

Extending Our Reach



2004 Annual Meeting Notice and Proxy Statement
2003 Annual Report

Dear Fellow Shareholders:



Rene R. Champagne, (left)
Chairman and Chief Executive Officer

Omer E. Waddles,
President and Chief Operating Officer

ITT Educational Services, Inc. ("ITT/ESI") produced record operational and financial results in 2003, as evidenced by a 35.1 percent increase in earnings per share ("EPS") to \$1.27 compared to \$0.94 in 2002. New student enrollment at the ITT Technical Institutes in 2003 increased 16.6 percent to 35,880 compared to 30,761 in 2002 as a result of our 10-Point Growth Plan gaining traction. Elements of the 10-Point Growth Plan are as follows:

- 1** Increase enrollment in existing programs of study offered at existing ITT Technical Institutes.
- 2** Open new college locations.
- 3** Open learning sites to supplement enrollment growth at existing campuses.
- 4** Raise the program offerings to the bachelor degree level at additional colleges.
- 5** Develop and offer new degree programs in various fields of technology.
- 6** Research, develop and offer non-technology degree programs.
- 7** Increase the number of degree programs offered entirely online via distance education.
- 8** Expand the use of the 2+1 hybrid delivery model.
- 9** Seek international growth opportunities.
- 10** Evaluate the potential of offering non-degree programs of study.

This is a summary of our 2003 financial and operational achievements compared to 2002 and the compound annual growth rate ("CAGR") associated with those achievements since becoming a public company in 1994.

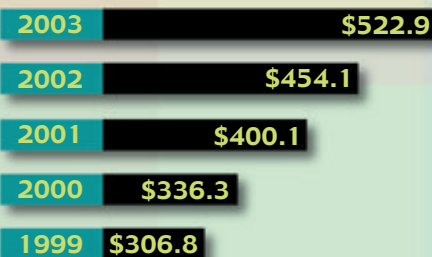
	2003	Increase Compared to 2002	CAGR 1994-2003
Revenues*	\$ 522.9	15.1%	12.4%
Operating Income*	\$ 94.5	38.4%	26.0%
Net Income*	\$ 58.9	34.2%	26.3%
EPS <i>(fully diluted)</i>	\$ 1.27	35.1%	25.9%
New Students	35,880	16.6%	7.1%
Total Student Enrollment <i>(as of 12/31/03)</i>	36,901	13.6%	6.7%

*\$ in millions

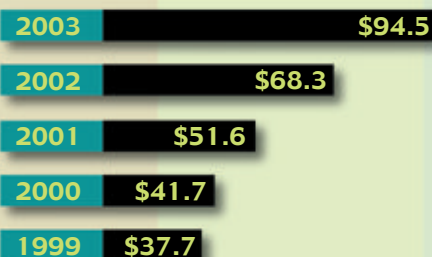
In October, 2003 Forbes magazine named the company as one of its "200 Hot Growth Stocks" for the fourth consecutive year. Business Week magazine named ITT/ESI as one of its "Hot Small Cap" stocks in June, 2003 for the second consecutive year and one of its "50 Best Performing" stocks in the spring of 2003.

The company's cash, cash equivalents, restricted cash and investments as of December 31, 2003 was \$254.2 million, an increase of 62.2 percent compared to \$156.7 million as of the same date in 2002. The company remains debt free. ITT/ESI's return on equity in 2003 was 50.1 percent. Our deferred tuition as of December 31, 2003 was \$130.4 million, an increase of 26.6 percent compared to \$103.0 million as of the same date in 2002. Bad debt expense as a percent of revenues decreased 30 basis points to 1.2 percent for the year ended December 31, 2003 compared to 1.5 percent for the year ended December 31, 2002. Days sales outstanding in the fourth quarter of 2003 decreased by 0.7 days to 6.0 days as of December 31, 2003 compared to 6.7 days in the same period and as of the same date in 2002. Operating margin in 2003 increased 310 basis points to 18.1 percent compared to 15.0 percent in 2002. The price of ITT/ESI's common stock increased 99.4 percent during 2003 to \$46.97 at the close on December 31, 2003 compared to \$23.55 at the close on December 31, 2002.

