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Deep **Roots**  
Strong **Foundation**  
New **Growth**

2007 Annual Report and Form 10-K

**Valassis**®

# VALASSIS:

## The Ultimate Source of Value



**Delivering** value to consumers how, when and where they want. **Reaching** 100 million households each week. **Touching** 90% of all U.S. households through shared mail. **Offering** turnkey solutions across a multi-media platform. **Introducing** a single integrated targeting process, which will lead the market in providing locally optimized media plans. **Serving** 15,000 advertisers worldwide. **Maintaining** the industry's largest database of more than 13,000 newspapers. **Focusing** on excellence in execution across our organization. **Helping** American families afford life's little extras with the value we provide. **Extending** our clients' reach online at redplum.com. **This is Valassis.**

We do great things for the American family by offering so many opportunities for value. The average consumer could save \$2,000 a year or more by spending just 20 minutes a week taking advantage of coupons and special offers. Today's consumer is savvy, seeking value from multiple sources and our offerings allow them to opt in to the media and delivery methods of their choice. With the savings they achieve, we encourage consumers to indulge in life's little extras.

Families also are the focus of our *America's Looking For Its Missing Children*® program. The program's *Have You*

*Seen Me?*® images, which feature the names and faces of missing children, are featured on our products every week. Valassis empowers American families to take part in an effort to help safely recover these children; 148 and counting.

Our diverse RedPlum™ portfolio of products and services is everywhere. Valassis is a marketing services powerhouse. One source – a multitude of possibilities for clients and consumers alike.

**Valassis. RedPlum. Value.**

ALAN F. SCHULTZ  
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER



## 2007 – A Turning Point

2007 was an extraordinary year in the history of Valassis. It was a year defined by our bold acquisition of ADVO – the right decision at the right time for our business.

This decision marked a turning point for our company. We produced positive financial results for 2007 and launched a strategy for the long-term growth of this great company.

We acquired ADVO, Inc., the nation's leading direct mail marketer, on March 2, 2007. A like company in size and revenue with complementary products and clients, this acquisition was the culmination of our larger plan to diversify our business.

As I look at what we have accomplished since the acquisition, I am amazed at all that our unified team achieved in such a short time. With determination, we forged ahead quickly to integrate our businesses, realize cost synergies, optimize the shared mail business and set the stage for the future. We began to see results of the integration as early as the third quarter of 2007. The value of the acquisition is evident in our performance in the second half of 2007. During this time, revenues were up 137.0 percent; net earnings increased 174.1 percent; and earnings per share (EPS) were up 175.0 percent. A strong company just became a stronger one.

Full-year revenues increased 114.9 percent to \$2,242.2 million and net earnings were \$58.0 million, up 13.1% from 2006, resulting in full-year EPS of \$1.21. For the full year, adjusted EBITDA\* was \$252.8 million. This exceptional performance is a result of the significant improvements we have made in the management of the shared mail business and the realization of cost synergies associated with the acquisition and integration of ADVO. Additionally, within 11 months of closing the ADVO acquisition, we have made \$104.4 million in debt repayments of which \$100 million was voluntary.

The combination of our business diversification and the restructuring of fixed and variable costs as evidenced by the aforementioned results has set the stage for sustainable revenue growth. The success of our shared mail business is expected to lead the way. Full-year segment profit for the shared mail business was \$83.2 million, up 80.9 percent from 2006. In fact, during the second half of 2007, profit from the shared

mail business far exceeded the decline in segment profit from the FSI business.

### The ADVO Acquisition – a Smart Decision

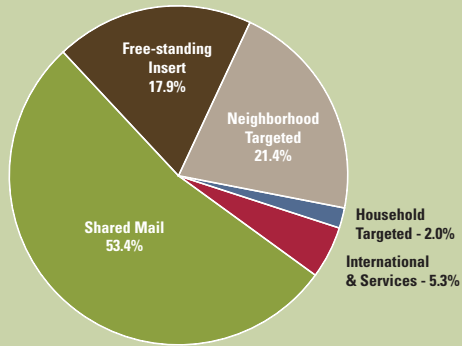
Our 2007 financial performance reinforces our belief in the strong strategic rationale for the acquisition. Blended media solutions that include shared mail and electronic distribution will play an increasingly important role in our future. In fact, as newspaper circulation declines, this creates an opportunity for us to actively migrate this business to our higher margin shared mail business. Valassis offers the only national shared mail distribution network in the industry.

