WELLS FARGO & COMPANY/MN
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Wells Fargo & Company

Market Linked Securities

Market Linked Securities Leveraged Upside Participation to a Cap and Fixed Percentage Buffered Downside

Principal at Risk Securities Linked to the SPDR® S&P 500® ETF Trust due July 8, 2019

Final Term Sheet to Pricing Supplement No. 684 dated June 30, 2016

Summary of terms

Issuer	Wells Fargo & Company
Term	Approximately 3 years
Market Measure	SPDR® S&P 500® ETF Trust (the Fund)
Pricing Date	June 30, 2016

Issue Date	July 6, 2016
Original Offering Price	$1,000 per security (100% of par)
Redemption Amount at Maturity	See How the redemption amount is calculated on page 3
Stated Maturity Date	July 8, 2019
Starting Price	$209.53 (the fund closing price of the Fund on the pricing date)
Ending Price	The fund closing price of the Fund on the calculation day
Capped Value	129% of the original offering price per security ($1,290 per security)
Threshold Price	$188.577 (90% of the starting price)
Participation Rate	145%
Calculation Day	June 28, 2019
Calculation Agent	Wells Fargo Securities, LLC, an affiliate of the issuer

Denominations	$1,000 and any integral multiple of $1,000
Agent Discount	2.075%; dealers, including Wells Fargo Advisors, LLC (WFA), may receive a selling concession of up to 2.00% and WFA will receive a distribution expense fee of 0.075%
CUSIP	94986RP21

Investment description

Linked to the SPDR® S&P 500® ETF Trust

Unlike ordinary debt securities, the securities do not pay interest or repay a fixed amount of principal at maturity. Instead, the securities provide for a payment at maturity that may be greater than, equal to or less than the original offering price of the securities, depending on the performance of the Fund from its starting price to its ending price.

The payment at maturity will reflect the following terms:

o **If the value of the Fund increases:**

You will receive the original offering price plus 145% participation in the upside performance of the Fund, subject to a maximum total return at maturity of 29% of the original offering price

o **If the value of the Fund decreases but the decrease is not more than 10%:**

You will be repaid the original offering price

o **If the value of the Fund decreases by more than 10%:**

You will receive less than the original offering price and will have 1-to-1 downside exposure to the decrease in the value of the Fund in excess of 10%

Investors may lose up to 90% of the original offering price

All payments on the securities are subject to the credit risk of Wells Fargo & Company, and you will have no ability to pursue the shares of the Fund or any securities held by the Fund for payment; if Wells Fargo &

Company defaults on its obligations, you could lose some or all of your investment

No periodic interest payments or dividends

No exchange listing; designed to be held to maturity

On the date of the accompanying pricing supplement, the estimated value of the securities is $955.06 per security. The estimated value of the securities was determined for the issuer by Wells Fargo Securities, LLC using its proprietary pricing models. It is not an indication of actual profit to the issuer or to Wells Fargo Securities, LLC or any of the issuer s other affiliates, nor is it an indication of the price, if any, at which Wells Fargo Securities, LLC or any other person may be willing to buy the securities from you at any time after issuance. See Investment Description in the accompanying pricing supplement.

The securities have complex features and investing in the securities involves risks not associated with an investment in conventional debt securities. See Selected Risk Considerations in this term sheet, Selected Risk Considerations in the accompanying pricing supplement and Risk Factors in the accompanying product supplement.

This final term sheet should be read in conjunction with the accompanying pricing supplement, product supplement, market measure supplement, prospectus supplement and prospectus.

NOT A BANK DEPOSIT AND NOT INSURED OR GUARANTEED BY THE FDIC OR ANY OTHER GOVERNMENTAL AGENCY

Hypothetical payout profile

The profile to the right is based on a capped value of 129% or $1,290.00 per $1,000 security, a participation rate of 145% and a threshold price equal to 90% of the starting price.

This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual ending price, and whether you hold your securities to maturity.

Hypothetical returns

Hypothetical ending price	Hypothetical percentage change from the starting price to the hypothetical ending price	Hypothetical redemption amount payable at stated maturity per security	Hypothetical pre-tax total rate of return	Hypothetical pre-tax annualized rate of return[1]
$366.68	75.00%	$1,290.00	29.00%	8.65%
$314.30	50.00%	$1,290.00	29.00%	8.65%
$293.34	40.00%	$1,290.00	29.00%	8.65%
$272.39	30.00%	$1,290.00	29.00%	8.65%
$251.44	20.00%	$1,290.00	29.00%	8.65%
$230.48	10.00%	$1,145.00	14.50%	4.56%
$220.01	5.00%	$1,072.50	7.25%	2.34%
$209.53[2]	0.00%	$1,000.00	0.00%	0.00%
$199.05	-5.00%	$1,000.00	0.00%	0.00%
$188.577	-10.00%	$1,000.00	0.00%	0.00%
$186.48	-11.00%	$990.00	-1.00%	-0.33%
$178.10	-15.00%	$950.00	-5.00%	-1.70%
$167.62	-20.00%	$900.00	-10.00%	-3.48%
$157.15	-25.00%	$850.00	-15.00%	-5.33%
$104.77	-50.00%	$600.00	-40.00%	-16.29%
$52.38	-75.00%	$350.00	-65.00%	-32.05%
$0.00	-100.00%	$100.00	-90.00%	-63.65%

Each security has an original offering price of $1,000.

[1] The annualized rates of return are calculated on a semi-annual bond equivalent basis with compounding.

[2] The starting price.

The above figures are for purposes of illustration only and may have been rounded for ease of analysis. The actual amount you receive at stated maturity and the resulting pre-tax rates of return will depend on the actual ending price.

How the redemption amount is calculated

The redemption amount payable at maturity will be determined as follows:

If the ending price is greater than the starting price, the redemption amount will be equal to the lesser of:

(i) $1,000 *plus*

$$\$1{,}000 \times \frac{\text{ending price} \quad \text{starting price}}{\text{starting price}} \times \text{participation rate} \quad ;\text{ and}$$

(ii) the capped value

If the ending price is less than or equal to the starting price, but greater than or equal to the threshold price, the redemption amount will be equal to $1,000

If the ending price is less than the threshold price, the redemption amount will be equal to $1,000 *minus*

$$\$1{,}000 \times \frac{\text{threshold price} \quad \text{ending price}}{\text{starting price}}$$

If the ending price is less than the threshold price, you will receive less, and possibly 90% less, than the original offering price of your securities at maturity.

SPDR® S&P 500® ETF Trust daily closing prices*

*The graph above sets forth the daily closing prices of the Fund for the period from January 1, 2006 to June 30, 2016. The closing price on June 30, 2016 was $209.53. The historical performance of the Fund is not an indication of the future performance of the Fund during the term of the securities.

Selected risk considerations

The risks set forth below are discussed in detail in the Selected Risk Considerations section in the accompanying pricing supplement and the Risk Factors section in the accompanying product supplement. Please review those risk disclosures carefully.

If The Ending Price Is Less Than The Threshold Price, You Will Receive Less, And Possibly 90% Less, Than The Original Offering Price Of Your Securities At Maturity.