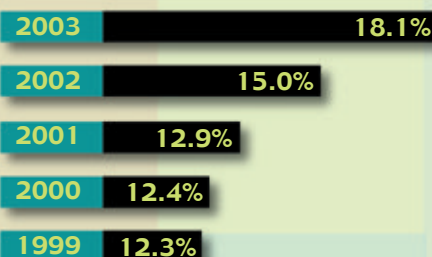
We are committed to fully complying with all applicable laws and regulations and we believe that our system of internal controls is sufficient to allow us to fulfill this commitment. Our Code of Business Conduct and Ethics prohibits any illegal and unethical conduct and provides a procedure for employees to report any suspected violations to a variety of company officials, including an Ombudsman for employees to relate their complaints and concerns confidentially and anonymously if so desired. Each of our colleges has a student complaint procedure that provides, among other things, student access to company officials at the corporate level, the college's accrediting commission and the state education authority(ies) to voice any complaints or concerns they



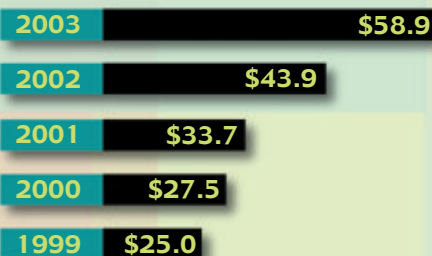
▲ Revenues (\$ in millions)



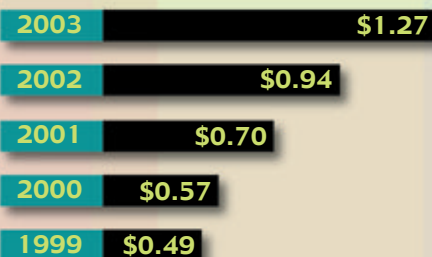
▲ Operating Income (\$ in millions)



▲ Operating Income Margin



▲ Net Income (\$ in millions)



▲ Earnings Per Share

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.

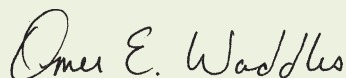
may have. The company has a corporate staff for each of the functional areas of its colleges. Each of these corporate departments is responsible for establishing the operations standards, policies and procedures to ensure compliance with all applicable laws and regulations and for overseeing the implementation and application of those standards, policies and procedures. These corporate departments also serve as a daily help desk for college staff and provide training to college personnel. The company also employs an in-house internal audit staff that performs an audit of each campus every year.

We very much appreciate the commitment and dedication of our faculty and staff to our students. We believe that ITT/ESI has created an excellent environment in which to learn and work.

Sincerely,



Rene R. Champagne
Chairman and CEO



Omer E. Waddles
President and COO

The Board of Directors



1. James D. Fowler, Jr., retired Senior Vice President and Director, Human Resources, ITT Industries, Inc.
2. John F. Cozzi, Managing Director, AEA Investors LLC
3. Rene R. Champagne, Chairman and Chief Executive Officer, ITT Educational Services, Inc.
4. Rand V. Araskog, retired Chairman and Chief Executive Officer, ITT Corporation
5. Vin Weber, Partner, Clark & Weinstock Inc.
6. Omer E. Waddles, President and Chief Operating Officer, ITT Educational Services, Inc.
7. Daniel P. Weadock, President, The International
8. Joanna T. Lau, Chairperson and Chief Executive Officer, Lau Technologies
9. John E. Dean, Founding Partner of the law firm Dean Blakey
10. Harris N. Miller, President, Information Technology Association of America

Officers of the Company



1. Eugene W. Feichtner, *Senior Vice President, Operations*
 2. Glenn E. Tanner, *Vice President, Marketing*
 3. Gary R. Carlson, *Vice President, Academic Affairs*
 4. Donald F. Feigert, *Vice President, Recruitment*
 5. Julie A. Shedd, *Vice President, Controller and Treasurer*
 6. Omer E. Waddles, *President and Chief Operating Officer*
 7. Nina F. Esbin, *Senior Vice President, Human Resources*
 8. Rene R. Champagne, *Chairman and Chief Executive Officer*
 9. Clark D. Elwood, *Senior Vice President, General Counsel and Secretary*
 10. Martin A. Grossman, *Senior Vice President, Director of Marketing and Investor Relations*
 11. Kevin M. Modany, *Senior Vice President and Chief Financial Officer*
 12. Thomas W. Lauer, *Senior Vice President, Director of Operations (retired February 2004)*
 13. Roger A. Booth, *Vice President, Director of Internal Audit/Safety and Security*
- Not shown—Martin Van Buren, *Vice President, Information Technology*

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 2003, the company operated 77 ITT Technical Institutes in 30 states. The ITT Technical Institute in Indianapolis, Indiana also offers several online degree programs that are available in more than 40 states. The institutes serve approximately 37,000 students. The company is headquartered in Carmel, Indiana, a suburb of Indianapolis. It has offered programs in higher education since 1969.

