

POWERED
BY TOMORROW

2003	ANNUAL MEETING NOTICE PROXY STATEMENT
2002	ANNUAL REPORT TO SHAREHOLDERS



SHAREHOLDERS
DEAR FELLOW SHAREHOLDERS



“We believe a market opportunity exists for us to operate as many as 100 ITT Technical Institutes over the next ten years.”

Though the national economy throughout 2002 remained in a prolonged state of sluggish recovery, ITT Educational Services, Inc. (“ITT/ESI”) was able to produce record financial results as evidenced by a 34.3 percent increase in earnings per share (“EPS”) to \$0.94 compared to \$0.70 in 2001. Further, we believe ITT/ESI is well positioned to produce excellent financial results in 2003.

A surge in births throughout the 1980’s (the so-called “Baby Boom Echo”) will produce more high school and college enrollments over the next decade than in any other decade in the history of the United States, according to The National Center for Public Policy and Higher Education. They project that the largest high school class in the history of this country, consisting of 3.2 million students, will graduate in 2009. If this occurs, the 2009 high school graduating class will be 9 percent greater than the projected 2003 high school graduating class and slightly greater than the 3.1 million graduates of the “Baby Boomers” Class of ’77, which is currently the largest high school graduating class in our history.

During the period from 1982 to 2001, a total of 78.2 million births were recorded in the U.S. This compares to 74.9 million births during the Baby Boom period from 1946 to 1964. Demographers are uncertain whether the current cycle of increased births has actually ended.

The increasing pool of prospective new college-age students in the first decade of the 21st Century reinforces our optimism about our growth opportunities through 2010. It is our internal goal to create an educational system comprised of approximately 100 colleges that generate revenues of approximately \$1 billion by the end of 2010.

To achieve these goals, we have developed a strategic 10-Point Growth Plan focused on:

- Expanding enrollment in existing programs offered at our existing colleges,
- Continuing the geographic expansion of our college system,
- Elevating the program offerings at additional colleges to the bachelor degree level,
- Developing and introducing new degree programs of study in various fields of technology,
- Expanding the number of degree programs offered online via distance education,



Rene R. Champagne, Chairman and CEO



Omer E. Waddles, President and COO

ABOUT THE COMPANY



THE COMPANY

ITT Educational Services, Inc. (NYSE:ESI) is a leading provider of technology-oriented postsecondary degree programs in the United States, based on revenues and student enrollment. At the end of 2002, ITT/ESI operated 74 ITT Technical Institutes in 28 states. The ITT Technical Institute in Indianapolis, Indiana also offered several programs online. The Institutes predominantly offer career-focused degree programs of study to approximately 33,000 students. Headquartered in Indianapolis, Indiana, ITT/ESI has been actively involved in the higher education community in the U.S. since 1969. Shares of the company's common stock are traded on the New York Stock Exchange under the symbol ESI.

THE CURRICULA

ITT Technical Institute curricula are designed to help students prepare for career opportunities in various fields involving technology. Information technology (IT) students can pursue associate degrees in Computer Network Systems, Multimedia, Software Applications and Programming, and Web Development. IT students can pursue bachelor degrees in Information Systems Security and Data Communication Systems Technology. The bachelor degree program in Information Systems Security is offered in residence by many ITT Technical Institutes and online by the ITT Technical Institute in Indianapolis, Indiana.

The mission of ITT Educational Services, Inc. is to provide a quality postsecondary education and the services that can help a diverse student body to prepare for career opportunities in various fields involving technology. We will strive to establish an environment for students and employees which promotes professional growth, encourages each person to achieve his or her highest potential and fosters ethical responsibility and individual creativity within a framework of equal opportunity.

Electronics students can pursue associate degrees in Computer and Electronics Engineering Technology and bachelor degrees in Electronics and Communications Engineering Technology, Industrial Automation Engineering Technology, Electronics Engineering Technology and Telecommunications

Engineering Technology. Design students can pursue associate degrees in Multimedia and Computer Drafting and Design, and bachelor degrees in Industrial Design and Computer Visualization Technology.

In addition, all graduates of an ITT Technical Institute associate degree program, as well as students with the requisite number of credits from other colleges and universities, may enroll in the bachelor degree program in Technical Project Management for Electronic Commerce. In addition to being offered in residence at a number of ITT Technical Institutes, this program is offered online by the ITT Technical Institute in Indianapolis. Not all programs are offered at every college. Visit www.itt-tech.edu for more information.

