

what we are all striving for is ... cone ction



what is the shortest distance between two people?

If it sounds like a mathematical equation, you're right ... because aren't we all the sum of each one of us?

And isn't every action we take truly met with an equal and opposite reaction?

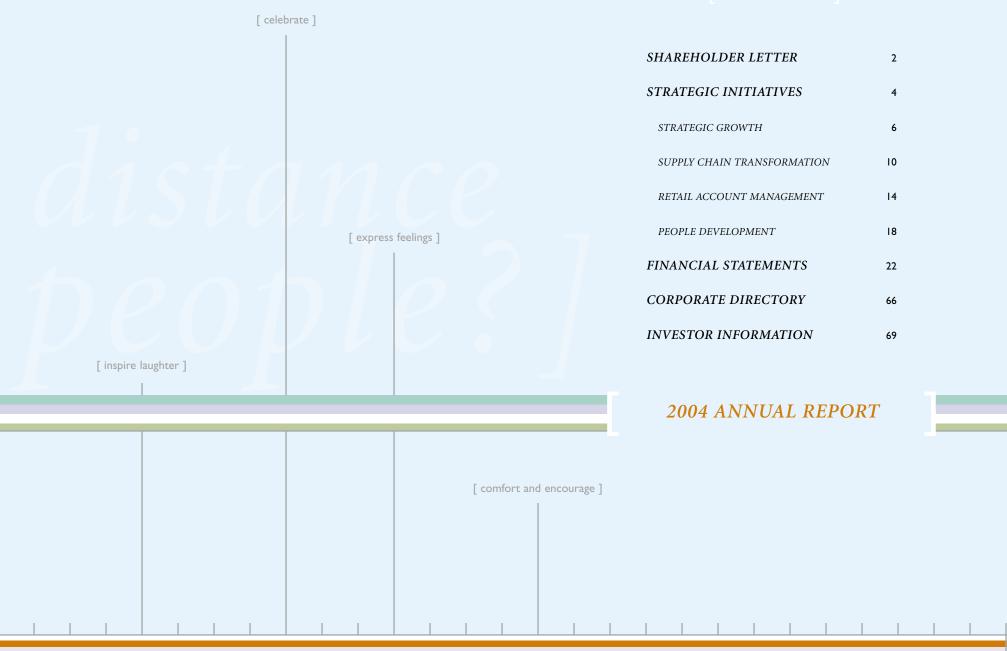
That's what American Greetings is. The shortest distance, for us, is a card,

And the very act of sending a card can lift a spirit, shed a tear, release some laughter ... bring two people together.

We are, at our very core, working to connect people to people, friends to friends, family to family ...

[make memories]

contents



making personal connections is at our core: a letter to the shareholders

Dear Shareholders,

Never has a company been so mindful of the past and so ready for the future as American Greetings is today.

Now, more than ever, we are the very same company we've always been, and, at the same time, a brand new company we've never been before. We are a company that is marrying tradition with invention, creativity with practicality, and renovation with innovation.

We have a proud past that draws upon dedication, innovation and old-fashioned hard work. From the very first penny postcards sold drugstore to drugstore in Cleveland by Jacob Sapirstein to today's technologically advanced interactive greetings, we've always understood how to help people connect with each other. While we explore new manufacturing technologies and cyberspace opportunities, our ability to enrich people's lives with meaning and beauty will always be at the core of whatever we do.

