GARTNER INC
Form 10-KT
March 31, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KT

|X| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM OCTOBER 1, 2002 TO DECEMBER 31, 2002

COMMISSION FILE NUMBER 0-14443

GARTNER, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	04-3099750 (I.R.S. Employer Identification Number)
P.O. BOX 10212 56 TOP GALLANT ROAD STAMFORD, CT (Address of principal executive offices)	06902-7747 (Zip Code)

Registrant's telephone number, including area code: (203) 316-1111

Securities Registered Pursuant to Section 12(b) of the Act:

TITLE OF CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Class A, $.0005 Par Value	New York Stock Exchange
Common Stock, Class B, $.0005 Par Value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES |X| NO | |

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KT or any amendment to this Form 10-KT. ( )

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes |X| No | |

The aggregate market value of the voting stock held by persons other than those who may be deemed affiliates of the Registrant, as of March 28, 2002, was approximately $1,094.4 million. This calculation does not reflect a determination that persons are affiliates for any other purposes.

The number of shares outstanding of the registrant's capital stock as of March 1, 2003 was 50,623,191 shares of Common Stock, Class A and 29,751,828 shares of Common Stock, Class B.

DOCUMENTS INCORPORATED BY REFERENCE

None.

GARTNER, INC.
2002 TRANSITION REPORT ON FORM 10-KT
TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS.

GENERAL

Gartner, Inc., founded in 1979, is a leading independent provider of research and analysis on information technology, computer hardware, software, communications and related technology industries ("the IT industry"). We provide comprehensive coverage of the IT industry to approximately 10,000 client organizations. We are organized into three business segments: research, consulting and events.

- RESEARCH products and services highlight industry developments, review new products and technologies, provide quantitative market research, and analyze industry trends within a particular technology or market sector.

- CONSULTING consists primarily of consulting, measurement engagements and strategic advisory services (paid one-day analyst engagements) ("SAS"), which provide assessments of cost, performance, efficiency and quality focused on the IT industry.

- EVENTS consists of various symposia, conferences and exhibitions focused on the IT industry.

On October 30, 2002, we announced that the Board of Directors approved a change of our fiscal year end from September 30 to December 31, effective January 1, 2003. This change resulted in a three-month transitional period ended December 31, 2002. This discussion compares: (i) the three month transitional period ended December 31, 2002 with the three months ended December 31, 2001; (ii) our fiscal year 2002 (twelve months ended September 30, 2002) with fiscal year 2001; and (iii) our fiscal year 2001 with fiscal year 2000.

MARKET OVERVIEW

In today's dynamic IT marketplace, vendors continually introduce new products with a wide variety of standards and shorter life cycles. The users of technology - almost all organizations - must keep abreast of these new developments, and make major financial commitments to new IT systems and products. To plan and purchase effectively, these users of technology need independent, objective third-party research and consultative services.

While the pace of IT investments has slowed significantly, we believe that technology accounts for a significant portion of all capital spending. The intense scrutiny on technology spending ensures our products and services remain necessary in the current economy because clients still need value-added, independent and objective research and analysis of the IT market.

We are a leading provider of independent and objective research and analysis of the IT industry, and a source of insight about technology acquisition and deployment. Our global research community provides provocative thought leadership. We employ more research analysts than any competitor. Hundreds of our experienced consultants combine our objective, independent research with a practical, sought-after business perspective focused on the IT industry. Our events are among the world's largest of their kind; gathering highly qualified audiences of senior business executives, IT professionals, purchasers and vendors of IT products and services.

PRODUCTS AND SERVICES

Our principal products and services are Research, Consulting and Events.

- RESEARCH. We devote an experienced research team to each significant IT product category. Our staff researches, publishes reports and responds to telephone and e-mail inquiries from clients. Clients receive information through a number of electronic delivery formats - primarily gartner.com - as well as CD-ROM and print media. Most clients purchase annually renewable subscription contracts for our research products. Our research products include highlights of industry developments and trends, new product and technology evaluations, quantitative market research, and comparative analysis of an individual organization's IT operations. We also provide clients with IT trends and vendor strategies, statistical analysis, growth projections, and market share rankings of suppliers and vendors. This information is useful to IT manufacturers and the financial community; it also helps business leaders formulate, implement and execute their growth strategies. Our research products and services include our core research business, Dataquest, Gartner Executive Programs ("EXP") and GartnerG2. Dataquest helps IT and telecom vendors and investors formulate product and investment plans, evaluate competition, assess market position, and define future strategies. Gartner EXP is a program for CIOs and other senior IT executives, offering concierge-level service and a personalized research program. GartnerG2 is an advisory service that helps business leaders and strategists drive business growth and manage technology's impact on business models and processes.

- CONSULTING. Our consulting staff provides customized project consulting on the delivery, deployment and management of high-tech products and services. We offer consulting through a number of specialized practices, including: IT Strategy & Management, Measurement, Strategic Sourcing, Public Sector and General Advisory Services. Our measurement services provide performance management, benchmarking, continuous improvement and best practices services. SAS engagements, performed by Gartner research analysts, provide a customized assessment of the client's specific business requirements.

3

- EVENTS. Gartner Events include symposia, conferences and exhibitions that provide comprehensive coverage of IT issues and forecasts of key IT industry segments. Our flagship event is Symposia/ITxpo, which is held twice a year across the world. Fall Symposium/ITxpo typically takes place in Orlando, Florida; Cannes, France; Tokyo, Japan; and Sydney, Australia. Spring Symposium/ITxpo typically takes place in San Diego, California; Florence, Italy; and Johannesburg, South Africa. Throughout the year, we sponsor other conferences, seminars and briefings throughout the world. Our events provide premier educational and networking opportunities for top IT decision-makers and technology providers.

COMPETITION

We believe that the principal competitive factors that differentiate us from our competitors are:

- high quality, independence and objectivity of our research and analysis;

- multi-faceted expertise across the IT industry and its technologies, both legacy and emerging;

- our position as a research company with broad consulting capabilities, and a consulting firm with research analysts;
- timely delivery of information;
- the ability to offer products that meet changing market needs at competitive prices; and
- superior customer service.

We face competition from a significant number of independent providers of information products and services. We compete indirectly against consulting firms and other information providers, including electronic and print media companies. These indirect competitors could choose to compete directly with us in the future. Limited barriers to entry exist in the markets in which we do business. As a result, new competitors may emerge and existing competitors may start to provide additional or complementary services. However, we believe the breadth and depth of our research assets position us well versus our competition. Increased competition may result in us losing market share, diminished value in our products and services, reduced pricing and increased sales and marketing expenditures.

RESEARCH AND INNOVATION

We are committed to developing leading-edge ideas. We believe that research and innovation have been major factors in our success and will help us continue to grow in the future. We use our research to help create, commercialize and disseminate innovative technology-related research and analysis. Our research, consulting and events are designed to generate early insights into how technology can be used to create business solutions for our clients and to develop business strategies with significant value.

INTELLECTUAL PROPERTY

Our success has resulted in part from proprietary methodologies, software, reusable knowledge capital and other intellectual property rights. We rely on a combination of copyright, patent, trademark, trade secret, confidentiality, non-compete and other contractual provisions to protect our intellectual property rights. We have policies related to confidentiality and ownership and to the use and protection of Gartner's intellectual property, and we also enter into agreements with our employees as appropriate.

We recognize the value of intellectual property in the new marketplace and vigorously identify, create and protect our intellectual property.

EMPLOYEES

As of December 31, 2002, we had 3,905 employees, of which 712 employees were located at our headquarters in Stamford, Connecticut; 1,720 were located at our other facilities in the United States; and 1,473 were located outside of the United States. None of our employees is represented by a private non-governmental collective bargaining arrangement. We have experienced no work stoppages and consider our relations with employees to be favorable. On February 6, 2003, we announced that we expect to make moderate reductions to our workforce as we continue to align our business resources with revenue expectations.

AVAILABLE INFORMATION

Our Internet address is www.gartner.com and the investor relations section of our website is located at www.4.gartner.com/5_about/investor_information/44a.html. We make available free of charge, on or through the investor relations section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably

practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

ITEM 2. PROPERTIES.

Our headquarters is located in approximately 224,000 square feet of leased office space in four buildings located in Stamford, CT. These facilities accommodate research and analysis, marketing, sales, client support, production and corporate administration. The leases on these facilities expire in 2010. We have a significant presence in the United Kingdom with approximately 72,000 square feet of leased office space in two buildings located in Egham, UK. We have 36 domestic and 45 international locations that support our research and analysis, domestic and international sales efforts and other functions. We believe that our existing facilities and leases are adequate for our current needs.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in legal proceedings and litigation arising in the ordinary course of business. We believe the outcome of all current proceedings, claims and litigation will not have a material effect on our financial position or results of operations when resolved in a future period.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

We did not submit any matter to a vote of our stockholders during the three-month transitional period ended December 31, 2002 covered by this Transition Report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

As of March 1, 2003, there were approximately 325 holders of record of our Class A Common Stock and approximately 3,656 holders of record of our Class B Common Stock. Our Class A and Class B Common Stock trade on the New York Stock Exchange under the symbols IT and ITB, respectively. The Class B Common Stock is identical in all respects to the Class A Common Stock, except that the Class B Common Stock is entitled to elect at least 80% of the members of our Board of Directors. While subject to periodic review, the current policy of our Board of Directors is to retain all earnings primarily to provide funds for continued growth.

The following table sets forth the high and low closing prices for our Class A Common Stock and Class B Common Stock as reported on the New York Stock Exchange for the periods indicated.