The integration presented an opportunity to make substantial improvements in operating the shared mail business. We exceeded even our own expectations. A strong, united and diversified Valassis experienced the success of the acquisition in just nine months after the close of the deal. At our first opportunity to win as a team – we won as a single, united team.

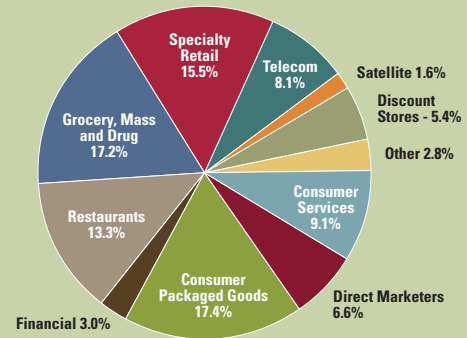
Our primary focus for 2007 was delivering cost synergies associated with the integration. Cost synergies totaled \$26 million for the year, exceeding our original expectation of \$18 million. Our optimization initiative, designed to reduce over-supply and deliver more profitable packages, has increased the profitability of the shared mail business and contributed significantly to our third- and fourth-quarter performances for 2007.

Going forward, shared mail presents a great opportunity for us to differentiate Valassis in the FSI industry and improve margins as circulation shifts from newspapers to shared mail. At the end of 2007, the FSI segment accounted for 17.9 percent of our revenue compared to 42.3 percent at the end of 2006, prior to the acquisition of ADVO. The FSI industry has been faced with two challenges: declining newspaper circulation and pricing pressure. In response to the circulation trend, we have blended shared mail, which has the ability to reach 90 percent of all U.S. households, with newspaper delivery.

2007 Share of Revenue by Segment



2007 Percentage of Revenue by Customer Vertical



Today, we can reach more than 100 million households each week. Our already incredible reach strengthened with the acquisition. While pricing pressure continues, we have offset this financial implication with the performance in other areas of our business, most notably in our Shared Mail and Neighborhood Targeted segments.

An investment in our long-term future, the acquisition has diversified our product portfolio, added the mailbox to our multi-media platform of delivery options and enhanced our capabilities to deliver value to consumers.

#### Expanded Product Portfolio **Delivers Value**

Blended media solutions to meet the changing preferences of consumers will play an increasingly important role in our company's future. Our comprehensive products and services portfolio is delivered in your mailbox, in your newspaper, on your doorstep, in your store and online. This multi-media platform delivers industry-leading, value-oriented content from approximately 15,000 advertisers worldwide. Our distribution strength results in Valassis being one of the U.S. Postal Service's largest customers and one of the largest newspaper advertisers having strong working relationships with more than 13,000 newspapers.

Our new media strength provides our clients with opportunities to meet the needs of their best customers and target just the right audience for their campaigns garnering strategic, efficient and effective results. Beginning in 2008, on a weekly basis, we have started to deliver 5.7 million shared mail coupon booklets in addition to the 57.1 million FSI coupon booklets in newspapers. Also, we have augmented our current newspaper coverage in many markets with shared mail distribution to continue to provide unmatched reach and frequency. Valassis is the ultimate source of value with unprecedented scale. We are the world's leader in delivering value-oriented content to consumers.

#### **Driving Sustainable Revenue Growth** in the Future

We are aggressively cross-selling Valassis products and services to the acquired shared mail client base of 13,000, as well as selling shared mail to Valassis' existing 2,000 clients, to drive sustainable profitable revenue growth, which we expect to begin realizing in the back half of 2008. Cross-training of our Sales organization began in August of 2007. Cross-selling has been enhanced by fully integrating our Sales organization in early December of 2007 and introducing a new Sales compensation plan at the first of this year.