No Periodic Interest Will Be Paid On The Securities.
Your Return Will Be Limited By The Capped Value And May Be Lower Than The Return On A Direct Investment In The Fund.
The Securities Are Subject To The Credit Risk Of Wells Fargo.
The Estimated Value Of The Securities On The Pricing Date, Based On Wells Fargo Securities, LLC s Proprietary Pricing Models, Is Less Than The Original Offering Price.
The Estimated Value Of The Securities Is Determined By The Issuer s Affiliate s Pricing Models, Which May Differ From Those Of Other Dealers.
The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which Wells Fargo Securities, LLC Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.
The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The Securities Will Not Be Listed On Any Securities Exchange And The Issuer Does Not Expect A Trading Market For The Securities To Develop.

The Amount You Receive On The Securities Will Depend Upon The Performance Of The Fund And Therefore The Securities Are Subject To The Following Risks, As Discussed In More Detail In The Product Supplement:

Your Return On The Securities Could Be Less Than If You Owned The Shares Of The Fund.

Historical Prices Of The Fund Or The Securities Included In The Fund Should Not Be Taken As An Indication Of The Future Performance Of The Fund During The Term Of The Securities.

Changes That Affect The Fund Or The Underlying Index May Adversely Affect The Value Of The Securities And The Amount You Will Receive At Stated Maturity.

The Issuer Cannot Control Actions By Any Of The Unaffiliated Companies Whose Securities Are Included In The Fund Or The Underlying Index.

The Issuer And Its Affiliates Have No Affiliation With The Sponsor Of The Fund Or The Sponsor Of The Underlying Index And Have Not Independently Verified Their Public Disclosure Of Information.

An Investment Linked To The Shares Of The Fund Is Different From An Investment Linked To The Underlying Index.

You Will Not Have Any Shareholder Rights With Respect To The Shares Of The Fund.

Anti-dilution Adjustments Relating To The Shares Of The Fund Do Not Address Every Event That Could Affect Such Shares.

The Stated Maturity Date May Be Postponed If The Calculation Date Is Postponed.

The Issuer s Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.

The calculation agent is the Issuer s affiliate and may be required to make discretionary judgments that affect the return you receive on the securities.

The estimated value of the securities was calculated by the Issuer s affiliate and is therefore not an independent third-party valuation.

Research reports by the Issuer s affiliates or any participating dealer or its affiliates may be inconsistent with an investment in the securities and may adversely affect the price of the Fund.

Business activities of the Issuer s affiliates or any participating dealer or its affiliates with the companies whose securities are included in the Fund may adversely affect the price of the Fund.

Hedging activities by the Issuer s affiliates or any participating dealer or its affiliates may adversely affect the price of the Fund.

Trading activities by the Issuer s affiliates or any participating dealer or its affiliates may adversely affect the price of the Fund.

A participating dealer or its affiliates may realize hedging profits projected by its proprietary pricing models in addition to any selling concession and/or distribution expense fee, creating a further incentive for the participating dealer to sell the securities to you.

The U.S. Federal Tax Consequences Of An Investment In The Securities Are Unclear.

Not suitable for all investors

Investment suitability must be determined individually for each investor. The securities described herein are not a suitable investment for all investors. In particular, no investor should purchase the securities unless they understand and are able to bear the associated market, liquidity and yield risks. Unless market conditions and other relevant factors change significantly in your favor, a sale of the securities prior to maturity is likely to result in sale proceeds that are substantially less than the original offering price per security. Wells Fargo Securities, LLC and its affiliates are not obligated to purchase the securities from you at any time prior to maturity.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You

may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling your financial advisor or by calling Wells Fargo Securities at 866-346-7732.

Not a research report

This material was prepared by Wells Fargo Securities, LLC, a registered broker-dealer and separate non-bank affiliate of Wells Fargo & Company. This material is not a product of Wells Fargo & Company or Wells Fargo Securities, LLC research departments.

Consult your tax advisor

Investors should review carefully the accompanying pricing supplement, product supplement, market measure supplement, prospectus supplement and prospectus and consult their tax advisors regarding the application of the U.S. federal tax laws to their particular circumstances, as well as any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction.

SPDR® and S&P 500® are trademarks of Standard & Poor s Financial Services LLC (S&P Financial). The securities are not sponsored, endorsed, sold or promoted by the SPDR® S&P 500® ETF Trust (the SPDR Trust) or S&P Financial. Neither the SPDR Trust nor S&P Financial makes any representations or warranties to the holders of the securities or any member of the public regarding the advisability of investing in the securities. Neither the SPDR Trust nor S&P Financial will have any obligation or liability in connection with the registration, operation, marketing, trading or sale of the securities or in connection with Wells Fargo & Company s use of information about the SPDR Trust.

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y. Our intellectual property rights may not survive a legal challenge to their validity or provide significant protection for us. The laws of certain countries do not protect our proprietary rights to the same extent as the laws of the United States. Accordingly, we may not be able to protect our intellectual property against unauthorized third-party copying or use, which could adversely affect our competitive position. Our employees are subject to non-compete agreements. When the non-competition period expires, former employees may compete against us. If a former employee chooses to compete against us prior to the expiration of the non-competition period, we seek to enforce these non-compete provisions but there is no assurance that we will be successful in our efforts.

We have grown, and may continue to grow, through acquisitions and strategic investments, which could involve substantial risks.

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

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We face risks related to litigation.

We are, and may in the future be, subject to a variety of legal actions, such as employment, breach of contract, intellectual property-related, and business torts, including claims of unfair trade practices and misappropriation of trade secrets. Given the nature of our business, we are also subject to defamation (including libel and slander), negligence, or other claims relating to the information we publish. Regardless of the merits, responding to any such claim could be time consuming, result in costly litigation and require us to enter into settlements, royalty and licensing agreements which may not be offered or available on reasonable terms. If a successful claim is made against us and we fail to settle the claim on reasonable terms, our business, results of operations or financial position could be materially adversely affected.

We face risks related to taxation.

We operate in numerous domestic and foreign taxing jurisdictions and our level of operations and profitability in each jurisdiction may have an impact upon the amount of income taxes that we recognize 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, and in the ordinary course of business, we may be under audit by one or more tax authorities from time to time. Recently, we have been notified by the Internal Revenue Service that it intends to audit our 2007 tax return, and this audit is expected to commence shortly.

These audits may result in assessments of additional taxes, and resolution of these matters involves uncertainties and there are no assurances that the ultimate resolution will not exceed the amounts we have recorded. Additionally, the results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period or periods for which that determination is made.

Risks related to our common stock

Our operating results may fluctuate from period to period and may not meet the expectations of securities analysts or investors or guidance we have given, which may cause the price of our common stock to decline.

Our quarterly and annual operating results may fluctuate in the future as a result of many factors, including the timing of the execution of research contracts, the extent of completion of consulting engagements, the timing of symposia and other events, the amount of new business generated, the mix of domestic and international business, currency fluctuations, changes in market demand for our products and services, the timing of the development, introduction and marketing of new products and services, and competition in the industry. An inability to generate sufficient earnings and cash flow, and achieve our forecasts, may impact our operating and other activities. The potential fluctuations in our operating results could cause period-to-period comparisons of operating results not to be meaningful and may provide an unreliable indication of future operating results. Furthermore, our operating results may not meet the expectations of securities analysts or investors in the future or guidance we have given. If this occurs, the price of our stock would likely decline.

Our stock price may be volatile, and you may not be able to resell shares of our common stock at or above the price you paid.

