

NEW HORIZONS WORLDWIDE, INC.

2002 ANNUAL REPORT

WHY is New Horizons the leader in the Information Technology training industry?

Because, with more ways to learn, and more courses offered at more times in more locations, **NO ONE IS IN A BETTER POSITION** to take advantage of the first upturn in business spending.

We've used our **20th YEAR IN BUSINESS** to tighten our belts, sharpen our marketing strategy, refine our delivery techniques and ...

OUR MISSION STATEMENT:

Deliver a world-class Integrated Learning solution that blends classroom instruction, eLearning, and enriching resources to provide the essential skills for personal and organizational success.

... ensure our product mix meets the needs of every customer segment.

We're prepared for 2003.

In challenging times, New Horizons confirms its place as the industry leader

In 2002 we celebrated our 20th anniversary of delivering the highest quality Information Technology (IT) training. This achievement reflects our stability in an ever-changing marketplace.

Industry analyst IDC also designated us as the world's largest IT training provider, further reinforcing our leadership position. This year we expanded geographically as well, entering seven new countries to give us a presence in 51 countries worldwide.

In all, while not a good year by our own standards, we gained market share, enhanced our position relative to our competition and became, unquestionably, the industry leader.

This did not, however, deter us from further tuning our strategies, products and marketing to help us perform more effectively in whatever market conditions may emerge in the future.

Strategic planning prepares us for every opportunity

Our Integrated Learning strategy continues to be unmatched for providing students the most comprehensive support and greatest flexibility in achieving their learning goals. Its five components - Assess, Learn, Reinforce, Support and Validate - create a learning experience that is unique in our industry.

We hold a significant advantage as the only company to give students the flexibility of Classroom Learning, Online LIVE Learning and Online ANYTIME Learning. Consistent content across all three delivery systems is the key to making the mix of classroom and eLearning work successfully.

We continue to strengthen our product mix with a breadth of courses that has expanded to meet all the growing needs of both IT students and business professionals. We lead the industry in launching new products such as business skills and information security. We offer more Microsoft certification training than any other organization in the world.

OUR VISION STATEMENT:

To be the largest and most successful technology training company in the world.

Our geographic expansion gives us presence in 51 countries worldwide.

To supply clients with a meaningful return on their training investment, this year we engaged an independent service that allows us to accurately measure the effectiveness of our instruction and satisfaction with the overall learning experience. This third-party evaluation is given to students in participating New Horizons centers. Initial responses showed New Horizons leading the industry in overall satisfaction, with 99% of students saying they would recommend us to other students.

Finally, our investments in developing the Integrated Learning Manager, our proprietary learning management system for administering, supporting and tracking students have further positioned us to be the IT trainer of choice.

Market segmentation positions us to meet customer needs

New Horizons is committed to meeting the needs of our customers. To satisfy their unique demands, our market segment strategy ensures we have highly skilled professionals focused on delivering the right solutions.

A new emphasis on providing enterprise solutions allows us greater penetration in the large, multi-location corporate and government markets. Our many locations around the globe, and ability to customize training packages to meet client needs makes us an excellent fit for this huge market segment.

Our targeting of individual students as they seek extended training to become IT professionals has also proved very successful, particularly in a difficult employment market. We have expanded our infrastructure to support this growing market segment.

Of course we will continue to pursue our small and mid-size corporate clients who make up the largest part of our client mix.

While conditions will always change, we believe this diversification of our markets greatly improves our ability to prosper whatever the economy will do.

Looking confidently forward

Anticipating and meeting the needs of our customers will always be the cornerstone of our success. By taking this time to reinforce our product mix and our delivery strategy, and by enhancing our infrastructure and marketing mix, we are poised to meet further challenges and maximize every opportunity that the future may present.

