STRAYER EDUCATION, INC.

ANNUAL REPORT 2002

Making Education Achievable for Working Adults

OUR MISSION

To make high quality post-secondary education achievable for working adults

Strayer Education, Inc. (NASDAQ: STRA) is an education services holding company which owns Strayer University and certain other assets. The University offers undergraduate and graduate degree programs in accounting, business administration, and computer information technologies to more than 16,500 students at 23 campuses located in Maryland, Virginia, Washington, D.C., North Carolina, Tennessee, and worldwide via the Internet through Strayer University Online.

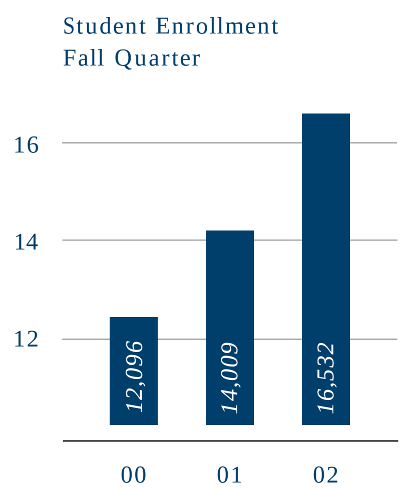
Strayer's programs are designed to fit the lives of working adults who are pursuing college educations to advance their careers and personal goals. The University offers students a unique educational environment that is supportive of working adults with families. Students have the convenience and flexibility of attending day, night, weekend, or online classes.

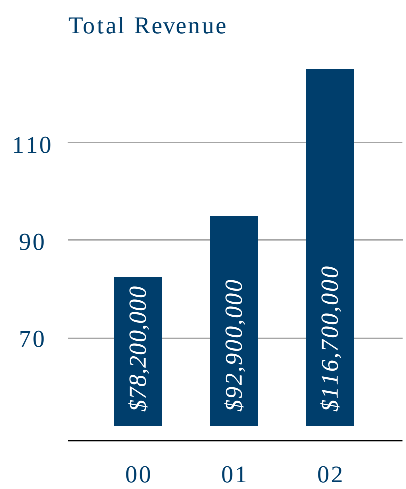
The University's faculty is high quality and has practical experience in today's business world. This approach to education provides students with an enriched learning experience and exposure to real-world business and technology concepts.

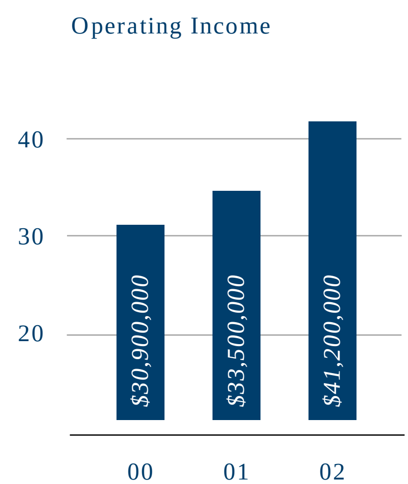
The University regularly refines and updates its curricula to meet the evolving needs of business, industry, and government employers. Strayer prepares its graduates with the education and practical skills necessary for a competitive advantage in today's workforce.

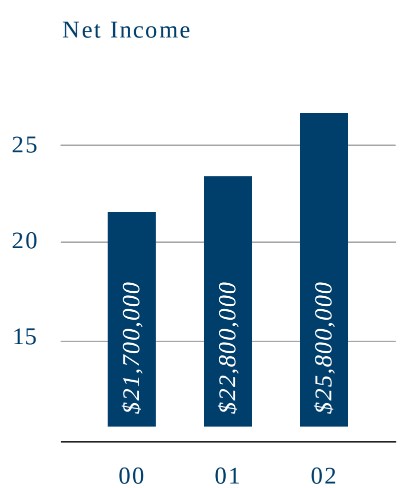
Founded in 1892, Strayer University is accredited by the Middle States Commission on Higher Education, one of the six regional collegiate accrediting agencies recognized by the U.S. Secretary of Education.