STUDENT SCHEDULES

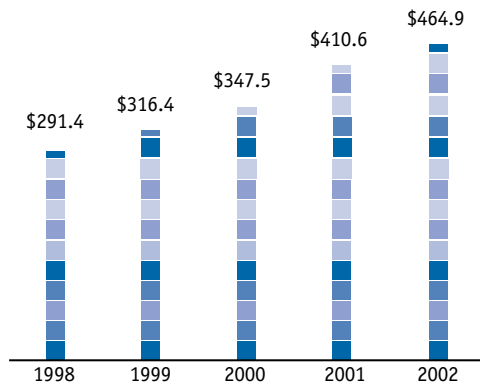
Students attend classes year-round with convenient breaks provided throughout the year. Classes in most programs are scheduled three days per week for approximately five hours per day. This convenient class schedule allows many students to both work and pursue an education. Most programs are generally offered in the morning, afternoon and evening, depending on student enrollment. Students enrolled in online programs generally take two concentrated six-week courses taught asynchronously during each quarter.

GROWTH

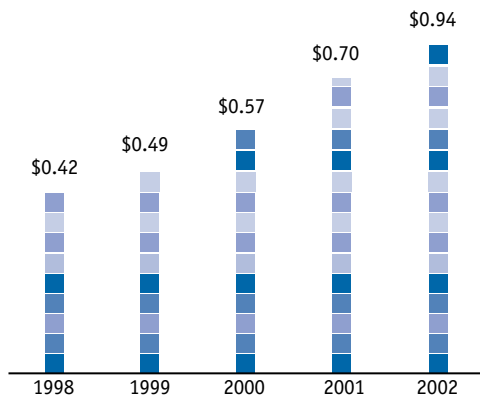
The ITT Technical Institutes are positioned to benefit from projected business, economic and social trends, including:

- the increased integration of technology into the business processes of many industries,
- the increased demand for technically-skilled workers,
- the increased number of adults returning to school to develop the knowledge and skills that can enhance their employment opportunities or allow them to pursue new careers, and
- the increased number of high school graduates.

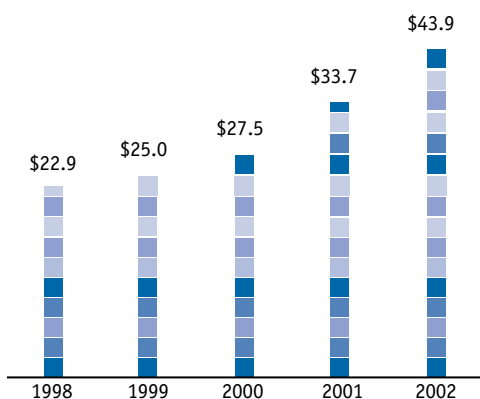
Revenues 1998-2002 (\$ in millions)



Earnings Per Share 1998-2002



Net Income 1998-2002 (\$ in millions)



- Implementing hybrid delivery models that combine traditional classroom education with online delivery,
- Diversifying our program offerings to include non-technology degree programs of study,
- Introducing select, non-degree programs of study,
- Evaluating opportunities for education alliances with other institutions of higher education, and
- Continuing to evaluate international opportunities.

The following is a summary of our 2002 achievements and includes comparisons of our compound annual growth rate (“CAGR”) since becoming a public company to our 2002 growth rate.

Category	CAGR 1994-2002	2002 Increase Compared to 2001
Revenue	12.1%	13.2%
Operating Income	24.5%	32.4%
Net Income	25.4%	30.3%
EBITDA	21.6%	27.5%
New Students	5.9%	4.4%
Continuing Students	5.3%	5.0%
Total Student Enrollment	5.9%	6.0%
EPS	24.8%	34.3%

In 2002, the company was named by *Forbes* magazine as one of the “200 Best Small Companies” for the third consecutive year. *Business Week* magazine named ITT/ESI as one of its “Hot Small Caps” in 2002.