**We offer more Microsoft
certification training than
any other organization
in the world.**

To our shareholders

We entered 2002 expecting an increase in IT spending and restoration of training budgets following the slowdown we felt in the latter part of 2001. That improvement never happened and 2002 turned out to be a very disappointing year. The economy continued to weaken; IT investment, spending on training, and hiring of IT professionals was softer than anticipated. We ended the year with \$136 million in revenue, a decline of 15% from 2001, and an operating loss of \$53 million. The operating loss included a non-cash goodwill impairment charge of \$49 million in our company-owned business and a one-time adjustment of \$4 million resulting from a change in revenue recognition rates.

The downturn in revenue forced us to reduce staff by 7% in 2002. When combined with staff reductions we made in 2001, we have reduced staff overall by 26% since mid-2001. While these staff reductions have been painful, they have been necessary to get costs in line with revenue realities.

We significantly improved our balance sheet and liquidity during 2002. We paid down \$11 million in debt, reducing debt outstanding from \$25.5 million to \$14.5 million. We also built up cash balances by \$2.5 million, from \$6 million to \$8.5 million. We were able to do this because of strong bookings of orders and collections of accounts receivables and the sale of a real estate parcel that was no longer part of our future plans. The order bookings bode well for the future. While our revenues delivered and recognized actually declined, we saw our deferred revenues - orders sold but not yet delivered - grow from \$10 million to \$22 million. This gives us the highest level of deferred revenue we have ever had and adds some predictability to future recognized revenues. In early 2003 we finalized a new credit facility that gives us the flexibility and terms needed to finance the business over the foreseeable future. We initiated that facility in February 2003 with senior debt of \$11 million, meaning that we further reduced debt in the first quarter of 2003 by \$3.5 million.

Despite the challenges of 2002, we continued to gain market share and IDC ranked New Horizons as the largest worldwide IT training provider. We are proud of this ranking and feel we are very well positioned to continue to lead our industry.

We continue to expand our geographic presence. During 2002 we opened locations in the large and dynamic markets of Hong Kong and Delhi, India. We also opened in the Philippines, Vietnam, Tunisia, Puerto Rico, Nepal and Syria. We are now in 51 countries.

Right Strategy, Right Learning Methods, Right Products

During 2002 we continued to build on our Integrated Learning strategy. With this, we integrate learning methods with value-added resources and support services to enable customers to assess their needs, reinforce their learning and track and validate their knowledge. In addition to our historical strength of Classroom Learning, Integrated Learning offers our customers synchronous (Online LIVE) and asynchronous (Online ANYTIME) Web-delivered training solutions. eLearning now makes up 8% of our total revenue. In the second quarter of 2003 we will introduce our Integrated Learning Manager. This is our proprietary learning management system through which we will deliver content, track courses taken, register and schedule students and provide valuable services like skills assessment, certification exam preparation and online reference materials.

We regularly add to our product portfolio, ensuring we have state-of-the-industry curriculum for the business professionals who rely on us to remain current. In 2002, we expanded our Information Security

offering comprised of a comprehensive suite of training programs ranging from entry-level to advanced courses. Also in 2002, we ventured outside the realm of IT training and began to offer our customers two different lines of business skills training. Our Fundamental Series is comprised of one-day sessions covering topics including Time Management and Effective Presentations. Our Professional Development Series is a more advanced, multi-day, workshop style training covering in-depth sales management and personnel development courses.

Right Solutions to Meet Customer Needs

Our customer base has historically been small to mid-size corporations. A second market segment that we successfully targeted through a focused sales and marketing strategy was the individual consumer market. This is a counter-cyclical market that is stronger in tougher economic times, as individuals invest in themselves to improve their future. We created advertising programs and a separate sales force to effectively market to the consumer segment. We were pleased with our results as we saw this segment of our business grow to nearly 20% of our company-owned locations' sales.

In 2002 we began an initiative to sell more successfully to large, multi-location, multi-national, commercial enterprise and government accounts. This market presents a great opportunity for us. First, industry consolidation has eliminated or weakened many competitors who had a foothold in this market segment. Second, no single competitor has the number of global locations, depth of product offering, or choice of delivery methods that we have and that sophisticated customers demand. We have hired experienced enterprise sales talent and are building sales processes to succeed in this market segment. This will be a key initiative with strong results expected in 2003.

