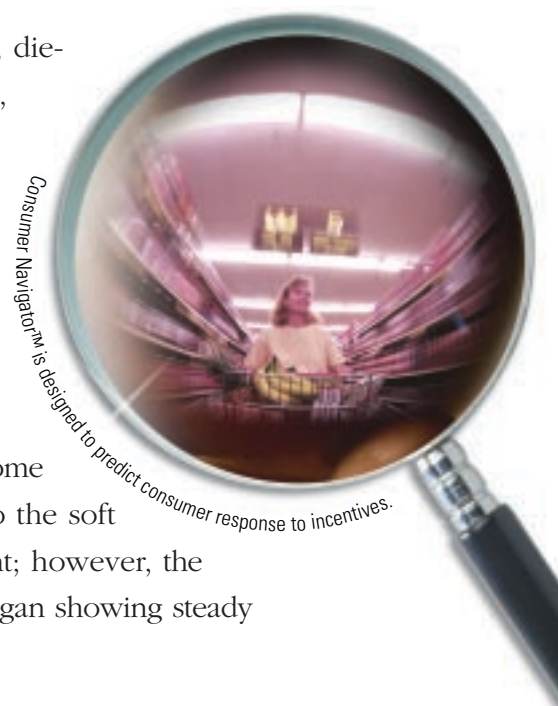
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brochure with a removable flat-pack sample; and Brand Bag™, a polybag billboard that surrounds home-delivered newspapers.

Direct-to-Door offers one more way to reach consumers in their homes with product samples or advertisements. Targeting can be done at the block group or zip code level, available around store locations or other distribution sites with promotions delivered directly to consumers' doors.

coupon books, die-cuts, oversized, calendars, magnets, scratch and sniff, rub-offs and decoder patterns.

Solo Inserts experienced some pressure due to the soft ad environment; however, the product line began showing steady





improvement beginning in the second quarter of 2002 and ended the year with their largest quarter ever in the fourth quarter of 2002.

The experience derived from franchise food customers such as Burger King, McDonald's and Pizza Hut has provided a marketing blueprint for new industries and customers such as Gateway, AT&T Broadband,

Verizon, Transworld Entertainment, O'Reilly Auto Parts, Old Navy and Sherwin Williams. In 2002, Valassis was able to extend reach in many brand categories beyond quick-service restaurants, a traditional category among these products.

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*Cluster targeted customers are generally derived from five categories:*

- **Franchise Food**
  - **Specialty Retail**
  - **Telecommunications**
  - **Computer**
  - **Automotive**
- 
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Valassis' cluster targeted products experienced tremendous growth in the specialty retail category, which was targeted for its high potential. This growth was driven by more efficient media buys and Valassis' advanced and extensive targeting capabilities. This category includes retailers who also have store locations such as Burlington Coat Factory, Factory 2-U and the Gap. Overall, cluster targeted business was up

Franchise food customers have provided a marketing blueprint for new industries incorporating cluster targeted promotions in their marketing plans.



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slightly in 2002 versus 2001. Activity in the second half of 2002 and continued growth in Solo Inserts, are an indication of the growth anticipated in 2003.

### Outlook

Capitalizing on the fact that our marketing knowledge can benefit a broad range of customers, Valassis identified growth categories in 2002 such as the specialty retail sector. Valassis will continue to refine these growth areas, which are rich in opportunity, as well as grow the franchise food category, a customer segment key to building our cluster targeted business.

We anticipate our cluster targeted business will grow 10-15% in 2003 with the specialty retail category continuing to take the lead. This category is vital to cluster targeted growth. More than any other customer segment, the specialty retail sector requires significant newspaper-specific data, and with our strong customer focus, we are committed to meet their targeted needs.

Solo Insert revenues should grow in 2003 due to an expanded customer base and polybag sampling/advertising should benefit from expected increased new product introductions.







# 1 to 1

*Connective Media™ Solutions*

Products and services  
that **pinpoint**  
**individuals** to  
build **loyalty**  
to a brand





# Enhancing Technology, Information & Analytics



## **Where is the Next Generation of Consumer Promotions Taking Us?**

Data-driven, 1 to 1 solutions provide strategic marketing intelligence to achieve brand loyalty and drive repeat sales. 1 to 1 solutions include customized communications, sweepstakes and security services, proprietary software, extensive databases and leading customer relationship marketing programs – all used to send the right message to the right audience.

