

Gartner Reports Third Quarter 2003 Results

STAMFORD, Conn., October 30, 2003 – Gartner, Inc. (NYSE: IT and ITB), the world's leading technology research and advisory firm, today reported results for the third quarter and nine months ended September 30, 2003.

Results for the recent quarter were in line with the Company's prior guidance:

- Total revenue was \$197 million, an 11% decrease from the same period of 2002.
- Net income was \$5 million, or \$0.07 per diluted share on a GAAP and normalized basis. Net income for the year ago quarter was \$16 million, or \$0.15 per diluted share on a GAAP and normalized basis.
- Research contract value was \$470 million, compared with \$468 million in the June quarter. Client retention in Research reached 76%, a one-point increase from the same period of 2002. Wallet share, a measure of dollar retention in the Research business was 85%, compared with 80% in the same period last year.
- Consulting backlog was \$93 million, an increase of \$2 million over the second quarter.

For the first nine months of 2003:

- Total revenue was \$615 million, a decrease of 7% from the comparable 2002 period.
- Net income was \$17 million, or \$0.21 per diluted share, on a GAAP basis. For the same nine months of 2002, net income was \$30 million, or \$0.30 per diluted share on a GAAP basis.
- Normalized EPS was \$0.21 and \$0.39 per diluted share for the nine-month periods of 2003 and 2002, respectively. See "Non-GAAP Financial Measures" for a further discussion of normalized EPS.

Michael Fleisher, Gartner's chairman and chief executive officer, stated, "In the third quarter, we began to see an increase in Research contract value and Consulting backlog, as well as strength in other key business measures such as client retention and wallet share. These are positive indications that we have begun to make inroads within our target companies through our sales channel strategy."

Chris Lafond, executive vice president and chief financial officer, commented, "Our recent note conversion eliminated our debt, greatly strengthening our balance sheet. In addition our cash position has nearly doubled since December bolstering our financial flexibility."

Business Segment Highlights

Research revenue was \$116 million for the 2003 third quarter, a 6% decrease from the same period of 2002. For the first nine months of 2003, Research revenue totaled \$349 million, a decrease of 5% from the same period last year. Research contract value was \$470 million at the quarter end, an increase of \$2 million over the June quarter and the first sequential increase in contract value in two years. Client retention in Research improved one percentage point over the second quarter, to 76%. Wallet share, a measure of dollar retention in the Research business, improved two percentage points over the June quarter to 85%, and five percentage points over the same period last year.

Consulting revenue was \$63 million for the latest quarter, a decline of 21% from the comparable 2002 period. For the first nine months of 2003, Consulting revenue was \$191 million, a 12% decrease from a year ago. The Consulting backlog was \$93 million at September 30, 2003, versus \$91 million at June 30, 2003.

Events revenue was \$16 million for the third quarter of 2003, rising 6% from a year ago, on the strength of three successful new events. There were three fewer events overall in the quarter compared with the prior year. For the first nine months of 2003, Events revenue totaled \$65 million, an increase of 3% over the prior year period.

Gartner's cash position increased to \$207 million at September 30, 2003, compared with \$110 million at December 31, 2002. The Company repurchased \$9 million in common stock during the quarter and \$32 million year to date. In October 2003 the Company completely eliminated its debt as a result of the conversion into common stock of Silver Lake Partners' convertible subordinated notes. The notes were converted into approximately 49.4 million shares of Gartner Class A common stock. The conversion will have no negative effect on reported diluted earnings per share, as the shares issued already had been factored into the Company's fully diluted EPS calculations.

Management

As previously announced, Maureen O'Connell, formerly executive vice president and chief financial and administrative officer, was named to the new position of president and chief operating officer, with responsibility for all business units, and sales and marketing functions. Chris Lafond succeeded Ms. O'Connell, as executive vice president and chief financial officer. Mr. Lafond has held positions of increasing responsibility in the finance organization since joining Gartner in 1995, most recently head of worldwide financial operations. Additionally, the Company announces that

Robert Knapp, executive vice president and chief strategy officer, will be leaving the Company to pursue other opportunities, but will remain in place during a transition period.