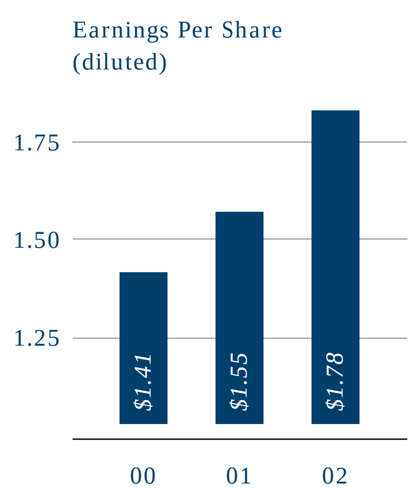
SELECTED FINANCIAL DATA











Robert S. Silberman
Chairman &
Chief Executive Officer

Dear Fellow Shareholder,

In early 2001, as a new management team at Strayer Education, Inc., my colleagues and I developed and articulated a strategy to increase the value of our company. 2002 was our first full year of execution on that strategy. In this letter I would like to report to you our progress through year-end 2002, and discuss our challenges and opportunities in 2003.

First, however, reprinted in the boxed area on page 8 is an excerpt from last year's letter to shareholders which describes what our company actually does, and how our business model generates both reported income and distributable free cash flow for our shareholders. Factual updates in the excerpt are italicized and reflect positive developments in 2002, which I will elaborate on in more detail in the body of this letter. Shareholders who are new to Strayer, or those existing shareholders who wish to review our basic business model, should read the excerpt on page 8 before reading this letter.

In 2002, Strayer continued to execute on an ambitious plan for growth. Our announced strategy is, quite simply, to be a nationwide University serving working adults. Key to that strategy is the approval to operate in new states and to significantly increase the rate at which we open new campuses; from approximately one every other year, to three per year. When I wrote my letter to shareholders last year, Strayer University was approved to operate in only two states: Maryland and Virginia. In the last 12 months, we have tripled the number of states in which we are approved to operate, adding North Carolina, South Carolina, Tennessee, and Pennsylvania.

In 2002, in addition to gaining approval to operate in four additional states, we also successfully opened three new campuses: two in Charlotte, N.C. and one in Raleigh-Durham, N.C. The fact that we have been able to successfully open three new campuses in each of the last two years gives us increased confidence in our ability to execute this strategy.

In 2002, we continued to build on the investments made during the previous year in our online organization: Strayer University Online. In the last two years we have more than quadrupled the number of students taking courses online. We have introduced a new asynchronous (or "on demand") course offering, which has grown from five classes in the summer 2001 term to 398 classes by year end of 2002. In the winter 2003 term over 30% of our classes are being held online. Through Strayer University Online we continue to draw students who would not otherwise be able to benefit from a Strayer University education. These online students come from all 50 states and over 60 foreign countries.

Our focus at Strayer is concentrated on two areas: maintaining our high standards of academic quality, and ensuring the highest level of service for our students. With a working adult student, service must be defined as convenience. We therefore encourage our working adult students to take courses in whatever format they find most convenient, either at a campus or online. Put another way, we have no concerns whatsoever about Strayer University Online cannibalizing our physical classrooms. Cannibalization is a concept which really only has resonance in a business setting with otherwise unrecoverable fixed asset costs. That is not our model. We are focused on our students as customers, and we will make our asset base fit our customers, not vice versa. We closely track how our students are taking classes (online or in the classroom) so as to ensure we have enough inventory of both to satisfy demand.

Understanding where our students actually like to take classes is crucially important to the efficiency of our capital allocation process. In 2002, we took the opportunity to significantly upgrade our physical plant by building a brand new facility in Arlington, Va., to replace one of our oldest campuses. With less square footage, increased academic counseling and library facilities, and upgraded information technology equipment, our new Arlington campus, pictured on page 11, is an example of how we can make our reinvestment capital go farther by sizing our facilities to better support the manner in which our students prefer to take classes.

In 2002, we continued to develop corporate and institutional alliances. We now serve students through alliances with over 90 companies and over 30 federal and state government agencies. Each year, approximately 20% of our revenue is paid directly to us by those organizations on behalf of their employees.

In 2002, as in 2001, we did not see any acquisition possibilities which were more compelling than our organic growth opportunities.