CLASS A COMMON STOCK

	THREE MONTH TRANSITIONAL PERIOD	FISCAL YEAR 2002	

	ENDED DECEMBER 31, 2002				
	HIGH	LOW	HIGH	LOW	H
Quarter ended December 31	$ 10.66	$ 4.90	$ 11.69	$ 8.50	$
Quarter ended March 31			$ 13.48	$ 11.00	$
Quarter ended June 30			$ 13.45	$ 9.82	$
Quarter ended September 30			$ 9.82	$ 7.75	$

CLASS B COMMON STOCK

	THREE MONTH TRANSITIONAL PERIOD ENDED DECEMBER 31, 2002		FISCAL YEAR 2002		
	HIGH	LOW	HIGH	LOW	H
Quarter ended December 31	$ 10.70	$ 5.20	$ 11.70	$ 8.07	$
Quarter ended March 31			$ 13.20	$ 10.86	$
Quarter ended June 30			$ 13.05	$ 9.00	$
Quarter ended September 30			$ 9.84	$ 7.67	$

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED DECEMBER 31, 2002(1)	DECEMBER 31, 2001 (UNAUDITED)
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:		
Revenues:		
Research	$ 120,038	$ 129,474
Consulting	58,098	55,731
Events	47,169	59,466
Other	4,509	4,724
Total revenues	229,814	249,395
Cost of Services and product development	108,600	115,829
Selling, general and administrative	90,306	89,193
Depreciation and amortization	11,628	10,426
Other charges	32,166	--
Total operating costs and expenses	242,700	215,448
Operating (loss) income	(12,886)	33,947
Net gain (loss) on sale of investments	--	792
Net (loss) gain from minority-owned investments	(1,688)	79
Interest income	635	511
Interest expense	(5,942)	(5,604)

Loss on debt extinguishment	--	--
Other expense, net	(141)	(428)
(Loss) income from continuing operations before income taxes	(20,022)	29,297
(Benefit) provision for income taxes	(5,604)	10,254
(Loss) income from continuing operations	(14,418)	19,043
Loss from discontinued operation, net of taxes	--	--
Net (loss) income	$ (14,418)	$ 19,043
Weighted average shares outstanding:		
Basic	81,379	83,883
Diluted	81,379	129,578
NET (LOSS) INCOME PER SHARE:		
Basic:		
(Loss) income from continuing operations	$ (0.18)	$ 0.23
Loss from discontinued operation	--	--
Net (loss) income	$ (0.18)	$ 0.23
Diluted:		
(Loss) income from continuing operations	$ (0.18)	$ 0.17
Loss from discontinued operation	--	--
Net (loss) income	$ (0.18)	$ 0.17
CONSOLIDATED BALANCE SHEET DATA:		
Cash and cash equivalents and marketable equity securities	$ 109,657	$ 27,506
Fees receivable, net	283,068	315,194
Other current assets	66,540	104,544
Total current assets	459,265	447,244
Property, equipment, and leasehold improvements, net	71,006	94,540
Intangibles and other assets	297,132	287,622
Total assets	$ 827,403	$ 829,406
Deferred revenues	$ 305,887	$ 325,808
Other current liabilities	151,990	138,079
Total current liabilities	457,877	463,887
Long-term debt	351,539	331,138
Other liabilities	46,688	44,135
Stockholders' (deficit) equity	(28,701)	(9,754)
Total liabilities and stockholders' (deficit) equity	$ 827,403	$ 829,406

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FISCAL YEAR ENDED S		
	2002	2001	2000

CONSOLIDATED STATEMENTS OF OPERATIONS DATA:			
Revenues:			
Research	$ 496,403	$ 535,114	$ 509,7
Consulting	273,692	276,292	216,6
Events	121,991	132,684	108,5
Other	15,088	18,794	27,4
Total revenues	907,174	962,884	862,4
Cost of Services and product development	403,718	450,471	395,6
Selling, general and administrative	345,382	370,096	341,8
Depreciation and amortization	44,453	53,240	40,8
Other charges	17,246	46,563	
Total operating costs and expenses	810,799	920,370	778,3
Operating (loss) income	96,375	42,514	84,1
Net gain (loss) on sale of investments	787	(640)	29,6
Net (loss) gain from minority-owned investments	(2,365)	(26,817)	(7
Interest income	1,845	1,616	3,9
Interest expense	(22,869)	(22,391)	(24,9
Loss on debt extinguishment	--	--	(2,8
Other expense, net	(170)	(3,674)	(7
(Loss) income from continuing operations before income taxes	73,603	(9,392)	88,4
(Benefit) provision for income taxes	25,025	(9,172)	35,2
(Loss) income from continuing operations	48,578	(220)	53,1
Loss from discontinued operation, net of taxes	--	(65,983)	(27,5
Net (loss) income	$ 48,578	$ (66,203)	$ 25,5
Weighted average shares outstanding:			
Basic	83,586	85,862	86,5
Diluted	130,882	85,862	89,1
NET (LOSS) INCOME PER SHARE:			
Basic:			
(Loss) income from continuing operations	$ 0.58	$ (0.00)	$ 0.
Loss from discontinued operation	--	(0.77)	(0.
Net (loss) income	$ 0.58	$ (0.77)	$ 0.
Diluted:			
(Loss) income from continuing operations	$ 0.47	$ (0.00)	$ 0.
Loss from discontinued operation	--	(0.77)	(0.
Net (loss) income	$ 0.47	$ (0.77)	$ 0.
CONSOLIDATED BALANCE SHEET DATA:			
Cash and cash equivalents and marketable equity securities	$ 124,793	$ 40,378	$ 97,1
Fees receivable, net	264,843	300,306	323,8
Other current assets	65,397	105,690	157,8
Total current assets	455,033	446,374	578,7
Property, equipment, and leasehold improvements, net	76,161	100,288	88,4
Intangibles and other assets	293,656	292,340	305,1

Total assets	$ 824,850	$ 839,002	$ 972,3
Deferred revenues	$ 306,978	$ 351,263	$ 384,9
Other current liabilities	130,364	152,751	170,0
Total current liabilities	437,342	504,014	555,0
Long-term debt	346,300	326,200	307,2
Other liabilities	46,098	43,306	35,2
Stockholders' (deficit) equity	(4,890)	(34,518)	74,8
Total liabilities and stockholders' (deficit) equity	$ 824,850	$ 839,002	$ 972,3

----

(1) The Company changed its fiscal year end from September 30 to December 31, effective January 1, 2003. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Transition Report on Form 10-KT contains forward-looking statements. Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking statements can be identified by the use of words such as "may," "will," "expects," "should," "believes," `plans," "anticipates," "estimates," "predicts," "potential," "continue," or other words of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Factors That May Affect Future Results" below. Readers should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date on which they were made. Except as required by law, we disclaim any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur. Readers should review carefully any risk factors described in our reports filed with the Securities and Exchange Commission.

BUSINESS STRATEGY

With the convergence of IT and business, technology has become increasingly more important - not just to technology professionals, but also to business executives. We are an independent and objective research and advisory firm that helps IT and business executives use technology to build, guide and grow their enterprises.

We employ a diversified business model that leverages the breadth and depth of our research intellectual capital while enabling us to maintain and grow our market-leading position and brand franchise. Our strategy is to align our resources and our infrastructure to leverage that intellectual capital into additional revenue streams through effective packaging, campaigning and cross-selling of our products and services. Our diversified business model provides multiple entry points and synergies that facilitate increased client spending on our research, consulting and events. A key strategy is to increase business volume with our most valuable clients, identifying relationships with the greatest sales potential and expanding those relationships by offering strategically relevant research and analysis.

We intend to maintain a balance between (1) generating profitability through a streamlined cost structure and (2) pursuing opportunities and applying resources with a strict focus on growing our core research business.

Our primary objectives:

- RIGOROUS EXPENSE CONTROL
  - Leverage our global infrastructure to effectively control worldwide costs;
  - Broaden the use of our inside, desk-based sales channel, which has a lower cost of sales than our other sales channels;
  - Eliminate non-strategic, less profitable products, processes and geographic markets; and
  - Reduce our cost of delivery.
- ENHANCED PRODUCTIVITY & CLIENT SATISFACTION
  - Continually analyze and assess our client, product and market portfolios;
  - Optimize analyst productivity and consultant utilization measures; and
  - Strengthen client retention rates and other indicators of client satisfaction.
- LONG-TERM RESEARCH GROWTH
  - Invest modestly in initiatives aligned with our core competencies that are capable of delivering results, including - but not limited to Gartner EXP and GartnerG2;
  - Refine product packaging, delivery, marketing, sales and account management capabilities;
  - Increase the percentage of multi-service client relationships;
  - Leverage and expand existing client relationships with key decision-makers for our products and services; and
  - Identify and gain new clients within our most important and target audience.

- FINANCIAL MANAGEMENT
  - Increase liquidity and strengthen our balance sheet; and
  - Manage capital expenditures, foreign exchange exposure and tax planning.

BUSINESS MEASURES

We believe the following business measurements are important performance indicators for our business segments.

REVENUE CATEGORY	BUSINESS MEASUREMENTS
Research	CONTRACT VALUE represents the value attributable to all of our subscription-related research products that recognize revenue on a ratable basis. Contract value is calculated as the annualized value of all subscription research contracts in effect at a specific point in time, without regard to the duration of the contract.
	CLIENT RETENTION RATE represents a measure of client satisfaction and renewed business relationships at a specific point in time. Client retention is calculated on a percentage basis by dividing our current clients who were also clients a year ago, by all clients from a year ago.
Consulting	CONSULTING BACKLOG represents future revenue to be derived from in-process consulting, measurement and strategic advisory services engagements.
Events	DEFERRED EVENTS REVENUE represents billings and relates directly to our future symposia, conferences and exhibitions. Events revenues are deferred and recognized upon the completion of the related symposium, conference or exhibition.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

Our quarterly and annual revenue and operating income fluctuate as a result of many factors, including the timing of the execution of research contracts, the extent of completion of consulting engagements, the timing of Symposia and other events, all of which occur to a greater extent in the quarter ended December 31, the amount of new business generated, the mix of domestic and international business, changes in market demand for our products and services, the timing of the development, introduction and marketing of new products and services, and competition in the industry. The potential fluctuations in our operating income could cause period-to-period comparisons of operating results not to be meaningful and could provide an unreliable indication of future operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires the application of appropriate accounting policies. Our significant accounting policies are described in Note 1 in the Notes to Consolidated Financial Statements. Management considers the policies discussed below to be critical to an understanding of our financial statements because their application requires complex and subjective judgements and estimates. Specific risks for these critical accounting policies are described below.

REVENUE RECOGNITION - We recognize revenue in accordance with SEC Staff

Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). Revenue by significant source is accounted for as follows:

- Research revenues are derived from subscription contracts for research products. Revenues from research products are deferred and recognized ratably over the applicable contract term;

- Consulting revenues are based primarily on fixed fees or time and materials for discrete projects. Revenues for such projects are recognized as work is delivered and/or services are provided and are evaluated on a contract by contract basis;

- Events revenues are deferred and recognized upon the completion of the related symposium, conference or exhibition; and

- Other revenues, principally software licensing fees, are recognized when a signed non-cancelable software license exists, delivery has occurred, collection is probable, and the fees are fixed or determinable. Revenue from software maintenance is deferred and recognized ratably over the term of the maintenance agreement, which is typically twelve months.