As of December 31, 2002, the company’s cash, cash equivalents, and marketable debt securities increased 42.2 percent to \$156.7 million compared to \$110.2 million as of the same date in 2001. The company remains debt free. During 2002, the company’s free cash flow increased 66.7 percent to \$97.2 million (after \$14.3 million of capital expenditures but prior to \$44.5 million of repurchased company common stock, \$19.8 million of real property purchases and \$13.6 million generated from the exercise of stock options) compared to \$58.3 million in 2001 (after \$21.6 million of capital expenditures but prior to \$27.3 million of repurchased company common stock and \$8.6 million generated from the exercise of stock options). The company’s return on equity in 2002 increased 530 basis points to 52.5 percent compared to 47.2 percent in 2001.

Our deferred tuition increased 33.4 percent to \$103.0 million on December 31, 2002 compared to \$77.2 million as of the same date in 2001. Bad debt as a percent of revenue decreased 28.5% to 1.5% as of December 31, 2002 compared to 2.1% as of December 31, 2001. Days Sales Outstanding as of December 31, 2002 decreased 3.9 days to 6.5 compared to 10.4 as of December 31, 2001. Operating margin in 2002 increased 210 basis points to 14.7 percent compared to 12.6 percent in 2001.

We believe that we can achieve the following financial and enrollment goals in 2003 compared to 2002:

- Increase revenues in the range of 11 to 13 percent,
- Increase operating margin in the range of 120 to 150 basis points,
- Generate EPS in the range of \$1.14 to \$1.18 per share,
- Increase new student enrollment in the range of 6 to 8 percent,
- Increase total student enrollment in the range of 6 to 8 percent, and
- Generate free cash flow after capital expenditures in the range of \$70 to \$80 million.

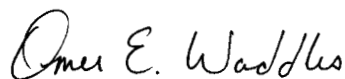
Our successes as a college system are directly attributable to the commitment and dedication of our faculty and staff. We take great pride in the educational services we provide to our students as we assist them in preparing for the future.

Sincerely,



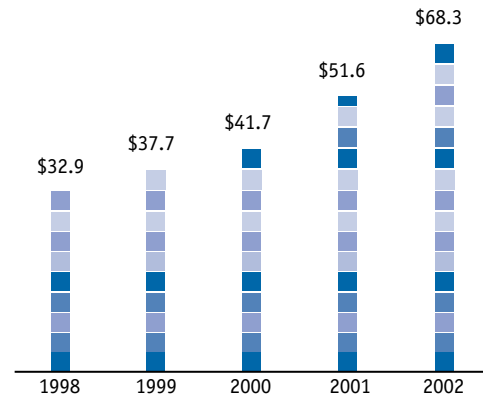
Rene R. Champagne
Chairman and CEO

Sincerely,

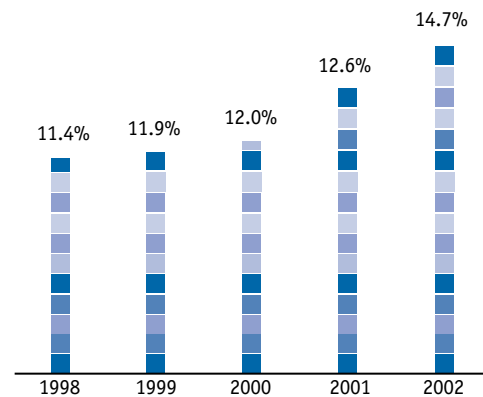


Omer E. Waddles
President and COO

Operating Income 1998-2002 (\$ in millions)



Operating Margins 1998-2002



OFFICERS OF THE COMPANY



RENE R. CHAMPAGNE
Chairman and Chief
Executive Officer

KEVIN M. MODANY
Senior Vice President and
Chief Financial Officer

GLENN E. TANNER
Vice President, Marketing

OMER E. WADDLES
President and Chief
Operating Officer

CLARK D. ELWOOD
Senior Vice President, General
Counsel and Secretary

EUGENE W. FEICHTNER
Vice President, National
Operations Director

ROGER A. BOOTH
Vice President, Director of
Internal Audit/Safety and Security



DONALD S. FEIGERT
Vice President, Recruitment

JULIE A. SHEDD
Vice President,
Controller and Treasurer

THOMAS W. LAUER
Senior Vice President,
Director of Operations

GARY R. CARLSON
Vice President,
Academic Affairs

MARTIN A. GROSSMAN
Senior Vice President, Director of
Marketing and Investor Relations

J. BRADFORD RAINIER
Vice President, Director,
Human Resources

2002 ITT HONOR ROLL

Honoring students, graduates and instructors who demonstrate commitment to their endeavors.