Valassis' 1 to 1 Solutions Division is a data-driven solutions partner providing strategic marketing intelligence and communication services. This division offers valuable customer segmentation, program analytics and turnkey executional services to maximize sales profits and long-term consumer relationships. Our 1 to 1 Solutions Division is comprised of:

- *Valassis Relationship Marketing Systems (VRMS), offering promotions based on grocery frequent shopper data*

Valassis began building its 1 to 1 initiative two and a half years ago. This division generated \$37 million in revenues for Valassis in 2002 and we anticipate continued growth in 2003. Through acquisitions and a direct mail program built in-house from a zero-dollar base, we expect the 1 to 1 Solutions Division to be the Company's fastest growing business segment.

In 2002, the direct mail advertising and sampling business more than doubled revenues. CPG customers fueled growth in the direct mail business in 2002, coupling this 1 to 1 solution with print and broadcast promotions as part of integrated marketing plans. This business utilizes a variety of data sources including intelligence gathered from the 49 million household frequent shopper database at VRMS. To support the growth in our direct mail business, in 2002, we invested in machinery and

Consumer packaged goods customers drove the Direct Mail business in 2002. Valassis' Direct Mail Advertising and Sampling business more than doubled revenues in 2002.



- *Direct Mail solo, continuity and database programs*
- *PreVision Marketing, an integrated agency, analytic and technology firm in the customer marketing arena*
- *Promotion Watch sweepstakes and security services<sup>1</sup>*

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technology that provide added security and confidentiality for our customers.

General Motors continued its data-driven direct mail campaign in 2002, which utilized information from the Aztec Code proprietary reporting system. The Aztec Code is a two-dimensional bar code that captures unique customer data.

representing the up-and-coming cooperative customer relationship marketing solution in the marketplace today. Based on both qualitative and quantitative consumer research and to better align with our grocery customers, in 2002, Shopper Connection™ evolved into a customized cooperative. While still offering the same benefits to our CPG customers, the new format is individualized to meet grocery retailers'

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**Right Offer**



**Right Customer**



**1 to 1 Solutions**

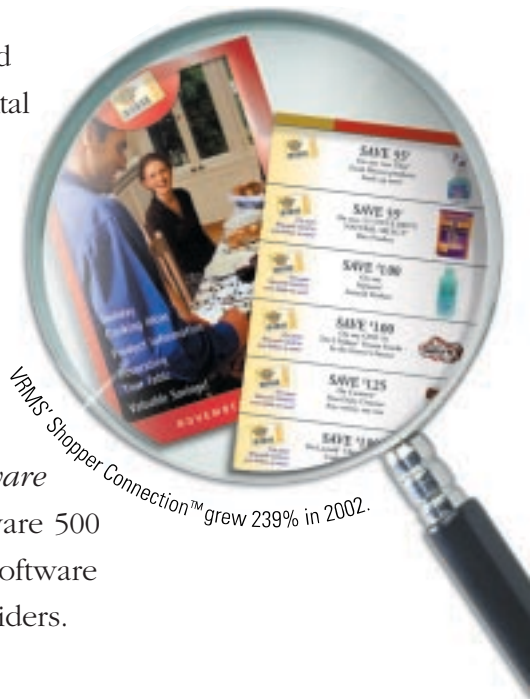
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Strengthening our commitment to 1 to 1 marketing, Valassis increased ownership in VRMS to 88%, effective July 1, 2002 and we purchased the remaining 12% in February of 2003.

VRMS' Shopper Connection™, a mailer targeted using data from our top household frequent shopper database and sent to retailers' best customers, grew 239% in 2002. The Shopper Connection™ exemplifies Valassis' entrepreneurial spirit,

specific needs and provide incremental value to their top shoppers.

VRMS' and PreVision's software earned both companies ranking on *Software Magazine's* Software 500 list of foremost software and service providers.







Valassis' ability to manage, analyze and utilize frequent shopper data drives business for our customers.

PreVision, Valassis' CRM agency, added to its roster of blue-chip retail accounts in 2002. The Company successfully penetrated the new customer segments identified as key opportunities for growth in 2003 including the pharmaceutical, financial services, luxury and hospitality industries. PreVision also entered into a strategic alliance in 2002 resulting in a key agreement with Catuity to provide end-to-end loyalty solutions to the mid-tier retail market. Product development continued with significant new releases including digital asset management and mapping capabilities. The PreVision technology group created a new consumer response-oriented e-marketing practice within PreVision using proprietary e-mail composing tools and delivering over 250 e-mail campaigns in 2002.