UNCOLLECTIBLE ACCOUNTS RECEIVABLE - Provisions for bad debts are recognized as incurred. The measurement of likely and probable losses and the allowance for uncollectible accounts receivable is based on historical loss experience, aging of outstanding receivables, an assessment of current economic conditions and the financial health of specific clients. This evaluation is inherently judgmental and requires material estimates. These valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectibility of accounts receivable becomes available. Circumstances that could cause our valuation reserves to increase include changes in our clients' liquidity and credit quality, other factors negatively impacting our clients' ability to pay their obligations as they come due,

and the quality of our collection efforts. Total trade receivables at December 31, 2002 were $290.1 million, against which an allowance for losses of approximately $7.0 million was provided. Total trade receivables at September 30, 2002 were $271.8 million, against which an allowance for losses of approximately $7.0 million was provided.

IMPAIRMENT OF INVESTMENT SECURITIES - A charge to earnings is made when a market decline below cost is other than temporary. Management regularly reviews each investment security for impairment based on criteria that include the length of time and the extent to which market value has been less than cost, the financial condition and near-term prospects of the issuer, the valuation of comparable companies and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future. Total investments in equity securities was $10.7 million and $12.7 million at December 31, 2002 and September 30, 2002, respectively (see Note 5 - Investments in the Notes to the Consolidated Financial Statements).

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS - The evaluation of goodwill is performed in accordance with SFAS No. 142, - "Goodwill and Other Intangible Assets." Among other requirements, this standard eliminated goodwill amortization upon adoption and required an initial assessment for goodwill impairment within six months of adoption and at least annually thereafter. The evaluation of other intangible assets is performed on a periodic basis. These assessments require management to estimate the fair value of our reporting units based on estimates of future business operations and market and economic conditions in developing long-term forecasts. If we determine the fair values are less than the carrying amount of goodwill recorded on our Consolidated Balance Sheets, we must recognize an impairment in our financial statements. Goodwill is evaluated for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger a review for impairment include the following:

- Significant under-performance relative to historical or projected future operating results;
- Significant changes in the manner of our use of acquired assets or the strategy for our overall business;
- Significant negative industry or economic trends;
- Significant decline in our stock price for a sustained period; and
- Our market capitalization relative to net book value.

Due to the numerous variables associated with our judgements and assumptions relating to the valuation of the reporting units and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information becomes known, we may change our estimates.

ACCOUNTING FOR INCOME TAXES - As we prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions where we operate. This process involves estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We record a valuation allowance to reduce our deferred tax assets when future realization is in question. We consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event we determine that we would be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

CONTINGENCIES AND OTHER LOSS RESERVES - We establish reserves for severance costs, contract terminations and asset impairments as a result of actions we undertake to streamline our organization, reposition certain businesses and reduce ongoing costs. Estimates of costs to be incurred to complete these actions, such as future lease payments, sublease income, the fair value of assets, and severance and related benefits, are based on assumptions at the time the actions are initiated. To the extent actual costs differ from those estimates, reserve levels may need to be adjusted. In addition, these actions may be revised due to changes in business conditions that we did not foresee at the time such plans were approved.

RESULTS OF OPERATIONS

THE THREE MONTH TRANSITIONAL PERIOD ENDED DECEMBER 31, 2002 VERSUS THE THREE MONTHS ENDED DECEMBER 31, 2001

Total revenues decreased 8% to $229.8 million in the three month transitional period ended December 31, 2002 ("Transition 2002") compared to $249.4 million in the three months ended December 31, 2001 ("Transition 2001"). The Transition 2001 revenues and cost of services for the consulting segment have been reclassified to include reimbursable out-of-pocket expenses in accordance with new accounting requirements adopted during the 2002 fiscal year (see Note 1 - Summary of Significant Accounting Policies: Recently Issued

Accounting Standards in the Notes to Consolidated Financial Statements). See Segment Analysis on page 11.

- RESEARCH revenue decreased 7% in Transition 2002 to $120.0 million, compared to $129.5 million in Transition 2001, and comprised approximately 52% of total revenues in both Transition 2002 and 2001.

- CONSULTING revenue increased 4% in Transition 2002 to $58.1 million, compared to $55.7 million in Transition 2001, and comprised approximately 25% and 22% of total revenues in Transition 2002 and 2001, respectively.

- EVENTS revenue was $47.2 million in Transition 2002, a decrease of 21% from the $59.5 million in Transition 2001, and comprised approximately 21% of total revenues in Transition 2002 versus 24% in Transition 2001.

- OTHER revenues, consisting principally of software licensing and maintenance fees, decreased 4% in Transition 2002 to $4.5 million from $4.7 million in Transition 2001.

Revenue declined in two of our three defined geographic market areas: United States and Canada, Europe, and Other International, primarily due to the decline in our Research revenue as a result of lower demand in the entire technology sector and overall weakness in the general economy and lower Events revenue as a result of reduced vendor spending at the Fall Symposium. Revenues from sales to United States and Canadian clients decreased 11% to $148.6 million in Transition 2002 from $167.4 million in Transition 2001. Revenues from sales to European clients decreased 1% to $62.4 million in Transition 2002 from $63.2 million in Transition 2001. Revenues from sales to Other International clients remained flat at $18.8 million in both Transition 2002 and 2001.

Cost of services and product development expenses decreased to $108.6 million in Transition 2002 from $115.8 million in Transition 2001. The decrease is attributable to reduced personnel costs associated with headcount reductions, more effective cost management of events and a decrease in Events expense associated with the elimination of less profitable events, offset by additional bonus payments made to employees.

Selling, general and administrative expenses increased to $90.3 million in Transition 2002 from $89.2 million in Transition 2001. The increase was due to additional employee benefits expenses as well as marketing expenses in Transition 2002.

Depreciation expense increased to $11.1 million in Transition 2002 from $9.9 million in Transition 2001, primarily due to the impact of significant capital expenditures in fiscal 2002 for internal use software development required to support the business. Amortization of intangibles was $0.5 million in both Transition 2002 and 2001.

During Transition 2002, we recorded other charges of $32.2 million. Of these charges, $13.3 million relates to costs and losses associated with our elimination of excess facilities, principally leased facilities and ongoing lease costs and losses associated with sub-lease arrangements. The remaining $18.9 million of these charges relates to a workforce reduction, which includes $0.6 million of non-cash compensation, announced in October 2002 and represents severance payments and related benefits for terminated employees. This workforce reduction resulted in the elimination of approximately 175 positions, or approximately 4% of our workforce at the time, and the payment of $6.9 million of termination benefits during Transition 2002. At December 31, 2002, $11.4 million remains to be paid on account of these other charges recorded in Transition 2002. The payments are expected to be made primarily over the next two to three years. We are funding all of these costs out of operating cash flows (see Note 6 - Other Charges in the Notes to the Consolidated Financial Statements).

In Transition 2002 we recorded an operating loss of ($12.9) million compared to operating income of $33.9 million in Transition 2001. In Transition 2002, both our United States and Canadian businesses and our European business experienced an operating loss of ($5.5) million and ($5.9) million, respectively. Included in the Transition 2002 operating results of our United States and Canadian businesses and our European business were other charges of $21.0 million and $10.0 million, respectively. Our Other International business experienced an operating loss for the period, which was slightly lower than the prior year period. On a consolidated basis, we incurred an operating loss for Transition 2002 largely due to the recording of other charges of $32.2 million, lower Events revenue due to a decrease in vendor spending at the Fall Symposium, and higher expenses for benefits and bonuses related to our European business. Excluding the other charges, operating income for Transition 2002 and 2001 was 8% and 13%, respectively, of total revenues.

Net gain (loss) from the sale of investments for Transition 2001 reflects the sale of 748,118 shares of CNET Networks, Inc. ("CNET") for $6.0 million, resulting in a pre-tax gain of $0.8 million. We acquired this investment as partial consideration for our sale of TechRepublic to CNET in July 2001.

Net loss from minority-owned investments in Transition 2002 of ($1.7) million was primarily the result of impairment losses related to investments owned by us through SI Venture Associates ("SI I"), SI Venture Fund II ("SI II") and other directly owned investments for other than temporary declines in value. These investments are comprised of early to mid-stage IT-based or Internet-enabled companies. We made an assessment of the carrying value of our investments and determined that certain investments were in excess of their fair value due to the significance and duration of the decline in valuation of comparable companies operating in the internet and technology sectors (see Note 5 - Investments in the Notes to Consolidated Financial Statements). The impairment factors evaluated by management may

10

change in subsequent periods, given that the entities underlying these investments operate in a volatile business environment. In addition, these entities may require additional financing to meet their cash and operational needs, however, there can be no assurance that such funds will be available to the extent needed, at terms acceptable to the entities, if at all. This could result in additional material non-cash impairment charges in the future. We are continuing efforts to sell all of our investments owned through SI I and SI II.

Interest expense increased to $5.9 million in Transition 2002 from $5.6 million in Transition 2001. The increase relates primarily to increased interest expense on the 6% convertible long-term debt compared to Transition 2001. Interest accrues semi-annually by a corresponding increase in the face amount of the convertible notes. Interest income of $0.6 million in Transition 2002 was up from $0.5 million in Transition 2001 due to a higher average balance of funds available for investment, offset in part by lower interest earnings rates. Other expense, net decreased to $0.1 million in Transition 2002 from $0.4 million in Transition 2001. The decrease relates primarily to lower foreign currency exchange losses of $0.1 million in Transition 2002.

Benefit for income taxes was $5.6 million in Transition 2002 compared to a provision for income taxes of $25.0 million for Fiscal 2002. The effective tax rate was 28% for Transition 2002. The effective tax rate in fiscal 2002, was 34%. The reduction in the effective tax rate for Transition 2002 is due primarily to the impact of our foreign results. Due to the seasonality of Gartner's operations and other factors, including the timing of expenses, Transition 2002 resulted in losses in certain low taxed foreign jurisdictions compared to the results that Gartner has experienced on an annual basis. Since the Company's foreign earnings (losses) are taxed (benefited) at a lower tax rate as compared to U.S. earnings (losses), the tax benefit for the three-month transitional period is lower than what would be expected on a full year basis.

