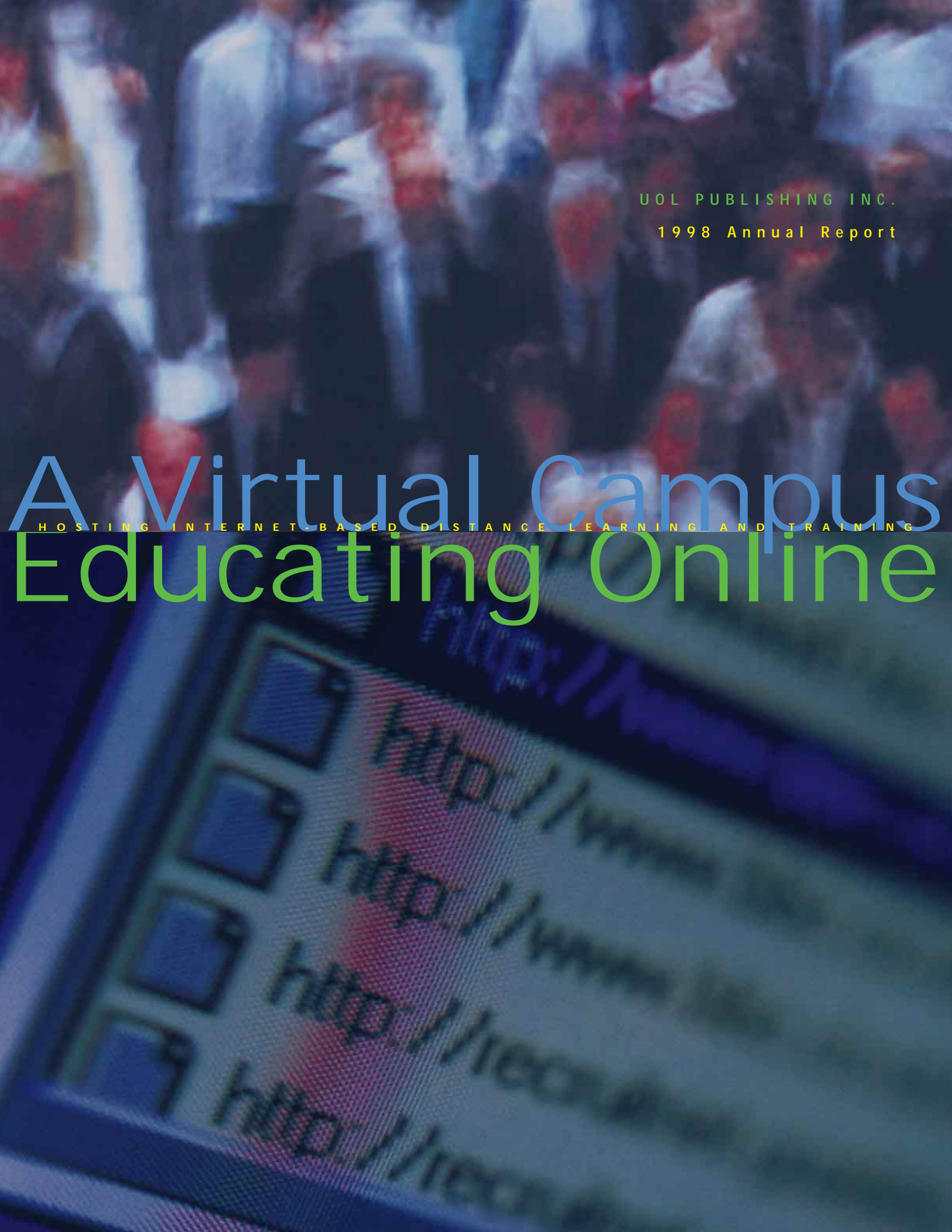


UOL PUBLISHING INC.

