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VALASSIS COMMUNICATIONS, INC.
Condensed Consolidated Balance Sheets
(dollars in thousands)

Assets	March 31, 2001	Dece
-----	-----	-----
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 9,496	\$
Accounts receivable (less allowance for doubtful accounts of \$1,686 at March 31, 2001 and \$1,322 at December 31, 2000)	114,940	
Inventories:		
Raw materials	12,750	
Work in progress	15,892	
Prepaid expenses and other	6,017	
Deferred income taxes	3,356	
	-----	-----
Total current assets	162,451	
	-----	-----
Property, plant and equipment, at cost:		
Land and buildings	21,686	
Machinery and equipment	123,361	
Office furniture and equipment	33,024	
Automobiles	1,098	
Leasehold improvements	1,892	
	-----	-----
	181,061	
	-----	-----
Less accumulated depreciation and amortization	(121,595)	
	-----	-----
Net property, plant and equipment	59,466	
	-----	-----
Intangible assets:		
Goodwill	107,756	
Other intangibles	85,137	
	-----	-----
	192,893	
	-----	-----
Less accumulated amortization	(120,885)	
	-----	-----
Net intangible assets	72,008	
	-----	-----
Equity investments and advances to investees	23,923	
Deferred income taxes	3,938	
Other assets	3,817	
	-----	-----

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Total assets \$ 325,603
=====

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VALASSIS COMMUNICATIONS, INC.
Condensed Consolidated Balance Sheets, Continued
(dollars in thousands, except per share data)

	March 31, 2001 ----- (unaudited)
Liabilities and Stockholders' Deficit -----	
Current liabilities:	
Accounts payable	\$ 71,687
Accrued interest	2,457
Accrued expenses	22,436
Progress billings	52,445
Income taxes payable	18,011 -----
Total current liabilities	167,036 -----
Long-term debt	304,199
Other non-current liabilities	480
Commitments and contingencies	
Stockholders' deficit:	
Preferred stock of \$.01 par value. Authorized 25,000,000 shares; no shares issued or outstanding at March 31, 2001 and December 31, 2000	
Common stock of \$.01 par value. Authorized 100,000,000 shares; issued 62,981,528 at March 31, 2001 and 62,932,556 at December 31, 2000; outstanding 53,405,102 at March 31, 2001 and 53,562,676 at December 31, 2000	630
Additional paid-in capital	88,720
Deferred compensation	(1,983)
Retained earnings	106,421
Foreign currency translations	(595)
Treasury stock, at cost (9,576,426 shares at March 31, 2001 and 9,369,880 shares at December 31, 2000)	(339,305) -----
Total stockholders' deficit	(146,112) -----
Total liabilities and stockholders' deficit	\$ 325,603 =====

NOTE: The balance sheet at December 31, 2000 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted

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accounting principles for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

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VALASSIS COMMUNICATIONS, INC.
Condensed Consolidated Statements of Income
(dollars in thousands, except share data)
(unaudited)

	Quarter Ended	
	March 31, 2001	March 31, 2000
Revenues:		
Net sales	\$ 227,729	\$ 212,271
Other (primarily legal settlement in 2000)	81	26,766
	227,810	239,037
Costs and expenses:		
Cost of products sold	145,060	128,838
Selling, general and administrative	23,598	18,274
Loss on investments	625	664
Amortization of intangible assets	856	865
Interest	5,713	5,285
	175,852	153,926
	51,958	85,111
Earnings before income taxes		
Income taxes	19,500	31,700
	32,458	53,411
Net earnings		
Net earnings per common share, basic	\$.61	\$.96
Net earnings per common share, diluted	\$.60	\$.94
Shares used in computing net earnings per share, basic	53,525,738	55,663,375
Shares used in computing net earnings per share, diluted	54,426,201	56,677,396

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See accompanying notes to condensed consolidated financial statements.

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VALASSIS COMMUNICATIONS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Quarter Ended	
	March 31, 2001	March 2000
Cash flows from operating activities:		
Net earnings	\$ 32,458	\$ 53,
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,306	2,
Provision for losses on accounts receivable	375	
Gain on sale of property, plant and equipment	(70)	
Stock-based compensation charge	1,560	2,
Changes in assets and liabilities which increase (decrease) cash flow:		
Accounts receivable	(761)	(11,
Inventories	(762)	1,
Prepaid expenses and other	4,712	
Other liabilities	(1,201)	
Other assets	(6,521)	
Accounts payable	(13,984)	(11,0
Accrued expenses and interest	(10,437)	(15,2
Income taxes	16,992	29,
Progress billings	3,416	(2,
Total adjustments	(3,375)	(3,
Net cash provided by operating activities	29,083	49,
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,955)	(1,
Proceeds from sale of property, plant and equipment	155	
Other	(136)	
Net cash used in investing activities	(1,936)	(1,
Cash flows from financing activities:		
Repayment of long-term debt	---	(1,
Net payments under revolving line of credit	(21,300)	(21,
Repurchase of common stock	(8,307)	(29,
Proceeds from the issuance of common stock	816	
Net cash used in financing activities	(28,791)	(51,
Net decrease in cash	(1,644)	(3,
Cash at beginning of period	11,140	11,

