PIONEER NATURAL RESOURCES CO
Form 424B5
January 05, 2016
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-196430

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell the securities described herein, and they are not soliciting an offer to buy these securities, in any state or jurisdiction where such offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated January 5, 2016

PROSPECTUS SUPPLEMENT

(To prospectus dated May 30, 2014)

10,500,000 Shares

Pioneer Natural Resources Company

Common Stock

We are offering 10,500,000 shares of our common stock. We have granted the underwriters the option to purchase up to an additional 1,575,000 shares from us, at the price per share set forth below, for 30 days after the date of this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol PXD. On January 4, 2016, the last sales price of our common stock as reported on the New York Stock Exchange was $124.35 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-3 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Pioneer Natural Resources Company (before expenses)	$	$

The underwriters expect to deliver the shares to purchasers on or about January , 2016.

Joint Book-Running Managers

BofA Merrill Lynch **Citigroup**

Credit Suisse **J.P. Morgan**

January , 2016.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information provided in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we may authorize to be delivered to you or to which we have referred you. We have not authorized anyone to provide you with different information. This document may only be used where it is legal to sell these securities. The information in this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize to be delivered to you may only be accurate as of the respective dates thereof. Our business, financial condition and results of operations may have changed since then.

We provide information to you about this offering of our common stock in two separate documents that are bound together: (1) this prospectus supplement, which describes the specific details regarding this offering and (2) the accompanying prospectus, which provides general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both documents combined. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should carefully read this prospectus supplement and the accompanying prospectus, including the information incorporated by reference in this prospectus, before you invest. These documents contain information you should consider before making your investment decision.

Unless the context otherwise requires or we indicate otherwise, all references to we, us or our in this prospectus mean Pioneer Natural Resources Company and its consolidated subsidiaries. For the definitions of certain oil and gas terms, see Definitions of Certain Terms and Conventions Used Herein in our Annual Report on Form 10-K for the year ended December 31, 2014 (our 2014 Annual Report).

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SUMMARY

This summary highlights selected information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference. It does not contain all of the information you should consider before making an investment decision. You should read this entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of our business and this offering. Please read the section entitled Risk Factors commencing on page S-3 of this prospectus supplement and additional information contained in our 2014 Annual Report and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015, and September 30, 2015, which are incorporated by reference in this prospectus supplement, for more information about important factors you should consider before investing in our common stock in this offering.

Our Company

We are a large independent oil and gas exploration and production company operating in the United States, with continuing field operations primarily in the Permian Basin in West Texas, the Eagle Ford Shale play in South Texas, the Raton field in southeastern Colorado, and the West Panhandle field in the Texas Panhandle.

Our growth plan is primarily anchored by horizontal drilling in the Spraberry/Wolfcamp oil field located in West Texas and the liquid-rich Eagle Ford Shale field located in South Texas. Complementing these growth areas, we have oil and gas production activities and development opportunities in the Raton gas field located in southeastern Colorado, the West Panhandle gas and liquids field located in the Texas Panhandle and the Edwards gas field located in South Texas. Combined, these assets create a portfolio of resources and opportunities that are well-balanced and diversified among oil, natural gas liquids and gas, and that are also well-balanced among long-lived, dependable production and lower-risk exploration and development opportunities. We have a team of dedicated employees who represent the professional disciplines and sciences that we believe are necessary to allow us to maximize the long-term profitability and net asset value inherent in our physical assets.

Our executive offices are located at 5205 N. O Connor Blvd., Suite 200, Irving, Texas 75039, and our telephone number is (972) 444-9001. Our website is www.pxd.com. The information contained in this website is not part of this prospectus supplement or the accompanying prospectus.

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THE OFFERING

Issuer	Pioneer Natural Resources Company
Shares of our common stock offered	10,500,000 shares (12,075,000 shares if the underwriters exercise their option to purchase additional shares in full)
Shares of our common stock outstanding following this offering(1)	160,007,702 shares (161,582,702 shares if the underwriters exercise their option to purchase additional shares in full)
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ (or $ if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds for general corporate purposes, including continuing to develop our acreage position in the Spraberry/Wolfcamp play in West Texas. See Use of Proceeds.
New York Stock Exchange symbol	PXD

(1) The number of shares of our common stock to be outstanding immediately after this offering as shown above is based on 149,507,702 shares outstanding as of December 31, 2015, and excludes:

- 1,656,862 shares of our common stock potentially issuable as of December 31, 2015, pursuant to awards held by our directors, officers and employees under our stock compensation plans; and

- 2,264,663 shares of our common stock available for future issuance as of December 31, 2015, under our 2006 Long-Term Incentive Plan and our Employee Stock Purchase Plan.

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RISK FACTORS

An investment in our common stock involves risk. You should consider carefully the risks discussed below as well as those described under Risk Factors beginning on page 2 of the accompanying prospectus and in the documents we have incorporated by reference herein, including our 2014 Annual Report and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015, and September 30, 2015, together with all of the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, before making a decision whether to invest in our common stock. If any of the described risks actually were to occur, our business, financial condition or results of operations could be affected materially and adversely. In that case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to this Offering and Our Common Stock

The market price of our common stock has fluctuated substantially in the past and is likely to fluctuate in the future.

The market price of our common stock has historically varied greatly. For example, during the period beginning on January 1, 2013, and ending on January 4, 2016, our common stock has traded as high as $234.60 and as low as $105.83 per share. The market price of our common stock is likely to continue to be volatile because of numerous factors, including:

- changes in domestic and worldwide supply of and demand for oil, natural gas liquids and gas;
- quarterly fluctuations in our operating results and those of our competitors;
- changes in stock market analysts estimates of our future performance and the future performance of our competitors;
- sales of a high volume of shares of our common stock by our stockholders;
- events affecting other companies that the market deems comparable to us;
- general conditions in the industries in which we operate; and
- general economic conditions in the United States and other countries.

Volatility of our common stock may make it difficult for you to resell shares of our common stock when you want or at attractive prices.

Although our board of directors has declared semiannual dividends on our common stock in recent years, we may not pay cash dividends in the future.

Although we have paid cash dividends on our common stock in the past, our board of directors may not declare dividends in the future or may reduce the amount of dividends paid in the future. Any payment of future dividends will be at the discretion of our board of directors and will depend on our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant.

Some provisions of our charter documents and Delaware law may inhibit a takeover, which could limit the price investors might be willing to pay in the future for our common stock.

Some provisions in our certificate of incorporation and bylaws may have the effect of delaying, discouraging or preventing an acquisition of our company or a merger in which we are not the surviving company and may otherwise prevent or slow changes in our board of directors and management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits business combinations between us and one or more significant stockholders unless specified conditions are met. These provisions could discourage an acquisition of our company or other change in control transaction, whether or not it is desired or beneficial to our stockholders, and thereby negatively affect the price that investors might be willing to pay in the future for our common stock. In addition, to the extent that these provisions discourage an acquisition of our company or other change in control transaction, they could deprive stockholders of opportunities to realize takeover premiums for their shares of our common stock.

There may be future dilution of our common stock, which could adversely affect the market price of our common stock.

We are not restricted from issuing additional shares of our common stock. In the future, we may issue shares of our common stock to raise cash for future drilling activities or acquisitions. We may also acquire interests in other companies by using a combination of cash and our common stock or just our common stock. We may also issue securities convertible into, or exchangeable for, or that represent the right to receive, our common stock. Any of these events may dilute your ownership interest in our company, reduce our earnings per share and have an adverse effect on the price of our common stock. In addition, sales of a substantial amount of our common stock in the public market, or the perception that these sales may occur, could reduce the market price of our common stock.