Basic income (loss) per share was ($0.18) per share in Transition 2002 compared to $0.23 per share in Transition 2001. Diluted income (loss) per share from continuing operations of ($0.18) per share in Transition 2002 compared to $0.17 per share in Transition 2001. The (loss) per common share for the Transition 2002 is attributed to the $32.2 million Other Charge. (See Note 6 - Other Charges in the Notes to Consolidated Financial Statements.)

SEGMENT ANALYSIS

We evaluate reportable segment performance and allocate resources based on gross contribution margin. Gross contribution is defined as operating income excluding certain selling, general and administrative expenses, depreciation, amortization of intangibles and other charges.

Research

Research revenues of $120.0 million in Transition 2002 were down 7% from $129.5 million in Transition 2001. The decline in revenues was due to lower demand throughout the entire technology sector and the overall weakness in the general economy. Research's gross contribution in Transition 2002 decreased 9% to $76.9 million from $84.6 million in Transition 2001. Research's gross contribution margin was 64% in Transition 2002 and 65% in Transition 2001. The decline in gross contribution was due to lower revenues.

Our research client retention rate was 74% for Transition 2002 compared to 73% for Transition 2001. Total research contract value decreased 8% to approximately $489.0 million at December 31, 2002 from $533.7 million at December 31, 2001. The decrease in contract value reflects a decline in demand throughout the entire technology sector as well as overall weakness in the general economy.

Consulting

Consulting revenues of $58.1 million in Transition 2002 were up 4% from $55.7 million in Transition 2001. The increase in revenues reflects higher consultant utilization and billing rates in Transition 2002. Consulting's gross contribution increased by 35% to $18.9 million in Transition 2002 from $14.0 million in Transition 2001. Consulting's gross contribution margin of 33% in Transition 2002 increased from 25% in Transition 2001 primarily due to reduced expenses and headcount, higher utilization rates and higher billing rates. We have reduced headcount and eliminated expenses in practice areas and markets where we do not have sufficient scale and volume.

Consulting backlog decreased 8% to approximately $111.3 million at December 31, 2002 from $120.5 million at December 31, 2001. The decrease in backlog primarily reflects the overall weakness in the general economy.

Events

Events revenues of $47.2 million in Transition 2002 were down 21% from $59.5 million in Transition 2001. The decline was primarily due to: (1) fewer events due to the strategic elimination of less profitable and unproven events, (2) the overall weakness in the general economy, (3) lower travel budgets, and 4) reduced vendor spending at the Fall Symposium held in Orlando, Florida. Events' gross contribution decreased by 25% to $27.6 million in Transition 2002 from $36.9 million in Transition 2001 with gross contribution margin of 58% in Transition 2002 compared to 62% in Transition 2001. The decrease in gross contribution and margin was due to reduced vendor spending at the Fall Symposium.

Deferred events revenue decreased 20% to approximately $27.4 million at December 31, 2002 from $34.3 million at December 31, 2001. The decrease in deferred Events revenue was due primarily to seasonality in our Events calendar, fewer events as described above, and a

11

change in vendor billing terms.

SUBSEQUENT EVENTS

On February 6, 2003, we announced that we expect to incur an estimated charge of about $5 million in the quarter ending March 31, 2003, for reductions in our workforce. This anticipated charge relates to restructuring which could not be completed and taken during Transition 2002.

On February 13, 2003, our shareholders approved the 2003 Long-term Incentive Plan under which 9,928,000 shares of Class A Common Stock are reserved and available for distribution to the employees and members of the Board of Directors. This new plan will replace and consolidate our existing stock option plans. As of February 13, 2003, no new grants or awards may be made under our 1993 Director Stock Option Plan, 1994 Long Term Option Plan, 1996 Long Term Stock Option Plan, 1998 Long Term Stock Option Plan, and 1999 Stock Option Plan. Any outstanding grants and awards under these plans will remain outstanding until exercised, cancelled or they expire subject to the terms and conditions of such plans.

FISCAL YEAR ENDED SEPTEMBER 30, 2002 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 2001

Total revenues decreased 6% to $907.2 million in fiscal 2002 compared to $962.9 million in fiscal 2001. The fiscal 2001 revenues and cost of services for the consulting segment have been reclassified to include reimbursable out-of-pocket expenses in accordance with new accounting requirements adopted in 2002 (see Note 1 - Summary of Significant Accounting Policies: Recently Issued Accounting Standards in the Notes to Consolidated Financial Statements).

- RESEARCH revenue decreased 7% in fiscal 2002 to $496.4 million, compared to $535.1 million in fiscal 2001, and comprised approximately 55% and 56% of total revenues in fiscal 2002 and 2001, respectively.

- CONSULTING revenue decreased 1% to $273.7 million in fiscal 2002, compared to $276.3 million in fiscal 2001, and comprised approximately 30% and 29% of total revenues in fiscal 2002 and 2001, respectively.

- EVENTS revenue was $122.0 million in fiscal 2002, a decrease of 8% from the $132.7 million in fiscal 2001, and comprised approximately 13% of total revenues in fiscal 2002 versus 14% in fiscal 2001.

- OTHER revenues, consisting principally of software licensing and maintenance fees, decreased 20% to $15.1 million in fiscal 2002 from $18.8 million in fiscal 2001.

Revenue declined in our three defined geographic market areas: United States and Canada, Europe, and Other International. Revenues from sales to United States and Canadian clients decreased 7% to $595.3 million in fiscal 2002 from $641.9 million in fiscal 2001. Revenues from sales to European clients decreased 3% to $242.1 million in fiscal 2002 from $250.0 million in fiscal 2001. Revenues from sales to Other International clients decreased 2% to $69.7 million in fiscal 2002 from $71.1 million in fiscal 2001.

Cost of services and product development expenses were $403.7 million and $450.5 million for fiscal 2002 and fiscal 2001, respectively. The cost of services and product development expenses decreased as a percentage of total revenues to 45% from 47%. The decrease is attributable to reduced personnel costs associated with headcount reductions, more effective cost management of events and other cost savings, including reduced travel.

Selling, general and administrative expenses decreased to $345.4 million in fiscal 2002 from $370.1 million in fiscal 2001. The decrease was due to reduced payroll associated with lower headcount, reduced travel, telephone and other infrastructure costs across the entire company.

Depreciation expense increased to $42.5 million in fiscal 2002 from $40.9 million in fiscal 2001, primarily due to the depreciation of significant capital expenditures in the previous year for internal use software development required to support the business and also due to the amortization of costs associated with the launch of gartner.com in January 2001.

Amortization of intangibles of $1.9 million in fiscal 2002 was down from $12.4 million in fiscal 2001. The primary reason for the decrease was the early adoption of SFAS No. 142. For the year ended September 30, 2001, goodwill amortization was $9.5 million and, on an after-tax basis, was $8.4 million. As a result of adoption, diluted earnings per share for the year ended September 30, 2002 improved by $0.09.

During fiscal 2002, we recorded other charges of $17.2 million. Of these charges, $10.0 million relates to costs and losses associated with our elimination of excess facilities, principally leased facilities and ongoing lease costs and losses associated with sub-lease arrangements. In addition, approximately $5.8 million of these charges are associated with a workforce reduction announced in January 2002 and are for employee termination severance payments and related benefits. This workforce reduction resulted in the elimination of approximately 100 positions, or approximately 2% of our workforce at the time, and the payment of $5.3 million of termination benefits during the fiscal year ended September 30, 2002. The remaining $1.4 million relates to the impairment of certain database-related assets. Other charges

totaled $46.6 million for the fiscal year ended September 30, 2001. Of these charges, $24.8 million was associated with our workforce reduction announced in April 2001. This workforce reduction resulted in the elimination of 383 positions, or approximately 8% of our workforce at the time, and the payment of $6.4 million and $18.2 million of termination benefits during the fiscal years ended September 30, 2002 and 2001, respectively. The $24.8 million charge is comprised of employee termination severance payments and related benefits. Approximately $14.3 million of the other charges are associated with the write-down of goodwill and other long-lived assets to net realizable value as a result of our decision to discontinue certain unprofitable products, and $7.5 million of the charge is associated primarily with the write-off of internally developed systems retired in connection with the launch of gartner.com and seat-based pricing. At September 30, 2002, $4.7 million remains to be paid, relating to the other charges recorded in both 2001 and 2002. The payments are expected to be made primarily over the next two to three years. We are funding all of these costs out of operating cash flows.

Operating income increased to $96.4 million in fiscal 2002 compared to $42.5 million in fiscal 2001. In fiscal 2002, our United States and Canadian business and our European business experienced an increase in operating income of 119% and 113%, respectively. Our Other International business experienced an operating loss for the year, which was slightly lower than a year ago. On a consolidated basis, operating income as a percentage of total revenues was 11% and 4%, respectively, for fiscal 2002 and 2001. Operating income was impacted, in part, by other charges of $17.2 million and $46.6 million in fiscal 2002 and 2001, respectively, and additional costs associated with the re-architecture of our Internet capabilities and our research methodology and delivery processes in fiscal 2001. Excluding the other charges, operating income for fiscal 2002 and 2001 was 13% and 9%, respectively, of total revenues. We decreased our staff by approximately 8% in the second half of fiscal 2001 and 2% in mid-fiscal 2002 and, in the fourth quarter of 2001, decreased the expense-to-revenue ratio associated with our cost of services and selling, general and administrative expenses through various cost-reduction initiatives. The improvement in operating income was also impacted by lower amortization of intangibles due to the adoption of SFAS No. 142. Amortization of goodwill was $9.5 million in fiscal 2001.

Net gain (loss) from the sale of investments for the year ended September 30, 2002 reflected the sale of 748,118 shares of CNET Networks, Inc. ("CNET") for $6.0 million, resulting in a pre-tax gain of $0.8 million. We acquired this investment as partial consideration for our sale of TechRepublic to CNET in July 2001. Net loss on the sale of investments in fiscal 2001 of $0.6 million includes the sale of our remaining 1,922,795 shares of Jupiter Media Metrix ("Jupiter") for net cash proceeds of $7.5 million for a pre-tax loss of $5.6 million, offset in part by the sale of shares received from our venture capital funds, SI I, SI II and other securities for net cash proceeds of $6.9 million for a pre-tax gain of $5.0 million.