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Cash at end of period	\$ 9,496	\$ 7,
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 7,175	\$ 6,
Cash paid during the period for income taxes	\$ 2,508	\$ 2,
Non-cash financing activities:		
Stock issued under stock-based compensation plan	\$ 1,560	\$ 2,

See accompanying notes to condensed consolidated financial statements.

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VALASSIS COMMUNICATIONS, INC. Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the information contained herein reflects all adjustments necessary for a fair presentation of the information presented. All such adjustments are of a normal recurring nature. The results of operations for the interim periods are not necessarily indicative of results to be expected for the fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. Certain amounts for 2000 have been reclassified to conform to current period classifications.

2. Contingencies

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

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3. Segment Reporting

The Company's products are broken into three types, as follows:

1. Mass-Distributed Products - products which provide mass reach at low cost, including:
 - Free-standing inserts (FSI) - four color booklets containing promotions from multiple advertisers distributed through Sunday newspapers.
 - Run-of-press (ROP) - on-page newspaper promotions
2. Cluster-Targeted Products - products targeted around geographic and demographic clusters, including:
 - Targeted Print and Media Services (TPMS) - formerly Valassis Impact Promotions and Targeted Marketing Services, which have recently been

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combined into one segment.

3. One-to-One Products - products and services that pinpoint individuals to build loyalty to a brand, including:
- Customer Relationship Marketing (which includes PreVision)
 - Promotion Watch - security consulting

The Company has two reportable segments, cooperative free-standing inserts (FSIs) and Targeted Print and Media Services (TPMS). These reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies and caters to a different customer base. Assets are not allocated to reportable segments and are not used to assess the performance of a segment.

(in millions)

	Three Months Ended March 31			
	FSI	TPMS	All Others*	Total
2001				

Revenues from external customers	\$159.0	\$54.6	\$14.1	\$227.7
Intersegment revenues	-	-	-	-
Depreciation/amortization	2.6	0.5	0.2	\$3.3
Segment profit	46.2	6.1	(0.4)	\$51.9
2000				

Revenues from external customers	\$164.0	\$42.4	\$5.7	\$212.3
Intersegment revenues	-	-	-	-
Depreciation/amortization	2.3	0.5	-	2.8
Segment profit	51.3	6.4	0.7	58.4

* Segments below the quantitative thresholds are primarily attributable to three segments of the Company. Those include a customer relationship marketing segment business, a run-of-press business, and a promotion security service. None of these segments has met any of the quantitative thresholds for determining reportable segments.

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Reconciliations to consolidated financial statement totals are as follows:

	Three Months Ended March 31,	
	2001	2000
Profit for reportable segments	\$52.3	\$57.7
Profit for other segments	(0.4)	0.7
Unallocated amounts:		
Interest income	0.1	0.2
	-	26.5
	-----	-----
Earnings before taxes	\$52.0	\$85.1
	=====	=====

Domestic and foreign revenues for each of the three-month periods ended March 31

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were as follows:

	2001 -----	2000 -----
United States	\$226.6	\$237.6
Canada	1.2	1.4
	-----	-----
Total	\$227.8 =====	\$239.0 =====

4. Earnings Per Share

Earnings per common share ("EPS") data were computed as follows:

	Three Months Ended March 31, -----	
	2001 -----	2000 -----
	(in thousands except for per share amounts)	
Net Earnings	\$32,458 -----	\$53,411 -----
Basic EPS:		
Weighted average common shares outstanding	53,526 -----	55,663 -----
Earnings per common share - basic	\$ 0.61 =====	\$ 0.96 =====
Diluted EPS:		
Weighted average common shares outstanding	53,526	55,663
Weighted average shares purchased on exercise of dilutive options	4,350	3,903
Shares purchased with proceeds of options	(3,500)	(2,908)
Shares contingently issuable	50	19
	-----	-----
Shares applicable to diluted earnings	54,426 =====	56,677 =====
Earnings per common share - diluted	\$ 0.60 =====	\$ 0.94 =====

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act

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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: a new competitor in the Company's core free-standing insert business and consequent price war; new technology that would make free-standing inserts less attractive; a shift in customer preference for different promotional materials, promotional strategies or coupon delivery methods, including in-store advertising systems and other forms of coupon delivery; an 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.