The trading prices of our common stock could be subject to significant fluctuations in response to, among other factors, variations in operating results, developments in the industries in which we do business, general economic conditions, general market conditions, changes in the nature and composition of our stockholder base, changes in securities analysts   recommendations regarding our securities and our performance relative to securities analysts expectations for any quarterly period. Such volatility may adversely affect the market price of our common stock.

Future sales of our common stock in the public market could lower our stock price.

Sales of a substantial number of shares of common stock in the public market by our current stockholders, or the threat that substantial sales may occur, could cause the market price of our common stock to decrease significantly or make it difficult for us to raise additional capital by selling stock. Furthermore, we have various equity incentive plans that provide for awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. As of December 31, 2008, the aggregate number of shares of our common stock issuable pursuant to outstanding grants and awards under these plans was approximately 11.1 million shares (approximately 6.7 million of which have vested). In addition, approximately 5.8 million shares may be issued in connection with future awards under our equity incentive plans. Shares of common stock issued under these plans are

freely transferable without further registration under the Securities Act of 1933, as amended (the Securities Act), except for any shares held by affiliates (as that term is defined in Rule 144 under the Securities Act). We cannot predict the size of future issuances of

our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock.

Interests of certain of our significant stockholders may conflict with yours.

ValueAct Capital and affiliates (ValueAct) owned approximately 22.1% of our common stock as of December 31, 2008, while Silver Lake Partners and affiliates (Silver Lake) owned approximately 12.8% on the same date. To our knowledge, three other institutional investors each presently hold over 5% of our common stock. Additionally, representatives of Silver Lake and ValueAct in the aggregate presently hold three seats on our Board of Directors. While no stockholder or institutional investor individually holds a majority of our outstanding shares, these significant stockholders may be able, either individually or acting together, to exercise significant influence over matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, adoption or amendment of equity plans and approval of significant transactions such as mergers, acquisitions, consolidations and sales or purchases of assets. In addition, in the event of a proposed acquisition of the company by a third party, this concentration of ownership may delay or prevent a change of control in the Company. Accordingly, the interests of these stockholders may not always coincide with our interests or the interests of other stockholders, or otherwise be in the best interests of the Company or all stockholders.

Our anti-takeover protections may discourage or prevent a change of control, even if a change in control would be beneficial to our stockholders.

Provisions of our restated certificate of incorporation and bylaws and Delaware law may make it difficult for any party to acquire control of us in a transaction not approved by our Board of Directors. These provisions include:

- the ability of our Board of Directors to issue and determine the terms of preferred stock;
- advance notice requirements for inclusion of stockholder proposals at stockholder meetings;
- a preferred shares rights agreement; and
- the anti-takeover provisions of Delaware law.

These provisions could discourage or prevent a change of control or change in management that might provide stockholders with a premium to the market price of their common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

There are no unresolved written comments that were received from the SEC staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Exchange Act.

ITEM 2. PROPERTIES.

Our corporate headquarters is located in approximately 213,000 square feet of leased office space in three buildings located in Stamford, Connecticut, USA. Our Stamford facility accommodates research and analysis, marketing, sales, client support, production, and corporate services and administration. The lease on this facility expires in late 2010, and does provide for a renewal option.

We also have a significant presence in the United Kingdom with approximately 72,000 square feet of leased office space in two buildings located in Egham, UK, for which the leases expire in 2020 and 2025, respectively.

We lease an additional 19 domestic and 43 international locations that support our research and analysis, domestic and international sales efforts, and other functions. We continue to constantly assess our space needs as our business changes, but we believe that our existing facilities are adequate for our current needs and that additional space will be available as needed.

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ITEM 3. 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

We did not submit any matter to a vote of our stockholders during the fourth quarter of the year covered by this Annual Report.

Our 2009 Annual Meeting of Stockholders will be held on June 4, 2009 at the Company s offices in Stamford, Connecticut.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

As of January 30, 2009, there were approximately 2,665 holders of record of our common stock, which is listed on the New York Stock Exchange under the symbol IT. The following table sets forth the high and low sale prices for our common stock as reported on the New York Stock Exchange for the periods indicated:

	2008		2007	
	High	Low	High	Low
Quarter ended March 31	$21.29	$13.75	$24.00	$19.44
Quarter ended June 30	24.80	19.50	28.44	23.57
Quarter ended September 30	28.39	19.20	25.07	19.98
Quarter ended December 31	22.80	13.07	26.59	16.10

DIVIDEND POLICY

We currently do not pay cash dividends on our common stock. Our Credit Agreement, dated as of January 31, 2007, contains a negative covenant which may limit our ability to pay dividends. In addition, our Amended and Restated Security Holders Agreement with Silver Lake requires us to obtain Silver Lake s consent prior to declaring or paying dividends.

The equity compensation plan information set forth in Part III, Item 12 of this Form 10-K is hereby incorporated by reference into this Part II, Item 5.

SHARE REPURCHASES

The following table provides detail related to repurchases of our common stock in the fourth quarter of 2008. All shares repurchased were added to treasury stock. All repurchases were made pursuant to a publicly announced $250.0 million share repurchase program that was authorized by the Board of Directors in February 2008. The open market purchases were made by brokers pursuant to purchase programs that complied with Rules 10b5-1 and 10b-18 under the Exchange Act.

Period	Total Number of Shares Purchased (#)	Average Price Paid Per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (#)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ($000 s)
October	1,282,181	$ 17.94	1,282,181	

November					
December	211		17.83	211		
Total fourth quarter 2008 (1)	1,282,392	$	17.94	1,282,392	$	82,381

(1) For the year ended December 31, 2008, the Company repurchased 9,719,573 shares at an average price of $20.43 per share, for a total cost of approximately $198.6 million.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The fiscal years presented below are for the respective twelve-month period from January 1 through December 31. Data for all years was derived or compiled from our audited consolidated financial statements included herein or from submissions of our Form 10-K in prior years. The selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes contained in this Annual Report on Form 10-K.

(In thousands, except per share data)	2008	2007	2006	2005	2004
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Research	$ 773,257	$ 673,335	$ 571,217	$ 523,033	$ 480,486
Consulting	347,404	325,030	305,231	301,074	259,419
Events	150,080	160,065	146,412	126,475	113,302
Other	8,324	10,045	14,439	13,558	15,523
Total revenues	1,279,065	1,168,475	1,037,299	964,140	868,730
Operating income	164,368	129,458	98,039	20,474	35,901
Income (loss) from continuing operations	97,148	70,666	54,258	(6,200)	11,584
Income from discontinued operations	6,723	2,887	3,934	3,763	5,305
Net income (loss)	$ 103,871	$ 73,553	$ 58,192	$ (2,437)	$ 16,889
PER SHARE DATA:					
Basic:					
Income (loss) from continuing operations	$ 1.02	$ 0.68	$ 0.48	$ (0.05)	$ 0.10
Income from discontinued operations	0.07	0.03	0.03	0.03	0.04
Income (loss) per share	$ 1.09	$ 0.71	$ 0.51	$ (0.02)	$ 0.14
Diluted:					
Income (loss) from continuing operations	$ 0.98	$ 0.65	$ 0.47	$ (0.05)	$ 0.09
Income from discontinued operations	0.07	0.03	0.03	0.03	0.04
Income (loss) per share	$ 1.05	$ 0.68	$ 0.50	$ (0.02)	$ 0.13
Weighted average shares outstanding					
Basic	95,246	103,613	113,071	112,253	123,603
Diluted	99,028	108,328	116,203	112,253	126,326
OTHER DATA:					
Cash and cash equivalents	$ 140,929	$ 109,945	$ 67,801	$ 70,282	$ 160,126
Total assets	1,093,065	1,133,210	1,039,793	1,026,617	861,194
Long-term debt	238,500	157,500	150,000	180,000	150,000
Stockholders (deficit) equity	(21,316)	17,498	26,318	146,588	130,048

The following items impact the comparability of our consolidated data:

In February 2008 the Company sold its Vision Events business, which had been part of its Events segment, and has reported the results of operations of this business as a discontinued operation (see Note 2 Discontinued Operations in the Notes to the Consolidated Financial Statements). As a result, the statement of operations and per share data for 2004 2007 have been restated to present the results of the Vision Events business as a discontinued operation in order to be consistent with the current year presentation.