We have long felt that we have outstanding quality, but until this past year had no way to measure our performance against that of the industry. In 2002, all participants in Microsoft's authorized training channel had their customer satisfaction evaluations gathered by a centralized, independent service. New Horizons customer evaluations came in significantly stronger than the rest of the industry and an impressive 99% of our customers said they would recommend New Horizons to others. This is a well-deserved tribute to our outstanding instructors who not only have the knowledge, but also convey it in engaging and effective ways.

Prepared for the Future

We enter 2003 with a realistic view of the IT training industry. We do not expect favorable breakthroughs in the economy or in new software product introductions that would give us automatic momentum. But we do look forward with a sense of optimism. We have a reduced cost base and will continue to operate leanly. We fully expect a return to profitability. We have strengthened our balance sheet, reduced our debt and have an adequate credit facility in place. Our Integrated Learning offering not only meets the needs of today's customer, but it is the right strategy to ensure we meet our future customers' needs as well. We have the right products that busy and highly skilled IT professionals, and the companies that employ them, need for a competitive advantage. We expect to make important strides in the enterprise market while continuing to build strength in our core small-to-mid-size business and consumer segments. We have a strong and capable management team and are committed to improving our results and creating shareholder value.

Thank you for your continued support.



THOMAS J. BRESNAN
President and Chief Executive Officer

Company Statistics

	2002	2001	2000	1999
Financial				
(Dollars in thousands, except per share data)				
System-wide revenues	\$ 428,800	\$ 511,800	\$ 530,300	\$ 435,100
Corporate revenues	\$ 135,700	\$ 159,900	\$ 142,700	\$ 111,500
Operating income	\$ (500) ⁽²⁾	\$ 8,800	\$ 18,100	\$ 14,800 ⁽²⁾
Net income ⁽¹⁾	\$ (1,300) ⁽²⁾	\$ 4,600 ⁽²⁾	\$ 11,000	\$ 9,500 ⁽²⁾
Earnings per share ⁽¹⁾	\$ (0.13) ⁽²⁾	\$ 0.44 ⁽²⁾	\$ 1.06	\$ 0.94 ⁽²⁾
Locations				
U.S. and Canada	155	167	164	147
International	112	117	116	83
Total	267	284	280	230

(1) From continuing operations.

(2) Exclusive of non-recurring gains and expenses.

Locations (As of March 2003)

NORTH AMERICA **Alabama** Birmingham Huntsville Montgomery **Arizona** Phoenix Tucson **California** Anaheim Bakersfield Burbank Dublin Fresno Los Angeles Modesto Monterey Oxnard Riverside Rosamond Sacramento Salinas San Diego San Francisco San Jose Santa Cruz Stockton **Canada** Mississauga Toronto **Colorado** Broomfield Colorado Springs Denver (Downtown) Englewood Loveland **Connecticut** Fairfield County Hartford New Haven **District of Columbia** Washington, DC **Florida** Fort Lauderdale Gainesville Jacksonville Melbourne Miami Orlando Pensacola Sarasota Tampa Bay **Georgia** Atlanta Marietta **Hawaii** Honolulu **Idaho** Boise **Illinois** Chicago (Downtown) Chicago (Rosemont) Peoria Rockford **Indiana** Indianapolis **Iowa** Cedar Rapids Davenport Des Moines **Kansas** Kansas City Wichita **Kentucky** Fort Mitchell Lexington Louisville **Louisiana** Lafayette New Orleans Shreveport **Maryland** Baltimore Bethesda **Massachusetts** Boston (Downtown) Burlington Quincy Westborough **Michigan** Ann Arbor Detroit (Livonia) East Lansing Flint Grand Rapids Kalamazoo Troy **Minnesota** Minneapolis (Downtown) Minneapolis (Richfield) Plymouth **Mississippi** Jackson **Missouri** Columbia Springfield St. Louis **Nebraska** Lincoln Omaha **Nevada** Las Vegas Reno **New Hampshire** Nashua Portsmouth **New Jersey** Iselin Parsippany Princeton **New Mexico** Albuquerque Carlsbad Las Cruces Roswell **New York** Albany Buffalo Long Island (Commack) Long Island (Westbury) New York (Mid-Town) New York (Wall Street) Syracuse **North Carolina** Charlotte Greensboro Raleigh-Durham **Ohio** Cincinnati Cleveland Columbus Dayton **Oklahoma** Oklahoma City Tulsa **Oregon** Beaverton Clackamas Eugene Medford Portland Salem **Pennsylvania** Harrisburg Philadelphia (King of Prussia) Lancaster Lehigh Valley Pittsburgh Wilkes-Barre/Scranton **South Carolina** Charleston Columbia Greenville **South Dakota** Sioux Falls **Tennessee** Chattanooga Kingsport Knoxville Memphis Nashville **Texas** Austin Dallas El Paso Fort Worth Houston San Antonio **Utah** Salt Lake City **Virginia** McLean Richmond Virginia Beach **Washington** Seattle (Bellevue) Seattle (Downtown) Spokane Vancouver **West Virginia** Charleston **Wisconsin** Eau Claire Fox Cities Green Bay La Crosse Madison Milwaukee Racine Wausau