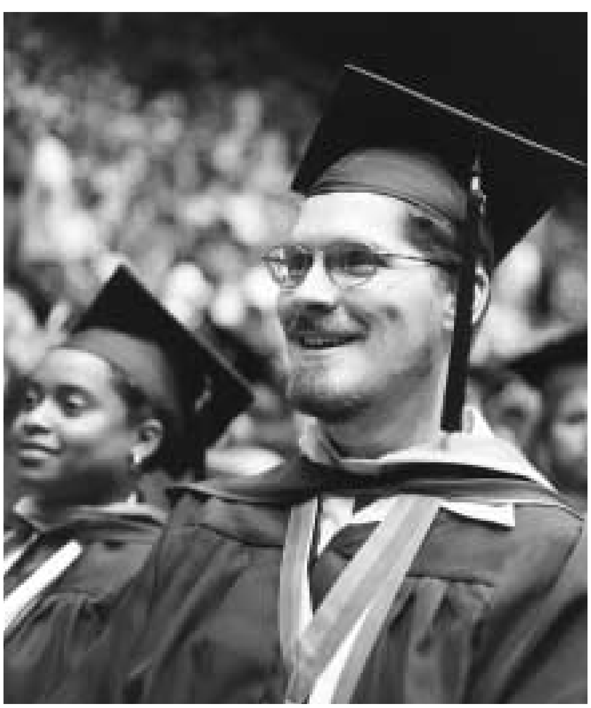
As I predicted in last year's letter, our investments in growth in 2001 caused our very healthy operating margins to compress slightly in the first quarter of 2002. However, that condition reversed itself in the last three quarters of 2002, during each of which we actually enjoyed operating margin expansion, as the campuses we opened in 2001 ramped to profitability. The fundamentals of our business model have not changed as we move into new markets. It costs us approximately $1 million of capital investment, and about $1 million of operating losses (including the depreciation of that capital investment), in the first year in which we open a campus. The campuses generally break even in the second year, and then ramp to high levels of profitability such that our return on invested capital on a new campus averages around 70%.

Because of that high return on invested capital, we plan to open as many new campuses as possible, consistent with maintaining our academic quality. I am pleased to report, therefore, that in 2003 we will open five new campuses. This will increase our campus base by 25% in a single year (five additional campuses on a base of 20). In 2003, we will expand south with one additional campus in Raleigh-Durham, N.C.; west with two campuses in Tennessee (Nashville and Memphis), and north with two campuses in Philadelphia, Pa. It should not go unnoted, however, that in our business model increasing the number of new campus openings from three to five will cause our operating income margins to compress in 2003 to the 32-33% range. Strayer shareholders (and I number myself in that fortunate group) are in the enviable position of owning a business which can organically increase by 25%, with investments that generate 70% unlevered IRRs, and actually use the word "compress" to describe 32% operating margins.

During 2002, the company generated $28.8 million in after-tax distributable free cash flow. (I define distributable free cash flow as after-tax cash from operations of $31.7 million minus required maintenance capital expenditures of $2.9 million.) We used approximately $2.2 million to open our three new campuses in North Carolina; we used $12 million to purchase three buildings which we had been leasing; we paid $7.4 million in preferred and common dividends; and we invested the remaining $7.2 million, together with another $10.8 million in existing cash, in a short-term corporate bond fund with issues having an average credit rating of Aa3 and an average maturity of 2.5 years. On our balance sheet at year-end, in addition to the above mentioned $18 million in the corporate bond fund, we have $49.1 million in cash and cash equivalents, and no short or long term debt. We do, however, have approximately $100 million of 7% convertible preferred stock, relating to the recapitalization of the company in early 2001. Of course, we are eager to convert these securities to common stock as soon as possible, and have the right to do so in May of 2004 if our common stock trades above $52/share for 20 consecutive days. Approximately one-third of the outstanding convertible preferred stock was converted in November of 2002 with a 2.3 million share secondary offering at $52/share. As a result of that transaction, $150 million of preferred stock on our balance sheet was reduced by approximately $50 million, and our common shareholders equity was increased by the same amount.

Our capital structure remains sound, and we continue to generate more free cash flow than we can use in even the most aggressive organic growth scenario one could imagine. Over the next 24 months, the board of directors and I will increasingly turn our attention to what has to be one of the happiest issues a board can face: determining the most value enhancing manner of redeploying excess free cash flow. The principles which frame our discussions on this issue are as follows:

First, invest as much as possible in an organic, profitable, internal growth strategy. In our case, that means increasing both our campus network and online capabilities. Our business enjoys low capital requirements, high operating margins, high demand, and high barriers to entry. Therefore, the limitation to our organic growth rate is not the capital to fund such growth, but rather the rate at which we can gain regulatory approval to open new states, and the rate at which we can develop (or hire) management capability to run our expanding business effectively. As we increase the rate of new state approvals and management development, our intention is to use more of our free cash flow to fund that growth. However, our distributable free cash flow in 2002 alone would have been enough to fund the opening of nearly 20 new campuses in that year.



Second, after fully investing in our organic growth strategy, if possible, invest in high return, value enhancing acquisitions. To date, none of the acquisitions we have reviewed have been more attractive than the execution of our internal growth strategy. We have not rejected the concept, however, and continue to review opportunities. While not likely to equal the high internal rates of return that new campus openings enjoy, an acquisition could certainly yield rates of return in excess of our cost of capital. An acquisition could also jumpstart our geographic expansion strategy and give us access to additional management capability. Under certain market conditions, it may be in our best interest to issue shares to effect an acquisition (for example, if a seller insists on a tax-free transaction). We view our stock as precious and will only issue shares reluctantly and when we are convinced we are getting fair value for what we are giving.