The results of META Group, Inc. (META) are included in our consolidated results beginning April 1, 2005, the date of acquisition.

We repurchased 9.7 million, 8.4 million, 14.9 million, 0.8 million, and 26.6 million of our common shares in 2008, 2007, 2006, 2005 and 2004, respectively.

We had pre-tax stock compensation expense of $20.7 million, $24.1 million, and $16.7 million in 2008, 2007 and 2006, respectively, under Statement of Financial Accounting Standards 123(R), Share-Based Payment. We adopted this statement on January 1, 2006, under the modified prospective transition method.

During 2006 and 2005 we recorded $1.5 million and $15.0 million, respectively, in pre-tax META integration charges.

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- We recorded Other charges, which includes costs for severance, excess facilities, and other items, on a pre-tax basis, of $0 in 2008, $9.1 million in 2007, $0 in 2006, $29.2 million in 2005, and $35.8 million in 2004.
- In 2004 we recorded pre-tax charges of $2.7 million for goodwill impairment and $3.1 million of foreign currency charges related to the closing of certain operations in South America.
- We recorded pre-tax charges for loss on investments, net of $5.8 million in 2005 and $3.0 million in 2004.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS 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 consolidated financial statements and related notes included in this report. Historical results and percentage relationships are not necessarily indicative of operating results for future periods.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report contains forward-looking statements. Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking statements can be identified by the use of words such as may, will, expect, should, could, believe, plan, anticipate, estim potential, continue, or other words of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under Part 1, Item 1A, Risk Factors. Readers should not place undue reliance on these forward-looking statements, which reflect management s opinion only as of the date on which they were made. Except as required by law, we disclaim any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur. Readers should review carefully any risk factors described in our reports filed with the SEC.

BUSINESS OVERVIEW

Gartner, Inc. is the world s leading information technology research and advisory company 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 of the Fortune 500 companies, across 80 countries. Our client base consists primarily of CIOs and other senior IT and executives from a wide variety of business enterprises, government agencies and the investment community.

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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BUSINESS MEASUREMENTS

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

The cornerstones of our strategy are to focus on producing extraordinary research content, deliver innovative and highly differentiated product offerings, enhance our sales capability, provide world class client service, and improve our operational effectiveness.

We had total revenues of $1,279.1 million in 2008, up 9% over the prior year. Total revenues increased in all of our geographic regions. We had income from continuing operations of $97.1 million in 2008, or $0.98 per diluted share,

compared to income from continuing operations of $70.7 million, or $0.65 per diluted share, for 2007. These improved results are due to a number of factors, including higher overall revenues in Research and Consulting, a continued focus on expense management, the impact of a legal settlement and other charges in 2007, the favorable impact of foreign currency, and a lower share base due to share repurchases. These positive trends offset lower revenue and profitability in our Events segment.

In our Research business, we had strong, double-digit revenue growth in 2008, with revenues up 15% over the prior year, to $773.2 million. Revenue growth occurred across our entire product portfolio, with all client sizes, industry segments, and products delivering growth. Research contract value was $834.3 million at December 31, 2008, up 11% from December 31, 2007, and a record level for us. Our contract value growth was broad-based across all of our industry sectors. Excluding the favorable impact of foreign currency translation, revenues and contract value were up 14% and 8% year-over-year, respectively.

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Our client retention and wallet retention rates for 2008 remained strong at 82% and 98%, respectively, compared to 82% and 101% in the prior year. Our Executive Program membership was 3,733 at December 31, 2008, compared to 3,753 members at December 31, 2007.

Consulting revenue in 2008 was up 7% over 2007, to $347.4 million, reflecting growth in our core consulting and benchmarking businesses and exceptionally strong results in our contract optimization business. Our consultant utilization rate increased 3 points, to 72% from 69% in the prior year, reflecting improved engagement management. Billable headcount was 499 at December 31, 2008, up from 472 at December 31, 2007. The hourly billing rate remained above $350 per hour in 2008, while the average annualized revenue per billable headcount was approximately $458,000 for 2008, about 7% higher than the prior year. Consulting backlog at December 31, 2008 was $97.2 million, down from $121.4 million at December 31, 2007.

Events revenues decreased 6%, or $10.0 million, to $150.1 million in 2008 compared to $160.1 million in 2007. We held 70 events in 2008 compared to 62 in 2007. The revenue decrease was due to declines in both the number of attendees and exhibitors, as travel restrictions and other expense controls negatively impacted our fourth quarter Events segment results. For 2009, we are currently planning to hold 54 events.

For a more detailed discussion of our segment results, see Segment Results below.

We repurchased 9.7 million of our common shares in 2008. We had $184.4 million of operating cash flow in 2008, significantly higher than the prior year, and we ended the year with $140.9 million in cash and cash equivalents. As of December 31, 2008, we also had $178.3 million of available borrowing capacity under our revolving credit facility. We believe we have a strong cash position and adequate borrowing capacity.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

Our quarterly and annual revenue, operating income, and cash flow fluctuate as a result of many factors, including: the timing of our SymposiumITxpo series that normally occurs during the fourth calendar quarter, and other events; the amount of new business generated; the mix of domestic and international business; changes in market demand for our products and services; changes in foreign currency rates; the timing of the development, introduction and marketing of new products and services; competition in the industry; and other factors. The potential fluctuations in our operating income could cause period-to-period comparisons of operating results not to be meaningful and could provide an unreliable indication of future operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue recognition We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), and SEC Staff Accounting Bulletin No. 104, Revenue Recognition (SAB 104). Once all required criteria for revenue recognition have been met, 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 principally 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. Revenues related to contract optimization contracts are contingent in nature and are only recognized upon satisfaction of all conditions related to their payment.

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 which are recognized when the reprint is shipped.

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 may have cancellation or fiscal funding clauses, which 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 $61.6 million and $57.6 million at December 31, 2008 and December 31, 2007, respectively. In addition, at December 31, 2008 and December 31, 2007, we had not recognized uncollected receivables or deferred revenues relating to government contracts that permit termination, of $12.1 million and $10.8 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, either as a reduction to revenues or an increase to expense. 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 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. The following table provides our total fees receivable, along with the related allowance for losses (in thousands):

	December 31,	
	2008	2007
Total fees receivable	$326,311	$363,376
Allowance for losses	(7,800)	(8,450)
Fees receivable, net	$318,511	$354,926

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 (SFAS No. 142). Among other requirements, this standard eliminated goodwill amortization upon adoption and 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 values 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 against earnings in our financial statements. Goodwill is evaluated for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important 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 carryforwards, 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 are able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment is

made to reduce the valuation allowance and increase income in the period such determination is made. Likewise, if we determine that we will not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the valuation allowance is charged against income in the period such determination is made.

