



2001

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Stanley B. Kinsey
Chief Executive Officer

Mark deGorter
*President and Chief Operating Officer,
NTN Network*

James B. Frakes
Chief Financial Officer

V. Tyrone Lam
*President,
Buzztime Entertainment, Inc.*

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Listed on The American Stock Exchange®
Symbol: NTN

Annual Meeting
The 2002 Annual Meeting of NTN shareholders
will be held at 10:00 am on May 31, 2002 at:

Grand Pacific Palisades Resort
5805 Armada Drive
Carlsbad, California 92008

Owners of common stock as of April 1, 2002, the
record date of the meeting, will be eligible to vote
on matters brought before the meeting.



2001

ANNUAL REPORT

NTN COMMUNICATIONS, INC.



Dear Fellow Shareholders:

Creating a successful business requires a strong product, significant market opportunities, talented people, commitment and execution. The employees and management of NTN believe our Company has these attributes, and we're working hard to create value for our shareholders.

During 2001, NTN executed on two levels. Our Buzztime™ subsidiary, led by President Ty Lam and his development and content teams, strove to complete a cable-delivered version of our trivia game show broadcast that could become one of the first two-way game channels to be deployed on existing digital set-top boxes. Aided by an investment and commitment from partner Scientific-Atlanta, the Buzztime team created a successful application and signed an agreement for its first deployment. Management believes that this iTV initiative could become a business worth multiples of the Company's current valuation over the next four years.

The Buzztime development required capital at a time when the capital lending markets were at their worst in a decade. So we were proud that Mark deGorter, President of the NTN Network®, and his operating team came through by generating the free cash flow necessary to fund Buzztime, delivering the strongest operating results in the history of the Company. In the last nine months of the year, the NTN Network not only generated operating income exceeding the cost of the Buzztime development, but also provided cash in excess of capital investment and interest costs in each of the last nine months of the year. The Company had never posted two successive quarters of such results, even without the funding of a new entity.

As we enter 2002, we remain committed to and excited about the prospects for both operating entities. Buzztime continues to succeed in its pursuit to become the number one iTV game channel in the United States. Its focus is to eventually distribute its game content on all digital platforms in the cable market and to consolidate significant additional game content under its banner. Meanwhile, the NTN Network, expanding on its leadership position in delivering an iTV channel to hospitality locations, is adding new products and services in a commitment to become the dominant provider of front-of-house services to the hospitality market.

As we continue to build on our foundation of technology, content and know-how, we thank the shareholders and customers of NTN for trusting the employees of NTN Communications, Inc. to deliver greater products and value. And I personally thank my fellow NTN employees for their dedication to our product and vision.

Sincerely yours,

Stanley B. Kinsey
Chairman and
Chief Executive Officer

This is a very exciting time for the NTN Network®. The operating results for the Division were significantly improved in 2001 as we spent the past year focusing on our core entertainment product and streamlining our operations. Despite a sluggish economy and the tragic events of last September, we were able to achieve excellent results on all key benchmarks. These include an increase in Division revenue, a solid improvement in new site sales, a record reduction in the percentage of sites canceling service, and a reduction in operating costs through the optimization of the Division infrastructure. As a result, we posted strong improvements in our net income position and record cash flow. And, during this period of change, more people played NTN games than ever before.

With this exciting turnaround in our core business, 2002 becomes the year we embark on an evolution from being the market leader in interactive entertainment to a company that is the leading provider of integrated Interactive Communications and Entertainment services—what we call I.C.E.™—to the out-of-home industry.

Focusing on a set of integrated, “front-of-house” products to the hospitality industry is the first step in achieving our mission.

Initially, we will maintain growth initiatives in our core business, the entertainment group, as we continue to upgrade our infrastructure, technology, programming and invest in marketing and promotion to provide an unsurpassed experience to our loyal player base of over 1.1 million, and to millions more casual players who make NTN partner locations their entertainment destination of choice to play our interactive games.

However, we also believe that tremendous synergies exist in leveraging our installed base of over 3,600 North American locations to offer additional products and services with the goal to increase profitability for our subscribers. The recent acquisition of ZOOM Communications, one of the leading providers of innovative wireless guest and server paging products as well as stored-value gift and loyalty cards, is just one example of our push to integrate complimentary business concepts to expand both our customer base, and the products and services we offer.

In addition, as wireless communications technology becomes both ubiquitous and increasingly cost-effective, we are poised to take full advantage of the benefits provided by these emerging technologies through specific application to our industry. We are currently evaluating a number of platforms in this new and exciting area that we believe will provide solid growth opportunities for the Division through further integration into our network.

And with all this happening on the commercial side, it's important not to overlook the unique opportunities available as we grow our advertising business. With traditional media becoming more fragmented and today's consumer increasingly difficult to reach, advertisers are looking for a more direct and integrated solution to achieve their marketing objectives. With a suite of interactive marketing tools, including targeted advertising, *Advergaming* elements and our *Omnipoll*™ proprietary interactive research program, advertisers now have an end-to-end marketing solution to reach the out-of-home consumer. This was evidenced last year when the Dodge Division of Daimler-Chrysler became the largest single advertiser outside the wine, beer, and spirits industry to use the Network as part of the launch of their 2002 Dodge Ram. Clearly, we look to the advertising segment as a strong growth opportunity going forward.

For the past 18 years, we've provided a unique and engaging entertainment vehicle that has stood the test of time and has yet to be duplicated. As we augment this enviable position with relevant products and services, we can begin to expand the orbit of NTN as a full-service solutions provider by offering ever-increasing levels of value to our customers, and with it, greater opportunities for profitability and shareholder value.

Mark deGorter
President and Chief Operating Officer, NTN Network

Buzztime Entertainment, Inc.™



Buzztime Entertainment, Inc. is a leading developer and distributor of live interactive television entertainment programming. Our primary product is the BUZZTIME™ channel, the only 24-hour interactive entertainment broadcast created exclusively for television audiences. It features six channels of play-along trivia games for players of all interests and ability levels with real-time competition and rankings among households. In 2001, we made tangible progress in product development and distribution of BUZZTIME and we have recently begun deployment of BUZZTIME into U.S. digital cable homes.

During the past year, through a strategic investment relationship with Scientific-Atlanta, we developed the BUZZTIME channel to be compatible with millions of digital set-top boxes that are in cable homes today. This was a major milestone in that BUZZTIME can now be installed in Scientific-Atlanta digital cable systems without costly technology upgrades such as the installation of interactive television middleware—a viable early-to-market advantage. In addition, we signed our first licensee partner, Susquehanna Communications of York, Pennsylvania, who will serve as our technical beta and commercial partner.

In this initial rollout, we are implementing our cross-promotional campaign between the NTN Network® and the in-home cable subscribers. We are hopeful that the result of our promotions will lead to not only greater awareness of both BUZZTIME and the NTN Network, but greater consumer demand for our trivia games in both venues. We will capture all marketing and usage data to serve as a sales tool with the major cable companies, including AOL Time-Warner, Cox Communications, Charter and others.

Our business model is built on leveraging our extensive interactive television content library to create long-term licensing relationships with as many cable systems as possible. Our success will depend upon successfully demonstrating the unique and timely value of the BUZZTIME channel to the large cable companies that control the majority of the cable subscribers. We are confident in our ability to do just that in the coming year.

V. Tyrone Lam
President, Buzztime Entertainment, Inc.