Third, after fully investing in our growth strategy, return cash to our shareholders in the form of dividends. We currently pay both a quarterly common dividend ($0.065 per share) and a quarterly preferred dividend (both cash and payment-in-kind). Certainly President Bush's proposal to eliminate the double taxation of dividends would raise the value of our dividends to our tax-paying shareholders. However, even without that, I believe our business model could support high levels of growth and some return of cash to our shareholders.

Fourth, repurchase our stock. Under certain market conditions, this strategy becomes the preeminent use of excess free cash flow.

As I mentioned, excess free cash flow is a happy issue to be faced with. However, our most important task as a board and management is to ensure execution of the underlying organic growth strategy which generates the free cash to make the issue possible. I do not intend to allow us to be distracted from that fundamental mission.

I hope to see all of you at our annual meeting on May 7 at 9:00 a.m. at the Ritz-Carlton Hotel in Arlington, Va. In last year's letter to shareholders, I urged you to attend Strayer University's graduation ceremonies in order to really understand our business. For those shareholders who were unable to be there in person, I have included in this annual report pictures from Strayer University's 2002 Commencement. These pictures, highlighting the pride, sense of accomplishment, and pure happiness on the faces of our graduates, are the most eloquent expressions of the value created by your investment in Strayer. This year, as the number of our graduates has increased, you will have three opportunities to see the results of your capital at work; with 2003 graduation ceremonies at 3:00 p.m. on June 21 and at 9:30 a.m. and 2:30 p.m. on June 22, 2003, all at the Patriot Center in Fairfax, Va.

Finally, I would be remiss if I did not express, on behalf of the entire Strayer management team, how fortunate we consider ourselves. We are truly grateful for the opportunity to be the stewards of your capital in an enterprise which creates so much value, opportunity, and unalloyed joy for our students.

Sincerely,

Robert S. Silberman
Chairman of the Board of Directors
and Chief Executive Officer

OUR BUSINESS MODEL

(Reprinted from 2001 Annual Report)

Strayer Education, Inc. is an education services holding company whose primary asset is Strayer University, a 110-year-old institution of higher learning focused on educating working adults. In this letter, when I use the term "Strayer," I am referring to the company, as opposed to the University. Strayer University, founded in 1892, offers associates, bachelors, and masters levels degree programs in Business Administration, Accounting, and Computer Information Systems. Strayer serves students at *23* physical campuses in Maryland, the District of Columbia, Virginia, *North Carolina* and *Tennessee,* and has received approval to open campuses to serve students in the states of *South Carolina* and *Pennsylvania.* In addition, Strayer serves students in all 50 states and over *60* foreign countries worldwide on the internet through Strayer University Online.

Strayer's revenue comes from tuition payments and fees paid by, or on behalf of, Strayer University students. That revenue comes in essentially three forms. Roughly half is paid through federally insured student loans by banks, approximately 20% is paid directly to Strayer by corporations or institutions on behalf of their employees who attend Strayer, and the remainder is paid by students through their own sources of credit.

Strayer's expenses include salaries paid to the faculty at the University who perform the teaching duties, salaries paid to the administrative and admissions staff who manage the campuses and recruit the students, and salaries paid to the corporate staff who manages the company's affairs. Expenses also include lease payments for the campus buildings we lease and depreciation for the campus buildings we own, as well as advertising and marketing costs which serve to attract prospective students to Strayer. Finally, our expenses include supplies; such as books, paper, pencils, desks, chairs and computers necessary to support the educational process. Some of the furniture and electronic equipment is capitalized on our balance sheet and the expense is recorded as amortization over the period we expect the equipment to last, in accordance with generally accepted accounting principles.

The difference between the revenue we take in and the expenses we pay out is used to first pay taxes and then added to the after-tax income generated by our financial assets, (cash and marketable securities on our balance sheet) makes up our reported net income on a fully diluted basis. Our balance sheet includes approximately *$100 million* of convertible preferred stock which we assume is converted to common stock when we report our net income on a fully diluted basis.