Mary Wing, a 2002 graduate of the ITT Technical Institute associate degree program in Information Technology—Computer Network Systems in West Covina, California, is the Network Administrator for her employer, Collision Center.



David Wilson, a 2001 graduate of the Thornton, Colorado ITT Technical Institute, is an Associate Engineer with the Ball Aerospace and Technology Corporation. He earned his associate degree in Electronics Engineering Technology.



Kyle Shaw, a 2002 graduate of the associate degree program in Electronics Engineering Technology from the Albuquerque, New Mexico ITT Technical Institute, is an Engineering Technician with TAC Design Corporation.



(Left to right) Electronics students Lee Vlahos, Rob Warren and Matt Poole, along with physics instructor Nasri Abdel-Aziz, of the ITT Technical Institute in Liverpool, New York comprise "Team Infinity." The team designed and built the 339 pound robot "Final Destiny," which competed at the nationally televised "BattleBots" competition in May 2002. They handily won three non-televised battles and were defeated during their second televised battle.



Scott Shuman is a Computer Technician with computer company Easy Quest. He graduated in 2001 from the associate degree program in Information Technology—Computer Network Systems at the Anaheim, California ITT Technical Institute.



Brian Lee, an instructor at the West Covina, California college, was selected ITT Technical Institute Instructor of the Year for 2002. He teaches courses in several Information Technology disciplines.