Further, we expect to implement a proprietary, first-of-its-kind, company-wide targeting system in the second quarter of 2008. This tool will enable Valassis to lead the market in providing clients locally optimized media plans, managed on a national level. This technology uses advanced mathematical models to calculate and analyze more variables than would otherwise be humanly possible. With the launch and implementation of this groundbreaking targeting tool, Valassis will have the ability to rapidly generate multiple targeting recommendations, providing our clients with an optimal solution to effectively and efficiently identify their audience and the preferred method to deliver value to them. This will provide us with a true competitive advantage in the marketplace.

Internationally, with locations in Mexico, Europe, Canada and China, we have plans in place to drive profitable growth in our media and redemption businesses in Europe; successfully integrate our business in Canada; and extend our reach in China.

In 2008, we expect low- to mid-single digit revenue growth and increased adjusted EBITDA<sup>1</sup> of between \$260 and \$280 million, representing between \$2.14 and \$2.39 in expected adjusted cash EPS<sup>2</sup>. We expect revenue growth to accelerate in the second half of 2008.



America's Looking For Its Missing Children® program has expanded from the RedPlum Wrap (shown here) to the RedPlum FSI and redplum.com.



To commemorate the launch of RedPlum, Valassis leaders Brian Costello (left), Vice President and General Manager, Interactive; Michelle Murad, Vice President, Pricing and Product Management; Alan Schultz, Chairman, President and CEO; Therese Mulvey, Vice President, Marketing Intelligence; Suzie Brown, Chief Marketing Officer; and Mary Broadus, Director, Investor Relations and Corporate Communications, rang the closing bell at the New York Stock Exchange (NYSE) on January 3, 2008.

### Providing one Source of Value with RedPlum

Building on our reputation as the leader in providing value, in January of 2008, we launched our RedPlum consumer brand across our entire portfolio of products. With the combination of our value-oriented content, multiple ways to receive it and unparalleled reach, RedPlum powers our mission to deliver value to consumers how, when and where they want. It is the next step in our evolution.

Our distinctive RedPlum portfolio also unifies our company under a single consumer brand that resonates with our clients' target audience and is unique in our competitive space. We reach over 100 million households each week through our broad distribution network.

Today's evasive consumer is on the move. RedPlum embraces the consumer's desire to seek out value with ease and convenience. We connect to that need, enabling consumers to do something special for themselves and their families – to indulge.

Building on our wish to help American families, we also expanded our commitment to the *America's Looking For Its Missing Children*® program and strengthened our partnership with the National Center for Missing and Exploited Children and U.S. Postal Service. Images of missing children can now be found on the RedPlum FSI and at redplum.com, expanding the reach of the program. It is our hope that even more children will be found as a direct result of this impressive effort, already responsible for the safe recovery of 148 children.

Our destination Web site – redplum.com – which launched in the marketplace in January 2008, allows us to extend our current and future advertising partners' reach to our proprietary portal. Redplum.com invites consumers to experience, in a new way, the thrill of discovering lifestyle-oriented content, deals and offers that are both timely and relevant to them.

Innovation continues to be critical to our future. Valassis was founded in 1970 as a company committed to delivering value to our clients and to consumers. This commitment is as strong today as it was 38 years ago. We have continued to innovate by expanding our product portfolio, our distribution methods and targeting capabilities, all designed to provide value to our clients and today's consumer.

I am optimistic about our expanded value proposition, unprecedented consumer reach and our cross-selling opportunities that will drive future profitability. Valassis is the ultimate source of value – just look in your mailbox, in your newspaper, on your doorstep, in your store and online. We are proud of what we offer clients and the relevant, timely savings and value we deliver to American families to sweeten their lives.