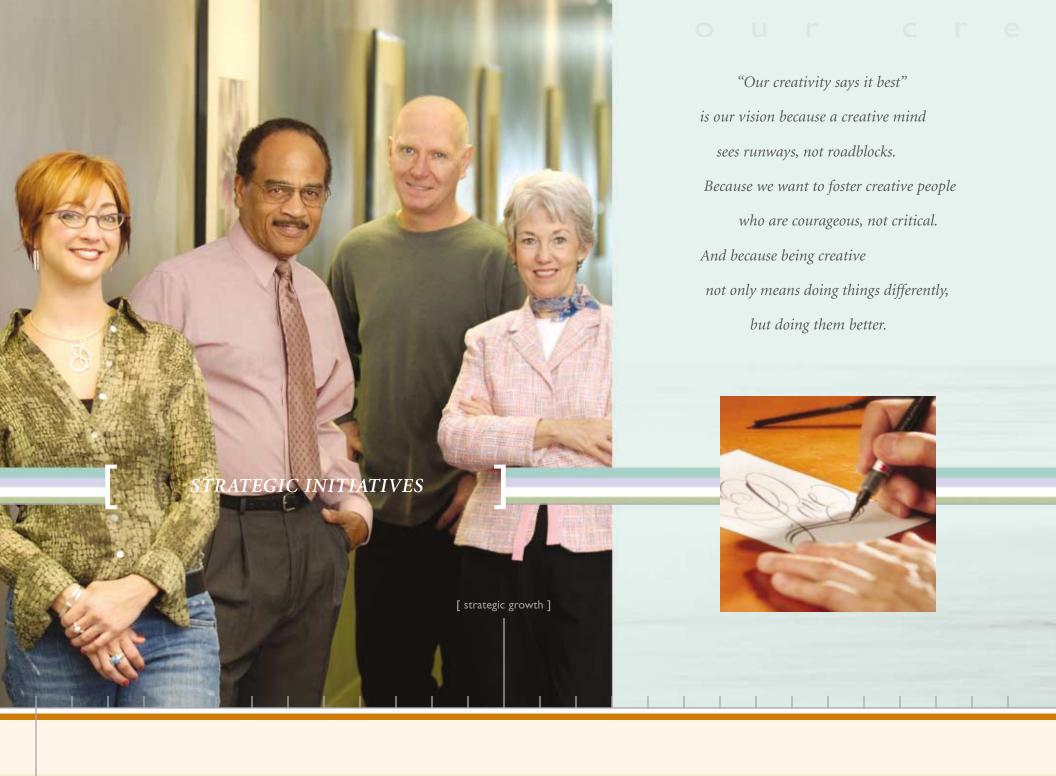
That is why the past three years have been a time for thoughtful retrospection of our core values and rigorous inspection of our business practices. It has been a time for increased focus on our consumers, defining what we do best, and refining how we produce, market and deliver our products to our retailers.

This last year, in particular, was one in which we focused primarily on improving our balance sheet. Our strong cash flow enabled us to pay off more than \$180 million in debt and make improvements to our capital structure that will serve us well in the future. We expect to continue generating strong cash flow in fiscal 2005, which has enabled us to make a tender offer for our remaining high-yield debt. By the end of the first quarter of fiscal 2005, we expect to have reduced debt nearly \$400 million within a 13-month period. This amount represents more than 40 percent of the debt that was outstanding when we began fiscal 2004.

The last 18 months have also afforded us the opportunity to integrate our historic knowledge of social expression with new disciplines and management practices. To provide dedicated support for our strategic initiatives, we have assembled a strong group of associates from inside and outside the Corporation in the areas of finance, legal, operations, and sales and marketing. We are confident that the team we have in place can demonstrate the commitment, leadership and teamwork necessary to take us to the next level of success.

So, while we are proud of the progress we have made, we expect to build upon our past achievements during the year ahead. As we strive





ativity says it best

a plan for creative success

Four primary initiatives that we introduced one year ago — strategic growth, supply chain transformation, retail account management and people development — will continue to provide focus for our efforts throughout fiscal 2005. Our creative success in the coming years will rely heavily on the implementation of these initiatives, which we detail on the following pages.

[retail account management]

[people development]

[supply chain transformation]



creating

If we do not take risks, we will not change.

If we do not change, we will not learn.

If we do not learn, we will not grow.

Create an atmosphere for growth,

and we create an atmosphere for success.