1998 Annual Report

A Virtual Campus Educating Online

HOSTING INTERNET-BASED DISTANCE LEARNING AND TRAINING



Company Profile

UOL Publishing, Inc. provides a technology solution for corporations and institutions that need to deliver specialized education and training to a widely dispersed adult learning population. Through the use of Internet connectivity, the Company can deliver academic programs and business related training courses straight to the individual's personal computer...at work...at home...anywhere, anytime...around the world.

The Company promotes its services as a customized and outsourced web-based "virtual campus" and uses the VCampuse trademark as its marketing identity. The primary focus of the business is centered on the conversion of the client's proprietary and internal training programs into an Internet accessible library of lessons, otherwise known as courseware. The courseware offerings are then distributed across the Internet to students and employees through the VCampuse administrative and delivery platform—a complete and feature-rich training management system that includes student enrollment, tracking, testing and reporting capabilities.

The Company also acquires and publishes externally developed courses to add to its growing library of online courseware in the areas of Banking and Finance, Telecommunications, Insurance, Legal Services, Regulatory Issues, Healthcare and Information Technology.

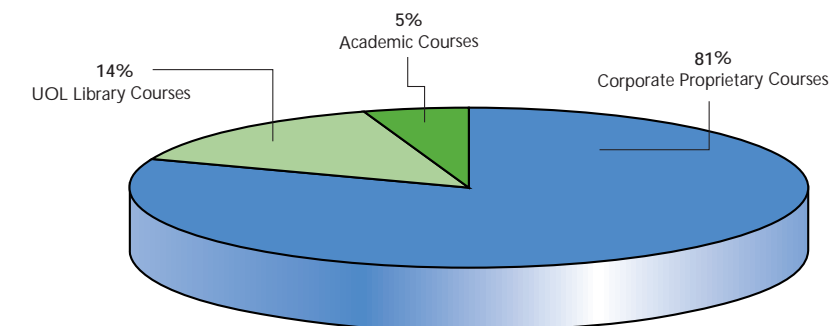
VCampuse is the Solution for Global Training Needs

Our market insight and our strengthened corporate partnerships have given us the opportunity to position the Company as the industry leader in an increasingly visible and accelerating global market. The VCampuse continues to earn high praise as the training platform of choice for a select clientele that includes Cable & Wireless, GlobalOne, Graybar Electric, Dearborn Financial, Park College and the University of Texas System, as well as leading international organizations such as Baan NV, Swindon College UK, and the TECOR Group in South Africa.

Multiple Markets, Singular Service

The Global 2000 marketplace requires specific and dedicated attention to customer needs. Our success is dependent upon our ability to:

- (1) cost-effectively convert corporate proprietary courses to an online format;
- (2) strategically add externally created courseware to expand the size of the UOL course library in targeted vertical markets;
- (3) create value-added relationships with certificate or degree-granting entities; and
- (4) integrate the VCampuse solution into the unique distance learning requirements of the academic environment.



THE CURRENT SEGMENTATION OF THE COMPANY'S BUSINESS MIX IS BASED ON EARLY CONCENTRATION IN THE CORPORATE MARKETPLACE. WE BELIEVE THAT THIS SECTOR WILL CONTINUE TO BE THE MAJOR COMPONENT OF OUR BUSINESS MIX, BUT THAT THERE WILL BE FAVORABLE GROWTH IN THE USAGE AND REVENUE STATISTICS THAT RELATE TO BOTH THE ACADEMIC MARKET AND THE DISTRIBUTION ACTIVITY OF THE UOL COURSE LIBRARY.

WHAT OUR CUSTOMERS ARE SAYING ABOUT US...

"OUR GREATEST MEASURE OF THE SUCCESS OF THE ONLINE PROGRAMS WE OFFER IN PARTNERSHIP WITH UOL IS THE STUDENT AND INSTRUCTOR SATISFACTION. STUDENTS' RATINGS FOR OUR ONLINE COURSES ARE ROUTINELY HIGHER THAN THOSE FOR THE SAME COURSES TAUGHT IN A TRADITIONAL FORMAT."