On January 1, 2007, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) (see Note 11 Income Taxes in the Notes to the Consolidated Financial Statements). 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.

Accounting for stock-based compensation On January 1, 2006, we adopted 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). Effective with the adoption of SFAS No. 123(R), the Company is recognizing 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 9 Stock-Based Compensation in the Notes to the 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 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 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. 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 for these incentives are sometimes not known until after year end.

RESULTS OF OPERATIONS

In February 2008 the Company sold its Vision Events business, which had been part of its Events segment, and has reported the results of operations of this business as a discontinued operation (see Note 2 Discontinued Operations in the Notes to the Consolidated Financial Statements). As a result, the results discussed below and in the Segment Results section for the years ended prior to December 31, 2008 have been restated to present the results of operations of the Vision Events business as a discontinued operation in order to be consistent with the current year presentation.

2008 VERSUS 2007

TOTAL REVENUES increased by $110.6 million, or 9%, to $1,279.1 million in 2008 from $1,168.5 million during 2007. Excluding the favorable effects of foreign currency translation, total revenues for 2008 would have increased 8% over 2007.

Total revenues increased in all of our geographic regions. Revenues from sales to United States and Canadian clients increased 9%, to $723.2 million in 2008 from $661.2 million in 2007. Revenues from sales to clients in Europe, the Middle East and Africa (EMEA) increased to $430.4 million in 2008 from $403.9 million in 2007, a 7% increase. Revenues from sales to clients in our Other International region increased 21%, to $125.4 million in 2008 from

$103.3 million in 2007.

An overview of our results by segment follows:

Research revenues increased 15% in 2008 to $773.3 million, compared to $673.3 million in 2007, and comprised approximately 60% and 58% of our total revenues in 2008 and 2007, respectively.

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Consulting revenues increased 7% in 2008 to $347.4 million, compared to $325.0 million in 2007, and comprised approximately 27% and 28% of our total revenues in 2008 and 2007, respectively.

Events revenues were $150.1 million in 2008, a decrease of 6% from $160.1 million in 2007, and comprised approximately 12% and 14% of our total revenues in 2008 and 2007, respectively.

Other revenues, consisting principally of research reprint revenues, declined to $8.3 million in 2008 from $10.0 million in 2007.

Please refer to the section of this MD&A entitled Segment Results for a further discussion of results by segment.

COST OF SERVICES AND PRODUCT DEVELOPMENT increased $24.0 million, or about 5%, when comparing 2008 with 2007, to $554.8 million from $530.8 million. Excluding the unfavorable impact of foreign exchange, Cost of service and product development would have increased by about 4%.

The year-over-year increase of $24.0 million was due to several factors. We had $17.0 million of higher salary, commissions, and other benefit costs, $5.7 million in additional severance and benefits charges related to our fourth quarter reduction in force, and $4.0 million in additional Events fulfillment costs. The impact of foreign currency translation added about $2.1 million of expense. Partially offsetting these higher charges was a decrease of approximately $3.0 million in lower headcount costs, primarily due to our exit from consulting operations in Asia-Pacific in mid-2007, as well as lower stock-compensation charges of about $1.2 million.

As a percentage of sales, Cost of services and product development was 43% and 45% in 2008 and 2007 respectively, a decrease of 2 points, which is due to a number of factors. These factors include higher revenues coupled with the inherent operating leverage in our Research business, improved productivity in core Consulting, substantially increased revenues in our higher margin contract optimization business in our Consulting segment, and a continued focus on expense management.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) expense increased 13%, or $59.6 million, to $532.4 million in 2008 compared to $472.7 million in 2007. The year-over-year impact of foreign currency translation was flat.

The $59.6 million increase in SG&A expense resulted primarily from increased investment in our sales organization, severance and benefits charges related to our fourth quarter reduction in force, and increases in other payroll and benefits costs. Growth in our sales organization resulted in approximately $38.0 million of additional payroll and benefits, commissions, and travel expense in 2008 when compared to 2007. We now have 928 quota-bearing sales associates, a 15% increase over December 31, 2007. We had $2.8 million in severance and benefits charges related to our fourth quarter reduction in force, while higher payroll and related benefits costs for our other staff added about $13.0 million in costs. The remaining increase was spread across a number of other cost categories, which was offset to some extent by lower recruiting and stock-compensation charges.

DEPRECIATION expense increased 7% in 2008, to $25.9 million compared to $24.3 million for the prior year. The increase was primarily due to a change in the mix of investment in capital expenditures.

AMORTIZATION OF INTANGIBLES was $1.6 million in 2008 compared to $2.1 million in 2007. The decrease was due to certain intangibles becoming fully amortized in 2007.

OTHER CHARGES was zero in 2008 and $9.1 million in 2007. The $9.1 million included charges of $8.7 million related to the settlement of litigation and $2.7 million of severance 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.

OPERATING INCOME was $164.4 million and $129.5 million in 2008 and 2007, respectively, an increase of $34.9 million, or 27%. Operating income as a percentage of revenues was 13% in 2008 and 11% in 2007, which is due to a number of factors, the most significant being the impact from higher revenues in our Research and Consulting businesses. Please refer to the section of this MD&A entitled Segment Results below for a further discussion of revenues and results by segment. The improved operating performance also reflects our continued focus on expense management, charges of $9.1 million in 2007 related to the settlement of litigation and other items, and a positive impact from foreign currency translation.

INTEREST EXPENSE, NET was $19.3 million and $22.2 million in 2008 and 2007, respectively, a decrease of $2.9 million. The decrease was primarily due to a decline in the weighted-average interest rate on our outstanding debt. The weighted-average interest rate on our debt, including the impact of our interest rate swaps, was 4.8% in

2008 and 6.0% in 2007. The impact of the lower average rate was

partially offset by an increase in the weighted-average amount of debt outstanding of approximately $50.0 million during 2008. In 2008 we also had about $0.2 million of additional interest income, as well as a $0.2 million decrease in the amortization of debt issuance costs, both of which are recorded in Interest Expense, net.

OTHER (EXPENSE) INCOME, NET was $(0.4) million in 2008 and $3.2 million in 2007. The $(0.4) million Other expense in 2008 primarily consisted of a $1.2 million gain related to the settlement of a litigation matter and net foreign currency exchange gains and losses. The $3.2 million of Other income in 2007 primarily consisted of a $1.8 million gain from the settlement of a claim and net foreign currency exchange gains and losses.

PROVISION FOR INCOME TAXES on continuing operations was $47.6 million in 2008 as compared to $39.8 million 2007. The effective tax rate was 32.9% in 2008 and 36.0% in 2007. The lower effective tax rate in 2008 as compared to 2007 was attributable to several items. The most significant of these items included the following: (a) the Company generated a larger percentage of its income in low tax jurisdictions in 2008 as compared to 2007, and (b) differences relating to the tax impact of repatriated funds in 2008 as compared to 2007.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAXES, which includes the results of the Company s Vision Events business, was $6.7 million and $2.9 million for 2008 and 2007, respectively. The Company sold the Vision Events business, which had been part of the Company s Events segment, in early 2008. The results for 2008 include a net gain on the sale of approximately $7.1 million and a loss from operations of $(0.4) million.