Risks Related to Our Business

In addition to the risks set forth in this prospectus supplement, our business is subject to numerous risks and uncertainties that could materially affect our business, financial condition or future results. These risks are discussed in our annual and quarterly reports and other documents we file with the Securities and Exchange Commission (the SEC). You should carefully consider these risks before investing in our common stock. See Where You Can Find More Information.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents we incorporate by reference contain statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The forward-looking statements speak only as of the date made, and we undertake no obligation to update forward-looking statements. These forward-looking statements may be identified by the use of the words believe, expect, anticipate, will, contemplate, would and similar express contemplate future events. These statements appear in a number of places in the documents we incorporate by reference. All statements other than statements of historical fact included or incorporated in this prospectus supplement or the accompanying prospectus, including statements regarding the financial position, business strategy, production and reserve growth and other plans and objectives for our future operations, are forward-looking statements.

Although we believe that such forward-looking statements are based on reasonable assumptions, we give no assurance that our expectations will in fact occur. Important factors could cause actual results to differ materially from those in the forward-looking statements, including factors identified in our periodic reports incorporated in this prospectus supplement and the accompanying prospectus by reference. Forward-looking statements are subject to risks and uncertainties and include information concerning general economic conditions and possible or assumed future results of operations, estimates of oil and gas production and proved reserves, drilling plans, future cash flows, anticipated capital expenditures, the level of future expenditures for environmental costs, and our management s strategies, plans and objectives.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ (or $ if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for general corporate purposes, including continuing to develop our acreage position in the Spraberry/Wolfcamp play in West Texas.

While we have identified the expected uses for the net proceeds of this offering, we have not fully determined the specific amounts we plan to spend on any of the particular uses listed above or the timing of these expenditures. As a result, our management will have broad discretion to allocate the net proceeds from this offering, and investors will be relying on the judgment of our management with regard to the use of these net proceeds.

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CAPITALIZATION

The following table sets forth, as of September 30, 2015, our cash and cash equivalents and capitalization:

- on a historical basis;

- on an as-adjusted basis to reflect our issuance and sale on December 7, 2015, of $500 million aggregate principal amount of our 3.45% senior notes due 2021 and $500 million aggregate principal amount of our 4.45% senior notes due 2026 in an underwritten offering and the application of the net proceeds therefrom to increase our cash balance (the December 2015 Notes Issuance); and

- on an as-further-adjusted basis to reflect the completion of this offering and our application of the estimated net proceeds from this offering in the manner described in Use of Proceeds, assuming no exercise of the underwriters option to purchase additional shares.

The following table is unaudited and should be read in conjunction with, and is qualified in its entirety by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and our unaudited consolidated interim financial statements and the related notes thereto in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015, which is incorporated by reference into this prospectus supplement.

	September 30, 2015		
	Historical	**As Adjusted for the December 2015 Notes Issuance**	**As Further Adjusted for this Offering**
		(in millions)	
Cash and cash equivalents	$ 581	$ 1,573	$
Long-term debt:			
Credit facility of Pioneer Natural Resources Company	$	$	$
5.875% senior notes due 2016	455	455	455
6.65% senior notes due 2017	485	485	485
6.875% senior notes due 2018	450	450	450
7.50% senior notes due 2020	450	450	450
3.45% senior notes due 2021		500	500
3.95% senior notes due 2022	600	600	600
4.45% senior notes due 2026		500	500
7.20% senior notes due 2028	250	250	250
	2,690	3,690	3,690
Issuance discounts	(15)	(17)	(17)
Total long-term debt	2,675	3,673	3,673

Stockholders equity:			
Common Stock, $.01 par value (a)	2	2	
Additional paid-in capital	6,250	6,250	
Treasury stock, at cost (b)	(199)	(199)	(199)
Retained earnings	2,921	2,921	2,921
Total stockholders equity attributable to common stockholders	8,974	8,974	
Noncontrolling interest in consolidated subsidiaries	7	7	7
Total equity	8,981	8,981	
Total capitalization	$ 11,656	$ 12,654	$

(a) 500,000,000 shares authorized; 152,774,139 shares issued and 149,377,939 shares outstanding as of September 30, 2015.

(b) 3,396,200 shares as of September 30, 2015.

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PRICE RANGE FOR OUR COMMON STOCK

Our common stock trades on the New York Stock Exchange under the symbol PXD. The following table shows, for the periods indicated, the high and low sales prices for our common stock, as reported on the New York Stock Exchange.

	Sales Price	
	High	Low
2013:		
First quarter	$ 133.68	$ 107.29
Second quarter	$ 157.81	$ 109.18
Third quarter	$ 190.15	$ 146.19
Fourth quarter	$ 227.42	$ 172.60
2014:		
First quarter	$ 205.89	$ 163.90
Second quarter	$ 234.20	$ 177.53
Third quarter	$ 234.60	$ 193.03
Fourth quarter	$ 199.56	$ 127.31
2015		
First quarter	$ 167.30	$ 133.95
Second quarter	$ 181.97	$ 136.18
Third quarter	$ 140.08	$ 105.83
Fourth quarter	$ 150.00	$ 114.40
2016		
First quarter (through January 4, 2016)	$ 127.09	$ 122.04

The last sales price of our common stock on January 4, 2016 was $124.35 per share, as reported on the New York Stock Exchange.

As of December 31, 2015, there were approximately 12,120 holders of record of our common stock.

DIVIDEND POLICY

During each of 2015, 2014 and 2013, our board of directors declared semiannual dividends of $0.04 per common share. Any payment of future dividends will be at the discretion of our board of directors and will depend on our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant.

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UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC are acting as joint book-running managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each of the underwriters named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter s name.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
Credit Suisse Securities (USA) LLC	
J.P. Morgan Securities LLC	
Total	10,500,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the underwriters option to purchase additional shares described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,575,000 additional shares at the public offering price less the underwriting discount. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter s initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We and our executive officers and directors have agreed, with certain limited exceptions, that, for a period of 60 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., dispose of or hedge any shares or any securities convertible into or exchangeable for our common stock. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., in their sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice. Beginning on the 21st day from the date of the prospectus supplement, an aggregate of up to 350,000 shares may be sold by our executive officers and our directors without restriction by the lock-up provision.

The shares are listed on the New York Stock Exchange under the symbol PXD.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

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We estimate that our portion of the total expenses of this offering will be $575,000.

In connection with the offering, the underwriters may purchase and sell shares of our common stock in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters option to purchase additional shares, and stabilizing purchases.

- Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.
  - Covered short sales are sales of shares in an amount up to the number of shares represented by the underwriters option to purchase additional shares.
  - Naked short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters option to purchase additional shares.
- Covering transactions involve purchases of shares either pursuant to the underwriters option to purchase additional shares or in the open market in order to cover short positions.
  - To close a naked short position, the underwriters must purchase shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
  - To close a covered short position, the underwriters must purchase shares in the open market or must exercise the underwriters option to purchase additional shares. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the underwriters option to purchase additional shares.
- Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Other Relationships

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they

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may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. In addition, certain of the underwriters and their affiliates may be lenders, and in some cases, agents or managers for the lenders, under our credit facility. If any of the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities. Any such credit default swaps or short positions could adversely affect future trading prices of our common stock. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, no offer of ordinary shares which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ordinary shares referred to in (a) to (c) above shall result in a requirement for us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of ordinary shares is made or who receives any communication in respect of an offer of ordinary shares, or who initially acquires any ordinary shares will be deemed to have represented, warranted, acknowledged and agreed to and with each representative and us that (1) it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any ordinary shares acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the ordinary shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Representatives has been given to the offer or resale; or where ordinary shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those ordinary shares to it is not treated under the Prospectus Directive as having been made to such persons.

We, the representatives and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus supplement has been prepared on the basis that any offer of shares in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Member

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State of shares which are the subject of the offering contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for us or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the representatives have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for us or the representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression an offer of ordinary shares to the public in relation to any ordinary shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ordinary shares to be offered so as to enable an investor to decide to purchase or subscribe the ordinary shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in France

Neither this prospectus supplement nor any other offering material relating to the shares described in this prospectus supplement has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers.* The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or

- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d investisseurs*), in each case investing for their own account, all as defined in, and in accordance with

articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;

to investment services providers authorized to engage in portfolio management on behalf of third parties; or

in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l épargne*).