It is a lesson in life. It is a lesson in business.



an atmosphere for growth drive, extend, evolve

Drive the core business. Extend our existing competencies. Evolve our product line beyond greeting cards to create new opportunities. These are the key elements to our growth strategy, and within these three strategies, we will continue to create innovative products and services that help our consumers express themselves and celebrate life's special occasions. While we have generated improvements in profitability through ongoing cost-cutting initiatives over the past three years, we recognize that our future earnings growth will result, at least in part, from an intense focus on growing our top line. With that goal in mind, we will be investing substantial time and resources in fiscal 2005 in the development, refinement and implementation of our growth strategy.

[explore growth opportunities]

[develop a pipeline of innovation]

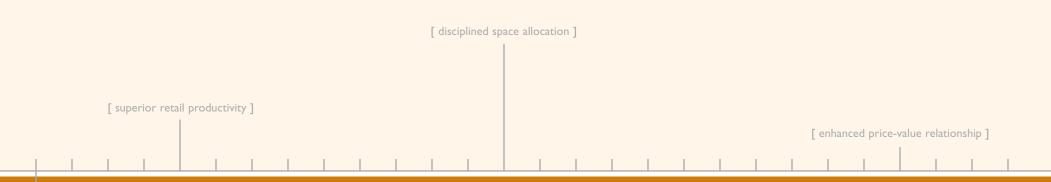
[refine internal processes to sustain growth]

optimizing our core business

Becoming the undisputed leader in social expression requires superior retail execution. In other words, we need to improve the consumer experience by offering breakthrough products at competitive prices and by increasing the productivity of our retail space. How can we accomplish this? Take, for example, our marketing makeover initiative. This is a key fiscal 2005 project that will optimize the space allocation in our retailers' stores, maximize the productivity of our greeting card departments and increase sales of our specialty products. By introducing new product mixes, an enhanced price-value relationship and improved product displays, we can enhance our retailers' social expression departments and drive incremental sales.

creating an innovation pipeline

Extending our product offering beyond greeting cards means leveraging our existing competencies to move into adjacent product categories and underdeveloped markets. One such product, "NICKspressions," which we developed in conjunction with Nickelodeon, is a line of never-before-offered social expression products for the youth market that will supplement the already successful relaunch of our classic properties, Strawberry Shortcake and Care Bears. Another example is how we are using wireless technology at American Greetings Interactive to create social expression products for mobile devices. We also have a tremendous opportunity to grow our business in emerging distribution channels as well as to further expand our existing near-core product categories, either by enhanced product development or acquisition.







make it faster. make it better.

improve service + reduce cost = way of life

Make it easier. Make it faster. Make it better. Make it a way of life — that is, quite simply, supply chain transformation. But nothing is easy about reinventing how we have been doing things and making those changes a daily part of our lives. Successful supply chain management first requires finding creative and flexible ways to bring our products to our retailers. Only then can we improve service, increase efficiency and, ultimately, drive down costs. In the past two years, we have identified significant savings that we expect to realize by the end of fiscal 2005. At the same time, we are refining design and production techniques so our products get to stores faster.



[drive out inefficiencies]

[remove "sacred cows"

[work cross-functionally]

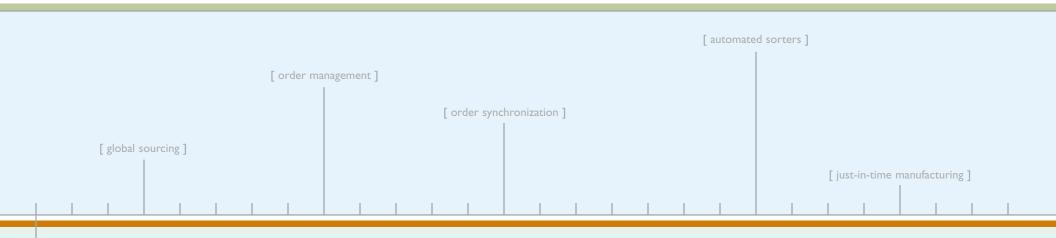
on the fast track

In the past year, we identified multi-million dollar benefits across our sourcing, manufacturing, distribution and merchandising functions. Through more aggressive negotiations and global sourcing, our purchasing group has recognized savings in raw materials and supplies, and purchases of finished products. Compressed and parallel work streams, along with order management and synchronization, have enabled both our manufacturing and distribution teams to realize faster production times and significant cost savings. And finally, more efficient and flexible management of field service and merchandising efforts — including reduced management layers, improved scheduling and sophisticated hand-held technology — are increasing customer service and helping strengthen retailer relationships.