NET INCOME was $103.9 million and $73.6 million for 2008 and 2007, respectively, an increase of $30.3 million, or 41%.

Basic earnings per share was $1.09 per share in 2008 and $0.71 per share in 2007, while diluted was $1.05 per share in 2008 and $0.68 per share in 2007. Both basic and diluted earnings for 2008 include $0.07 per share from discontinued operations, while basic and diluted earnings for 2007 include $0.03 per share from discontinued operations.

2007 VERSUS 2006

TOTAL REVENUES increased $131.2 million, or 13%, to $1,168.5 million in 2007 from $1,037.3 million during 2006. Excluding the favorable effects of foreign currency translation, total revenues for 2007 would have increased 9% over 2006.

- **Research** revenues increased 18% in 2007 to $673.3 million, compared to $571.2 million in 2006, and comprised approximately 58% and 55% of total revenues in 2007 and 2006, respectively.
- **Consulting** revenues in 2007 of $325.0 million were up 6% compared to $305.2 million in 2006, and comprised approximately 28% and 29% of total revenues in 2007 and 2006, respectively.
- **Events** revenues were $160.1 million in 2007, an increase of 9% from $146.4 million in 2006, and comprised approximately 14% of total revenues in both 2007 and 2006.
- **Other** revenues, consisting principally of research reprint revenues, declined to $10.0 million in 2007 from $14.4 million in 2006.

Please refer to the section of this MD&A entitled Segment Results for a further discussion of revenues by segment.

Revenues increased in all regions. Revenues from sales to United States and Canadian clients increased 9%, to $661.2 million in 2007 from $608.3 million in 2006. Revenues from sales to clients in Europe, the Middle East and Africa (EMEA) increased to $403.9 million in 2007 from $337.7 million in 2006, a 20% increase. Revenues from sales to clients in the Other International region increased 13%, to $103.3 million in 2007 from $91.3 million in 2006.

COST OF SERVICES AND PRODUCT DEVELOPMENT increased $40.2 million, or 8%, when comparing 2007 with 2006, to $530.1 million from $490.6 million, respectively. Excluding the unfavorable effects of foreign currency translation, Cost of services and product development would have increased about 4%. The $40.2 million increase was primarily due to the impact of foreign currency, which added about $17.0 million of additional expense, $18.2 million of merit salary, bonus, and fringe increases, $6.4 million of higher event fulfillment costs driven by higher events revenue, and additional stock-based compensation costs under SFAS No. 123(R) of about $2.5 million. These increases were offset to some extent by lower non-sales headcount and other charges. For the years ended December 31, 2007 and 2006, Cost of services and product development as a percentage of revenue was 45% and 47%, respectively.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) expense increased $59.7 million, or 14% to $472.7 million from $413.1 million when comparing 2007 to 2006. Excluding the unfavorable effects of foreign currency translation, SG&A expense would have increased by 12% year-over-year. The $59.7 million increase in SG&A year-over-year resulted primarily from increased investment in our sales organization, with expenses up approximately $30.0 million, foreign currency translation, which added about $9.1 million of expense, and additional stock-based compensation under SFAS No. 123(R) of $5.4 million. As of December 31, 2007, we had 806 sales associates, a 22% increase over the prior year-end. While SG&A expense increased 14% year-over-year, when sales-related expenses are excluded General and Administrative (G&A) expense was down about one percentage point year-over-year as a percentage of revenue.

DEPRECIATION expense for the year ended December 31, 2007 was $24.3 million compared to $23.4 million in 2006, driven by higher capital expenditures. We had $24.2 million and $21.1 million of capital expenditures in 2007 and 2006, respectively.

AMORTIZATION OF INTANGIBLES was $2.1 million in 2007 compared to $10.7 million in 2006. The decrease was due to certain intangibles becoming fully amortized in 2006.

META INTEGRATION CHARGES was zero in 2007 and $1.5 million in 2006. These expenses were primarily for severance, and for consulting, accounting, and tax services.

OTHER CHARGES was $9.1 million and zero in 2007 and 2006, respectively. The $9.1 million included charges of $8.7 million related to the settlement of litigation and $2.7 million of severance 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.

OPERATING INCOME was $129.5 million and $98.0 million in 2007 and 2006, respectively, an increase of $31.4 million, or 32%. Operating income as a percentage of revenues was 11% in 2007 and 9% in 2006. The improved operating income primarily resulted from higher revenues in our Research and Consulting businesses. Please refer to the section of this MD&A entitled Segment Results below for a further discussion of revenues and results by segment.

INTEREST EXPENSE, NET was $22.2 million and $16.6 million for the years ended December 31, 2007 and 2006, respectively. The increase in our interest expense was due to a higher weighted-average amount of debt outstanding in 2007. The increased interest expense from additional debt outstanding was partially offset by a slight decline in rates and higher interest income.

OTHER (EXPENSE) INCOME, NET was $3.2 million and $(0.8) million for the years ended December 31, 2007 and 2006, respectively. 2007 includes a gain from the settlement of a claim for $1.8 million, while the majority of the remaining net balances in both years consists of net foreign currency exchange gains and losses.

PROVISION FOR INCOME TAXES was $39.8 million for 2007 as compared to $26.4 million in 2006. The effective tax rate for 2007 was 36.0% as compared to 32.7% for 2006. The higher effective tax rate in 2007 as compared to 2006 was attributable to several items. The most significant of these items included the following: (a) the Company generated a smaller percentage of its income in low tax jurisdictions in 2007 as compared to 2006, and (b) differences relating to the release of valuation allowances and changes in reserves.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAXES, which includes the results of the Company s Vision Events business, was $2.9 million and $3.9 million in 2007 and 2006, respectively.

NET INCOME was $73.6 million and $58.2 million for 2007 and 2006, respectively, an increase of $15.4 million, or 26%.

Basic earnings per share was $0.71 per share in 2007 and $0.51 per share in 2006, while diluted was $0.68 per share in 2007 and $0.50 per share in 2006. The basic and diluted earnings for both 2007 and 2006 includes $0.03 per share from discontinued operations.

2008 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 charges, 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.

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Research

Revenue in our Research business was up 15% in 2008, to $773.3 million, from $673.3 million for 2007. We had growth across our entire product portfolio in 2008. Excluding the favorable impact of foreign currency, revenue was up approximately 14% over the prior year.

Research gross contribution increased to $507.7 million in 2008 from $429.1 million in 2007, an 18% increase, while the contribution margin increased 2 points, to 66% from 64%. The year-over-year contribution margin improved primarily due to our stronger revenue performance coupled with the operating leverage inherent in our Research business, along with tight expense management.

Contract value was $834.3 million as of December 31, 2008, up 11% from $752.5 million at December 31, 2007. Adjusted for the favorable impact of foreign currency translation, contract value was up approximately 8%. At December 31, 2008, our research client retention rate remained strong at 82%, the same rate as of December 31, 2007. Wallet retention was 98% at December 31, 2008, down from 101% at December 31, 2007. Our Executive Program membership was 3,733 at December 31, 2008, compared to 3,753 members at December 31, 2007.