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The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us, or the shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The shares to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (ASIC), in relation to the offering. This prospectus supplement does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the Corporations Act), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the Exempt Investors) who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under

Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

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This prospectus supplement contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus supplement is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory autes and membership programs. Consulting consists primarily of consulting, measurement engagements, and strategic advisory services. Events consists of various symposia, conferences, and exhibitions.

The Company evaluates reportable segment performance and allocates resources based on gross contribution margin. Gross contribution is defined as operating income excluding certain Cost of services and product development and selling, general and administrative expenses, depreciation, META integration charges, amortization of intangibles, and Other charges. Certain costs included in consolidated Cost of services and product development are not allocated to segment expense, primarily web maintenance and customer relationship database costs, and certain bonus and fringe charges. The accounting policies used by the reportable segments are the same as those used by the Company.
The Company does not identify or allocate assets, including capital expenditures, by operating segment. Accordingly, assets are not reported by segment because the information is not available and is not reviewed in the evaluation of segment performance or in making decisions in the allocation of resources.
The following tables present information about the Company s reportable segments (in thousands). The Other column includes certain revenues and other expenses unallocated to reportable segments, expenses allocated to operations that do not meet the segment reporting quantitative threshold, and other charges. There are no inter-segment revenues:

	Research	Consulting	Events	Other	Consolidated
Three Months Ended September 30, 2007:					
Revenues	$ 170,218	$ 73,838	$ 26,713	$ 2,350	$ 273,119
Gross Contribution	110,796	27,819	9,494	1,808	149,917
Corporate and other expenses					(126,337)
Operating income					$ 23,580
Three Months Ended September 30, 2006:					
Revenues	$ 144,126	$ 69,502	$ 24,111	$ 3,621	$ 241,360
Gross Contribution	89,835	25,636	9,442	2,911	127,824
Corporate and other expenses					(111,861)
Operating income					$ 15,963
Nine months Ended September 30, 2007:					
Revenues	$ 492,771	$ 233,660	$ 106,645	$ 7,731	$ 840,807
Gross Contribution	312,672	90,164	46,278	5,864	454,978
Corporate and other expenses					(389,859)
Operating income					$ 65,119
Nine Months Ended September 30, 2006:					
Revenues	$ 419,539	$ 229,058	$ 97,205	$ 10,580	$ 756,382
Gross Contribution	258,235	96,502	42,460	8,586	405,783
Corporate and other expenses					(343,605)
Operating income					$ 62,178

Note 6 Goodwill and Intangible Assets

The changes in the carrying amount of goodwill, by reporting segment, for the nine months ended September 30, 2007 are as follows:

	Balance December 31, 2006	Currency Translation Adjustments	Adjustments (1)	Balance September 30, 2007
Research	$ 282,467	$ 5,693	$ (282)	$ 287,878
Consulting	87,666	798	(38)	88,426
Events	36,330	132	(10)	36,452

Other	2,082			2,082
Total goodwill	$ 408,545	$ 6,623	$ (330)	$ 414,838

(1) The Company reduced goodwill by approximately $0.3 million due to adjustment of certain lease obligations from the META acquisition (see Note 7 Other Charges and EITF 95-3 Liabilities).

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The following table presents the Company s intangible assets subject to amortization (in thousands):

September 30, 2007	Customer Relationships	Other	Total
Gross cost	$ 7,700	$ 984	$ 8,684
Accumulated amortization	(3,850)	(723)	(4,573)
Net	$ 3,850	$ 261	$ 4,111

December 31, 2006	Customer Relationships	Other	Total
Gross cost	$ 7,700	$ 1,265	$ 8,965
Accumulated amortization	(2,695)	(292)	(2,987)
Net	$ 5,005	$ 973	$ 5,978

The Other category includes noncompete agreements and trademarks. Amortization expense for intangibles was $0.5 million and $3.5 million for the three months ended September 30, 2007 and 2006, respectively. For the nine months ended September 30, 2007 and 2006, amortization expense for intangibles was $1.6 million and $10.3 million, respectively.

The estimated future amortization expense on purchased intangibles is as follows (in thousands):

2007 (remaining three months)	$ 478
2008	1,612
2009	1,603
2010	418
	$ 4,111

Note 7 Other Charges and EITF 95-3 Liabilities

Other Charges

The Company did not record any Other charges in the three months ended September 30, 2007.

For the nine months ended September 30, 2007, the Company recorded Other charges of approximately $9.1 million, which included charges of $8.7 million related to a litigation settlement and $2.7 million related to a restructuring. Offsetting these charges was a credit of $2.3 million related to an excess facility.

The $8.7 million charge relates to a settlement agreement the Company entered into with Expert Choice, Inc. and the Company s insurance carriers to settle all claims, causes of action and disputes arising out of the litigation entitled Expert Choice, Inc. v. Gartner, Inc., U.S. District Court, District of Connecticut, Civil Docket 3:03cv02234. The settlement agreement provided for full and complete mutual releases among the parties, dismissal of the litigation and resolved all disputes between the parties. The total amount of the settlement was $21.5 million, of which $9.5 million was paid by the Company, and an aggregate of $12.0 million was paid by the Company s insurers. The Company had previously accrued $1.0 million toward the settlement of this claim.

The Company also recorded a restructuring charge of $2.7 million for termination costs related to the Company s decision to exit from consulting operations in Asia, which resulted in a reduction of 31 consultants. In addition, the Company also recorded a credit of approximately $2.3 million to reduce an accrual related to an excess facility, which was returned to service. The Company had recorded the original accrual for this excess facility in 2002.

The Company did not record any Other charges in 2006.

The following table summarizes the activity related to the liability for restructuring programs recorded as Other charges in the Condensed Consolidated Statements of Operations (in thousands):

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	Workforce Reduction Costs	Excess Facilities Costs	Asset Impairments And Other	Total
Accrued liability at December 31, 2005	$ 3,591	$ 20,595	$ 587	$ 24,773
Currency translation and reclassifications	(118)	353	(104)	131
Payments	(2,638)	(4,583)	(138)	(7,359)
Accrued liability at September 30, 2006	835	16,365	345	17,545
Currency translation and reclassifications	5	(69)	(16)	(80)
Payments during the remainder of 2006	(159)	(1,266)	(329)	(1,754)
Accrued liability at December 31, 2006	681	15,030		15,711
Charges during 2007 (a)	2,682		8,681	11,363
Adjustment for excess facility		(2,280)		(2,280)
Currency translation and reclassifications	(68)	173		105
Payments	(2,862)	(4,034)	(8,681)	(15,577)
Accrued liability at September 30, 2007	$ 433	$ 8,889	$	$ 9,322

(a) The $8.7 million charge was recorded in the second quarter of 2007 and includes $8.5 million for the settlement of the Expert Choice claim and approximately $0.2 million of related legal expenses. The Company had also recorded an accrual of $1.0 million related to the Expert Choice claim in 2003 which was recorded in Selling, general and administrative expense in the

Condensed Consolidated Statements of Operations. The Company paid $9.5 million in settlement of the Expert Choice claim in August 2007

The Company expects that the remaining workforce reduction costs will be paid during 2007, while costs for excess facilities will be paid as the leases expire, through 2011. The Company intends to fund these payments from existing cash.