halftime: a seasonal success story

We used to take two years to get our seasonal greeting cards into retail stores from the time we started designing them.

One of the most significant improvements we have made in the past year, as a result of our supply chain transformation initiative, is how we transformed product development: Extraordinary collaboration between departments and the dedicated efforts of our seasonal card team have enabled us to manufacture all of our holiday product in less than one year. As a result, we are now able to use the most current point-of-sale information as we begin to plan our new offerings. When our winter seasonal product lines appear in stores this year, it will represent the first cards launched under this new process.











providing res

The customer is king.

This familiar sales slogan
has never meant more to us as we
partner with our retail accounts.

It is, and will always be,
our strategic imperative to provide
responsive and flawless service
to our retailers.



ponsive service to our customers.

customizing customer service

The core concept behind retail account management is to align our resources with the differentiated needs of our retailers and their consumers. This way we are able to offer a comprehensive package that includes innovative products, dedicated sales support, in-store merchandising and targeted retail promotions — all at a compelling value. With this complete solution, our account management teams have developed sophisticated marketing tools to drive growth, meet the unique needs of our retailers, and deliver superior retail performance.

[utilize newly available sales data]

[respond with greater speed]

[develop products in concert with retail buyers]

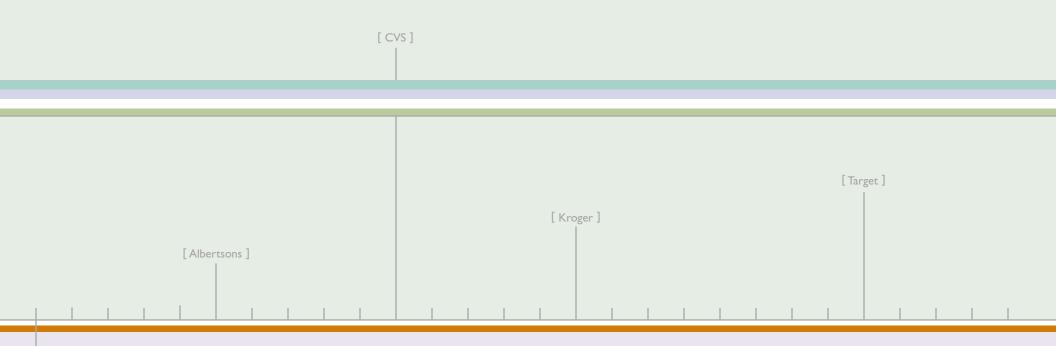
differentiate service levels between stores