Business Outlook

For the fourth quarter ending December 31, 2003, the Company is targeting:

- Total revenue of approximately \$230 million to \$241 million.
- Research revenue of approximately \$112 million to \$115 million.
- Consulting revenue of approximately \$63 million to \$68 million.
- Events revenue of approximately \$52 million to \$54 million.
- Other revenue of approximately \$3 million to \$4 million.
- GAAP and Normalized EPS of \$0.16 to \$0.20 per share on 129 million diluted shares. See "Non-GAAP Financial Measures" for a further discussion of normalized EPS.

For the full year ending December 31, 2003, the Company is targeting:

- Total revenue of approximately \$844 million to \$855 million.
- Research revenue of approximately \$461 million to \$464 million.
- Consulting revenue of approximately \$254 million to \$259 million.
- Events revenue of approximately \$117 million to \$119 million.
- Other revenue of approximately \$12 million to \$13 million.
- GAAP and Normalized EPS of \$0.37 to \$0.41 per share on 129 million diluted shares. See "Non-GAAP Financial Measures" for a further discussion of normalized EPS.

Conference Call Information

The Company has scheduled a conference call at 10:00 a.m. ET on Thursday, October 30, 2003, to discuss the Company's financial results. The conference call will also be available via the Internet by accessing Gartner's web site at www.gartner.com/investors. A replay of the webcast will be available following the call.

About Gartner

Gartner, Inc. is a research and advisory firm that helps more than 10,000 clients leverage technology to achieve business success. Gartner's businesses are Research, Consulting, Measurement, Events and Executive Programs. Founded in 1979, Gartner is headquartered in Stamford, Conn., and has more than 3,800 associates, including approximately 1,000 research analysts and consultants, in more than 75 locations worldwide. Revenue for calendar year 2002 totaled \$888 million. For more information, visit www.gartner.com.

Non-GAAP Financial Measures

Investors are cautioned that normalized EPS information contained in this press release is not a financial measure under generally accepted accounting principles. In addition, it should not be construed as an alternative to any other measures of performance determined in accordance with generally accepted accounting principles. This non-GAAP financial measure is provided to enhance the user's overall understanding of the Company's current financial performance and the Company's prospects for the future. We believe normalized EPS is an important measure of our recurring operations as it excludes items that may not be indicative of our core operating results and calculates earnings per share in a manner consistent with prior periods by including the effect of debt conversion. Normalized EPS is based on net income, excluding other charges, gains and losses on investments, and gains from the sale of businesses. Normalized EPS includes the effect of the convertible debt as if it had been converted as of the beginning of each period. This calculation reflects the expectation that the convertible debt will have a dilutive effect on EPS for the full year of 2003. [See "Supplemental Information" at the end of this release for a reconciliation of GAAP net income and EPS to normalized net income and EPS.]

Safe Harbor Statement

This press release contains statements regarding the Company's business outlook, the development of the Company's services, the demand for the Company's products and services. All other statements in this release other than recitation of historical facts are forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). Such forward-looking statements include risks and uncertainties; consequently, actual results may differ materially from those expressed or implied thereby. Factors that could cause actual results to differ materially include, but are not limited to: ability to expand or even retain the Company's customer base in light of the adverse current economic conditions, ability to grow or even sustain revenue from individual customers in light of the adverse impact of the current economic conditions on overall IT spending; the duration and severity of the current economic slowdown; ability to attract and retain professional staff of research analysts and consultants upon whom the Company is dependent; ability to achieve and effectively manage growth, particularly as the Company seeks to reduce its overall workforce; ability to achieve continued customer renewals and achieve new contract value, backlog and deferred revenue growth in light of competitive pressures; ability to integrate operations of possible acquisitions; ability to carry out the Company's strategic initiatives and manage associated costs; ability to manage the Company's strategic partnerships; rapid technological advances which may provide increased indirect competition to the Company from a variety of sources; substantial competition from existing competitors and potential new competitors; risks associated with intellectual property rights important to the Company's products and services; additional risks associated with international operations including foreign currency fluctuations; and other risks listed from time to time in the Company's reports filed with the Securities and Exchange Commission, including the Company's Transitional Report on Form 10-KT for the three month transitional period ended December 31, 2002. These filings can be found on