By delivering value to consumers, we can build value for our shareholders. My own personal history with Valassis began in 1984 and I am proud to be a part of this extraordinary, exciting time in our company's history – a turning point for the future.

Alan F. Schultz  
Chairman, President and Chief Executive Officer

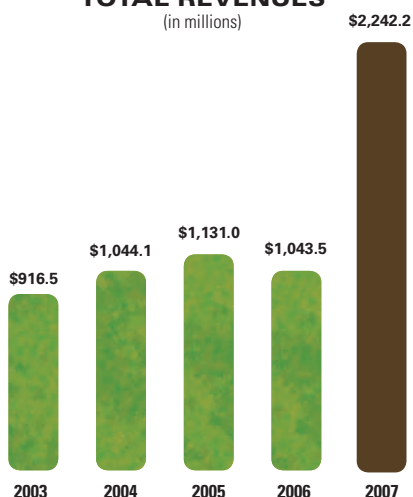
# 2007 FINANCIALS AT A GLANCE

Millions of dollars, except per share data  
Fiscal Years ended December 31,

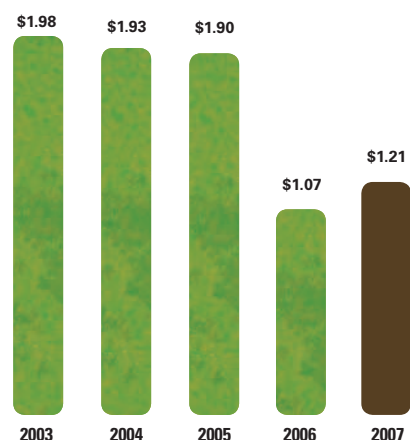
	2007	2006	% CHANGE
Total Revenues	\$2,242.2	\$1,043.5	+114.9%
Net Earnings	\$58.0	\$51.3	+13.1%
Earnings Per Share, diluted	\$1.21	\$1.07	+13.1%
Average Shares Outstanding (in thousands)	47,885	47,780	+0.2%
Adjusted EBITDA*	\$252.8	\$150.7	+67.8%

## TOTAL REVENUES

(in millions)



## EARNINGS PER SHARE



### \*Reconciliation of Adjusted EBITDA to Net Earnings and Cash Flow from Operations

(dollars in millions)

	2007	2006
Net Earnings	\$58.0	\$51.3
plus: Income taxes	\$30.9	\$32.3
Interest and other expense, net	76.9	18.4
Depreciation and amortization	62.5	14.9
EBITDA	\$228.3	\$116.9
Acquisition-related expenses	2.0	16.1
Stock-based compensation expense	7.2	7.1
Amortization of customer contract incentive	4.9	4.9
Asset write-off charge	2.0	2.1
Restructuring costs	8.4	3.6
Adjusted EBITDA	\$252.8	\$150.7
Interest and other expense, net	(76.9)	(18.4)
Income taxes	(30.9)	(32.3)
Acquisition/litigation-related expenses	(2.0)	(16.1)
Restructuring costs, cash	(7.3)	(3.6)
Changes in operating assets and liabilities	21.1	(30.5)
Cash Flow from Operations	\$156.8	\$49.8

### 2008 Guidance: Projected Adjusted EBITDA Reconciliation:

Plan	Low End (\$ in millions)	High End (\$ in millions)
Net Earnings	\$53.5	\$65.9
Add back:		
Interest and other, net	89.1	89.1
Income taxes	32.7	40.3
Depreciation and amortization	74.6	74.6
EBITDA	\$249.9	\$269.9
Add back:		
Stock-based compensation expense	7.7	7.7
Contract incentive amortization	2.4	2.4
Adjusted EBITDA	\$260.0	\$280.0

### 2008 Guidance: Projected Adjusted Cash EPS Reconciliation:

Plan	Low End (\$ in millions)	High End (\$ in millions)
Net Earnings	\$53.5	\$65.9
Add back non-cash items:		
Depreciation	65.0	65.0
Amortization	9.6	9.6
Stock-based compensation expense	7.7	7.7
Contract incentive amortization	2.4	2.4
Less:		
Capital Expenditures	(35.0)	(35.0)
Adjusted Cash Flow**	\$103.2	\$115.6
Weighted Shares Outstanding	48,331	48,331
Adjusted Cash EPS**	\$2.14	\$2.39

\*\*Does not include an approximate \$15 million recapture tax because it is a non-recurring charge related to the Senior Convertible Notes expected to be put to us in May 2008.