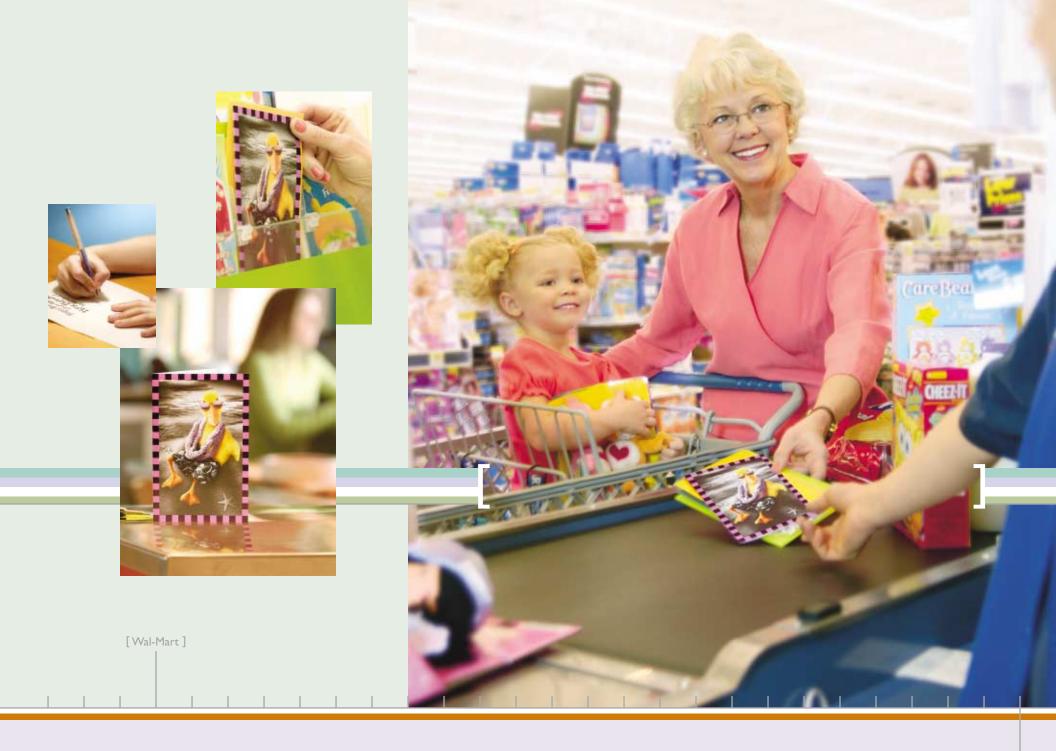
designed "just for you"

One of our most exciting initiatives this past year was to create a completely new greeting card line, specifically targeted toward the Wal-Mart consumer, called Just for You. Collaborative team efforts across all functions enabled us to execute this program from concept to shelf in all domestic Wal-Mart stores in less than six months. The combination of the Just for You launch, along with Wal-Mart's new "Add Love to Your List" marketing strategy, is already showing increased productivity in this account.

albertsons: a total team effort

In summer 2003, we began one of the largest competitive takeovers in our history by integrating 1,400 incremental Albertsons stores. To minimize disruptions to consumers and to maximize the impact of our "meet your new neighbors" marketing program, Albertsons challenged our team to convert these stores within 100 days. A well-coordinated plan by our Albertsons team utilized innovative and new "prefabricated" card racks, along with responsive manufacturing and logistics, to complete the transition on time. With all 2,300 stores now carrying our flagship brand, we look forward to a mutually profitable partnership with Albertsons.







our culture = people + values + performance What do we believe? Where do we want to go? How do we get there? During fiscal 2004, we answered these questions by introducing a corporate vision that emphasizes the importance of promoting creativity while enhancing performance. This vision outlines the guiding principles for our mission, our values, our culture and our business. It also speaks to our critical success factors, many of which appear on these two pages. In this way, we are providing the foundation for a company of creative individuals to build a successful future together. [leadership]

[fact-based decision making]

[innovation]

[performance orientation]

[collaboration and teamwork]

a forum for learning and development

Our dedication to corporate culture and individual performance is supported by the training and development programs we offer each year. In fiscal 2005, we will take our commitment to performance improvement to an even higher level by establishing a new "American Greetings University." This new institution will provide a full curriculum so associates can master specific skill sets based on our critical success factors. As part of our overall commitment to developing the desired behaviors within our associates, we expect that American Greetings University will have a lasting and positive impact on our overall performance in the years to come.

honoring associate excellence

We encourage and reward achievement, initiative and effort among all our associates. To highlight exemplary performance, in fiscal 2004, we continued our tradition of recognizing a group of individuals who have demonstrated excellence in their jobs and lives. This program is called the Chairman's Award. Now in its seventh year, the program recognizes people who have in some way made our company, and the world around us, better. We offer our congratulations to this year's winners, whose names appear on these two pages.