Two of the attractive attributes of our business are that it generates significant after-tax free cash flow from operations, and has a high return on invested capital. The required capital expenditures to keep our existing assets functioning are roughly equal to our depreciation expenses. The investment capital required to fund our growth initiatives is not major. This investment capital includes traditional GAAP defined capitalized expenses, as well as increased spending which runs through our income statement. We are therefore in the enviable position of generating almost our entire net income as distributable free cash flow, even after investing in our growth. Some of this cash we do distribute back to our shareholders as dividends (common and preferred). The rest of the cash we intend to maintain as liquidity to either fund new opportunities, or ultimately return to our shareholders in a tax efficient manner. We understand that the redeployment of this cash is crucial to creating shareholder value.

As both shareholders and management, we are excited by this business model because we believe that the value of a college degree is rising with the transition to a knowledge economy, and that working adult students in search of an accredited college degree are underserved. We know that Strayer's academic quality and convenience makes it ideally suited to meet this growing demand. We have the right product, at that the right time for a growing market. Our product, a quality college degree, is valued highly both by students and employers.

In 2001, we developed and committed to a new strategic plan, geared to expanding beyond our current regional focus to serve unmet nationwide demand for working adult post-secondary education. This plan consists of five elements:

- Reversing what had been a decline in the enrollment in our core mature campuses.
- Accelerating the addition of new campuses, by opening two to three per year, particularly beyond our current geographic scope.
- Investing in our online university.
- Maintaining strong alliances and outreach to the major employers of our students.
- Carefully screening opportunities to reinvest capital back into the sector through acquisitions.

"As a single parent, when I made the decision to pursue my master's degree, I needed a university that would fit my busy schedule. Most universities only offered programs that required full-time attendance. Strayer University offered me the courses I needed at times that were convenient for me. By choosing Strayer I achieved my goal of earning a master's degree and never sacrificed quality for convenience."

Theresa Buschmann | Assistant Controller, Anteon Corporation
Master's of Accounting '01

"I earned my MBA at Strayer University and I'm now working on my master's in Management Information Systems. Combining online courses with traditional classroom instruction made it possible for me to continue my education while working full time and juggling a demanding travel schedule. Strayer University has given me the education I need to be successful in today's competitive workforce."

Michael Alston | Distribution Quality Program Manager, Kellogg's Snacks
Master's of Business Administration '01 | Candidate, Master's of Management Information Systems '03

"Strayer University's MBA curriculum directly related to my career as a financial analyst. My education was focused and enhanced by my professors' real-world business experiences. Today my MBA is respected by my employer and peers. Thanks to Strayer University, I now have the education to further my professional goals."

Christeen Thompson | Financial Analyst, SAIC
Bachelor's of Accounting '99 | Master's of Business Administration '02

"As a working parent, I needed a university that offered convenient online programs. Strayer University Online gave me the flexibility to communicate with my professors and classmates and complete my assignments from any location via my laptop. Earning my MBA through Strayer University Online gave me a high quality education that fit my life."

Diane Braxton | Inventory Manager, Defense Logistic Agency
Master's of Business Administration '01

"I always dreamed of owning my own business. Although I had several years of life experience, I still needed the formal business training obtained through a college degree. Strayer University provided me the education and confidence to start my own financial services company. Today I encourage everyone to follow their dreams; Strayer University can make the difference in fulfilling your dreams."

John Bamsey | Owner, Bamsey Accounting & Tax Service
Bachelor's of Business Administration '95
Master's of Business Administration '99

STRAYER UNIVERSITY ONLINE

With more than 110 years experience in educating adults, Strayer University delivers high quality post-secondary education via the Internet through Strayer University Online. Today Strayer University Online offers 480 online courses that serve over 7,000 students. Strayer University Online students enroll in online courses to complement the traditional classroom programs or to complete an entire degree online.

Strayer University Online provides students with two Internet-based delivery platform options; synchronous, real-time classes and asynchronous, anytime on-demand classes. With online accessibility, Strayer University Online reaches students worldwide as they earn accredited degrees with the added flexibility and convenience that fits their lives.

Enrollment at Strayer University Online has grown by more than 80% since its inception in 1997. Students enrolling for Strayer University Online courses must complete the same admissions requirements as for Strayer University.