Gartner's Web site at www.gartner.com/investors and the SEC's Web site at www.sec.gov. Forward-looking statements included herein speak only as of the date hereof and the Company disclaims any obligation to revise or update such statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or circumstances.

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GARTNER, INC.

Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except per share amounts)

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2003	2002		2003	2002	
Revenues:						
Research	\$ 115,830	\$ 122,575	-6%	\$ 349,347	\$ 366,929	-5%
Consulting	62,998	79,457	-21%	191,302	217,961	-12%
Events	15,904	14,987	6%	64,705	62,525	3%
Other	2,172	3,508	-38%	9,150	10,364	-12%
Total revenues	196,904	220,527	-11%	614,504	657,779	-7%
Costs and expenses:						
Cost of services and product development	94,378	93,503	1%	300,151	287,889	4%
Selling, general and administrative	79,169	85,745	-8%	243,403	256,189	-5%
Depreciation	9,046	11,659	-22%	27,835	32,580	-15%
Amortization of intangibles	320	499	-36%	1,063	1,447	-27%
Other charges (1)	-	-		5,426	17,246	-69%
Total costs and expenses	182,913	191,406	-4%	577,878	595,351	-3%
Operating income	13,991	29,121	-52%	36,626	62,428	-41%
Gain (loss) on investments (2)	102	5	F	5,624	(2,449)	F
Interest (expense), net	(5,774)	(5,318)	9%	(16,928)	(15,931)	6%
Other (expense) income, net	(148)	(178)	F	348	258	F
Income before income taxes	8,171	23,630	-65%	25,670	44,306	-42%
Provision for income taxes	2,697	8,034	F	8,854	14,771	F
Net income	\$ 5,474	\$ 15,596	-65%	\$ 16,816	\$ 29,535	-43%
Basic income per common share	\$ 0.07	\$ 0.19	-63%	\$ 0.21	\$ 0.35	-40%
Diluted income per common share	\$ 0.07	\$ 0.15	-53%	\$ 0.21	\$ 0.30	-30%
Weighted average shares outstanding:						
Basic	78,026	82,130	-5%	79,251	83,487	-5%
Diluted	128,934	129,210	0%	128,363	131,355	-2%

SUPPLEMENTAL INFORMATION

Normalized EPS (3)	\$ 0.07	\$ 0.15	-53%	\$ 0.21	\$ 0.39	-46%
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- (1) Other charges for 2003 are for costs associated with a reduction in workforce. Other charges for 2002 include costs/losses associated with a reduction in facilities (\$10.0 million), a reduction in workforce (\$5.8 million), and the write-off of certain database related assets (\$1.4 million).
- (2) The 2003 gain from investments includes a \$5.5 million insurance recovery relating to previous losses incurred associated with the sale of a business. The 2002 loss from investments includes a \$2.5 million impairment charge on investments.
- (3) Normalized net income and EPS is based on net income, excluding other charges, gains and losses on investments, and gains from the sale of certain assets. We believe normalized EPS is an important measure of our recurring operations. See "Supplemental Information" at the end of this release for a reconciliation from GAAP net income and EPS to Normalized net income and EPS and a discussion of the reconciling items.