We continue our long-term interest in the Internet by providing on-line couponing and marketing services in Canada through our investment in Coupons, Inc.

Promotion Watch, another component of 1 to 1, provides security, planning, legal services and execution of print, sweepstakes and chance promotions. Like our direct mail business, Promotion Watch mirrors Valassis' entrepreneurial beginnings. Reflective of the recessionary times, Promotion Watch's business was down in 2002. However, sales activity in the fourth quarter of 2002 and in early 2003 lead us to believe this business will grow in 2003.

## Outlook

In 2003, Valassis expects to grow the four product lines that comprise 1 to 1 Solutions, resulting in 25-30% overall revenue growth. We anticipate our customers' interest in our direct mail capabilities will continue to drive growth in that product line in the future. Additionally, growth from Shopper Connection™ and VRMS' proprietary software is expected to continue in 2003, which will reflect a full year of consolidated financials.

<sup>1</sup> In 2003, revenues from Promotion Watch will be reported under International & Services

# NCH Marketing Services, Inc.

## Passport to *the Future*

In February of 2003, Valassis acquired NCH Marketing Services, Inc. NCH is a global leader in both coupon processing and promotion information management with customers including many of the world's largest retailers and manufacturers. The Company leads the industry with innovative electronic marketing products, services and software.

The combined product and services base of both companies allows Valassis to provide even more integrated marketing solutions to our customers and further supports Valassis' Vision of being an innovative, integrated marketing solutions leader throughout the world. This acquisition provides us with the ability to not only integrate our products and services, but also to plan, target, execute, report and analyze a promotion all under one corporate roof.

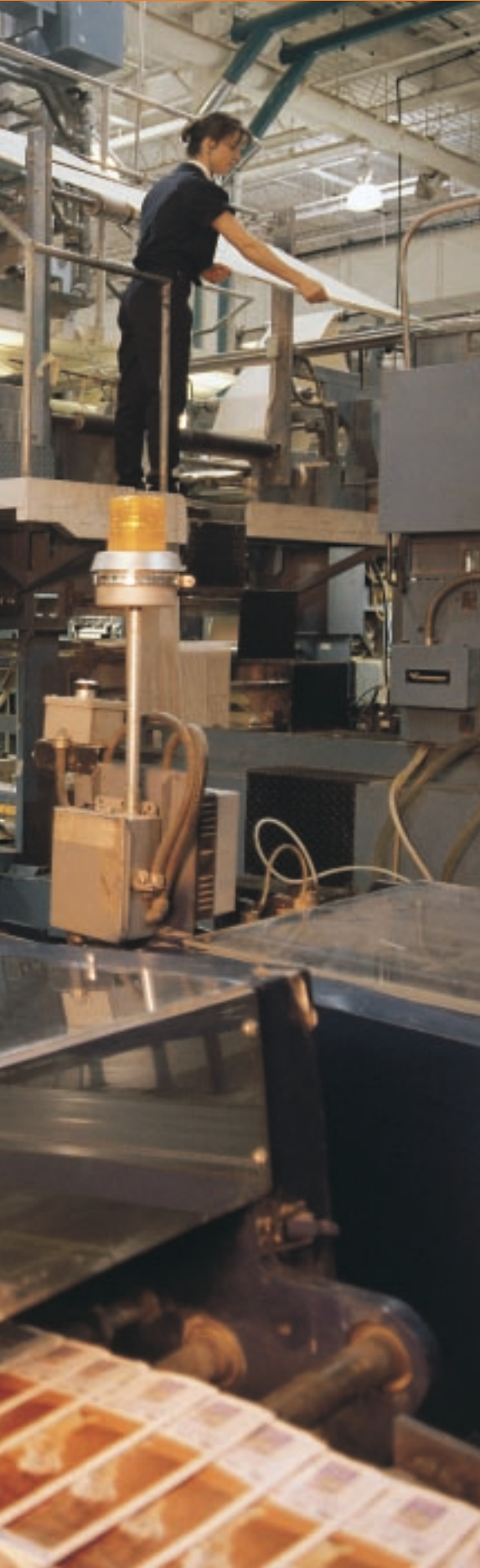
With a strong customer focus, extensive data analytic capabilities, innovative electronic

products and proprietary software solutions, NCH complements Valassis' business and Vision strategies. Both companies strive to continually improve the promotional performance of customers through consultative selling, data analysis and the increased use of technology.