EITF 95-3 Liabilities

The Company has certain liabilities recorded under Emerging Issues Task Force Issue 95-3, Recognition of Liabilities in Connection with a Purchase Combination (EITF 95-3) related to the Company s purchase of META in 2005. The following table provides the activity under EITF 95-3 for the nine months ended September 30, 2007 (in thousands):

	Balance December 31, 2006	Adjustments (1)	Payments (2)	Balance September 30, 2007
Lease obligations	$3,211	$ (330)	$(2,881)	$
Costs to exit activities	255		(35)	220
Tax contingencies	503			503
	$3,969	$ (330)	$(2,916)	$ 723

(1) During the second quarter of 2007, the Company reduced a lease obligation by $0.2 million due to revised subleasing assumptions, and in the third quarter of 2007 reduced the liability by $0.1 million due to the settlement of a lease obligation. The offset of $0.3 million was a reduction of goodwill recorded on the META acquisition (see Note 6 Goodwill and Intangible Assets).

(2) Includes $1.0 million, $0.7 million, and $1.2 million paid in the first, second, and third quarters of 2007, respectively.

The Company expects the remaining exit costs to be paid in 2007. The Company is uncertain at this time regarding the timing of payment of the remaining tax contingencies.

Note 8 Debt

On January 31, 2007, the Company refinanced its existing borrowing arrangements by entering into a five-year, $180.0 million term loan and a $300.0 million revolving credit facility which may be increased, at Gartner s option, by up to an additional $100.0 million, for a total revolving credit facility of $400.0 million (the Credit Agreement). The term loan will be repaid in 18 consecutive quarterly installments commencing September 30, 2007, plus a final payment due on January 31, 2012, and may be prepaid at any time without penalty or premium at the option of Gartner. The revolving credit facility may be used for loans, and up to $15.0 million may be used for letters of credit. The revolving loans may be borrowed, repaid and reborrowed until January 31, 2012, at which time all amounts borrowed must be repaid. Borrowings under the Credit Agreement may be either prime-based or Libor-based. Interest rates under these borrowings include a base rate plus a margin between 0.00% and 0.25% on prime borrowings and between .625% and 1.25% on Libor borrowings. Generally, the Company s borrowings are Libor-based.

The Company incurred approximately $1.3 million of debt issuance costs related to the refinancing, which is being amortized to interest expense over the term of the new debt. In addition, the Company also expensed approximately $0.3 million in the first quarter of 2007 of previously capitalized debt issuance costs.

Also on January 31, 2007, and in conjunction with the refinancing, the Company drew down $190.0 million from the revolving facility and $180.0 million from the term loan facility under the new Credit Agreement and repaid $370.0 million outstanding under its prior borrowing arrangement, which was terminated. In conjunction with the refinancing, the Company also terminated its existing interest rate swap contract which resulted in a realized gain of approximately $1.2 million. In accordance with the requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), the gain was recorded in other comprehensive income and will be amortized to interest expense.

The Company repaid $3.0 million of the term loan in the third quarter of 2007. The Company had $190.0 million outstanding on the revolver and $177.0 million outstanding on the term loan on September 30, 2007. The annualized interest rate on this debt was 6.06% on September 30, 2007, which consisted of a base rate of 5.19% plus a margin of 0.87%. The Company had approximately $107.0 million of remaining borrowing capacity under the existing $300.0 million revolving credit facility as of the end of the third quarter of 2007.

In conjunction with the refinancing, the Company entered into an interest rate swap agreement that hedges the base interest rate risk on the term loan. The swap effectively converts the floating base rate on the term loan to a fixed rate. Under the swap terms, the Company pays a 5.06% fixed rate and in return receives a three-month floating LIBOR rate. The three-month LIBOR rate on the swap matches the base rate paid on the term loan since both use three-month LIBOR. The swap had an initial notional value of $180.0 million which declines as payments are made on the term loan so that the amount outstanding under the term loan and the notional amount of the swap will always be equal. The swap had a notional amount of $177.0 million at September 30, 2007, which was the same as the outstanding amount of the term loan. Including the impact of the interest rate swap, the annualized effective interest rate on the term loan was 5.06% as of September 30, 2007.

The Company accounts for the swap as a cash flow hedge in accordance with SFAS No. 133 which requires all derivatives, whether designated as hedges or not, to be recorded on the balance sheet at fair value. Since the swap qualifies as a cash flow hedge under SFAS No. 133, changes in the fair value of the swap will be recorded in other comprehensive income as long as the swap continues to effectively hedge the base interest rate risk on the term loan. Any ineffective portion of changes in the fair value of the hedge will be recorded in earnings. At September 30, 2007, there was no ineffective portion of the hedge as defined under SFAS No. 133. The interest rate swap had a negative fair value of approximately $1.9 million at September 30, 2007, which is recorded in other comprehensive income.

Note 9 Equity and Stock Programs

In February 2007, the Company s Board of Directors authorized a new program to repurchase up to $200.0 million of Gartner common stock. The program replaced the $100.0 million share repurchase program approved in October 2005. Repurchases will be made from time-to-time through open market purchases or in privately negotiated transactions. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company s financial performance and other conditions. Repurchases will be funded from cash flow from operations and possible borrowings under the Company s credit arrangement. The Company repurchased 2,903,672 shares of its common stock in the first nine months of 2007 under the new program at a cost of approximately $65.7 million.

During the first nine months of 2006, the Company repurchased 3,631,950 shares of its common stock under its prior repurchase program at a cost of approximately $53.5 million, which includes 1,000,000 shares repurchased directly from Silver Lake.

Note 10 Income Taxes

The provision for income taxes was $6.2 million for the third quarter of 2007 as compared to $2.0 million for the third quarter of 2006. The effective tax rate for the third quarter of 2007 was 33.1% as compared to 17.0% for the third quarter of 2006. The increase in the effective tax rate is primarily due to differences in the estimated mix of pre-tax income by jurisdiction and the impact of certain discrete items that occurred in the third quarter of 2006, to include the writeoff of shares of a foreign subsidiary.

In addition to the discrete items noted above, the Company also recorded a charge of $8.6 million in the second quarter of 2007 related to a settlement agreement the Company entered into with Expert Choice, Inc (See Note 7 Other Charges and EITF 95-3 Liabilities). This item did not have a material impact on the effective tax rate.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 is an interpretation of FASB Statement No. 109, Accounting for Income Taxes, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, and accounting in interim periods and requires expanded
disclosure with respect to the uncertainty in income taxes. The cumulative effect, if any, of applying FIN 48 is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption.

The Company adopted FIN 48 on January 1, 2007. As a result of the implementation the Company decreased its reserves for uncertain tax positions by approximately $1.4 million and decreased its deferred tax assets by approximately $1.4 million. Because the amounts were offsetting, there was no adjustment to the beginning balance of retained earnings on the balance sheet. As of the adoption date of January 1, 2007, the Company had gross unrecognized tax benefits of $25.1 million. Of this amount, $20.0 million would favorably affect the effective income tax rate if recognized in future periods. It is reasonably possible that $5.5 million of unrecognized tax benefits will reverse within the next 12 months.

FIN 48 also requires companies to reclassify uncertain tax positions not expected to be settled within one year to long term liabilities. Therefore, upon adoption, Accounts Payable and Accrued Liabilities decreased by approximately $19.6 million and Other Liabilities increased by approximately $19.6 million.

Upon adoption of FIN 48, we have elected an accounting policy to classify accrued interest and penalties related to unrecognized tax benefits in our income tax provision. Previously, our policy was to classify interest and penalties as an operating expense in arriving at pretax income. The Company has $0.1 million of accrued interest and penalties recorded as of January 1, 2007 related to the unrecognized tax benefits.

There have been no significant changes to the above amounts in the nine months ended September 30, 2007.

The number of years with open tax audits varies depending on the tax jurisdiction. Generally, our statutes are open for tax years ended September 30, 1999 and forward. Our major taxing jurisdictions include the U.S. (federal and state), the United Kingdom, Italy, Denmark, and Canada.