\*<sup>1,2</sup>Adjusted EBITDA and adjusted cash EPS are non-GAAP financial measures, have limitations as analytical tools and should not be considered in isolation from, or as alternatives to, net income, cash flow or other income or cash flow data prepared in accordance with GAAP. These financial measures are considered by management to be more comparable measures of Valassis' performance versus prior years and are consistent with the information used to develop the earnings guidance shared with investors. For further discussion of these non-GAAP financial measures, see Valassis' fourth quarter 2007 press release dated February 21, 2008 available at [www.valassis.com](http://www.valassis.com).

## VALASSIS WORLD

### HEADQUARTERS

19975 Victor Parkway, Livonia, MI 48152

(734) 591-3000

www.valassis.com | www.redplum.com

### U.S. LOCATIONS

Auburn, **Washington** | Aurora, **Colorado** | Austell, **Georgia** | Belleville, **Michigan** | Brentwood, **Tennessee** | Burlington, **Massachusetts** | Burr Ridge, **Illinois** | Calexico, **California** | Charlotte, **North Carolina** | Cincinnati, **Ohio** | Columbia, **Maryland** | Compton, **California** | Costa Mesa, **California** | Dallas, **Texas** | Deerfield, **Illinois** | Deer Park, **Texas** | Durham, **North Carolina** | East Taunton, **Massachusetts** | Edison, **New Jersey** | El Paso, **Texas** | Encino, **California** | Evansville, **Indiana** | Florence, **Kentucky** | Folcroft, **Pennsylvania** | Houston, **Texas** | Independence, **Ohio** | King of Prussia, **Pennsylvania** | Las Vegas, **Nevada** | Livonia, **Michigan** | Louisville, **Kentucky** | Miami Lakes, **Florida** | Milwaukee, **Wisconsin** | Minneapolis, **Minnesota** | Newark, **California** | Newark, **Delaware** | Norfolk, **Virginia** | Orlando, **Florida** | Phoenix, **Arizona** | Pittsburgh, **Pennsylvania** | Richmond, **Virginia** | Sacramento, **California** | Salt Lake City, **Utah** | San Antonio, **Texas** | San Diego, **California** | Schaumburg, **Illinois** | Shelton, **Connecticut** | St. Louis, **Missouri** | Sunrise, **Florida** | Tampa, **Florida** | Tigard, **Oregon** | Tustin, **California** | Upland, **California** | Wichita, **Kansas** | Windsor, **Connecticut** | Worthington, **Ohio**

### INTERNATIONAL LOCATIONS

Aranjuez, **Spain** | Boulogne-Billancourt, **France** | Corby, **England** | Delicias, **Mexico** | Hamburg, **Germany** | Juarez, **Mexico** | Mexicali, **Mexico** | Milan, **Italy** | Mississauga, **Canada** | Nuevo Laredo, **Mexico** | Shanghai, **China** | Toronto, **Canada**

### INDEPENDENT AUDITORS

Deloitte & Touche LLP

### CORPORATE GOVERNANCE

Valassis remains committed to the high standards of corporate governance. Our corporate governance guidelines, code of business conduct and ethics and detailed information about our board committees and charters are available on the "investor relations" section of www.valassis.com.

### BOARD OF DIRECTORS

**Joseph B. Anderson Jr.** (G, chairperson)

Chairman and CEO,

TAG Holdings, LLC

**Patrick F. Brennan** (A, chairperson)

Retired President and CEO,

Consolidated Papers, Inc.