Net loss from minority-owned investments in fiscal 2002 and 2001 of $2.4 million and $26.8 million, respectively, were primarily the result of impairment losses related to investments owned by us through SI I, SI II and other directly owned investments for other than temporary declines in value. These investments are comprised of early to mid-stage IT-based or Internet-enabled companies. We made an assessment of the carrying value of our investments and determined that certain investments were in excess of their fair value due to the significance and duration of the decline in valuation of comparable companies operating in the internet and technology sectors (see Note 5 - Investments in the Notes to Consolidated Financial Statements). The impairment factors evaluated by management may change in subsequent periods, given that the entities underlying these investments operate in a volatile business environment. In addition, these entities may require additional financing to meet their cash and operational needs; however, there can be no assurance that such funds will be available to the extent needed, at terms acceptable to the entities, if at all. This could result in additional material non-cash impairment charges in the future. We are continuing efforts to sell all of our investments owned through SI I and SI II.

Interest expense increased to $22.9 million in fiscal 2002 from $22.4 million in fiscal 2001. The increase relates primarily to increased interest expense on the 6% convertible long-term debt compared to fiscal 2001. Interest income of $1.8 million in fiscal 2002 was up from $1.6 million in fiscal 2001 due to a higher average balance of funds available for investment, offset in part by lower interest earnings rates. Other expense, net decreased to $0.2 million in fiscal 2002 from $3.7 million in fiscal 2001. The decrease relates primarily to lower foreign currency exchange losses of $2.7 and a $0.5 million gain from the sale of a business in the second quarter of fiscal 2002.

Provision for income taxes on continuing operations was $25.0 million in fiscal 2002 compared to a benefit of $9.2 million in fiscal 2001. The effective tax rate was 34% for the year ended September 30, 2002. The effective tax rate in 2001, less the impact of a one-time tax benefit of $14.5 million due to the utilization of foreign tax credits in the second half of 2001 and other charges and losses on investments and related tax impact, was 37%. The reduction in the effective tax rate in fiscal 2002 reflects on-going tax planning and the elimination of non-deductible amortization of goodwill pursuant to the adoption of SFAS No. 142. A more detailed analysis of the changes in the provision (benefit) for income taxes is provided in Note 14 - Income Taxes of the Notes to Consolidated Financial Statements.

Basic income (loss) per share from continuing operations was $0.58 per share in fiscal 2002 compared to $0.00 per share in fiscal 2001. Diluted income (loss) per share from continuing operations of $0.47 per share in fiscal 2002 compared to $0.00 per share in fiscal 2001. The elimination of goodwill amortization in accordance with SFAS No. 142 improved basic and diluted income per share from continuing operations by $0.10 and $0.09, respectively, for fiscal 2002 as compared to fiscal 2001.

SEGMENT ANALYSIS

We evaluate reportable segment performance and allocate resources based on gross contribution margin. Gross contribution is defined as operating income excluding certain selling, general and administrative expenses, depreciation, amortization of intangibles and other charges.

Research

Research revenues of $496.4 million in fiscal 2002 were down 7% from $535.1 million in 2001. The decline in revenues was due to lower demand throughout the entire technology sector and the overall weakness in the general economy. Research's gross contribution in fiscal 2002 decreased 7% to $326.3 million from $352.6 million in fiscal 2001. Research's gross contribution margin was 66% in fiscal 2002 and 2001. Although revenues declined, gross contribution margin remained flat, in part due to reductions in expenses. The decline in gross contribution was due to lower revenues. Our strategy is to expand our research business with larger clients.

Our research client retention rate was 75% for fiscal 2002 compared to 74% for fiscal 2001. Total research contract value decreased 11% to approximately $496.0 million at September 30, 2002 from $556.0 million at September 30, 2001. The decrease in contract value reflects a decline in demand throughout the entire technology sector as well as overall weakness in the general economy.

Consulting

Consulting revenues of $273.7 million in fiscal 2002 were down 1% from $276.3 million in 2001. Revenues for fiscal 2002 reflect a strategic reduction in certain client segments and geographies based on market share, competitive advantage, client size and other factors. The reduction in revenue was partially offset by increases in average project size and length. Consulting's gross contribution increased by 13% to $97.9 million in fiscal 2002 from $86.9 million in fiscal 2001. Consulting's gross contribution margin of 36% in fiscal 2002 increased from 31% in fiscal 2001 primarily due to reduced expenses, higher utilization rates and higher billing rates. We continue to focus on larger engagements and on a limited set of practices and markets in which we can achieve significant penetration. We have reduced headcount and eliminated expenses in practice areas and markets where we do not have sufficient scale and volume.

Consulting backlog decreased 10% to approximately $107.6 million at September 30, 2002 from $119.0 million at September 30, 2001. The decrease in backlog primarily reflects the overall weakness in the general economy.

Events

Events revenues of $122.0 million in fiscal 2002 were down 8% from $132.7 million in 2001. The decline was primarily due to (1) fewer events due to the strategic elimination of less profitable and unproven events with the expectation of obtaining greater attendee and exhibitor participation at higher-profit events, (2) the overall weakness in the general economy and (3) lower travel budgets. Events' gross contribution increased by 3% to $65.4 million in fiscal 2002 from $63.6 million in fiscal 2001 with gross contribution margin of 54% in 2002 compared to 48% in fiscal 2001. The increase in gross contribution and margin was due to better cost management and the elimination of less profitable events.

Deferred events revenue decreased 24% to approximately $53.6 million at September 30, 2002 from $70.5 million at September 30, 2001. The decrease in deferred events revenue was due primarily to less favorable economic conditions and to fewer events as described above and changes in billing terms.

FISCAL YEAR ENDED SEPTEMBER 30, 2001 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 2000

Total revenues increased 12% to $962.9 million in fiscal 2001 compared to $862.5 million in fiscal 2000.

- RESEARCH revenue increased 5% in fiscal 2001 to $535.1 million, compared to $509.8 million in fiscal 2000, and comprised approximately 56% and 59% of total revenues in fiscal 2001 and 2000, respectively.

- CONSULTING revenue increased 28% to $276.3 million in fiscal 2001, compared to $216.7 million in fiscal 2000, and comprised approximately 29% and 25% of total revenues in fiscal 2001 and 2000, respectively.

- EVENTS revenue was $132.7 million in fiscal 2001, an increase of 22% over the $108.6 million in fiscal 2000, and comprised approximately 14% of total revenues in fiscal 2001 versus 13% in fiscal 2000.

- OTHER revenues, consisting principally of software licensing and maintenance fees, decreased 31% to $18.8 million in fiscal 2001 from $27.4 million in fiscal 2000.

Revenue grew in our three defined geographic market areas: United States and Canada, Europe, and Other International. Revenues from sales to United States and Canadian clients increased 13% to $641.9 million in fiscal 2001 from $569.5 million in fiscal 2000. Revenues from sales to European clients increased 8% to $250 million in fiscal 2001 from $231.6 million in fiscal 2000. Revenues from sales to Other International clients increased by 16% to $71.1 million in fiscal 2001 from $61.4 million in fiscal 2000.

Cost of services and product development expenses were $450.5 million and $395.6 million for fiscal 2001 and fiscal 2000, respectively. The costs of services and product development expenses increased as a percentage of total revenues to 47% from 46%. The increase is attributable to growth in personnel costs associated with the development and delivery of products and services.

Selling, general and administrative expenses increased to $370.1 million in fiscal 2001 from $341.9 million in fiscal 2000. The increase was due to recruiting and facilities costs related to the growth in personnel as well as increases in sales costs associated with revenue growth.

Depreciation expense increased to $40.9 million in fiscal 2001 from $27.8 million in fiscal 2000, primarily due to capital spending and internal use software development costs required to support business growth, including the launch of the new gartner.com web site in January 2001. Amortization of intangibles of $12.4 million in fiscal 2001 was down from $13.0 million in fiscal 2000.

During 2001, we recorded other charges of $46.6 million. Of these charges, $24.8 million are associated with the workforce reduction announced in April 2001. This workforce reduction has resulted in the elimination of 383 positions, or approximately 8% of our workforce at the time. Approximately $14.3 million of the other charges are associated with the write-down of goodwill and other long-lived assets to net realizable value as a result of the decision to discontinue certain unprofitable products, and $7.5 million of the charge is associated primarily with the write-off of internally developed systems in connection with the launch of gartner.com and seat-based pricing. At September 30, 2001, $6.6 million of the termination benefits relating to the workforce reduction remained to be paid. We are funding these costs out of operating cash flows.

Operating income decreased 49% to $42.5 million in fiscal 2001 compared to $84.1 million in fiscal 2000. In fiscal 2001, our United States and Canadian business, and European business experienced declines in operating income of 49% and 21%, respectively. Our Other International business experienced an operating loss for the year. These operating results were all impacted by the other charges recorded during fiscal 2001. On a consolidated basis, operating income as a percentage of total revenues was 4% and 10%, respectively, for fiscal 2001 and 2000. Operating income was impacted, in part, by other charges and costs associated with the re-architecture of our Internet capabilities and research methodology and delivery processes, and higher growth in lower margin consultative services. Excluding the other charges, operating income for fiscal 2001 was 9% of total revenues. We decreased our staff by approximately 8% in the second half of fiscal 2001 and, in the fourth quarter, decreased the expense to revenue ratio on selling, general and administrative expense by 2.4 percentage points as compared to the fourth quarter of the previous year. As a result of our cost reduction initiatives, operating margin improved from 8% for the first six months of the fiscal year to 11% for the second half, all excluding other charges.

Net loss on sale of investments in fiscal 2001 of $0.6 million includes the sale of the remaining 1,922,795 shares of Jupiter for net cash proceeds of $7.5 million for a pre-tax loss of $5.6 million, offset in part by the sale of shares received from our venture capital funds, SI I and SI II, for net cash proceeds of $6.0 million for a pre-tax gain of $5.0 million. Net gain on sale of investments in fiscal 2000 reflects the sale of 1,995,950 shares of Jupiter for net cash proceeds of $55.5 million for a pre-tax gain of $42.9 million. This gain was partially offset by the sale of our 8% investment in NETg, Inc., a subsidiary of Harcourt, Inc., to an affiliate of Harcourt, Inc. for $36.0 million in cash that resulted in a pre-tax loss of approximately $6.6 million. We acquired this investment as consideration for our sale of GartnerLearning in September 1998. In addition, in fiscal 2000 we settled a claim arising from the sale of GartnerLearning to NETg, Inc. The claim asserted that we had breached a contractual commitment under a joint venture to co-produce a product when the business was sold. The claim was settled for approximately $6.7 million and has been recorded as a loss on sale of investments.