Thomas W. Peterman, Ph.D.
Vice President for Distance Learning
Park College, Parkville, MO

Dear Shareholder:

A strong success indicator for a young business in a new and emerging market is the “happy customer” characteristic as reflected by both the rate of renewal and the increase in dollar purchases by the early adopters of the Company’s products. I am pleased to report to you that our major customers from 1997—those who have experienced more than a year of our service offerings—have since renewed their commitment to buy more of UOL’s VCampuse services and online courses, as evidenced by the increase in online usage during this past year.

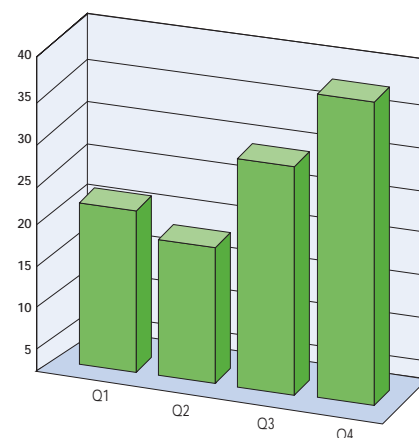
The confidence expressed in these renewals is a strong endorsement of our technology, course library, and customer service. UOL’s hardworking professionals deserve much appreciation for their monumental effort over the past three years. The Company has accumulated over 110,000 course enrollments through its corporate and academic partnerships and currently delivers an average of 20,000 courses a month. By comparison, if we look back to a time just eighteen months ago, we note that the Company had served less than 10,000 enrollments-to-date and was delivering about 3,000 courses per month. Our current view is that the market is growing as a result of an increased awareness of the value and the major benefits that originate with internet-based education and training.

Our 1998 Fiscal Year began with the challenge of adjusting the pricing method for the VCampuse technology platform and the related course usage. We developed and introduced a subscription-based service model that established the customer’s minimum monthly dollar commitment for course usage. Additional benefits to the subscription model included the bundling of the VCampuse delivery services. The introduction of entry level pricing at a minimum of \$5,000 per month was seen as an attractive option for departmental managers of major organizations with limited budgets. We subsequently entered into approximately twenty agreements with major organizations over a period of nine months. The response to the subscription business model has been good, as indicated by the quarterly growth in online tuition revenues. In fact, online tuition revenues almost doubled during the last half of the year when compared to the first half of 1998. This positive trend is continuing as we move into 1999.

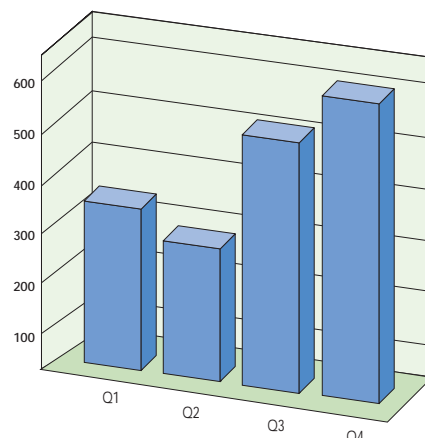
In short, the coming year looks promising as the market becomes increasingly aware of the benefits of internet-based education and training. The tuition backlog has shown similar growth.

In addition to the pricing changes, the Company reorganized its management team and cut operating costs by over 50% to meet the challenges of matching corporate growth with corporate profitability. The impact of these cost cutting efforts are clearly visible in these charts showing decline in our headcount, our operating costs and our liabilities

Online Course Usage



Online Revenues



over the four quarters of 1998. This transition is nearing its completion while we continue to add leadership and depth to the management team.

A notable aspect of our business is the recognition that our core business, the online courseware delivery segment operating under the VCampus trademark, is growing stronger and faster than the traditional, or legacy, product areas. With that in mind, during the fourth quarter of 1998, the Company announced plans to divest our non-online businesses—the legacy businesses—to respond to the growing demand for online training.