ITT Technical Institutes

Alabama

500 Riverhills
Business Park
Birmingham 35242
(205) 991-5410

Arizona

4837 E. McDowell Rd.
Phoenix 85008
(602) 252-2331

1455 W. River Rd.
Tucson 85704
(520) 408-7488

Arkansas

4520 S. University Ave.
Little Rock 72204
(501) 565-5550

California

525 N. Muller Ave.
Anaheim 92801
(Los Angeles)
(714) 535-3700

3979 Trust Way
Hayward 94545
(San Francisco)
(510) 785-8522

16916 S. Harlan Rd.
Lathrop 95330
(Stockton)
(209) 858-0077

2051 Solar Dr.
Oxnard 93030
(Los Angeles)
(805) 988-0143

10863 Gold Center Dr.
Rancho Cordova 95670
(Sacramento)
(916) 851-3900

630 E. Brier Dr.
San Bernardino 92408
(Los Angeles)
(909) 889-3800

9680 Granite Ridge Dr.
San Diego 92123
(858) 571-8500

5104 Old Ironsides Dr.
Santa Clara 95054
(San Francisco)
(408) 496-0655

12669 Encinitas Ave.
Sylmar 91342
(Los Angeles)
(818) 364-5151

20050 S. Vermont Ave.
Torrance 90502
(Los Angeles)
(310) 380-1555

1530 W. Cameron Ave.
West Covina 91790
(Los Angeles)
(626) 960-8681

Colorado

500 East 84th Ave.
Thornton 80229
(Denver)
(303) 288-4488

Florida

3401 S. University Dr.
Fort Lauderdale 33328
(954) 476-9300

6600-10 Youngerman Circle
Jacksonville 32244
(904) 573-9100

2600 Lake Lucien Dr.
Maitland 32751
(Orlando)
(407) 660-2900

7955 N.W. 12th St.
Miami 33126
(305) 477-3080

4809 Memorial Hwy.
Tampa 33634
(813) 885-2244

Georgia

10700 Abbotts Bridge Rd.*
Duluth 30097
(Atlanta)
(678) 957-8510

Idaho

12302 W. Explorer Dr.
Boise 83713
(208) 322-8844

Illinois

7040 High Grove Blvd.
Burr Ridge 60527
(Chicago)
(630) 455-6470

600 Holiday Plaza Dr.
Matteson 60443
(Chicago)
(708) 747-2571

1401 Feehanville Dr.
Mount Prospect 60056
(Chicago)
(847) 375-8800

Indiana

4919 Coldwater Rd.
Fort Wayne 46825
(260) 484-4107

9511 Angola Court
Indianapolis 46268
(317) 875-8640

10999 Stahl Rd.
Newburgh 47630
(Evansville)
(812) 858-1600

Kentucky

10509 Timberwood Circle
Louisville 40223
(502) 327-7424

Louisiana

140 James Dr. East
St. Rose 70087
(New Orleans)
(504) 463-0338

Maryland

11301 Red Run Blvd.*
Owings Mills 21117
(Baltimore)

Massachusetts

333 Providence Hwy.
Norwood 02062
(Boston)
(781) 278-7200

10 Forbes Rd.
Woburn 01801
(Boston)
(781) 937-8324

Michigan

1905 South Haggerty Rd.
Canton 48188
(Detroit)
(734) 397-7800

4020 Sparks Dr. S.E.
Grand Rapids 49546
(616) 956-1060

1522 E. Big Beaver Rd.
Troy 48083
(Detroit)
(248) 524-1800

Missouri

1930 Meyer Drury Dr.
Arnold 63010
(St. Louis)
(636) 464-6600

13505 Lakefront Dr.
Earth City 63045
(St. Louis)
(314) 298-7800

Nebraska

9814 M St.
Omaha 68127
(402) 331-2900

Nevada

168 N. Gibson Dr.
Henderson 89014
(Las Vegas)
(702) 558-5404

New Mexico

5100 Masthead St. N.E.
Albuquerque 87109
(505) 828-1114

New York

13 Airtline Dr.
Albany 12205
(518) 452-9300

2295 Millersport Hwy.
Getzville 14068
(Buffalo)
(716) 689-2200

235 Greenfield Pkwy.
Liverpool 13088
(Syracuse)
(315) 461-8000

Ohio

3325 Stop Eight Rd.
Dayton 45414
(937) 454-2267

3781 Park Mill Run*
Hilliard 43026
(Columbus)

4750 Wesley Ave.
Norwood 45212
(Cincinnati)
(513) 531-8300

14955 Sprague Rd.
Strongsville 44136
(Cleveland)
(440) 234-9091

1030 N. Meridian Rd.
Youngstown 44509
(330) 270-1600

Oregon

6035 N.E. 78th Court
Portland 97218
(503) 255-6500

Pennsylvania

3330 Tillman Dr.
Bensalem 19020
(Philadelphia)
(215) 244-8871

760 Moore Road
King of Prussia 19406
(Philadelphia)
(610) 491-8004

5020 Louise Dr.
Mechanicsburg 17055
(Harrisburg)
(717) 691-9263

105 Mall Blvd.
Monroeville 15146
(Pittsburgh)
(412) 856-5920

Eight Parkway Center
Pittsburgh 15220
(412) 937-9150

South Carolina

One Marcus Dr.
Greenville 29615
(864) 288-0777

Tennessee

10208 Technology Dr.
Knoxville 37932
(865) 671-2800

1255 Lynnfield Rd.
Memphis 38119
(901) 762-0556

441 Donelson Pike
Nashville 37214
(615) 889-8700

Texas

551 Ryan Plaza Dr.
Arlington 76011
(Dallas)
(817) 794-5100

6330 Highway 290 East
Austin 78723
(512) 467-6800

2222 Bay Area Blvd.
Houston 77058 (South)
(281) 486-2630

15621 Blue Ash Dr.
Houston 77090 (North)
(281) 873-0512

2950 S. Gessner
Houston 77063 (West)
(713) 952-2294

2101 Waterview Pkwy.
Richardson 75080
(Dallas)
(972) 690-9100

5700 Northwest Pkwy.
San Antonio 78249
(210) 694-4612

Utah

920 W. LeVoy Dr.
Murray 84123
(Salt Lake City)
(801) 263-3313

Virginia

14420 Albemarle Point Pl.
Chantilly 20151
(Northern Virginia)
(703) 263-2541

863 Glenrock Rd.
Norfolk 23502
(757) 466-1260

300 Gateway Centre Pkwy.
Richmond 23235
(804) 330-4992

7300 Boston Blvd.
Springfield 22153
(Northern Virginia)
(703) 440-9535

Washington

2525 223rd St. S.E.
Bothell 98021
(Seattle)
(425) 485-0303

12720 Gateway Dr.
Seattle 98168
(206) 244-3300

North 1050 Argonne Rd.
Spokane 99212
(509) 926-2900

Wisconsin

470 Security Blvd.
Green Bay 54313
(920) 662-9000

6300 W. Layton Ave.
Greenfield 53220
(Milwaukee)
(414) 282-9494

ESI National Headquarters

5975 Castle Creek Parkway
North Drive P.O. Box 50466
Indianapolis, IN
46250-0466
(317) 594-9499

*Scheduled to open in 2003,
subject to obtaining the requisite
regulatory approvals.