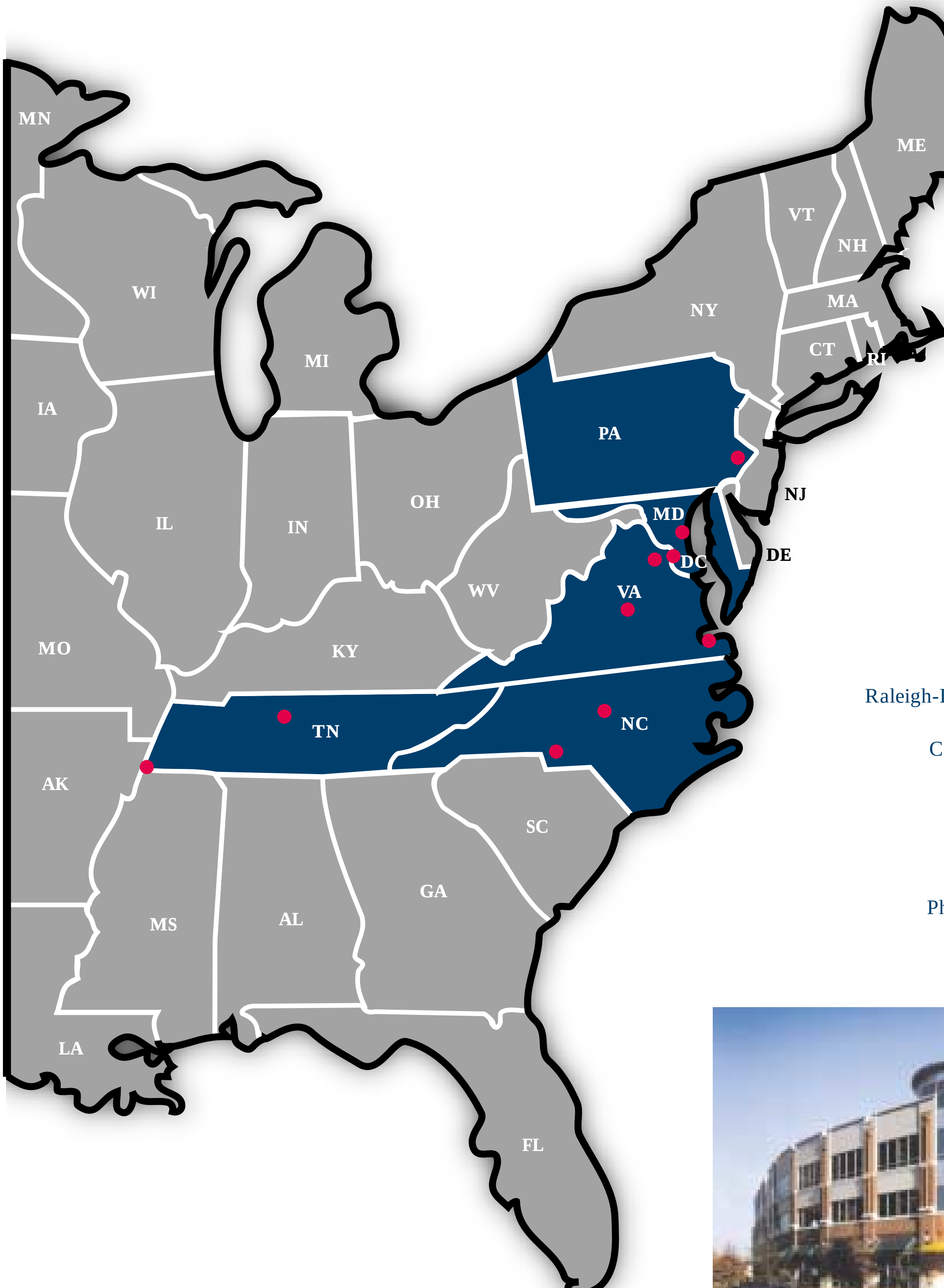
CORPORATE AND INSTITUTIONAL ALLIANCES

Strayer University has alliance programs in place with many of the nation's leading business and government organizations. These programs offer attractive education and training opportunities for employees through specific programs of study offered either on campus, on-site or online. Strayer University also helps organizations conduct needs assessments to determine the precise type of training and education employees require based on mission and goals. These alliances include sponsorship or reimbursement arrangements of varying sorts.

Today Strayer University maintains alliances with more than 80 organizations including companies such as: AT&T, Boeing, Computer Sciences Corporation, EDS, General Motors, Northrop Grumman, Pepco, Raytheon, UPS, and Verizon.

The University also has alliances with government agencies such as: the Department of Defense, the General Services Administration, and The World Bank Group.