Net loss from minority-owned investments in fiscal 2001 of $26.8 million was primarily the result of impairment losses related to investments owned by us through SI I, SI II and other directly owned investments for other than temporary declines in value. We made an assessment of the carrying value of our investments and determined that certain investments were in excess of their fair value due to the significance and duration of the decline in valuation of comparable companies operating in the internet and technology sectors (see Note 5 - Investments in the Notes to Consolidated Financial Statements). The impairment factors evaluated by management may change in subsequent periods, given that the entities underlying these investments operate in a volatile business environment. In addition, these entities may require additional financing to meet their cash and operational needs, however, there can be no assurance that such funds will be available to the extent needed, at terms acceptable to the entities, if at all. This could result in additional material non-cash impairment charges in the future.

Interest expense decreased to $22.4 million in fiscal 2001 from $24.9 million in fiscal 2000. The decrease related primarily to lower interest rates and lower revolving credit borrowings compared to fiscal 2000. Interest income of $1.6 million in fiscal 2001 was down from $3.9 million in fiscal 2000 due to a lower average balance of funds available for investment and due to lower interest rates. Other expense, net increased to $3.7 million in fiscal 2001 from $0.7 million in fiscal 2000. The increase relates primarily to foreign currency exchange losses.

Provision for income taxes on continuing operations was a benefit of $9.2 million in fiscal 2001 compared to a provision of $35.3 million in fiscal 2000. The effective tax rate in 2001, less the impact of a one-time tax benefit of $14.5 million due to the utilization of foreign tax credits in the second half of the year and other charges and losses on investments and related tax impact, was 37% compared to 40% for

15

fiscal 2000. The decrease in the effective tax rate from fiscal 2000 is due to on-going tax planning initiatives. A more detailed analysis of the changes in the provision (benefit) for income taxes is provided in Note 14 of the Notes to Consolidated Financial Statements.Basic income (loss) per common share from continuing operations was $(0.00) per common share in fiscal 2001 compared to $0.61 per common share in fiscal 2000. Diluted income (loss) per common share from continuing operations decreased to $(0.00) per share in fiscal 2001 compared to $0.60 per share in fiscal 2000.

On July 2, 2001, we sold our subsidiary, TechRepublic, to CNET for approximately $23.5 million in cash and common stock of CNET, before reduction for certain termination benefits. The proceeds were $14.3 million in cash and 755,058 shares of CNET common stock, which had a fair market value of $12.21 per share on July 2, 2001. From July 2, 2001 through September 30, 2001, the market value of the CNET shares declined substantially; as a result, we recorded a $3.9 million impairment charge in net loss from minority-owned investments representing an other than temporary decline in market value of the CNET common stock. The Consolidated Financial Statements have been restated to reflect the disposition of the TechRepublic segment as a discontinued operation in accordance with APB Opinion No. 30. Accordingly, revenues, costs and expenses, assets, liabilities, and cash flows of TechRepublic have been excluded from the respective captions in the Consolidated Statements of Operations, Consolidated Balance Sheets and

Consolidated Statements of Cash Flows, and have been reported through the date of disposition as "Loss from discontinued operation," "Net assets of discontinued operation," and "Net cash used by discontinued operation," for all periods presented. During 2001, we recorded a pre-tax loss of $66.4 million ($39.9 million after tax) to recognize the loss on the sale of TechRepublic. This pre-tax loss includes a write-down of $42.4 million of assets, primarily goodwill, to net realizable value, operating losses through the date of sale of $6.5 million, severance and related benefits of $8.3 million, and other sale-related costs and expenses, including costs associated with the closure of facilities, of $9.2 million.

SEGMENT ANALYSIS

Research

Research revenues grew 5% to $535.1 million in fiscal 2001, as compared to $509.8 million in the prior fiscal year. The increase was due primarily to higher client retention in North America, the continued successful migration of clients from legacy to seat-based pricing, the increased penetration of new buying centers within existing clients and continued focus on the growth of GartnerG2 and Gartner EXP. The new pricing structure provides broader access to research compared to the traditional individual research subscription. During fiscal 2001, we launched GartnerG2, a new research service designed specifically to help business executives use technology to enhance business growth and productivity. Research gross contribution in fiscal 2001 increased to $352.6 million from $341.1 million in fiscal 2000. Gross contribution margin decreased slightly to 66% in fiscal 2001 from 67% in fiscal 2000, primarily a result of the investments in gartner.com and the launch of GartnerG2. Gross contribution margin increased to 67% for the second half of fiscal 2001 from 64% for the first half, due in large part to cost reduction measures instituted during the year.

Consulting

Consulting revenues grew 28% to $276.3 million in fiscal 2001 as compared to $216.7 million in the prior fiscal year. The increase was due primarily to an increase in the number of projects, increased project size, and increases in billing rates. Consulting gross contribution increased by 15% to $86.9 million in fiscal 2001 from $75.7 million in fiscal 2000. Consulting gross contribution margin of 31% in fiscal 2001 decreased from 35% in fiscal 2000, primarily due to increases in compensation expense related to the hiring of additional personnel in the first half of fiscal 2001, coupled by an increase in non-billable services, such as training, participation in annual symposia events, and increased selling activity. Gross contribution margin increased to 39% for the second half of fiscal 2001 from 22% for the first half, due in large part to cost reduction measures instituted during the year.

Events

Events revenues grew 22% to $132.7 million in fiscal 2001 as compared to $108.6 million in the prior fiscal year. The increase was due to greater attendance at existing and new events, as well as increased sponsorship and exhibit revenues. Events' gross contribution increased by 26% to $63.6 million in fiscal 2001 from $50.6 million in fiscal 2000, with gross contribution margin of 48% in 2001 compared to 47% in fiscal 2000. The increase in gross contribution margin was due to the leveraging of existing events and an overall increase in sponsorship and exhibitor sales.

LIQUIDITY AND CAPITAL RESOURCES

Transition 2002

Cash provided by operating activities during Transition 2002 was $1.2 million, compared to $6.9 million during Transition 2001. The decrease was primarily due to additional bonus and commissions payments compared with the prior year period, termination payments associated with workforce reductions and changes in balance sheet working capital accounts.

Cash used in investing activities totaled $5.9 million for Transition 2002, compared to $5.1 million used in Transition 2001. Cash used in investing activities during Transition 2002 and 2001 included $5.9 million and $4.4 million, respectively, for additions to property, equipment and leasehold improvements. These additions in Transition 2002 were primarily the result of investments in infrastructure

systems. The additions to property, equipment and leasehold improvements in Transition 2001 were primarily the result of investments in gartner.com and other infrastructure systems. Cash used for business acquisitions was $0.0 million and $0.7 million for Transition 2002 and 2001, respectively.

Cash used in financing activities totaled $12.8 million in Transition 2002, compared to $10.8 million in Transition 2001. The cash used in financing activities in Transition 2002 resulted primarily from the purchase of treasury stock of $13.9 million (see discussion below under Stock Repurchases), offset, in part, by proceeds from the exercise of stock options and the employee stock purchase plan of ($1.0 million). The cash used in financing activities in Transition 2001 resulted primarily from the repayment of credit facility loans of ($15.0 million) and the purchase of treasury stock of $1.0 million (see discussion below under Stock Repurchases), offset, in part, by proceeds from the exercise of stock options and the employee stock purchase plan of ($5.3 million).

At December 31, 2002, cash and cash equivalents totaled $109.7 million. The effect of exchange rates increased cash and cash equivalents by $2.4 million for Transition 2002, primarily due to the weakening of the U.S. dollar against certain foreign currencies. In Transition 2001, the negative effect of exchange rates reduced cash and cash equivalents by $0.8 million.

Fiscal Year 2002

Cash provided by operating activities during fiscal 2002 was $145.6 million, compared to $73.5 million during fiscal 2001. The increase was primarily due to significantly higher income from continuing operations, lower amounts of termination payments associated with workforce reductions and changes in balance sheet working capital accounts.

Cash used in investing activities totaled $19.4 million for fiscal 2002, compared to $44.6 million used in fiscal 2001. Cash used in investing activities during fiscal 2002 and 2001 included $19.6 million and $57.5 million, respectively, for additions to property, equipment and leasehold improvements. These additions in fiscal 2002 were primarily the result of investments in infrastructure systems. These cash uses in fiscal 2002 were partially offset by proceeds from the sale of marketable securities of $6.0 million. The additions to property, equipment and leasehold improvements in fiscal 2001 were primarily the result of investments in gartner.com and other infrastructure systems. These cash uses in fiscal 2001 were partially offset by proceeds from the sale of marketable securities and discontinued operations of $14.4 million and $10.5 million, respectively. Cash used for business acquisitions was $4.5 million and $12.0 million for fiscal 2002 and 2001, respectively.

Cash used in financing activities totaled $40.1 million in fiscal 2002, compared to $18.9 million in fiscal 2001. The cash used in financing activities in fiscal 2002 resulted primarily from the purchase of treasury stock of $47.0 million (see discussion below under Stock Repurchases) and the repayment of credit facility loans ($15.0 million), offset, in part, by proceeds from the exercise of stock options and the employee stock purchase plan ($22.2 million). The cash used in financing activities in fiscal 2001 resulted primarily from the purchase of treasury stock of $37.9 million (see discussion below under Stock Repurchases), offset in part, by proceeds from credit facility borrowings ($15.0 million) and by proceeds from the exercise of stock options and the employee stock purchase plan ($9.1 million).

Total cash used by discontinued operations, sold in fiscal 2001, was $34.2 million in fiscal 2001 and $30.1 million in fiscal 2000.

At September 30, 2002, cash and cash equivalents totaled $124.8 million. The effect of exchange rates increased cash and cash equivalents by $1.7 million for the year ended September 30, 2002, and was due to the weakening of the U.S. dollar against certain foreign currencies. In fiscal 2001, the negative effect of exchange rates reduced cash and cash equivalents by $0.4 million.

OBLIGATIONS AND COMMITMENTS

We have a $200.0 million unsecured senior revolving credit facility led by JPMorgan Chase Bank. At December 31, 2002, there were no amounts outstanding under the facility. We are subject to certain customary affirmative, negative and financial covenants under this credit facility, and continued compliance with these covenants preclude us from borrowing the maximum amount of the credit facility from time to time. These covenants are primarily based on financial results and other measures such as contract value. As a result of these covenants, our borrowing availability at December 31, 2002 was $58.7 million compared with $118.9 million at September 30, 2002. The decrease in borrowing availability at December 31, 2002 is largely attributed to the net loss of ($14.4) million as a result of the $32.2 million of Other charges.