Valassis now has an international platform to expand the geographical reach of our products and services. NCH has a strong presence and has built a solid reputation in the United States, Europe and Mexico. The Company offers established European marketing services and has profitable operations throughout Europe, offering both coupon clearing and marketing services products there. NCH's 30 years of international experience provides a passport to the future for Valassis' promotional product portfolio abroad.







## Valassis Strategies

**W**e started out as a one-product, one-customer segment business. Today, we are a growing multi-product consumer promotion company, and our products benefit customers in a broad range of industries. Our Vision sets forth the following strategies to grow and return value to our shareholders:

- *Enhancing the use of technology, information and analytics*
- *Growing and evolving our existing businesses*
- *Broadening our customer base*
- *Expanding our product portfolio*
- *Collaborating to make integrated solutions and team selling a reality*
- *Containing our costs*
- *Leveraging our financial resources*
- *Unleashing the innovation and talent of our people*

While these strategies provide a strong foundation for growth, we also work diligently to determine the best use of the significant cash flow we generate.

In early 2003, we acquired NCH Marketing Services, Inc., which enhances our marketing capabilities and builds





an international presence for Valassis. Additionally, Valassis is committed to:

- **Share Repurchase:** Over the last six years, Valassis has reinvested in our Company by authorizing four consecutive 5-million share repurchase plans.

- **Customer Operations and Manufacturing Efficiencies:**

In 2002, Valassis consolidated all of its operational expertise to provide an efficient and effective customer-focused operational structure. We also saw improved printing efficiencies in our manufacturing facilities resulting from capital improvements made in 2002. We increased product capabilities through press enhancements and added a second high-speed MAN Roland printing press in 2002, which is double the efficiency of its earlier predecessors. A third highly efficient MAN Roland printing press will be installed in early 2003.

- **Containing Paper Costs:** Paper costs continued to be favorable in 2002. Valassis negotiated long-term contracts with key paper suppliers

for both our retail and services and free-standing insert paper needs.

- **Technology-based Marketing:**

What sets Valassis apart from our competitors is our ability to take the vast data intelligence we have and combine it with our marketing expertise. Introduced in 2002, Consumer Navigator™ is a proprietary segmentation system that enables marketers to target U.S. households based on their purchase behavior. Built at the household level, it captures the relationship between a household's life stage, neighborhood, home ownership, expenditures for products and their response to incentives. Similarly, Target Navigator™ identifies high-potential consumers and selects the best media and circulation. Customer relationship marketing software – MarketEXPERT XR™, TargetEXPERT XR™ and PREVISIONWARE™ – offer a comprehensive package that combines an integrated multi-channel database with a full portfolio of web-based customer marketing applications.

# Navigating our Future



## Employees working toward *Our Vision*

Entrepreneurial in spirit, Valassis has built a strong foundation by encouraging innovation, taking risks, placing customers first and empowering employees to be their best. Employees are dedicated to the strategies that have grown the Company from a small printing business in 1970 to the marketing solutions company it is today, traded on the New York Stock Exchange.

All employees have stock options, so as owners, employees' interests are aligned with those of Valassis' shareholders. Employees have a vested interest in the business, and the Company has made it a priority to involve employees in the business plan through focus groups and regular employee communications. Each year employees are updated on the Valassis Vision, the Company's strategic business plan. All employees work toward a common goal and share the Company's Vision to become an innovative and integrated marketing solutions company focused on our customers in a broad range of industries.



Valassis' Diversity Councils, Giving Committee and Vision Awards Review & Selection Committee are evidence of strong employee involvement.

Teamwork and involvement are hallmarks at Valassis. Employee-driven committees include the:

- **Diversity Councils**, which have raised awareness to new worlds and helped devise recruiting and training initiatives. Councils at our Michigan, Wichita, Kansas and Durham, North Carolina facilities have played key roles in recruiting, educating and creating an inclusive work environment.
- **Giving Committee**, a volunteer committee, representing all facets of our business. Employees map out the best way to distribute the Company's charitable dollars. They chart the course for the Company's giving. We believe in being a good corporate citizen, and in 2002, employees also raised more than \$46,000 for the American Diabetes Association as our national charity.
- **Vision Awards Review & Selection Committee**, which selects employees to be

recognized with company-wide awards. The Vision Awards are just one of a multitude of rewards and recognition programs in place as Valassis recognizes the values that best illustrate what the Company is all about.