GARTNER, INC.
Consolidated Balance Sheets
(in thousands)

	September 30, 2003 <u>(unaudited)</u>	December 31, 2002	
ASSETS			
Cash and cash equivalents	\$ 206,937	\$ 109,657	89%
Fees receivable, net	221,347	283,068	-22%
Deferred commissions	23,267	25,016	-7%
Prepaid expenses and other current assets	24,729	30,425	-19%
TOTAL CURRENT ASSETS	<u>476,280</u>	<u>448,166</u>	6%
Property & equipment, net	61,451	71,006	-13%
Goodwill & intangible assets, net	227,777	226,114	1%
Other assets	71,850	71,018	1%
TOTAL ASSETS	<u>\$ 837,358</u>	<u>\$ 816,304</u>	3%
Liabilities and Stockholders' Deficit			
Accounts payable and accrued liabilities	\$ 134,556	\$ 140,891	-4%
Deferred revenues	301,681	305,887	-1%
TOTAL CURRENT LIABILITIES	<u>436,237</u>	<u>446,778</u>	-2%
Other liabilities	48,927	46,688	5%
Convertible debt	367,625	351,539	5%
TOTAL LIABILITIES	<u>852,789</u>	<u>845,005</u>	1%
Total Stockholders' Deficit	(15,431)	(28,701)	-46%
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	<u>\$ 837,358</u>	<u>\$ 816,304</u>	3%

GARTNER, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2003	2002
<i>Operating activities:</i>		
Net income	\$ 16,816	\$ 29,535
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	28,898	34,027
Non-cash compensation	758	2,420
Tax benefit associated with employee exercise of stock options	1,423	1,778
Deferred taxes	88	3,244
(Gain) loss from investments and sales of assets, net	(5,624)	1,956
Accretion of interest and amortization of debt issue costs	17,909	16,696
Non-cash charges associated with impairment of long-lived assets	-	1,424
Changes in assets and liabilities:		
Fees receivable, net	68,646	56,434
Deferred commissions	2,249	13,986
Prepaid expenses and other current assets	7,524	12,661
Other assets	(2,014)	6,531
Deferred revenues	(11,964)	(27,576)
Accounts payable and accrued liabilities	(8,781)	(8,443)
<i>Cash provided by operating activities</i>	115,928	144,673
<i>Investing activities:</i>		
Proceeds from insurance recovery	5,464	-
Purchases of businesses	-	(3,858)
Proceeds from sale of assets	-	239
Investments	(1,507)	(1,508)
Additions to property, equipment and leasehold improvements	(16,401)	(15,258)
<i>Cash used in investing activities</i>	(12,444)	(20,385)
<i>Financing activities:</i>		
Proceeds from stock issued for stock plans	20,956	16,880
Payments for debt issuance costs	(570)	(238)
Purchase of treasury stock	(32,380)	(46,000)
<i>Cash used in financing activities</i>	(11,994)	(29,358)
Net increase in cash and cash equivalents	91,490	94,930
Effects of exchange rates on cash and cash equivalents	5,790	2,432
Cash and cash equivalents, beginning of period	109,657	27,431
Cash and cash equivalents, end of period	\$ 206,937	\$ 124,793

SELECTED STATISTICAL DATA*(Dollars In thousands)*

	September 30, 2003	September 30, 2002
Research contract value	\$ 469,605	\$ 495,962
Consulting backlog	\$ 92,804	\$ 107,647
Research client organizations	8,698	9,166