The Company received Examination Reports from the Internal Revenue Service (IRS) in October 2005 and October 2006 in connection with audits of the Company s federal income tax returns for the tax years ended September 30, 1999 through December 31, 2004. The IRS proposed adjustments relating primarily to the valuation of intangible assets licensed by Gartner to a foreign subsidiary and the calculation of payments made pursuant to a cost sharing arrangement between Gartner and
a foreign subsidiary. Gartner appealed the initial findings and has reached a settlement on the issues with the IRS Appeals Office. With respect to the audits, the Company had recorded provisions in prior periods based on estimates of the amount for which the claim would be settled. Based on the outcome of our negotiations, we released reserves and recorded a benefit of $1.5 million in 2006. The Company has considered the impact of the adoption of FIN 48 on the settlement of the IRS examination and there is no material impact on the consolidated financial statements.

Note 11 Defined Benefit Pension Plans

The Company has defined-benefit pension plans in several of its international locations. Benefits paid under these plans are based on years of service and level of employee compensation. The Company accounts for material defined benefit plans in accordance with Statement of Financial Accounting Standards No. 87, Employers Accounting for Pensions , as amended (SFAS No. 87). None of these plans have plan assets as defined under SFAS No. 87.

Net periodic pension expense was $0.6 million for both the third quarters of 2007 and 2006, and $2.0 million and $2.1 million for the first nine months of 2007 and 2006, respectively.

Note 12 Claim Settlement

For the nine months ended September 30, 2007, the Company received cash proceeds of $1.8 million related to the settlement of a claim. The $1.8 million was recorded as a gain in Other expense, net in the Condensed Consolidated Statements of Operations.

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Note 13 Contingencies

We are involved in legal proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all proceedings, claims and litigation will not have a material effect on our financial position or results of operations when resolved in a future period.

The Company has various agreements that may obligate us to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations related to such matters as title to assets sold and licensed or certain intellectual property rights. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of the Company s obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of September 30, 2007, we did not have any indemnification agreements that would require material payments.

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ITEM 2. MANAGEMENT S DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of the following Management s Discussion and Analysis (MD&A) is to help facilitate the understanding of significant factors influencing the operating results, financial condition and cash flows of Gartner, Inc. Additionally, the MD&A also conveys our expectations of the potential impact of known trends, events or uncertainties that may impact future results. You should read this discussion in conjunction with our condensed consolidated financial statements and related notes included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2006. Historical results and percentage relationships are not necessarily indicative of operating results for future periods.

References to the Company, we, our, and us are to Gartner, Inc. and its subsidiaries.

Forward-Looking Statements

In addition to historical information, this Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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, anticipa estimates, predicts, potential, continue, or other words of similar meaning. Forward-looking statements are subject 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 Performance and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2006. 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 also should review carefully any risk factors described in other reports filed by us with the Securities and Exchange Commission.

OVERVIEW

Gartner, Inc. is a leading research and advisory firm that helps executives use technology to build, guide and grow their enterprises. We offer independent and objective research and analysis on the information technology, computer hardware, software, communications and related technology industries. We provide comprehensive coverage of the IT industry to approximately 10,000 client organizations, including approximately 400 Fortune 500 companies, across 75 countries. Our client base consists primarily of CIOs and other senior IT and business executives from a wide variety of enterprises, government agencies and the investment community.

We employ a diversified business model that utilizes and leverages the breadth and depth of our research intellectual capital while enabling us to maintain and grow our market-leading position and brand franchise. The foundation for our business model is our ability to create and distribute our unique, proprietary research content as broadly as possible via:

published reports and briefings,

consulting and advisory services, and

In early 2005, we undertook an initiative to better utilize the intellectual capital associated with our core research product. Our diversified business model provides multiple entry points and synergies that facilitate increased client spending on our research, consulting and events. A critical part of our long-term 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 also seek to extend the Gartner brand name to develop new client relationships, and augment our sales capacity and expand into new markets around the world. In addition, we seek to increase our revenue and operating cash flow through more effective pricing of our products and services. These initiatives have created additional revenue streams through more effective packaging, campaigning and cross-selling of our products and services.

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

We have three business segments: Research, Consulting and Events.

Research provides insight for CIOs, IT professionals, technology companies and the investment community through reports and briefings, access to our analysts, as well as peer networking services and membership programs designed specifically for CIOs and other senior executives.

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.

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

BUSINESS SEGMENT	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. **Wallet retention rate** represents a measure of the amount of contract value we have retained with clients over a twelve-month period. Wallet retention is calculated on a percentage basis by dividing the contract value of clients, who were clients one year earlier, by the total contract value from a year earlier. When wallet retention exceeds client retention, it is an indication of retention of higher-spending clients, or increased spending by retained clients, or both. **Number of executive program members** represents the number of paid participants in executive programs.
Consulting	**Consulting backlog** represents future revenue to be derived from in-process consulting, measurement and strategic advisory services engagements. **Utilization rates** represent a measure of productivity of our consultants. Utilization rates are calculated for billable headcount on a percentage basis by dividing total hours billed by total hours available to bill. **Billing Rate** represents earned billable revenue divided by total billable hours. **Average annualized revenue per billable headcount** represents a measure of the revenue generating ability of an average billable consultant and is calculated periodically by multiplying the average billing rate per hour times the utilization percentage times the billable hours available for one year.
Events	**Number of events** represents the total number of hosted events completed during the period. **Number of attendees** represents the number of people who attend events.

EXECUTIVE SUMMARY OF OPERATIONS AND FINANCIAL POSITION

We had net income of $12.5 million in the third quarter of 2007, or $0.11 per diluted share, compared to $0.08 per diluted share for the prior year period. For the first nine months of 2007, diluted per share earnings was up $0.01, to $0.32 per diluted share from $0.31 per diluted share in the prior year. The $0.32 per diluted share for the first nine months of 2007 includes a net charge of $(0.04) we recorded in the second quarter of 2007 for certain non-operating and other items. We generated $82.5 million of operating cash flow in the first nine months of 2007, up 10% over the $74.7 for the prior year period, and we ended the quarter with $117.7 million in cash. We continue to buyback our common shares under our $200.0 million repurchase program, and we have repurchased approximately 2.9 million shares in 2007.

In our Research business we continue to focus on executing our strategy of investing in our sales capability, introduce innovative offerings, and improving client service and retention. Our sales force of 798 associates is up approximately

20% over the prior year end, and we have added 135 net sales associates this year through September 30. The Research segment continues to benefit strongly from this continued investment in our sales force, with both revenue and contract value up. Revenue was up 18% in the third quarter of 2007 over the prior year quarter, to $170.2 million. On a year-over-year basis revenue was up 17%, with growth occurring across our entire research portfolio.
Research contract value was $704.7 million at September 30, 2007, up 18% from September 30, 2006, and was up 14% excluding the impact of foreign currency. The $704.7 million of contract value represents a new record level for Gartner and is the first time we have hit the $700.0 million mark, reflecting the successful execution of our strategy to accelerate the growth of

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our research business by productively growing our sales force. Both our research client retention rate and wallet retention rate remained strong at 82% and 102%, respectively, and this is the third consecutive quarter with wallet retention over 100%.

In our Consulting business we continue to focus on improving profitability by targeting the most profitable accounts and geographies. Revenue from our Consulting segment was $73.8 million in the third quarter of 2007, compared to $69.5 million in the prior year quarter. Consulting backlog at September 30, 2007 was $108.6 million, which is up slightly from September 30, 2006. The consultant utilization rate increased 3 points, to 64% in the current quarter from 61% in the third quarter of 2006, reflecting improved engagement management and reduced headcount. While the average hourly billing rate was flat, the average annualized revenue per billable headcount was up from the prior year. Billable headcount was 469 at September 30, 2007, which is down about 9% year-over-year, primarily due to the exit from our Asian consulting operations in the second quarter of 2007.