On April 17, 2000, we issued $300.0 million of 6% convertible subordinated notes to Silver Lake Partners, L.P. and certain of Silver Lake's affiliates ("SLP") in a private placement transaction. Interest accrues semi-annually by a corresponding increase in the face amount of the notes. Accordingly, $51.5 million has been added to the face amount of the notes, resulting in a balance outstanding of $351.5 million at December 31, 2002. These notes are due and payable on April 17, 2005.

On or after April 17, 2003, subject to satisfaction of certain customary conditions, we may redeem all of the convertible notes provided that (1) the average closing price of our Class A Common Stock for the twenty consecutive trading days immediately preceding the date the redemption notice is given equals or exceeds $11.175 (150% of the adjusted conversion price of $7.45 per share), and (2) the closing

17

price of our Class A Common Stock on the trading day immediately preceding the date the redemption notice is given also equals or exceeds $11.175. The redemption price is the face amount of the notes plus all accrued interest. If we initiate the redemption, SLP has the option of receiving payment in cash, Class A Common Stock (at a conversion price of $7.45 per share), or a combination of cash and stock. We are under no obligation to initiate any such redemption.

Commencing on April 18, 2003, or prior to that date should there be a change in control of the Company, SLP may convert all or a portion of the notes to stock.

If SLP initiates the conversion, we have the option of redeeming all the notes for cash at the market price of our Common Stock on the date the notice of conversion is given. Additionally, if we were to redeem all of the notes for cash in response to SLP's election to convert the notes to Class A Common Stock, we could incur a significant earnings charge at the time of the redemption equal to the difference between the market value of our Class A Common Stock at the time of redemption at the conversion price of $7.45 per share and the carrying value of the notes. At December 31, 2002, the notes were convertible into 47.3 million shares with a total market value of $434.7 million, using our December 31, 2002 Class A Common Stock market price of $9.20 per share.

On the maturity date, April 17, 2005, we must satisfy any remaining notes for cash equal to the face amount of the notes plus accrued interest; if none of the notes has been redeemed or converted by that date, such amount will be $403.2 million.

We also issue letters of credit in the ordinary course of business. As of December 31, 2002, we had letters of credit outstanding with JPMorgan Chase Bank for $1.2 million, The Bank of New York for $2.0 million, and others for $0.1 million.

We lease various facilities, furniture and computer equipment under operating lease arrangements expiring between 2003 and 2025. Future commitments under non-cancelable operating lease agreements are $30.5 million, $23.5 million, $20.5 million, $17.4 million and $16.8 million for calendar years 2003, 2004, 2005, 2006 and 2007, respectively.

The obligations remaining at December 31, 2002 relative to the Other charges recorded in Transition 2002 and during fiscal 2002 and 2001 were $27.7 million in the aggregate: $15.9 million is for the costs of facility reductions, principally lease payments, and $11.7 million is for involuntary employee termination severance and benefits. Payments for involuntary termination severance and benefits will be made primarily over the next two quarters. Payments relating to facility reductions will be made over the remaining lease terms with the majority occurring over the next two to three years.

We had a total remaining investment commitment to SI II of $5.9 million at December 31, 2002, which may be called by SI II at any time.

We believe that our current cash balances, together with cash anticipated to be provided by operating activities and borrowings available under the existing credit facility, will be sufficient for our expected short-term and foreseeable long-term cash needs in the ordinary course of business. If we were to require substantial amounts of additional capital to pursue business opportunities that may arise involving substantial investments of additional capital, or for the possible redemption of the convertible notes, there can be no assurances that such capital will be available to us or will be available on commercially reasonable terms.

Stock Repurchases

On July 19, 2001, our Board of Directors approved the repurchase of up to $75.0 million of Class A and Class B Common Stock. On July 25, 2002, the Board of Directors increased the authorized stock repurchase program to $125 million of our Class A and Class B Common Stock. We expect to make repurchases from time to time over the next two years through open market purchases, block trades or otherwise. Repurchases are subject to the availability of the stock, prevailing market conditions, the trading price of the stock, and our financial performance. Repurchases will be funded from cash flow from operations and possible borrowings under our existing credit facility. Through December 31, 2002, we repurchased 8,207,926 shares of our common stock for approximately $83.7 million out of the $125 million approved for the stock repurchase program at an average price of $10.20 per share.

Stock repurchases are summarized below:

	Total Shares	Total Cost $000	Cost Per Share
FISCAL 2000			
Recapitalization	4,500,200	$49,877	$11.08
FISCAL 2001			
Recapitalization	666,491	$ 5,416	$ 8.13
Stock Repurchase Program:			
Purchased from IMS Health, Inc. and affiliates on August 29, 2001 (1)	1,867,149	$18,447	$ 9.88
Open market purchases (1)	458,960	$ 4,325	$ 9.42
Termination of forward purchase Agreement	1,164,154	$ 9,705	$ 8.34
Total fiscal 2001	4,156,754	$37,893	$ 9.12
FISCAL 2002			
Stock Repurchase Program (1)	4,465,100	$47,047	$10.54
TRANSITION 2002			
Stock Repurchase Program (1)	1,416,717	$13,880	$ 9.80
(1) REPRESENTS CUMULATIVE REPURCHASES PURSUANT TO THE $125 MILLION STOCK REPURCHASE PROGRAM	8,207,926	$83,699	$10.20

FACTORS THAT MAY AFFECT FUTURE RESULTS

We operate in a very competitive and rapidly changing environment that involves numerous risks and uncertainties, some of which are beyond our control. In addition, our clients and we are affected by the economy. The following section discusses many, but not all, of these risks and uncertainties.

Economic Conditions. Our revenues and results of operations are influenced by economic conditions in general and more particularly by business conditions in the IT industry. A general economic downturn or recession, anywhere in the world, could negatively effect demand for our products and services and may substantially reduce existing and potential client information technology-related budgets. The current economic downturn in the United States and globally has led to constrained IT spending which has impacted our business and may materially and adversely affect our business, financial condition and results of operations, including the ability to maintain continued customer renewals and achieve contract value, backlog and deferred events revenue. To the extent our clients are in the IT industry, the severe decline in that sector has also had a significant impact on IT spending.

Acts of Terrorism or War. Acts of terrorism, acts of war and other unforeseen events, may cause damage or disruption to our properties, business, employees, suppliers, distributors and clients, which could have an adverse effect on our business, financial condition and operating results. Such events may also result in an economic slowdown in the United States or elsewhere, which could adversely affect our business, financial condition and operating results.

Competitive Environment. We face direct competition from a significant number of independent providers of information products and services. We also compete indirectly against consulting firms and other information providers, including electronic and print media companies, some of which may have greater financial, information gathering and marketing resources than we do. These indirect competitors could choose to compete directly with us in the future. In addition, limited barriers to entry exist in the markets in which we compete. As a result, additional new competitors may emerge and existing competitors may start to provide additional or complementary services. Additionally, technological advances may provide increased competition from a variety of sources. Although our market share has been increasing, increased competition may result in loss of market share, diminished value in our products and services, reduced pricing and increased marketing expenditures. We may not be successful if we cannot compete effectively on quality of research and analysis, timely delivery of information, customer service, the ability to offer products to meet changing market needs for information and analysis, or price.

Renewal of Research Business by Existing Clients. Some of our success depends on renewals of our subscription-based research products and services, which constituted 52% for Transition 2002 and 55%, 56% and 59% of our business for Fiscal 2002, 2001 and 2000, respectively. These research subscription agreements have terms that generally range from twelve to thirty months. Our ability to maintain contract renewals is subject to numerous factors, including those described in this Transition Report. Client retention rates were 74% for Transition 2002 and 75%, 74% and 74% for Fiscal 2002, 2001 and 2000, respectively. Any material decline in renewal rates could have an adverse impact on our revenues and our financial condition.

Non-Recurring Consulting Engagements. Consulting segment revenues constituted 25% for Transition 2002 and 30%, 29% and 25% of our revenues for Fiscal 2002, 2001 and 2000, respectively. Such consulting engagements typically are project-based and non-recurring. Our ability to replace consulting engagements is subject to numerous factors, including those described in this Transition Report. Any material decline in our ability to replace consulting arrangements could have an adverse impact on our revenues and our financial condition.

Hiring and Retention of Employees. Our success depends heavily upon the quality of our senior management, research analysts, consultants, sales and other key personnel. We face competition for the limited pool of these qualified professionals from, among others, technology companies, market research firms, consulting firms, financial services companies and electronic and print media companies, some of which have a greater ability to attract and compensate these professionals. Some of the personnel that we attempt to hire are subject to non-compete agreements that could impede our short-term recruitment efforts. Any failure to retain key personnel or hire and train additional qualified personnel, as required to support the evolving needs of clients or growth in our business, could adversely affect the quality of our products and services, and therefore, our future business and operating results.

Maintenance of Existing Products and Services. We operate in a rapidly evolving market, and our success depends upon our ability to deliver high quality and timely research and analysis to our clients. Any failure to continue to provide credible and reliable information that is useful to our clients could have a material adverse effect on future business and operating results. Further, if our predictions prove to be wrong or are not substantiated by appropriate research, our reputation may suffer and demand for our products and services may decline. In addition, we must continue to improve our methods for delivering our products and services in a cost-effective manner. Failure to increase and improve our electronic delivery capabilities could adversely affect our future business and operating results.

Introduction of New Products and Services. The market for our products and services is characterized by rapidly changing needs for information and analysis. To maintain our competitive position, we must continue to enhance and improve our products and services, develop or acquire new products and services in a timely manner, and appropriately position and price new products and services relative to the marketplace and our costs of producing them. Any failure to achieve successful client acceptance of new products and services could have a material adverse effect on our business, results of operations or financial position.

International Operations. A substantial portion of our revenues is derived from sales outside of North America as follows: 35% for Transition 2002, and 34%, 33% and 34% of our business for Fiscal 2002, 2001 and 2000, respectively. As a result, our operating results are subject to the risks inherent in international business activities, including general political and economic conditions in each country, changes in market demand as a result of exchange rate fluctuations and tariffs and other trade barriers, challenges in staffing and managing foreign operations, changes in regulatory requirements, compliance with numerous foreign laws and regulations, different or overlapping tax structures, higher levels of United States taxation on foreign income, and the difficulty of enforcing client agreements, collecting accounts receivable and protecting intellectual property rights in international jurisdictions. We rely on local distributors or sales agents in some international locations. If any of these arrangements are terminated by our agent or us, we may not be able to replace the arrangement on beneficial terms or on a timely basis or clients of the local distributor or sales agent may not want to continue to do business with us or our new agent.