We were successful in selling the Ivy Software business in September 1998 and followed that transaction with the sale of HTR’s consulting division in December 1998. We have also signed a letter of intent to sell the Knowledgeworks business of HTR during the second quarter of 1999, as well as engaged the services of an investment banking firm to help with our planned divestiture of the instructor-led training businesses. These divestitures will permit our executive team to focus their time and energy toward growing the overall rate of online course usage and increasing the related customer base. These steps, which we expect to complete by the end of the second quarter of 1999, will move us out of the business sectors that fall within the legacy enterprise operations and move us quickly toward our goal of positioning ourselves as a world class internet-based solutions company.

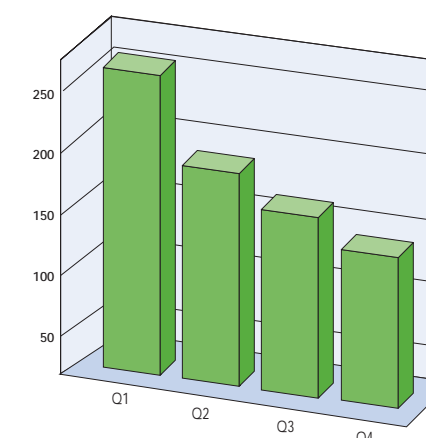
I strongly believe that the Global 2000 corporate marketplace and the higher education sector are ready to reallocate resources to energize and implement their online learning programs. The Company is prepared to deliver our award winning education and training solutions to an eager and receptive audience. You can be assured that UOL is well positioned as the leader who has the most experience serving more web-based courses to more students than any other company in the world.

Sincerely,

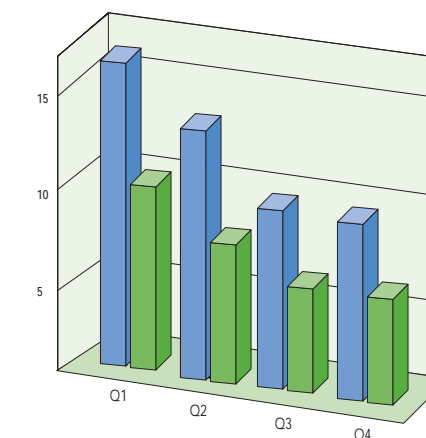
Narasimhan P. “Nat” Kannan
Chairman and Chief Executive Officer

Michael Anderson
President and Chief Operating Officer

Employee Headcount



Total Liabilities and Operating Costs



WHAT OUR CUSTOMERS ARE SAYING ABOUT US...

“ALL-PHASE HAS FOUND WEB-BASED TRAINING VIA THE UOL VCAMPUSE[®] TO BE BOTH EFFICIENT AND COST-EFFECTIVE FOR GETTING TRAINING TO NUMEROUS EMPLOYEES IN OUR VARIED AND, SOMETIMES REMOTE, LOCATIONS.”

Connie Yohn
Training Manager
All-Phase Electric Supply Co., Benton Harbor, MI

[2]

WHAT OUR CUSTOMERS ARE SAYING ABOUT US...

“WE HAVE RECEIVED RESPONSIVE, FRIENDLY SUPPORT. PERHAPS MORE IMPORTANTLY, THE UOL VCAMPUSE[®] INTERFACE IS INTUITIVE AND THE TOOLS ARE USER-FRIENDLY SO THAT YOU DO NOT HAVE TO BE HAND-HELD THROUGH THE TRAINING OR COURSE DEVELOPMENT PROCESS.”

Mary Donald
Manager, Administrative & Support Professional Development
A.T. Kearney, Inc., Chicago, IL

[3]

The Future is Web-based Education



Convert Travel Costs to Web Savings

We know that a large slice of the training budget relates to the heavy expenditures for travel and lodging. Companies normally spend great sums of money to transport and assemble their people for centralized training and product roll-outs. That is why we introduced the VCampuse web-based training platform and were the first to offer big savings in the delivery of education and training.

With Experience

For more than a decade, we have helped major corporations and academic institutions deliver learning experiences to students and business-related audiences in less time and for less money than other methods. We offer a mission-critical facility that handles every detail of a sophisticated training, administration and student management platform—the VCampuse .