Results of Operations

Net sales increased 7.3% from \$212.3 million for the first quarter of 2000 to \$227.7 million for the first quarter of 2001. Free-standing insert (FSI) revenues were down from \$164.2 million for the quarter ended March 31, 2000 to \$159.0 million for the same quarter of 2001. This decrease is primarily the result of a reduction in direct response pages as part of a price improvement strategy, as well as lower levels of e-commerce client participation. Revenues for cluster-targeted products increased 29.4% to \$54.6 million for the quarter, driven primarily by strong demand in sampling/advertising polybag programs. Other revenues decreased to \$0.1 million for the first quarter of 2001 from \$26.8 million for the first quarter of 2000, as a result of the recording of the settlement of a lawsuit in 2000.

Gross profit margin was 36.3% in the first quarter of 2001, down from 39.4% in the first quarter of 2000, (excluding the impact of a lawsuit settlement in the first quarter of 2000). The decline in average pages per book due to our strategy to reduce direct response pages in an effort to improve pricing resulted in increased media and print costs on a per-thousand-page basis. Also, revenue increases in non-FSI products which command lower margins contributed to the overall decrease.

Selling, general and administrative expenses increased 29.0% from \$18.3 million in the first quarter of 2000 to \$23.6 million in the first quarter of 2001. This increase is primarily the result of the significant SG&A expenses of PreVision, which was acquired in August 2000, and initiatives observed during the later part of 2000 to increase the sales force.

Net earnings were \$32.5 million for the first quarter of 2001 versus \$53.4 million for the same period last year. Excluding the impact of the settlement of a lawsuit in the first quarter of 2000, net earnings would have decreased 11.5%.

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Financial Condition, Liquidity and Sources of Capital

The Company's liquidity requirements arise mainly from its working capital needs, primarily accounts receivable, inventory and debt service requirements. The Company does not offer financing to its customers. FSI customers are billed for 75% of each order eight weeks in advance of the publication date and are billed for the balance immediately prior to the publication date. The Company inventories its work in progress at cost while it accrues progress billings as a current liability at full sales value. Although the Company receives considerable payments from its customers prior to publication of promotions, revenue is recognized only upon publication dates. Therefore, the progress billings on the balance sheet include any profits in the related receivables and accordingly, the Company can operate with low, or even negative, working

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capital.

Cash and cash equivalents totaled \$9.5 million at March 31, 2001 versus \$11.1 million at December 31, 2000. This was the result of cash provided by operating activities of \$29.1 million, and cash used in investing activities and financing activities of \$1.9 million and \$28.8 million, respectively, in the first quarter of 2001.

Cash flow from operating activities decreased from \$49.8 million at March 31, 2000 to \$29.1 million at March 31, 2001, primarily as a result of receiving a lawsuit settlement of approximately \$27 million in the first quarter of last year.

As of March 31, 2001, the Company's debt has been reduced to \$304.2 million, which consists of \$188.7 million under its Revolving Credit Facility, \$100 million of its 6-5/8% Senior Notes due 2009 and \$15.5 million of its 9.55% Senior Notes due 2003.

The Company intends to use cash generated by operations to meet interest and principal repayment obligations, for general corporate purposes, to reduce its indebtedness and from time to time to repurchase stock through the Company's stock repurchase program.

As of March 31, 2001, the Company had authorization to repurchase an additional 2.0 million shares of its common stock under its existing share repurchase program.

Management believes that the Company will generate sufficient funds from operations and will have sufficient lines of credit available to meet currently anticipated liquidity needs, including interest and required payments of indebtedness.

Capital Expenditures - The Company operates three printing facilities. Capital expenditures were \$2.0 million for the three month period ended March 31, 2001. Management expects future capital expenditure requirements of approximately \$15 million over each of the next three to five years to meet increased capacity needs and to replace or rebuild equipment as required. It is expected that equipment will be purchased using funds provided by operations.

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Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

- a. Exhibits
- b. Form 8-K

The Company did not file any current report on Form 8-K during the three months ended March 31, 2001.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 11, 2001

Valassis Communications, Inc.
(Registrant)

By: /s/Robert L. Recchia

Robert L. Recchia
Executive Vice President and Chief Financial Officer

Signing on behalf of the Registrant and as principal
financial and accounting officer.

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