CAMPUS LOCATIONS



Baltimore, Maryland (3)

Washington, D.C. (6)

Northern Virginia (4)

Richmond, Virginia (2)

Norfolk, Virginia (2)

Raleigh-Durham, North Carolina (2)

Charlotte, North Carolina (2)

Nashville, Tennessee (1)

Memphis, Tennessee (1)

Philadelphia, Pennsylvania (2)
(opening fall 2003)

Strayer University's new Arlington, Virginia campus

SELECTED FINANCIAL DATA

in thousands, except per share data

Income Statement Data	2000	2001	2002
Revenues	$78,214	$92,876	$116,710
Income from operations	$30,927	$33,507	$41,229
Net income	$21,709	$22,809	$25,784
Net income per share			
Basic	$1.42	$1.62	$2.14
Diluted	$1.41	$1.55	$1.78
Dividends per common share	$0.25	$0.26	$0.26

Balance Sheet Data	2000	2001	2002
Cash and cash equivalents	$26,198	$58,705	$49,135
Marketable securities	$49,900	–	$18,121
Working capital	$26,742	$49,846	$55,901
Total assets	$119,139	$110,488	$140,124
Long-term liabilities	–	$763	$2,055
Total liabilities	$21,395	$29,513	$39,942
Mandatorily redeemable preferred stock	–	$148,347	$93,807
Total stockholders' equity (deficit)	$97,744	($67,372)	$6,375

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

in thousands, except per share data

2000	First	Second	Third	Fourth
Revenues	$21,128	$20,325	$14,691	$22,070
Income from operations	$10,423	$8,432	$2,192	$9,880
Net income	$6,810	$5,878	$2,126	$6,895
Net income per diluted share	$0.44	$0.38	$0.14	$0.45

2001	First	Second	Third	Fourth
Revenues	$23,644	$23,826	$18,222	$27,184
Income from operations	$11,459	$9,262	$2,744	$10,042
Net income	$8,137	$6,248	$2,008	$6,416
Net income per diluted share	$0.53	$0.42	$0.14	$0.45

2002	First	Second	Third	Fourth
Revenues	$29,698	$29,823	$23,026	$34,163
Income from operations	$11,818	$11,710	$3,958	$13,744
Net income	$7,430	$7,384	$2,710	$8,260
Net income per diluted share	$0.52	$0.51	$0.19	$0.57

From left to right standing: Robert Farmer, Robert Silberman, Mark Brown, Kevin O'Reagan, Lysa Hlavinka, and From left to right seated: Sonya Udler, Scott Steffey, Steven McArthur, Dr. J. Chris Toe

CORPORATE INFORMATION

Executive Officers

Robert S. Silberman
Chairman and
Chief Executive Officer

Scott W. Steffey
Executive Vice President and
Chief Operating Officer

Mark C. Brown
Senior Vice President and
Chief Financial Officer

Steven A. McArthur
Senior Vice President and
General Counsel

Kevin P. O'Reagan
Vice President and Chief
Technology Officer

Lysa A. Hlavinka
Vice President of Marketing

Robert E. Farmer
Vice President of
Administration, Human
Resources and Training

Sonya G. Udler
Vice President of Corporate
Communications

J. Chris Toe, Ph.D.
President, Strayer University

Corporate Office

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Suite 2500
Arlington, Virginia 22209
(703) 247-2500

Web Sites

Strayer Education, Inc.
www.strayereducation.com

Strayer University
www.strayer.edu

Annual Meeting

The annual meeting of shareholders will be held on Wednesday, May 7, 2003 at 9:00 a.m. at the Ritz-Carlton Pentagon City, Arlington, Virginia.

Transfer Agent

American Stock and
Trust Company
59 Maiden Lane
New York, New York 10038

Stock Listing

Strayer Education, Inc.'s common stock is traded on The NASDAQ Stock Market® under the symbol "STRA".

Independent Accountants

PricewaterhouseCoopers LLP
1751 Pinnacle Drive
McLean, Virginia 22102

Investor Relations

Information may be obtained by writing:
Strayer Education, Inc.
Investor Relations Department
1100 Wilson Boulevard
Suite 2500
Arlington, Virginia 22209

Or calling:

(703) 247-2500

BOARD OF DIRECTORS

Robert S. Silberman
Chairman and Chief Executive Officer
Former President and COO, CalEnergy Company, Inc.
Former U.S. Assistant Secretary of the Army

Charlotte F. Beason, Ed.D.
Chair, Commission on Collegiate Nursing Education

William E. Brock
Chairman, BRIDGES Learning Systems, Inc.
Former U.S. Secretary of Labor
Former U.S. Special Trade Representative
Former U.S. Senator, State of Tennessee

David A. Coulter
Vice Chairman, J.P. Morgan Chase & Co.
Former Chairman and CEO, BankAmerica Corporation

Gary Gensler
Former U.S. Under Secretary of the Treasury
Former Partner, Goldman Sachs Group, L.P.

