

Dear fellow shareowners, business partners and Ambassadors associates:

I have never felt so honored to be a part of the Ambassadors team. In 2004, our team continued to respond to the challenges presented in today's global environment, while posting superior results, delivering outstanding educational programs, and improving itself in pursuit of our peaceful mission.

In comparing our achievements with our goals and objectives throughout 2004, and especially at year's end, we are pleased with the work we have done and optimistic about the future. We continue to view long-term performance as the best measure of success.

Though the statistics noted throughout this annual report are critical markers on the road to long-term success, we believe the key to doing well is always remembering that we are in the business of changing lives, widening horizons, and creating cultural linkages across national borders.

Pursuing Our Vision

Our vision — to bring the best educational journeys to life — is the driving force behind all that we do. In order to achieve this vision, we focus on five areas that represent our building blocks:

- People
- Systems
- Brand
- Program Content
- Operational Excellence

People. In 2004, we were able to hire specialists, resource projects and make changes that strengthened each of these pillars. As we have grown in scale and sophistication, we have had the opportunity to hire more outside expertise in-house. This year, we added a number of key people who possess skill sets that will help us keep growing, improving quality and developing new ideas.

Systems. We continue to enhance our information technology systems. These improvements have enabled us to serve our delegates more personally,

to introduce our programs faster, and to respond to change more quickly and efficiently.

Brand. Our brand has been a constant focus. Recently, we made a series of investments and decisions that will help us increase the power behind our brand through messaging, imagery and communications blueprints. Our audiences will receive more unified and compelling messages in the future, which will facilitate purchase decisions. This increased emphasis on "one voice" will also help us build our cumulative brand strength from year to year.

Program Content. At the end of the day, our content — the unique behind-the-scenes access, hands-on activities, fascinating destinations, official meetings, and educational depth — is the key differentiator. We may enjoy some short-term success through marketing and communications, but if we cannot deliver on the delegates' expectations, then we will not achieve our long-term objectives.

To this end, we convened our first-ever worldwide summit of program delivery personnel, which allowed us to articulate the vision for our programs in the future. The impact was immediate, and our post-travel surveys again proved that we met or exceeded expectations for more than 95 percent of our delegates. We also set into motion a number of initiatives that will become evident in future years as we continue to develop and implement outstanding program content.

Operational Excellence. Finally, we continue to maintain our focus on operational excellence — setting high expectations and then delivering against those expectations. Our delegates and their families are purchasing a service from us in which they expect high-touch, very personalized attention from us. The investments detailed above — people, systems, brand and program content — all help us achieve operational excellence every day with every touch point. Ultimately, the excellence with which we deliver our programs reinforces our brand and the very mission we serve.

Living the People to People Mission

People to People International was founded by President Eisenhower to make the world a better place through “people to people” contact. The objective was — and remains — peace between nations, achieved not by governments but through countless positive interactions between ordinary and — as many of our delegates prove — extraordinary citizens. As we approach the 50th anniversary of People to People, we are more cognizant than ever that our citizen Ambassador Programs serve a purpose above and beyond mere sightseeing or personal growth.

In fact, the changes in the geopolitical landscape wrought by 9/11 have allowed us to increase our focus on the mission. This not only helps to differentiate our programs, but it also allows us to provide a level of satisfaction to our program participants that is deeply rewarding and enriching. Upon returning home, our delegates can tell others not only that they visited the places of their dreams and grew through new experiences, but also that they made a difference in the lives of their peers across the oceans.

Generating Results and Shareowner Returns

By pursuing our vision and remaining faithful to the original People to People mission — doing what we believe to be right in business — we have achieved energizing results:

- Gross program receipts increased 36%
- Operating margins improved 13%
- Net income improved 54%
- Earnings per share improved 50%
- Return on adjusted equity was 37%

We are proud that we have strengthened our balance sheet and returned significant financial value to our shareowners. In 2004, we initiated a share repurchase plan. To date, we have repurchased 98,000 shares for approximately \$2.6 million. In 2005, we will continue to evaluate repurchase opportunities in the marketplace.

In addition, we completed the first full year of our dividend program. Full-year shareowners received \$0.11 per share for each of the first three quarters and \$0.13 per share for the last quarter, or \$0.46 for the full year. This equates to \$4.6 million returned to shareowners.

Of course, our focus on return on adjusted equity (ROAE*) never wavers. In 2004, we achieved a 37 percent ROAE, a 16 percent improvement over the 2003 ROAE of 32 percent. Over the last three years, our average ROAE has been 37 percent. We know that our shareowners rely upon us to maximize the use of our assets.

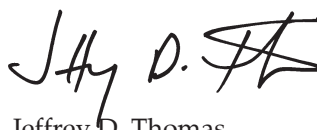
While we are enthusiastic about our 2004 results, we will continue to strive for long-term success by building and strengthening our key focus areas: our vision, the People to People mission, and our returns to shareowners.

Thank You!

I want to personally thank all the individuals who contribute to our success:

- Our associates, who have demonstrated faith, hard work and continuous flexibility in reaching new heights.
- Our board of directors, who have been supportive, appropriately challenging and forward-thinking throughout the years.
- Our overseas partners, who deliver our programs in the global classroom with passion, innovation and dedication.
- Our shareowners, who have taken an interest in our organization beyond the numbers and contributed their insights to creating a stronger growth vehicle in the long run.

I love our programs, our mission and our people. I am honored to serve and work in this organization every day.



Jeffrey D. Thomas
President and CEO

* We calculate this number by dividing the net income by average adjusted equity. Average adjusted equity is calculated as the average of shareowners' equity at January 1 less other comprehensive income at January 1 and shareowners' equity at December 31 less other comprehensive income at December 31.