Employee-oriented, Valassis strives to create a family-friendly work environment. Valassis has a strong culture where open communication is encouraged, ingenuity and independent thinking are embraced and everyone is focused on the customer. This translates into success and added shareholder value.

These employee practices have earned Valassis recognition from *Fortune* magazine for six consecutive years as one of the "100 Best Places to Work for in America," and in metropolitan Detroit where Valassis is headquartered, as one of the "101 Best & Brightest Companies" and by *Crain's Detroit Business* as "One of the Best Places to Work in Southeast Michigan."



# Setting the Direction

## Distinguished Board of Directors

In 2002, the Valassis Board of Directors developed a corporate governance compliance plan as a result of the new laws and rules emanating from the NYSE, the SEC and the Sarbanes-Oxley Act. Actions taken included establishing a Corporate Governance/Nominating Committee and adopting or amending committee charters, corporate guidelines, certifications and new section 16(a) filing deadlines. The Board also affirmed that all of its six outside directors met the NYSE criteria for independence and all of its committees were correctly composed, including an Audit Committee with a qualified financial expert and two other members who are financially literate and experienced. The Valassis tradition of a conservative approach to matters of finance and corporate governance made for a smooth and unencumbered transition to these new laws and rules.



**Patrick F. Brennan, (A) (C)**  
**Retired President and CEO**  
**Consolidated Papers, Inc.**

Recognized business executive and leader in the paper industry for 33 years with Consolidated, the largest producer of coated papers in North America. Paper is one of Valassis' largest cost components. Expertise complements Valassis' strategic sourcing strategies.



**Kenneth V. Darish, (A) (G)**  
**Consultant**  
**Advertising Industry**

CPA with extensive financial and audit experience with Touche Ross & Co. Served as Senior Vice President and CFO at FCB Detroit. Brings wealth of business, advertising and financial expertise to Valassis.



**Seth Goldstein, (A)**  
**CEO**  
**Majestic Research**

Entrepreneur and forward thinker with Internet and technology-based businesses. Extensive knowledge and experience in this rapidly emerging industry complements Valassis' commitment to technology-based marketing.

### Board Committees:

**A** - Audit Committee; **C** - Compensation/Stock Option Committee;

**E** - Executive Committee; **G** - Corporate Governance/Nominating Committee





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

Joined Valassis in 1982. Leadership role in numerous legal and business initiatives and acquisitions as General Counsel. Recognized authority on promotion law, he helped found Promotion Watch. Leads legal, human resources and the Communications Center.



**Dr. Walter H. Ku, Ph.D.** <sup>(G)</sup>  
*Professor of Electrical and  
Computer Engineering  
University of California, San Diego*

Internationally known scientist, published scholar and holder of patents in the field of electronic systems and systems controls. Visiting professorships in China and Taiwan. Consultant to businesses and governments worldwide. Brings a wealth of technical and international business experience.



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

Joined Valassis in 1982. Leadership role in numerous financial and business initiatives and acquisitions. CPA with audit experience with Deloitte and Touche. Leads Company's financial, accounting, information technology and media purchasing initiatives.



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

Recognized nationally in the field of career development with 35 years of experience at one of the nation's leading Historically Black Colleges and Universities. Recipient of numerous awards in her field including recognition from the President of the United States.



**Alan F. Schultz,** <sup>(E)</sup>  
*Chairman of the Board,  
President and CEO  
Valassis*

Joined Valassis in 1984. Leadership roles in finance, operations, marketing and sales. Developed Valassis' Growth Plan and leads the Company's Vision. CPA with audit experience with Deloitte and Touche. Named Chairman, President and CEO in 1998.



**Ambassador Faith  
Whittlesey,** <sup>(C)</sup> <sup>(E)</sup>  
*Chairman and President  
American Swiss Foundation*

Distinguished career in government and law at the local, state and national levels. Served as U.S. Ambassador to Switzerland twice and a member of the senior White House staff. Brings a broad range of experience in business and government to Valassis.

## Executive Committee

**Alan F. Schultz**

Chairman of the Board,  
President and CEO

**Barry P. Hoffman**

Executive Vice President  
and General Counsel

**Robert L. Recchia**

Executive Vice President  
and Chief Financial Officer

**MaryAnn D. Rivers**

Executive Vice President,  
Targeted Print & Media  
Solutions

**Richard P. Herpich**

Executive Vice President,  
Manufacturer Services

**William F. Hogg, Jr.**

Executive Vice President,  
Manufacturing

**Brian J. Husselbee**

President and CEO  
NCH Marketing Services, Inc.