Robert R. Grusky
Principal, New Mountain Capital, LLC
Former President, RSL Investments
Former Vice President, Goldman Sachs & Co.

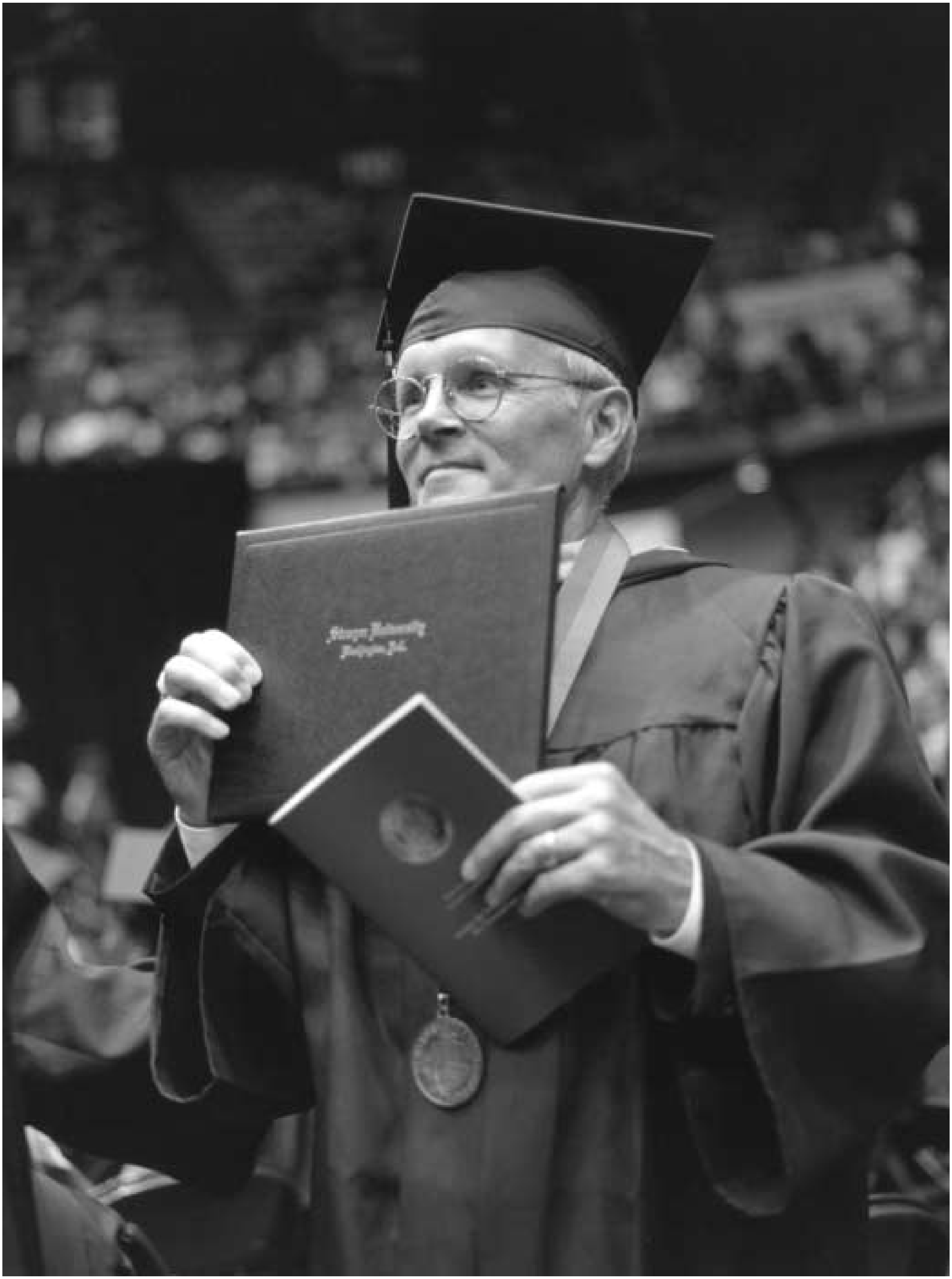
Robert L. Johnson
Chairman and CEO, Black Entertainment Television

Steven B. Klinsky
Founder and CEO, New Mountain Capital, LLC
Former General Partner, Forstmann Little & Co.

Todd A. Milano
President and CEO, Central Pennsylvania College

G. Thomas Waite, III
Treasurer and CFO, Humane Society of the United States

J. David Wargo
Principal, New Mountain Capital, LLC
President, Wargo & Company, Inc.
Former Managing Director, The Putnam Companies



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