Our Events business strategy is to continue to focus on managing the Events portfolio by retaining successful events and introducing promising new events that will yield greater profitability. Although growth in our Events business was slower than our expectations, both quarterly and year-over-year revenues were up by double-digits. Events revenue for the third quarter of 2007 was up 11%, with 22 events held in the quarter as compared to 17 in the prior year quarter. We held 61 events in the first nine months of 2007 compared to 56 in the prior year, and our year-over-year events revenue was up 10%, while attendance was up 11%.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the application of appropriate accounting policies and the use of estimates. The policies discussed below are considered by management to be critical to an understanding of Gartner s financial statements because their application requires significant management judgments and estimates. Specific risks for these critical accounting policies are described below.

Revenue recognition We recognize revenue in accordance with SEC Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, and SAB No. 104, Revenue Recognition. 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 generated from fixed fee and time and material engagements. Revenue from fixed fee contracts is recognized on a percentage of completion basis. Revenues from time and materials engagements is recognized as work is delivered and/or services are provided;

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

- Other revenues consist primarily of fees from research reprints and software licensing. Reprint fees are recognized when the reprint is shipped. Fees from software licensing are recognized when a signed non-cancelable software license exists, delivery has occurred, collection is probable, and the fees are fixed or determinable.

The majority of research contracts are billable upon signing, absent special terms granted on a limited basis from time to time. All research contracts are non-cancelable and non-refundable, except for government contracts that have a 30-day cancellation clause, but have not produced material cancellations to date. It is our policy to record the entire amount of the contract that is billable as a fee receivable at the time the contract is signed with a corresponding amount as deferred revenue, since the contract represents a legally enforceable claim. For those government contracts that permit termination, we bill the client the full amount billable under the contract but only record a receivable equal to the earned portion of the contract. In addition, we only record deferred revenue on these government contracts when cash is received. Deferred revenues attributable to government contracts were $51.9 million and $47.9 million at September 30, 2007 and December 31, 2006, respectively. In addition, at September 30, 2007 and December 31, 2006, the Company had not recognized uncollected receivables or deferred revenues, relating to government contracts

that permit termination, of $13.0 million and $9.6 million, respectively.

Uncollectible fees receivable The allowance for losses is composed of a bad debt and a sales and allowance reserve. Provisions are charged against earnings. The measurement of likely and probable losses and the allowance for uncollectible fees 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 fees receivable becomes available. Circumstances that could cause our valuation reserves to increase include changes in our clients

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liquidity and credit quality, other factors negatively impacting our clients ability to pay their obligations as they come due, and the effectiveness of our collection efforts. Trade receivables at September 30, 2007 were $314.8 million, which is net of an allowance for losses of approximately $8.1 million. Trade receivables at December 31, 2006 were $328.4 million, net of an allowance for losses of approximately $8.7 million.

Impairment of goodwill and other intangible assets The evaluation of goodwill is performed in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. This standard requires ongoing annual assessments of goodwill impairment. 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 that the fair value of any reporting unit is less than its carrying amount, we must recognize an impairment charge, for the associated goodwill of that reporting unit, to earnings in our financial statements. The amount of the impairment is based upon the implied fair value of the reporting unit compared to the carrying amount of goodwill. 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 that 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 judgments 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 expense 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 sheets. We record a valuation allowance to reduce our deferred tax assets when future realization is in question. We consider the availability of loss carryovers, existing deferred tax liabilities, 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 against income in the period such determination was made.

We operate in numerous foreign taxing jurisdictions and our level of operations and profitability in each jurisdiction could have an impact upon the amount of income taxes that we provide in any given year. In addition, our tax filings for various tax years are subject to audit by the tax authorities in jurisdictions where we conduct business. These audits may result in assessments of additional taxes. We have provided for the amounts we believe will ultimately result from these audits. However, resolution of these matters involves uncertainties and there are no assurances that the ultimate resolution will not exceed the amounts provided.

Accounting for stock-based compensation We account for awards of stock-based compensation in accordance with Statement of Financial Accounting Standards 123(R), Share-Based Payment (SFAS No. 123(R)), as interpreted by SEC Staff Accounting Bulletin No. 107 (SAB No. 107). In accordance with SFAS No. 123(R), the Company recognizes stock-based compensation expense, which is based on the fair value of the award on the date of grant, over the related service period, net of estimated forfeitures (see Note 4 Stock-Based Compensation in the Notes to the Condensed Consolidated Financial Statements).

Determining the appropriate fair value model and calculating the fair value of stock compensation awards requires the input of certain highly complex and subjective assumptions, including the expected life of the stock compensation awards and the Company s common stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the rate of employee forfeitures and for some awards,

the likelihood of achievement of certain performance targets. The assumptions used in calculating the fair value of stock compensation awards and the associated periodic expense represent management s best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company s stock-based compensation awards changes, then the amount of expense may need to be adjusted and future stock compensation expense could be materially different from what has been recorded in the current period.

Contingencies and other loss reserves and accruals We may record accruals for severance costs, lease costs associated with excess facilities, 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 against earnings. 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. Additionally, we record accruals for estimated incentive compensation costs during each year. Amounts accrued at the end of each reporting period are based on our estimates and may require adjustment as the ultimate amount paid associated with these incentives are sometimes not known until after year-end.

RESULTS OF OPERATIONS

Overall Results

Total revenues increased 13% in the third quarter of 2007, to $273.1 million compared to $241.4 million for the third quarter of 2006, and increased $84.4 million, or 11%, when comparing the first nine months of 2007 to the first nine months of 2006, to $840.8 million from $756.4 million. Excluding the favorable effects of foreign currency translation, total revenues for the third quarter and year-to-date 2007 would have increased 10% and 9%, respectively. Please refer to the section of this MD&A entitled Segment Results for a further discussion of revenues by segment.

Cost of services and product development increased $10.9 million, or 9%, to $127.2 million in the third quarter of 2007 from $116.3 million in the third quarter of 2006, and increased $36.2 million, or 10%, when comparing the first nine months of 2007 with the first nine months of 2006, to $395.1 million from $358.9 million. Excluding the unfavorable effects of foreign currency translation, Cost of services and product development would have increased 7% for both the three and nine months ended September 30, 2007.

The 9% increase in the third quarter of 2007 compared to the prior year was primarily due to the impact of foreign exchange, which added $3.3 million of expense, about $5.1 million of merit salary, bonus, and benefit increases, and $2.4 million in higher events fulfillment costs. As a percentage of sales, Cost of services and product development declined 1 point, to 47% in the third quarter of 2007 from 48% in the same period in 2006.

Cost of services and product development increased 10%, or $36.2 million, for the first nine months of 2007 compared to the prior year. The increase was primarily due to the impact of foreign currency, which added about $10.7 million of expense, $14.3 million of merit salary, bonus, and benefit increases, $6.3 million of higher event fulfillment costs driven by higher events revenue, and additional stock-based compensation under SFAS No. 123(R) of about $2.2 million. For the nine months ended September 30, 2007 and 2006, Cost of services and product development as a percentage of sales was 47% for both periods.

Selling, general and administrative expenses (SG&A) increased $15.8 million, or 16%, to $115.6 million in the third quarter of 2007 from $99.8 million in the third quarter of 2006. SG&A expenses increased $45.9 million, or 15% to $351.8 million from $306.0 million when comparing the first nine months of 2007 to the first nine months of 2006. Excluding the unfavorable effects of foreign currency translation, SG&A expense would have increased by 13% and 12% for the quarter and year-over-year periods, respectively. The increase in SG&A expenses on a quarterly and year-to-date basis resulted primarily from increased investment in our sales organization, with expenses up approximately $10.0 and $26.0 million over the prior year periods, respectively. We now have 798 quota-bearing sales associates, a 20% increase over the prior year-end, with 135 net new sales associates added in the first nine months of 2007.