**Kenneth V. Darish** (A)

CFO, BBDO Windsor, an Omnicom company

**Dr. Walter H. Ku, Ph.D** (G) (C)

Professor of Electrical and Computer Engineering, University of California, San Diego

**Robert L. Recchia** (E)

Valassis Executive Vice President and CFO

**Marcella A. Sampson** (G) (C)

Retired Dean of Students and Director of Career Services, Central State University, Ohio

**Alan F. Schultz** (E)

Valassis Chairman of the Board, President and CEO

**Wallace S. Snyder** (A)

President and CEO, American Advertising Federation

**Ambassador Faith Whittlesey** (E) (C, chairperson)

Chairman of the Board, American Swiss Foundation, New York; President, Maybrook Associates, Inc.

Valassis would like to thank and pay tribute to Barry P. Hoffman, who served on the Board of Directors from 2002-2007; Secretary of the Board from 1991-2007; and retired as Valassis Executive Vice President and General Counsel in 2007 after 25 years of service.

#### Board Committees:

A – Audit, C – Compensation/Stock Option,

E – Executive, G – Corporate Governance/Nominating

### EXECUTIVE OFFICERS

**Alan F. Schultz**

Chairman of the Board, President and CEO

**Richard P. Herpich**

Executive Vice President, Sales & Marketing

Valassis Sales & Marketing Services, Inc.

**William F. Hogg, Jr.**

Executive Vice President,

Manufacturing & Client Services

Valassis Manufacturing Company

**Brian J. Husselbee**

President and CEO

NCH Marketing Services, Inc.

**Robert L. Recchia**

Executive Vice President and CFO

### OTHER OFFICERS

**Suzanne C. Brown**

Chief Marketing Officer

Valassis Sales & Marketing Services, Inc.

**John A. Lieblang**

Chief Information Officer

**Robert A. Mason**

Chief Sales Officer

Valassis Sales & Marketing Services, Inc.

**Todd L. Wiseley**

Vice President, Administration

Secretary of the Corporation

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 client preference for different promotional materials, strategies or coupon delivery methods; an unforeseen increase in the Company's paper or postal costs; changes which affect the businesses of the Company's clients and lead to reduced sales promotion spending; challenges and costs of achieving synergies and cost savings in connection with the ADVO acquisition and integrating ADVO's operations may be greater than expected; the Company's substantial indebtedness, and its ability to incur additional indebtedness, may affect the Company's financial health; certain covenants in the Company's debt documents could adversely restrict the Company's financial and operating flexibility; fluctuations in the amount, timing, pages, weight and kinds of advertising pieces from period to period, due to a change in the Company's clients' promotional needs, inventories and other factors; the Company's failure to attract and retain qualified personnel may affect its business and results of operations; a rise in interest rates could increase the Company's borrowing costs; the outcome of ADVO's pending shareholder lawsuits; possible governmental regulation or litigation affecting aspects of the Company's business; and general economic conditions, whether nationally or in the market areas in which the Company conducts its business, may be less favorable than expected. These and other risks and uncertainties related to the Company's business are described in greater detail in its filings with the United States Securities and Exchange Commission, including the Company's reports on Forms 10-K and 10-Q, and the foregoing information should be read in conjunction with these filings. 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.

### 2007 Valassis Annual Report

**Prepped and printed using computer-to-plate**

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**Coordinated by:** Cindy Hopman, Valassis

**Designed by:** Jessica Angerstein, Valassis

**Original cover artwork by:** Erin N. Hardin



### **The Valassis Annual Meeting**

Thursday, April 24, 2008 9 a.m. (EDT)  
Valassis World Headquarters, 19975 Victor Parkway  
Livonia, Michigan 48152

### **Shareholder Information**

Investor Relations  
19975 Victor Parkway, Livonia, MI 48152  
(734) 591-7375  
NYSE: 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:

#### **National City Bank**

Corporate Trust Operations  
P.O. Box 92301, Dept. 5352  
Cleveland, OH 44193-0900  
(800) 622-6757  
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