Consulting

Consulting revenues were $347.4 million and $325.0 million for 2008 and 2007, respectively, an increase of $22.4 million, or 7%. Excluding the favorable impact of foreign currency translation, revenues for 2008 were up about 6%. The revenue increase was due to strength in both the core Consulting and benchmarking businesses and exceptionally strong results in our contract optimization business. Contributing to the year-over-year revenue increase in our contract optimization business was the completion of one large contract in the fourth quarter of 2008 which resulted in approximately $11.0 million of revenue.

Consulting gross contribution of $141.4 million for 2008 increased 10% from the $128.2 million for 2007, while the contribution margin for 2008 increased 2 points, to 41% from 39% in the prior year. The increase in gross contribution and the gross contribution margin was driven by improved utilization on higher headcount and higher billing rates, and higher revenues in our contract optimization business, which has a higher margin than our core Consulting business.

Our consultant utilization rates were 72% and 69% for 2008 and 2007, respectively, while the $366 hourly billing rate was up about 3% year-over-year. Our billable headcount was 499 at December 31, 2008 compared to 472 at December 31, 2007. Our average annualized revenue per billable headcount was approximately $458,000 for 2008, about 7% higher than the prior year. These strong metrics reflect improved engagement management and the continuation of our focus on larger and more profitable engagements.

Consulting backlog, which represents future revenues to be recognized from in-process consulting, measurement and SAS, was $97.2 million at December 31, 2008, compared to $121.4 million at December 31, 2007, as bookings slowed in the fourth quarter of 2008 due to the weaker economic environment.

While we ended 2008 with 499 billable consultants, the reduction in force action we took in January 2009 reduced this number by approximately 30 consultants. This action was taken in order to better align our delivery resources with the lower backlog as we move into 2009.

Events

Events revenues decreased 6% year-over-year, or $10.0 million, to $150.1 million in 2008 compared to $160.1 million in 2007, reflecting lower revenues from both attendees and exhibitors. Excluding the favorable impact of foreign currency translation, events revenues were down approximately 7% year-over-year. We held 70 events in 2008 compared to 62 events in 2007, with overall attendance down about 6%, to 41,352 in 2008 from 44,216 in 2007.

The 70 events held in 2008 included 59 on-going events and 11 new events. During 2008, the number of exhibitors at our on-going events declined by approximately 13%, while attendance was 38,961 as compared to 42,554 attendees in 2007, an 8% decrease. Pricing at these on-going events declined slightly for attendees but increased slightly for exhibitors. Revenues from the 11 new events we held in 2008 was only slightly higher than the events we discontinued. The majority of the year-over-year revenue shortfall occurred in our fourth quarter, as travel restrictions, cuts in marketing budgets, and other expense controls at many companies took effect in response to the credit crisis and weakening global economy.

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Events gross contribution was $65.0 million in 2008 compared to $81.9 million for 2007, while the year-over-year gross contribution margin declined by 8 points, to 43% from 51%. The decrease in gross contribution margin was primarily due to lower revenues, higher fulfillment costs, the impact of lower margin new events, and severance charges related to our reduction in force.

As a result of the travel restrictions and other budget cuts at many companies and the weakening economy, we have reduced the number of events planned in 2009 to 54, which reflects the discontinuance of 18 events, including our two Spring Symposia, as well as the launch of only two smaller, new events. The 18 discontinued events had approximately $21.0 million of revenue in 2008.

2007 SEGMENT RESULTS

Research

Revenue in our Research business increased $102.1 million or 18% in 2007, to $673.3 million compared to $571.2 million for 2006. We had year-over-year 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% year-over-year.

Research gross contribution increased to $429.1 million in 2007, from $345.5 million in 2006, a 24% increase, while the contribution margin increased 4 points, to 64% from 60%. The contribution margin improved primarily due to our stronger revenue performance.

Contract value was $752.5 million at December 31, 2007, up 18% from $640.3 million at December 31, 2006. The year-over-year increase was driven by increases in both core research and Executive Programs, and reflects the success of our new role-based product offerings. We had contract value growth across all of our major geographic regions and client industry segments. Adjusted for the favorable impact of foreign currency translation, contract value was up about 14% year-over-year.

At December 31, 2007, our research client retention rate remained strong at 82%, up from 81% at December 31, 2006. Wallet retention was 101% at December 31, 2007, up from 96% at December 31, 2006, reflecting higher spending at retained clients. Our Executive Program membership was 3,753 at December 31, 2007, which is up about 3% over the prior year-end.

Consulting

Consulting revenues were $325.0 million in 2007, compared to $305.2 million in 2006, an increase of 6%, or $19.8 million, despite a decline in billable headcount. Excluding the favorable impact of foreign currency translation, revenues were up 3% year-over-year. The increased revenue was driven by substantial improvement in our contract optimization business as well as higher utilization and billing rates in our core consulting business. Our contract optimization business was weak in the fourth quarter of 2006 due to changes in sales incentives, which we rectified in 2007. Billable headcount was 472 at December 31, 2007 compared to 518 at December 31, 2006, a 9% decrease. The reduced billable headcount primarily reflects our decision to exit our consulting business in Asia.

Consulting gross contribution of $128.2 million in 2007 increased 6% from $120.7 million in 2006, while contribution margin decreased 1 point, to 39% in 2007 from 40% in the prior year. The decrease in gross contribution margin year-over-year was driven by lower SAS revenue performance and additional investment in senior level consultants. The consultant utilization rate was 69% and 64% for the years ended December 31, 2007 and 2006, respectively. The billing rate remained above $350 per hour for both 2007 and 2006. Our average annualized revenue per billable headcount was up about 5%, to approximately $430,000 in 2007 from $410,000 in 2006. Consulting backlog, which represents future revenues to be recognized from in-process consulting, measurement and SAS, increased 11%, to $121.4 million at December 31, 2007 from $109.6 million at December 31, 2006.

Events

Events revenues for 2007 increased 9%, or $13.7 million, to $160.1 million compared to $146.4 million in 2006. Adjusted for the favorable impact of foreign exchange, revenues were up approximately 5%. We held 62 events in 2007 and 58 in 2006. The increased revenue was primarily due to the addition of 10 new events in 2007 and an increase in both attendee volume and ticket prices.

Attendance at events was 44,216 in 2007, about an 8% increase over 2006. Gross contribution was $81.9 million in 2007 compared to $75.4 million in 2006, a 9% increase, while gross contribution margin was 51% in both 2007 and 2006.

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LIQUIDITY AND CAPITAL RESOURCES

We finance our operations primarily through cash generated from our on-going operating activities. For the year ended December 31, 2008, we had cash from operating activities of $184.4 million, approximately 24% higher than the $148.3 million realized in 2007. During 2008, we used $200.8 million of our cash to repurchase our common shares.

As of December 31, 2008, we had $140.9 million of cash and cash equivalents and $178.3 million of available borrowing capacity under our revolving credit facility (not including a $100.0 million expansion feature). We believe that the cash we expect to earn from our on-going operating activities, our existing cash balances, and the borrowing capacity we have under our five-year revolving credit facility will be sufficient for our expected short-term and foreseeable long-term operating needs.