In addition to higher compensation costs related to the increased investment in our sales capacity, SG&A expense was also up on a quarter and year-to-date basis due to the impact of foreign exchange, which added $3.0 million and $8.7 million of expense, respectively. We also had increased recruiting and relocation expenses related to the increased sales headcount, as well as approximately $1.0 million of additional charges for stock-based compensation under SFAS No. 123(R) for both the three and nine months ended September 30, 2007, respectively.

Depreciation expense for the third quarter of 2007 increased to $6.3 million, compared to $5.8 million for the third quarter of 2006, and was $18.0 million and $17.6 million for the first nine months of 2007 and 2006, respectively, driven by additional capital expenditures. For the nine months ended September 30, 2007 and 2006, capital

expenditures were $18.6 million and $13.2 million, respectively. The Company anticipates that capital expenditures for the full year 2007 will be approximately $25.0 million, compared to $21.1 million and $22.4 million in 2006 and 2005, respectively.

Amortization of intangibles was $0.5 million in the third quarter of 2007 compared to $3.5 million in the prior year quarter. Amortization of intangibles during the first nine months of 2007 was $1.6 million compared to $10.3 million in the prior year period. Both of the decreases were due to certain intangibles becoming fully amortized.

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Meta integration charges were zero in 2007. For the three and nine months ended September 30, 2006, these charges were zero and $1.5 million, respectively. These expenses related primarily to severance, and for consulting, accounting, and tax services.
Other charges in the three and nine months ending September 30, 2007 were zero and $9.1 million, respectively. The nine months ending September 30, 2007 includes charges of $8.7 million for the Expert Choice litigation settlement and $2.7 million of restructuring costs related to the Company s exit from consulting operations in Asia. Offsetting these charges was a credit of $2.3 million related to an excess facility which the Company returned to service.
Other charges were zero for the three and nine months ended September 30, 2006.
Interest expense, net was $5.2 million and $3.8 million for the three months ended September 30, 2007 and 2006, respectively, and $16.9 million and $12.7 million for the nine months ended September 30, 2007 and 2006, respectively.
The increase in our interest expense was primarily due to additional weighted-average debt outstanding in the three and nine months ended September 30, 2007, respectively, compared to the same periods in the prior year. The increased interest expense from additional debt was partially offset by a slight decline in rates and higher interest income. For the first nine months of 2007, we also had $0.5 million of additional interest expense related to the amortization and write-off of debt issuance costs from our debt refinancing in early 2007.
Other income (expense), net was $0.3 million and $(0.5) million for the third quarter of 2007 and 2006, respectively, and was $2.1 million and $(1.1) million for the nine months ending September 30, 2007 and 2006, respectively. The nine months ended September 30, 2007 includes a gain from the settlement of a claim for $1.8 million. The majority of the Other income (expense), net balances consist of net foreign currency exchange gains and losses.
Provision for income taxes was $6.2 million for the third quarter of 2007 as compared to $2.0 million for the third quarter of 2006. The effective tax rate for the third quarter of 2007 was 33.1% as compared to 17.0% for the third quarter of 2006. The increase in the effective tax rate is primarily due to differences in the estimated mix of pre-tax income by jurisdiction and the impact of certain discrete items that occurred in the third quarter of 2006, to include the writeoff of shares of a foreign subsidiary.
In addition to the discrete items noted above, the Company also recorded a charge of $8.6 million in the second quarter of 2007 related to a settlement agreement the Company entered into with Expert Choice, Inc. This item did not have a material impact on the effective tax rate.

SEGMENT RESULTS

We evaluate reportable segment performance and allocate resources based on gross contribution margin. Gross contribution is defined as operating income excluding certain Cost of services and product development, and Selling, general and administrative expenses, depreciation, META integration charges, amortization of intangibles and Other charges. Gross contribution margin is defined as gross contribution as a percentage of revenues.

Research

Revenue in our Research business was up 18% in the third quarter of 2007, to $170.2 million, from $144.1 million in the third quarter of 2006. For the nine months ended September 30, 2007, Research revenues increased $73.2 million or 17%, to $492.8 million compared to $419.5 million for the same period of 2006. For both the third quarter and year-to-date periods of 2007, we had growth across our entire product portfolio and in all of our geographic regions. Excluding the favorable impact of foreign currency, revenue was up about 15% over both the prior year quarter and year-to-date periods, respectively.
Research gross contribution of $110.8 million for the third quarter of 2007 increased 23%, from $89.8 million for the third quarter of 2006, while gross contribution margin for the third quarter of 2007 increased 3 points, to 65% from 62% in the prior year period. For the nine months ended September 30, 2007, gross contribution increased to $312.7 million, from $258.2 million in the comparable prior year period, a 21% increase, while the contribution margin increased 1 point, to 63% from 62%. Both the quarter and year-over-year contribution margin improved primarily due to operating leverage from our stronger revenue performance.
At September 30, 2007, contract value was $704.7 million, up 18% from $597.8 million at September 30, 2006 and 10% from the $640.3 million at December 31, 2006. The year-over-year increase was driven by increases in both core research and

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Executive Programs, and reflects the great success of our new product offerings. Adjusted for the favorable impact of foreign currency translation, contract value was up about 14% year-over-year. At September 30, 2007, our research client retention rate remained strong at 82%, and was up from 81% at September 30, 2006. Wallet retention was 102% at September 30, 2007, up from 93% at September 30, 2006. Our Executive Program membership was 3,635 at September 30, 2007, which is up about 4% compared to 3,487 members at September 30, 2006.

Consulting

Consulting revenues were $73.8 million and $69.5 million for the three months ended September 30, 2007 and 2006, respectively, an increase of $4.3 million or 6%. For the nine months ended September 30, 2007, consulting revenues were $233.7 million compared to $229.1 million for the same period in the prior year, an increase of 2%. Excluding the favorable impact of foreign currency translation, revenues were up 3% for the quarter but were down 1% year-over-year. The quarter-over-quarter improvement reflects better utilization and higher billing rates, while the year-over-year decline reflects lower SAS revenue and reduced billable headcount. Billable headcount was 469 at September 30, 2007, compared to 517 at September 30, 2006, a 9% decrease. The reduced billable headcount primarily reflects our decision to exit our consulting business in Asia.

Consulting gross contribution of $27.8 million for the third quarter of 2007 increased 9%, from $25.6 million for the third quarter of 2006, while contribution margin for the third quarter of 2007 increased to 38% from 37% in the prior year quarter. Gross contribution of $90.2 million for the first nine months of 2007 decreased 7%, from $96.5 million for the same period of 2006, while contribution margin decreased to 39% in 2007 from 42% in the prior year period. The decrease in gross contribution margin for year-to-date period was driven by lower SAS revenue performance and additional investment in senior level resources, while the quarterly improvement was due to improved utilization.

The consultant utilization rate was 64% and 61% for the three month periods ended September 30, 2007 and 2006, respectively, while the nine month rates were 68% and 65%. The billing rate remained above $350 per hour for both the third quarter of 2007 and first nine months of 2007. Our average annualized revenue per billable headcount was about $390,000 and $420,000 for the three and nine months ended September 30, 2007, approximately the same as the prior year periods. Consulting backlog, which represents future revenues to be recognized from in-process consulting, measurement and SAS, increased slightly, to $108.6 million at September 30, 2007, from $107.7 million at September 30, 2006.

Events

Events revenues for the third quarter of 2007 were up 11%, to $26.7 million from $24.1 million in the prior year quarter. We held 22 events in the third quarter of 2007 compared to 17 in the prior year period, a 29% increase. Excluding the favorable impact of foreign exchange, revenues were up about 8% over the prior year quarter, primarily driven by the introduction of new events. Attendance at events was 7,307 for the three month period ended September 30, 2007, compared to 6,578 in the comparable prior year period, an 11% increase.

