

Dear Fellow Shareowners, Business Partners and Ambassadors Associates:

2003 came in with the gale force of the “perfect storm.” For Ambassadors, the 100-year phenomenon of violent weather consisted of fluctuating terror alerts, the reality of modern warfare, an outbreak of a new and mysterious virus known as SARS, dramatic drops in the United States currency, and economic weakness. Our landscape was altered in unimaginable ways. Yet, the environment and the challenges became opportunities for progress and growth.

Following are some of the positive and ongoing results of our contest with the perfect storm:

Renewing the People to People mission. During 2003 — our first full year as a stand-alone public company — global tensions and conflict placed an increased emphasis on the importance of “people to people” contact between nations, religions and ethnic groups. In a world already made smaller by technology, it became increasingly apparent that local actions have global implications, which can create misunderstandings, ill-will or outright conflict.

The premise of our brand, People to People, embodies this issue: *we cannot isolate ourselves in today's world.*

Instead, we need to venture beyond the borders of our own community and meet our global counterparts face to face. By looking each other in the eye and building understanding and trust, we can work together to make the world a better place for everyone. That is the objective of what we do, and it has been that way for nearly 50 years now. The current global environment underscores the importance of our brand and differentiates us from our competition.

Our delegates and their families can readily see the public benefit of what we do. In addition, as we have set ourselves apart more and more, the private benefit — personal growth, honor and prestige, as well as individual responsibility — is more and more visible. We are so much more than a travel program — we are an opportunity for education, a unique chance for our delegates to create international networks and friendships, and a force for positive change in the world.

Communicating rapidly and effectively. In late winter and early spring of 2003, we faced the challenge of communicating with thousands of enrolled delegates and their families quickly, compassionately and accurately. The build-up to Operation Iraqi Freedom had created uncertainty and tension in the minds of our future delegates. While we hoped that war would be averted, we needed to be prepared. As a result, we launched a “Peace of Mind” campaign, contacting our delegates by phone, letters, e-mail and Web site postings. We reminded delegates and their families of our long record of safety, altered our payment policies to

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allow them time to assess the situation and make a more informed decision about travel, and showed them we cared and understood the situation. The campaign involved all areas of our company, and we accomplished it more quickly and in a more coordinated fashion than ever before. We monitored family responses to our communications and were able to fine-tune our message swiftly as current events changed. Of course, we have now integrated many of these practices and messages into our standard campaigns, and the response has been very positive.

Growing through constant innovation. In 2003, we accomplished several new initiatives while navigating the peaks and troughs of our storm:

- Expanded our Washington, D.C., programs to nearly 1,000 students
- Developed and operated a new Leadership Summit in Florida
- Re-entered the Russian market as SARS decimated Asian travel
- Satisfied our seven continents vision by offering a program to Antarctica, which filled to capacity, and delighted and educated participants in a way no other program could.

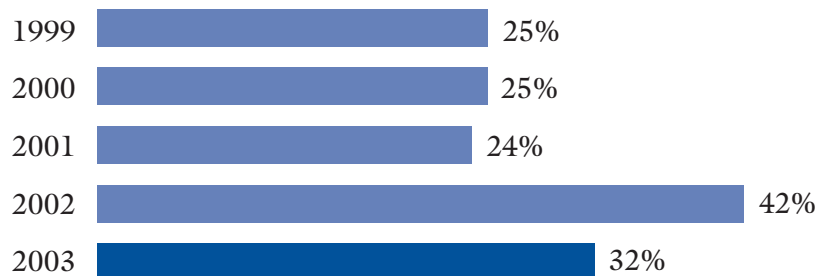
Attained solid financial results. All of our ideas, plans, efforts and adjustments resulted in another year of pre-tax income over \$15 million. We also posted the following financial results:

- Achieved sales of \$109 million
- Generated \$10 million in net income
- Generated \$14 million in free cash*
- Finished the year with \$68 million of cash and cash equivalents and available-for-sale securities on our balance sheet

Issued our first cash dividend. Since our spin-off from our parent company in March 2002, we have been accumulating cash while carefully and methodically analyzing a number of capital deployment options. We also saw a new opportunity to more efficiently return capital to our shareowners in the wake of the 2003 tax legislation that reduced the tax rate on dividends. As the year wound down, our company demonstrated confidence: in November, our board of directors approved and initiated our first-ever dividend to shareowners. We are proud that we were able to award some of our accumulated capital in this stormy year.

We have a unique group of long-term shareowners who share our vision. Our dedicated shareowners appreciate that the experiences of our delegates not only build our brand, but also prepare our citizens for a more global world and increase the chances for peace. Many of our shareowners have been with us through tremendous challenges and have shown patient support while we have navigated one world event after another. We are thankful for your support, which allows us to focus unwaveringly on our business.

Return on equity (ROE)*. One of our key long-term objectives is to generate an ROE of 30 percent or greater, and we accomplished this again in 2003. In fact, over the last five years, we have posted the following ROE figures:



We believe that these figures represent stability in our business. As discussed, our sales and resulting income generated have been impacted by world events, but many of the key characteristics that define our model — minimal capital investment required and lucrative margins on incremental travelers — remain static.

Succeeding through the teamwork of outstanding associates. At Ambassadors, we know that business is a team sport. We also understand that our business is an execution business. We have faced a variety of challenges in the last 12 months, and each time our response has been implemented with innovation, creativity, discipline, hard work and integrity — the ingredients for success. I want to personally thank all of the Ambassadors associates who share our vision for the future and work so hard today to build their company on a solid foundation for the future.

We are
thankful for
your support.

We are enthusiastic for the future. The value of our brand and its message of peace through understanding become stronger each year. Our company's abilities to plan, execute and adjust have only been strengthened by the global turmoil. Our opportunities for growth have increased through product expansions and enhancements. We are indeed fortunate to be able to build upon our successes, confidently meet the challenges ahead, and serve a worthy and meaningful mission with a supportive team of shareowners, associates and other stakeholders.

Are we ready for 2004? You bet we are!

Jeffrey D. Thomas
Chief Executive Officer

* See free cash generated (D2) and return on adjusted equity (D3) and the non-GAAP reconciliations on pages 16-18 of the Form 10K.