Branding. We believe that our "Gartner" brand is critical to our efforts to attract and retain clients and that the importance of brand recognition will increase as competition increases. We may expand our marketing activities to promote and strengthen the Gartner brand and may need to increase our marketing budget, hire additional marketing and public relations personnel, expend additional sums to protect the brand and otherwise increase expenditures to create and maintain client brand loyalty. If we fail to effectively promote and maintain the Gartner brand, or incur excessive expenses in doing so, our future business and operating results could be materially and adversely impacted.

Investment Activities. We maintain investments in equity securities in private and publicly traded companies through direct ownership and through wholly and partially owned venture capital funds. The companies we invest in are primarily early to mid-stage IT-based and Internet-enabled businesses. There are numerous risks related to such investments, due to their nature and the volatile public markets, including significant delay or failure of anticipated returns. In addition, these entities may require additional financing to meet their cash and operational needs; however, there can be no assurance that such funds will be available to the extent needed at terms acceptable to the entities, if at all. As a result, our financial results and financial position could be materially impacted.

Indebtedness. We have incurred significant indebtedness through our 6% convertible notes, of which $351.5 million was outstanding at December 31, 2002. Additionally, we have a $200.0 million senior revolving credit facility under which we can incur significant additional indebtedness. The affirmative, negative and financial covenants of these debt facilities could limit our future financial flexibility. As a result of these covenants, our borrowing availability at December 31, 2002 was $58.7 million. The associated debt service costs could impair future operating results. Our outstanding debt may limit the amount of cash or additional credit available to us, which could restrain our ability to expand or enhance products and services, respond to competitive pressures or pursue future business opportunities requiring substantial investments of additional capital. On the maturity date of the 6% convertible notes, April 17, 2005, we must satisfy any remaining notes for cash equal to the face amount of the notes plus accrued interest; if none of the notes have been redeemed or converted by that date, such amount will be $403.2 million. The payment of this amount could materially adversely impact our future business and operating results.

Convertible Notes. Commencing on April 18, 2003, or sooner in certain circumstances upon a change in control of the Company, the holders of our 6% convertible notes (of which $351.5 million was outstanding at December 31, 2002) may elect to convert all or a portion of the notes to shares of our Class A Common Stock. If all or a substantial portion of the notes are converted, the note holders will own a substantial number of shares of our Class A Common Stock. At December 31, 2002, the notes were convertible into 47.3 million shares of our Class A Common Stock, which would constitute 37% of our combined Class A and Class B Common Stock outstanding on that date. This is based upon the conversion price of $7.45 per share. If the holders elect to convert the notes, we may redeem them. See "Obligations and Commitments" and "Indebtedness" above. If we do not redeem the notes and all or a substantial portion of the notes are converted, the holder of the notes (SLP) will become our largest shareholder (based upon our shareholder base as of December 31, 2002). This, in turn, may (1) give SLP the ability to exercise significant control over the Company; (2) create significant dilution for other shareholders; and (3) cause volatility in our stock price. If we want to redeem the convertible notes in response to the note holders' election to convert, or on our own under certain circumstances, there can be no assurance that we will be able to obtain sufficient capital on a commercially reasonable basis, or at all, in order to fund a redemption. Even if we could obtain sufficient capital to fund a redemption, it could materially adversely impact our future business and operating results.

Organizational and Product Integration Related to Acquisitions. We have made and may continue to make acquisitions of, or significant investments in, businesses that offer complementary products and services. The risks involved in each acquisition or investment include the possibility of paying more than the value we derive from the acquisition, dilution of the interests of our current stockholders or decreased working capital, increased indebtedness, the assumption of undisclosed liabilities and unknown and unforeseen risks, the ability to integrate successfully the operations and personnel of the acquired business, the ability to retain key personnel of the acquired company, the time to train the sales force to market and sell the products of the acquired company, the potential disruption of our ongoing business and the distraction of management from our business. The realization of any of these risks could adversely affect our business.

Enforcement of Our Intellectual Property Rights. We rely on a combination of copyright, patent, trademark, trade secret, confidentiality, non-compete and other contractual provisions to protect our intellectual property rights. Despite our efforts to protect our intellectual property rights, unauthorized third parties may obtain and use technology or other information that we regard as proprietary. Our intellectual property rights may not survive a legal challenge to their validity or provide significant protection for us. The laws of certain countries do not protect our proprietary rights to the same extent as the laws of the United States. Accordingly, we may not be able to protect our intellectual property against unauthorized third-party copying or use, which could adversely affect our competitive position. Our employees are subject to non-compete agreements. When the non-competition period expires, former employees may compete against us. If a former employee chooses to compete against us prior to the expiration of the non-competition period, there is no assurance that we will be successful in our efforts to enforce the non-compete provision.

Possibility of Infringement Claims. Third parties may assert infringement claims against us. Regardless of the merits, responding to any such claim could be time consuming, result in costly litigation and require us to enter into royalty and licensing agreements which may not be offered or available on reasonable terms. If a successful claim is made against us and we fail to develop or license a substitute technology, our business, results of operations or financial position could be materially adversely affected.

Agreements with IMS Health Incorporated. In connection with our recapitalization in July 1999, we agreed to certain restrictions on business activity to reduce the risk to IMS Health and its stockholders of substantial tax liabilities associated with the spin-off by IMS Health of its equity interest in us. We also agreed to assume the risk of such tax liabilities if we were to undertake certain business activities that give rise to the liabilities. As a result, we may be limited in our ability to undertake acquisitions involving the issuance of a significant amount of stock unless we were to seek and obtain a ruling from the IRS that the transaction will not give rise to such tax liabilities. In addition, we agreed to certain limits on the purchase of our Common Stock under the terms of the recapitalization.

Potential Fluctuations in Operating Results. Our quarterly and annual operating income may fluctuate in the future as a result of many factors, including the timing of the execution of research contracts, which typically occurs in the fourth calendar quarter, the extent of completion of consulting engagements, the timing of symposia and other events, which also occur to a greater extent in the fourth calendar quarter, the amount of new business generated, the mix of domestic and international business, changes in market demand for our products and services, the timing of the development, introduction and marketing of new products and services, and competition in

the industry. An inability to generate sufficient earnings and cash flow, and achieve our forecasts, may impact our operating and other activities. The potential fluctuations in our operating income could cause period-to-period comparisons of operating results not to be meaningful and may provide an unreliable indication of future operating results.

RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2002, Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145") was issued. FASB Statement No. 4 required all gains and losses from the extinguishment of debt to be reported as extraordinary items and Statement No. 64 related to the same matter. SFAS No. 145 requires gains and losses from certain debt extinguishment to not be reported as extraordinary items when the use of debt extinguishment is part of the risk management strategy. Statement No. 44 was issued to establish transitional requirements for motor carriers relative to intangible assets. Those transitions are completed, therefore Statement No. 44 is no longer necessary. SFAS No. 145 also amends Statement No. 13 requiring sale-leaseback accounting for certain lease modifications. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The provisions relating to sale-leaseback are effective for transactions after May 15, 2002. We adopted SFAS No. 145 in Transition 2002. Accordingly, the Loss from the extinguishment of debt of $2.9 million, or $(0.02) per share in fiscal 2000 was reclassified to continuing operations.

In June 2002, Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") was issued. This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue ("EITF") 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The principal difference between SFAS 146 and EITF 94-3 relates to the timing of liability recognition. Under SFAS 146, a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under EITF 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. We accounted for the exit and disposal activities during Transition 2002, in accordance with EITF 94-3 and, accordingly, charged to our statement of operations in Transition 2002 all appropriate exit costs for plans approved by management before December 31, 2002 (see Note 6 - Other Charges in the Notes to Consolidated Financial Statements).

In December 2002, Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148") was issued. SFAS 148 amends SFAS No. 123, "Stock-Based Compensation" ("SFAS 123"), to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the effects on reported net income of an entity's method of accounting for stock-based employee compensation. The disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002 and have been incorporated into the financial statements and accompanying footnotes included in this Transition Report on Form 10-KT.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

As of December 31, 2002, we have exposure to market risk for changes in interest rates primarily from borrowings under long-term debt which consists of a $200.0 million unsecured senior revolving credit facility with JPMorgan Chase Bank and $351.5 million of 6% convertible subordinated notes (see Note 10--Debt in the Notes to Consolidated Financial Statements). At December 31, 2002, there were no amounts outstanding under the revolving credit facility and our borrowing availability was $58.7 million. Under the revolving credit facility, the interest rate on borrowings is LIBOR plus an additional 100 to 200 basis points based on our debt-to-EBITDA ratio. We believe that an increase or decrease of 10% in the effective interest rate on available borrowings from our senior revolving credit facility, if fully utilized, would not have a material effect on our future results of operations. If markets were to decline, we could be required to accrue interest on the 6% convertible debt that would exceed those based on current market rates. Each 25 basis point decrease in interest would have an associated annual opportunity cost of approximately $0.9 million based on the December 31, 2002 balance. Each 25 basis point increase or decrease in interest rates would have an approximate $0.5 million annual effect under the revolving credit facility if fully utilized.

Investment Risk

We are exposed to market risk as it relates to changes in the market value of our equity investments. We invest in equity securities of public and private companies directly and through SI I, a wholly-owned affiliate, and SI II, of which we own 34%. SI I and SI II are engaged in making venture capital investments in early to mid-stage IT-based or Internet-enabled companies (see Note 5 - Investments in the Notes to the Consolidated Financial Statements). As of December 31, 2002, we had investments in equity securities totaling $10.7 million. Unrealized losses of $25,272 have been recorded net of deferred taxes of $16,848 as a separate component of accumulated other comprehensive (loss) income in the stockholders' (deficit) equity section of the Consolidated Balance Sheets. These investments are inherently risky as the businesses are typically in early development stages and may never develop. Further, certain of these investments are in publicly traded companies whose shares are subject to significant market price volatility. Adverse changes in market conditions and

poor operating results of the underlying investments may result in us incurring additional losses or an inability to recover the original carrying value of our investments. If there were a 100% adverse change in the value of our equity portfolio as of December 31, 2002, this would result in a non-cash impairment charge of $10.7 million. We are continuing efforts to sell all of our investments owned through SI I and SI II.

Foreign Currency Exchange Risk

We face two risks related to foreign currency exchange: translation risk and transaction risk. Amounts invested in