INTERNATIONAL **Argentina** Buenos Aires **Australia** Sydney **Bahrain** Manama **Bangladesh** Chittagong Dhaka **Belgium** Brussels **Bolivia** La Paz **Brazil** São Paulo **Chile** Concepcion Santiago **China** Hong Kong **Colombia** Bogotá Medellin **Costa Rica** San Jose **Ecuador** Quito **Egypt** Alexandria Cairo **El Salvador** San Salvador **England** Birmingham Bournemouth London Manchester Nottingham Yorkshire **Germany** Bielefeld Duesseldorf Frankfurt Hamburg Hannover Kassel Munich **Greece** Athens Attika Thessaloniki **Guatemala** Guatemala City **Honduras** Tegucigalpa **India** Delhi **Israel** Ashdod Beer-Sheva Haifa Jerusalem Kfar Saba Kiryat Gat Netanya Tel Aviv **Jamaica** Kingston **Japan** Nagoya Omiya Osaka Sapporo **Kenya** Nairobi **Korea** Seoul **Kuwait** Kuwait City **Lebanon** Beirut Beirut Zalka Tripoli **Malaysia** Ipoh Kuala Lumpur Kuantan Kuching Malacca Penang Petaling Jaya **Malta** Sliema **Mexico** Chihuahua Ciudad Juarez Mexico City Mexico City II Monterrey Tijuana **Nepal** Kathmandu Valley **Netherlands** Amsterdam Eindhoven Rotterdam **New Zealand** Auckland Wellington **Oman** Muscat **Pakistan** Karachi **Panama** Panama City **Peru** Lima **Philippines** Makati **Puerto Rico** San Juan **Qatar** Doha **Saudi Arabia** Al-Jubail Al-Khobar Damman Jeddah Khamis Mushait Makkah Riyadh Tabouk **Scotland** Edinburgh **Singapore** Singapore **South Africa** Cape Town Durban Johannesburg Pietermaritzburg **Spain** Barcelona **Syria** Damascus **Tanzania** Dar es Salaam **Tunisia** Tunis **Uganda** Kampala **United Arab Emirates** Abu Dhabi Dubai **Vietnam** Ho Chi Minh City **Zimbabwe** Harare

Board of Directors

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Scott R. Wilson
Assistant Secretary

Corporate Headquarters

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Common Stock

Common Stock of New Horizons
Worldwide, Inc. is traded on the
NASDAQ National Market System
under the symbol NEWH.

Annual Meeting

May 6, 2003
New Horizons Worldwide, Inc.
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CHOOSE. LEARN. SUCCEED.

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