BUSINESS SEGMENT DATA*(Dollars in thousands)*

	Revenue	Direct Expense	Gross Contribution	Contrib. Margin
<i>Three Months Ended 9/30/03</i>				
Research	\$ 115,830	\$ 42,500	\$ 73,330	63%
Consulting	62,998	41,318	21,680	34%
Events	15,904	10,741	5,163	32%
Other	2,172	797	1,375	63%
TOTAL	<u>\$ 196,904</u>	<u>\$ 95,356</u>	<u>\$ 101,548</u>	52%
<i>Three Months Ended 9/30/02</i>				
Research	\$ 122,575	\$ 43,426	\$ 79,149	65%
Consulting	79,457	45,849	33,608	42%
Events	14,987	8,479	6,508	43%
Other	3,508	862	2,646	75%
TOTAL	<u>\$ 220,527</u>	<u>\$ 98,616</u>	<u>\$ 121,911</u>	55%
<i>Nine Months Ended 9/30/03</i>				
Research	\$ 349,347	\$ 126,966	\$ 222,381	64%
Consulting	191,302	125,994	65,308	34%
Events	64,705	40,610	24,095	37%
Other	9,150	2,815	6,335	69%
TOTAL	<u>\$ 614,504</u>	<u>\$ 296,385</u>	<u>\$ 318,119</u>	52%
<i>Nine Months Ended 9/30/02</i>				
Research	\$ 366,929	\$ 125,152	\$ 241,777	66%
Consulting	217,961	134,064	83,897	38%
Events	62,525	34,046	28,479	46%
Other	10,364	3,820	6,544	63%
TOTAL	<u>\$ 657,779</u>	<u>\$ 297,082</u>	<u>\$ 360,697</u>	55%

SUPPLEMENTAL INFORMATION

EPS Reconciliation - GAAP to Normalized
(in thousands, except per share data)

	<i>Three Months Ended September 30,</i>					
	2003			2002		
	After-Tax Income	Shares	EPS	After-Tax Income	Shares	EPS
GAAP Basic EPS	\$ 5,474	78,026	\$ 0.07	\$ 15,596	82,130	\$ 0.19
Share equivalents from stock compensation shares	-	1,878	(0.00)	-	750	(0.00)
Convertible long-term debt	3,341	49,030	(0.00)	3,149	46,330	(0.04)
GAAP Diluted EPS	\$ 8,815	128,934	\$ 0.07	\$ 18,745	129,210	\$ 0.15
(Gain) loss from investments	(68)	-	(0.00)	(3)	-	(0.00)
Normalized net income & EPS	\$ 8,747	128,934	\$ 0.07	\$ 18,742	129,210	\$ 0.15

	<i>Nine Months Ended September 30,</i>					
	2003			2002		
	After-Tax Income	Shares	EPS	After-Tax Income	Shares	EPS
GAAP Basic EPS	\$ 16,816	79,251	\$ 0.21	\$ 29,535	83,487	\$ 0.35
Share equivalents from stock compensation shares	-	797	(0.00)	-	2,215	(0.01)
Convertible long-term debt	9,908	48,315	(0.00)	9,339	45,653	(0.04)
GAAP Diluted EPS	\$ 26,724	128,363	\$ 0.21	\$ 38,874	131,355	\$ 0.30
(Gain) loss from investments (1)	(3,386)	-	(0.03)	1,618	-	0.01
Other charges (2)	3,635	-	0.03	11,382	-	0.08
Gain from sale of assets (3)	-	-	-	(325)	-	(0.00)
Normalized net income and EPS	\$ 26,973	128,363	\$ 0.21	\$ 51,549	131,355	\$ 0.39

General Notes

- Normalized net income and EPS is based on net income, excluding other charges, gains and losses on investments, and gains from the sale of certain assets. We believe normalized EPS is an important measure of our recurring operations.
- The normalized effective tax rate was 33% for 2003 periods and 34% for 2002 periods.

Footnotes

- (1) The 2003 gain from investments includes a pre-tax \$5.5 million insurance recovery relating to previous losses incurred associated with the sale of a business. The 2002 loss from investments includes a pre-tax \$2.5 million impairment charge on investments.
- (2) Other charges for 2003 are for costs associated with a reduction in workforce. Other charges for 2002 include pre-tax costs/losses associated with a reduction in facilities (\$10.0 million), a reduction in workforce (\$5.8 million), and the write-off of certain database related assets (\$1.4 million).
- (3) The 2002 gain from the sale of assets was caused by the sale of certain assets associated with a product line resulting in a \$0.5 million pre-tax gain recorded in Other (expense) income, net during the first calendar quarter of 2002.