And Value Added Capability

We provide all the tools—the Internet hosting servers, the student registration, tracking and testing software, the engineers, the technical support...in short, everything your business needs to get a complete online education in place...quickly, efficiently and professionally.

To Benefit from On-demand, Online Education

Our client companies derive competitive benefits from the VCampuse technology because they can reach large student groups at any time and can update the courseware products immediately. With a personalized Internet-based classroom and a visibly-enhanced corporate personality, our clients are adding life and style to internally developed training programs.

Directors and Executive Officers

Directors

Narasimhan P. Kannan
*Chairman of the Board of Directors
and Chief Executive Officer,
UOL Publishing, Inc.*

Edson D. deCastro⁽¹⁾
*Chairman of the Board,
Xenomatrix, Inc.*

Barry K. Fingerhut⁽¹⁾
*Portfolio Manager and President,
Geo Capital*

Kamyar Kaviani
*Executive Vice President,
UOL Publishing, Inc.*

William E. Kimberly⁽²⁾
*Chairman,
NAZTEC International Group, Inc.*

John D. Sears⁽¹⁾⁽²⁾
*Vice President of Institutional
Development for the Apollo Group*

Steven M. H. Wallman⁽²⁾
*Senior Fellow,
The Brookings Institution*

(1) Member of the Compensation Committee
(2) Member of the Audit Committee

Executive Officers

Narasimhan P. Kannan
*Chairman of the Board of Directors
and Chief Executive Officer*

Michael W. Anderson
*Vice President of Technology
and Operations*

Farzin Arsanjani
Executive Vice President

Joanne O'Rourke Hindman
*Vice President, Chief Financial Officer,
Secretary and Treasurer*

Kamyar Kaviani
Executive Vice President

Common Stock Information

As of March 23, 1999, the number of record holders of the Company's Common Stock was 144 and the Company believes that the number of beneficial owners of its Common Stock was approximately 1,350. The Company's Common Stock is traded on The Nasdaq Small Capitalization Market under the symbol UOLP.

Price Range of Common Stock

The following table sets forth the fiscal quarterly high and low bid prices during the two years ended December 31, 1998 as reported on Nasdaq. These prices are based on quotations between dealers which do not reflect retail mark-up, mark-down, or commissions.

	1997	
	High	Low
First Quarter	\$15.25	\$12.00
Second Quarter	\$13.25	\$10.00
Third Quarter	\$26.25	\$12.13
Fourth Quarter	\$26.50	\$12.50
1998		
	High	Low
First Quarter	\$16.50	\$ 7.75
Second Quarter	\$13.25	\$ 3.88
Third Quarter	\$ 8.00	\$ 4.00
Fourth Quarter	\$ 9.13	\$ 1.94

Dividend Policy

The Company has never paid cash dividends on its Common Stock, and currently intends to retain earnings for use in the business.



Transfer Agent and Registrar

Boston EquiServe Limited Partnership
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781-575-3120
www.equiserve.com

Independent Auditors

Ernst & Young LLP
8075 Leesburg Pike
Vienna, Virginia 22182

General Counsel

Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail
Suite 300
Raleigh, North Carolina 27607

Form 10-K

The fiscal 1998 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available without charge upon written request to the Company's Investor Relations Department at 8251 Greensboro Drive Suite 500, McLean, Virginia 22102.

Annual Meeting of Stockholders

The 1999 Annual Meeting will be held on May 26, 1998, at Holiday Inn Tysons Corner, 1960 Chain Bridge Road, McLean, Virginia 22102, beginning at 10 a.m. All stockholders are cordially invited to attend.

WHAT OUR CUSTOMERS ARE SAYING ABOUT US...

"THE ADMINISTRATIVE AND TECHNICAL TEAMS AT UOL HAVE BEEN SUPERLATIVE IN SUPPORTING LUCENT TECHNOLOGIES' EFFORT TO TRAIN OVER TWO THOUSAND AUTHORIZED DISTRIBUTOR CHANNEL PARTNERS."

Charles L. Lovell
Senior Consultant, Global Private Systems
Lucent Technologies