Performance The company has demonstrated consistent growth since going public in 1994. It achieved record revenues of \$522.9 million in 2003, an increase of 15.1 percent compared to 2002 revenues. The company's revenues have increased at a 12.4 percent compound annual growth rate (CAGR) since 1994. The net income in 2003 increased 34.2 percent to \$58.9 million compared to \$43.9 million in 2002 and has

increased at a CAGR of 26.3 percent since 1994. The operating margin increased 310 basis points to 18.1 percent compared to 15.0 percent in 2002. Earnings per share increased 35.1 percent in 2003 to \$1.27, compared to \$0.94 in 2002. Total student enrollment also increased 13.6 percent to 36,901 students as of December 31, 2003.

Programs of Study ITT Technical Institute programs are career-focused, and most use a combination of theory and practical application to assist students in developing the knowledge and skills used in jobs within their chosen career paths. Each curriculum is developed with the input of employers in that field. Additionally, each ITT Technical Institute has an advisory committee for each field of study comprised of representatives of local employers who assist the institute in assessing and updating curricula, equipment and laboratory design. Programs of study are organized into five schools as illustrated below.

ITT Technical Institutes 2004

	School of Information Technology	School of Electronics Technology	School of Drafting and Design	School of Business	School of Criminal Justice
Masters Degree				• Master of Business Administration (MBA)	
Bachelor Degree	<ul style="list-style-type: none"> • Information Systems Security • Data Communication Systems Technology • Software Engineering Technology 	<ul style="list-style-type: none"> • Industrial Automation Engineering Technology • Electronics and Communications Engineering Technology 	<ul style="list-style-type: none"> • Digital Entertainment and Game Design 	<ul style="list-style-type: none"> • Business Administration • Business Accounting Technology • Technical Project Management 	<ul style="list-style-type: none"> • Criminal Justice
Associate Degree	<ul style="list-style-type: none"> • Information Technology—Computer Network Systems • Information Technology—Software Applications and Programming • Information Technology—Web Development 	<ul style="list-style-type: none"> • Computer and Electronics Engineering Technology 	<ul style="list-style-type: none"> • Information Technology—Multimedia • Computer Drafting and Design 		

Alabama

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

Arizona

5005 S. Wendler Drive
Tempe 85282
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1455 W. River Rd.
Tucson 85704
(520) 408-7488

Arkansas

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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., Ste. 150
Oxnard 93036
(Los Angeles)
(805) 988-0143

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

630 E. Brier Dr., Ste. 150
San Bernardino 92408
(Los Angeles)
(909) 889-3800

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

5104 Old Ironsides Dr.,
Suite 113
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

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Thornton 80229
(Denver)
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(904) 573-9100

1400 S. International Parkway
Lake Mary 32746
(Orlando)
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Miami 33126
(305) 477-3080

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Tampa 33634
(813) 885-2244

Georgia

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(Atlanta)
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Idaho

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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

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

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Indianapolis 46268
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10999 Stahl Rd.
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(Evansville)
(812) 858-1600

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Louisville 40223
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(New Orleans)
(504) 463-0338

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(Baltimore)

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

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Canton 48188
(Detroit)
(734) 397-7800

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Grand Rapids 49546
(616) 956-1060

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

Minnesota

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Eden Prairie 55347
(Minneapolis)
(952) 914-5300

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

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

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Omaha 68127
(402) 331-2900

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

New Mexico

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Albuquerque 87109
(505) 828-1114

New York

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Albany 12205
(518) 452-9300

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

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Liverpool 13088
(Syracuse)
(315) 461-8000

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(937) 454-2267

3781 Park Mill Run Dr.,
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Hilliard 43026
(Columbus)
(614) 771-4888

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
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(Philadelphia)
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Mechanicsburg 17055
(Harrisburg)
(717) 691-9263

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Ste. 200 East
Monroeville 15146
(Pittsburgh)
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Ten Parkway Center
Pittsburgh 15220
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2845 Elm Hill Pike
Nashville 37214
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Houston 77058 (South)
(281) 486-2630

15621 Blue Ash Dr.,
Suite 160
Houston 77090 (North)
(281) 873-0512

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

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Richardson 75080
(Dallas)
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5700 Northwest Pkwy.
San Antonio 78249
(210) 694-4612

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Murray 84123
(Salt Lake City)
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Chantilly 20151
(Northern Virginia)
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Norfolk 23502
(757) 466-1260

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

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

Washington

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

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

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

Wisconsin

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(920) 662-9000

6300 W. Layton Ave.
Greenfield 53220
(Milwaukee)
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ITT Educational Services, Inc.

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Carmel, IN 46032
(317) 706-9200

*Scheduled to open in 2004,
provided requisite regulatory
approvals are obtained.