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## Valassis Leadership Council

**Larry A. Berg**

Vice President, ROP and  
Media Sales, Valassis Sales  
& Marketing Services, Inc.

**Suzanne C. Brown**

Vice President, Sales  
Development, Valassis Sales  
& Marketing Services, Inc.

**Amy S. Courter**

Vice President,  
Information Technology

**Louis J. Czanko**

Vice President, Retail Sales  
Valassis Sales & Marketing  
Services, Inc.

**Franklyn J. Farace**

Vice President, Western  
Sales, Valassis Sales &  
Marketing Services, Inc.

**Blaine G. Gerber**

Vice President, Durham  
Printing, Valassis  
Manufacturing Company

**Ronald L. Goolsby**

Vice President, 1 to 1  
Solutions

**Suzanne E. Griffin**

Chief Executive Officer  
Valassis Relationship  
Marketing Systems, LLC

**Timothy J. Halfmann**

Vice President, Midwest  
Sales, Valassis Sales &  
Marketing Services, Inc.

**Marcia L. Hyde**

Vice President,  
Human Resources and  
Communications Center

**Michael F. Kowalczyk**

Vice President, Northeast  
Sales, Valassis Sales &  
Marketing Services, Inc.

**Ruth N. Libbey**

Vice President, Customer  
Operations, Valassis  
Manufacturing Company

**Wan Ling Martello**

Chief Financial Officer &  
Chief Operating Officer, NCH  
Marketing Services, Inc.

**Robert A. Mason**

Vice President of Sales,  
Targeted Print & Media  
Solutions, Valassis Sales  
& Marketing Services, Inc.

**Sandra L. Robinson**

Vice President and  
Assistant General Counsel

**Linda J. Schalek**

Vice President and Controller

**Stephen L. Swanson**

Vice President of Sales, 1 to 1  
Solutions, Valassis Sales &  
Marketing Services, Inc.

**Aaron Z. Trager**

Vice President, Richard N.  
Anderson Printing, Valassis  
Manufacturing Company

**Michael A. Wood**

Vice President, Wichita  
Printing, Valassis  
Manufacturing Company

**Gary A. Yost**

Vice President, Marketing  
Valassis Sales & Marketing  
Services, Inc.



**Form 10-K**

A copy of the Valassis Annual Report on Form 10-K filed with the Securities and Exchange Commission for fiscal 2002 is available on the Company website, [www.valassis.com](http://www.valassis.com), or at:  
Investor Relations  
19975 Victor Parkway  
Livonia, MI 48152  
(734) 591-3000

**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:  
National City Bank  
Corporate Trust Operations  
P.O. Box 92301, Dept. 5352  
Cleveland, Ohio 44193-0900  
(800) 622-6757





## Annual Meeting

Shareholders are invited to attend the Company's annual meeting, to be held Tuesday, May 13, 2003 at 9:00 a.m. (EDT) at Valassis Headquarters, 19975 Victor Parkway, Livonia, MI 48152

## Quarterly Calendar

Quarterly reporting periods end:  
March 31, 2003  
June 30, 2003  
September 30, 2003  
December 31, 2003

**Written by:** Cindy Hopman, Valassis

**Designed by:** Heidi Rock, Dawn Chura & Natalie Simovski, Valassis

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Valassis offers a wide range of marketing services to consumer packaged goods manufacturers, retailers, technology companies and other customers with operations in the United States, Europe, Mexico and Canada. Valassis' Connective Media™ portfolio includes: newspaper advertising & inserts, sampling, direct mail, 1 to 1 marketing programs, coupon clearing and consulting and analytic services. Valassis has been listed as one of *Fortune* Magazine's "Best Companies to Work for in America" for six consecutive years. Valassis subsidiaries and investments include Valassis Canada, PreVision Marketing®, LLC, Coupons, Inc, Promotion Watch, Valassis Relationship Marketing Systems, LLC and NCH Marketing Services, Inc. For additional information, visit the company website at <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: price competition from the Company's existing competitors; 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; economic disruptions caused by terrorist activity, armed conflict or changes in general economic conditions; or changes which affect the businesses of our customers and lead to reduced sales promotion spending. 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.

# Points of Interest