For the nine months ended September 30, 2007, Events revenues increased 10%, or $9.4 million, to $106.6 million compared to $97.2 million for the same period of 2006. Adjusted for the impact of foreign exchange, revenues were up 7%. We held 61 events held in 2007 and 56 in 2006. The increased revenue was primarily due to the addition of new events in 2007 and an increase in both attendee volume and ticket prices, which was somewhat offset by continued softness in our Vision events. Attendance at events was 27,541 for the nine month period ended September 30, 2007, compared to 24,709 in the comparable prior year period, an 11% increase.

Gross contribution was $9.5 million, or 36% of revenues, for the third quarter of 2007, compared to $9.4 million, or 39% of revenues, for the third quarter of 2006. Gross contribution of $46.3 million for the first nine months of 2007 increased from $42.5 million compared to 2006, while gross contribution margin decreased by 1 point, to 43% from 44%. The quarter and year-to-date decreases in gross contribution margin were mainly due to lower margins on our new events and in our Vision events.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities totaled $82.5 million for the nine months ended September 30, 2007, compared to cash provided of $74.7 million for the nine months ended September 30, 2006, a $7.8 million increase. The increase in cash flow from operating activities was primarily due to an increase in cash from our core operations and improved management of our working capital, and to a lesser extent, lower cash payments for severance and other charges. The

cash flow from operations for

the nine months ended September 30, 2007, includes $9.5 million paid under a legal settlement that was entered into in the second quarter.

Cash used in investing activities was $18.6 million for the nine months ended September 30, 2007, compared to $13.5 million in the prior year period. The increase was due to a year-over-year increase in capital expenditures.

Cash used in financing activities totaled $21.6 million for the nine months ended September 30, 2007, compared to $41.4 million in the nine months ended September 30, 2006, a decrease of $19.8 million. The decrease was primarily due to an increase in excess tax benefits from stock compensation and less cash used for debt repayments.

Excess tax benefits from stock compensation increased approximately $9.4 million, to $15.1 million in the first nine months of 2007 compared to $5.7 million in the same period of 2006, reflecting our higher share price. On a net basis, we repaid $3.0 million of debt in the first nine months of 2007 compared to $26.7 million for the same period in 2006, a $23.7 million decrease.

We increased our use of cash to repurchase shares by $12.2 million, as we repurchased $65.7 million of our common stock in the first nine months of 2007 compared to $53.5 million in the prior year period. We received proceeds from stock issued for stock plans and our employee stock purchase plan of $32.1 million in the nine months ended September 30, 2007, compared to $33.0 million in 2006.

OBLIGATIONS AND COMMITMENTS

We have a Credit Agreement that provides for a five-year, $180.0 million term loan and a $300.0 million revolving credit facility, which may be increased, at Gartner s option, by up to an additional $100.0 million, for a total revolving credit facility of $400.0 million. The term loan will be repaid in 18 consecutive quarterly installments commencing September 30, 2007, plus a final payment due on January 31, 2012, and may be prepaid at any time without penalty or premium at the option of Gartner. The revolving credit facility may be used for loans, and up to $15.0 million may be used for letters of credit. The revolving loans may be borrowed, repaid and reborrowed until January 31, 2012, at which time all amounts borrowed must be repaid. We had a total of $367.0 million outstanding under this borrowing arrangement as of September 30, 2007.

Off-Balance Sheet Arrangements

Through September 30, 2007, we have not entered into any off-balance sheet arrangements or transactions with unconsolidated entities or other persons.

BUSINESS AND TRENDS

Our quarterly and annual revenue, operating income, and cash flow fluctuate as a result of many factors, including the timing of the execution of research contracts, the timing of Symposia and other events, as well as the extent of completion of consulting engagements, 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.

FACTORS THAT MAY AFFECT FUTURE PERFORMANCE

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, we and our clients are affected by the economy. A description of the risk factors associated with our business is included under Risk Factors contained in Item 1A. of our 2006 Annual Report on Form 10-K and is incorporated herein by reference.

RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157), which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 will be effective for Gartner beginning in 2008. The Company is in the process of evaluating the impact, if any, SFAS No. 157 will have on the Company s financial position or results of operations.

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In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities" including an amendment of FASB Statement No. 115 (SFAS No. 159). This standard permits an entity to choose to measure certain financial instruments and other items at fair value. The fair value option permits a company to choose to measure eligible items at fair value at specified election dates. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings after adoption. SFAS No. 159 will be effective for Gartner beginning in 2008. The Company is in the process of evaluating the impact, if any, SFAS No. 159 will have on the Company s financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of September 30, 2007, we have exposure to changes in interest rates resulting from $177.0 million outstanding on our term loan and $190.0 million outstanding on our revolver, both of which are floating rate. Borrowings may be either prime-based or Libor-based. Interest rates under these borrowings include a base rate plus a margin between 0.00% and 0.25% on prime borrowings and between .625% and 1.25% on Libor borrowings.

We have an interest rate swap contract which effectively converts the base floating interest rate on the term loan to a fixed rate. Accordingly, the base interest rate on the term loan is effectively capped at 5.06%. However, we are still exposed to interest rate risk on the revolver. A 25 basis point increase or decrease in interest rates would change pre-tax annual interest expense on the $300.0 million revolver by approximately $0.7 million when fully utilized.

Investment Risk

None.

Foreign Currency Exchange Risk

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

Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in the stockholders equity section of the Consolidated Balance Sheets. Our foreign subsidiaries generally collect revenues and pay expenses in currencies other than the United States dollar. Since the functional currencies of our foreign operations are generally denominated in the local currency of our subsidiaries, the foreign currency translation adjustments are reflected as a component of stockholders equity and do not impact operating results. Revenues and expenses in foreign currencies translate into higher or lower revenues and expenses in U.S. dollars as the U.S. dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may negatively affect our consolidated revenues and expenses (as expressed in U.S. dollars) from foreign operations.

We are exposed to foreign currency transaction risk since we enter into foreign currency forward exchange contracts to offset the effects of adverse fluctuations in foreign currency exchange rates. These instruments are typically short term and are reflected at fair value with unrealized and realized gains and losses recorded in earnings. At September 30, 2007, we had eight foreign currency forward contracts outstanding with a total notional amount of approximately $45.0 million and an immaterial net unrealized loss. All of these contracts expired by the end of October 2007.

ITEM 4. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures that are designed to ensure that the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported in a timely manner. Specifically, these controls and procedures ensure that the information is accumulated and communicated to our executive management team, including our chief executive officer and our chief financial officer, to allow timely decisions regarding required disclosure.

Management conducted an evaluation, as of September 30, 2007, of the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of our chief executive officer and chief financial officer. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that the Company s disclosure controls and procedures are effective in alerting them in a timely manner to material Company information required to be disclosed by us in reports filed under the Act.

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In addition, there have been no changes in the Company s internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in legal proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all 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 1A. RISK FACTORS

A description of the risk factors associated with our business is included under Risk Factors contained in Item 1A. of our 2006 Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

We have a $200.0 million common share repurchase program. The following table provides detail related to repurchases of our common stock for treasury in 2007 under this program:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Approximate Dollar Value of Shares that may yet be Purchased Under our Share Repurchase Program (in thousands)
2007			
January		$	
February	639,300	21.90	
March	417,000	21.58	
Total	1,056,300	$ 21.77	
April	450	$ 25.37	
May	250,850	26.59	
June	200	26.61	
Total	251,500	$ 26.59	
July		$	
August	1,370,000	22.64	
September	225,900	22.21	

Total	1,595,900	$ 22.58	$ 134.3

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ITEM 6. EXHIBITS

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
31.1	Certification of chief executive officer under Rule 13a 14(a)/15d-14(a) of the Exchange Act.
31.2	Certification of chief financial officer under Rule 13a 14(a)/15d-14(a) of the Exchange Act.
32	Certification under 18 U.S.C. Section 1350.

Items 3, 4, and 5 of Part II are not applicable and have been omitted.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Gartner, Inc.

Date October 30, 2007

/s/ Christopher Lafond
Christopher Lafond
Executive Vice President
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

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