The following sections discuss the Company s changes in cash and cash equivalents for the three years ending December 31, 2008:

2008

Cash provided by operating activities totaled $184.4 million for the year December 31, 2008, compared to cash provided of $148.3 million for the year ended December 31, 2007, a $36.1 million, or 24% increase. The increase in cash flow from operating activities was primarily due to substantially increased cash from our core operations and improvement in our working capital, which together added approximately $45.0 million in higher operating cash flow. Our working capital improved primarily due to improved collection of receivables. Also contributing to the improved cash flow was $12.0 million in lower cash payments related to severance, excess facilities, and settlement of litigation, and about $2.0 million less in interest paid on our debt as interest rates declined. The improved operating cash flow in 2008 was somewhat offset by higher cash payments for taxes and bonuses of approximately $23.0 million.

Cash used in investing activities was $16.5 million for the year ended December 31, 2008, compared to cash used of $24.1 million in 2007. We had capital expenditures of $24.3 million in the year ended December 31, 2008, which was offset by net cash proceeds from the sale of our Vision Events business of approximately $7.8 million. We had capital expenditures of $24.2 million in 2007.

Cash used in financing activities totaled $119.8 million in 2008 compared to cash used of $93.7 million in 2007, an increase in cash used of $26.1 million. The increased use of cash was primarily due to a significantly higher use of cash for stock repurchases in 2008. We used an additional $34.0 million of cash to repurchase our shares in 2008, to $200.8 million in 2008 compared to $166.8 million in 2007. Partially offsetting the additional use of cash used for stock repurchases was an increase of $10.2 million in cash proceeds from stock issued for stock plans, which rose to $44.7 million in 2008 compared to $34.5 million in 2007, driven by higher option exercises.

Our cash and cash equivalents was $140.9 million as of December 31, 2008, compared to $109.9 million at December 31, 2007. The effect of exchange rate changes decreased cash and cash equivalents by approximately $17.1 million for the year ended December 31, 2008. Our cash and cash equivalents are held in numerous locations throughout the world, with 55% held outside the U.S. as of December 31, 2008.

2007

Cash provided by operating activities totaled $148.3 million for the year ended December 31, 2007, compared to cash provided of $106.3 million for the year ended December 31, 2006, an increase of $42.1 million, or 40%. The increase in cash flow from operating activities was primarily due to an increase in cash from our core operations of approximately $39.0 million, lower cash payments for taxes of about $21.0 million, and to a lesser extent, lower cash payments for severance and other items of $5.0 million. Offsetting these improvements was a payment of $9.5 million related to a legal settlement and higher cash payments for interest on our outstanding debt of about $8.0 million, and a higher reduction from excess tax benefits from stock-based compensation of $5.6 million.

Cash used in investing activities was $24.1 million for the year ended December 31, 2007, compared to $21.8 million in 2006. The increase was due to a year-over-year increase in capital expenditures, which increased to $24.2 million in 2007 from $21.1 million in 2006.

Cash used in financing activities increased slightly, to $93.7 million for the year ended December 31, 2007, compared to $91.5 million in 2006. On a net basis, we borrowed $24.0 million in 2007 compared to $123.0 million in 2006, a decrease of $99.0 million year-over-year. We decreased our use of cash to repurchase shares by $103.9 million, as we repurchased $166.8 million of our common stock in 2007 compared to $270.7 million in 2006. We received proceeds from stock issued under stock plans of $34.5 million in 2007, compared to $46.7 million in 2006, a decrease of $12.2 million. Excess tax benefits from stock compensation increased approximately $5.6 million, to $14.8 million in 2007 compared to $9.2 million in 2006.

At December 31, 2007, cash and cash equivalents totaled $109.9 million. The effect of exchange rates increased cash and cash equivalents by about $11.6 million during 2007.

OBLIGATIONS AND COMMITMENTS

At December 31, 2008, we had $416.3 million outstanding under our Credit Agreement, which provides for two amortizing term loans and a $300.0 million revolving credit facility. The revolving credit facility may be increased up to an additional $100.0 million at our lenders discretion (the expansion feature), for a total revolving credit facility of $400.0 million. However, the $100.0 million expansion feature may or may not be available to us depending upon prevailing credit market conditions.

The term loans are being repaid in consecutive quarterly installments plus a final payment due on January 31, 2012, and may be prepaid at any time without penalty or premium at our option. The revolving loans may be borrowed, repaid and reborrowed until January 31, 2012, at which time all amounts borrowed must be repaid. See Note 6 Debt in the accompanying notes to the consolidated financial statements for additional information regarding the Company s Credit Agreement.

The following table represents our contractual cash commitments due after December 31, 2008 (in thousands):

	Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Operating leases (1)	$136,484	$30,980	$ 43,448	$ 18,628	$43,428
Debt outstanding (2), (3)	416,250	57,750	207,750	150,750	
Deferred compensation arrangement (4)	16,537	1,469	3,164	2,766	9,138
FASB Interpretation No. 48 tax liability (5)	2,306	2,306			
Totals	$571,577	$92,505	$254,362	$172,144	$52,566

(1) The Company leases various facilities, furniture, and computer equipment expiring between 2009 and 2025.

(2) Represent amounts due under the Company s

Credit Agreement.

(3) Excludes required interest payments on our outstanding debt due to the variable nature of the interest rates and resulting payment amounts. Information regarding current interest rates on the Company s debt is contained in Note 6 Debt in the Notes to the Consolidated Financial Statements contained within this Form 10-K. For the years ended December 31, 2008 and 2007, cash interest paid on our debt was $22.4 million and $24.1 million, respectively.

(4) Represents a liability under the Company s supplemental deferred compensation arrangement. Amounts payable to active employees whose payment

date is unknown have been included in the More Than 5 Years category since the Company cannot determine when the amounts will be paid.

(5) Includes interest and penalties. In addition to the $2.3 million liability, approximately $16.3 million of unrecognized tax benefits have been recorded as liabilities in accordance with FASB Interpretation 48, and we are uncertain as to if or when such amounts may be settled. Related to the unrecognized tax benefits not included in the table, the Company has also recorded a liability for potential interest and penalties of $1.5 million.

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QUARTERLY FINANCIAL DATA

(in thousands, except per share data) 2008	First	Second	Third	Fourth
Revenues	$290,099	$343,939	$297,706	$347,321
Operating income	26,330	47,575	34,682	55,781
Net income	21,544	29,900	18,781	33,646
Net income per share (1)				
Basic:				
From continuing operations	$ 0.15	$ 0.32	$ 0.20	$ 0.36
From discontinued operations (2)	0.07			
	$ 0.22	$ 0.32	$ 0.20	$ 0.36
Diluted:				
From continuing operations	$ 0.14	$ 0.30	$ 0.19	$ 0.35
From discontinued operations (2)	0.07			
	$ 0.21	$ 0.30	$ 0.19	$ 0.35

(in thousands, except per share data) 2007	First	Second	Third	Fourth
Revenues	$264,197	$292,848	$268,274	$343,156
Operating income (3)	19,470	20,439	22,526	67,023
Net income	8,192	14,048	12,494	38,819
Net income per share (1)				
Basic:				
From continuing operations	$ 0.09	$ 0.11	$ 0.11	$ 0.37
From discontinued operations	(0.01)	0.02	0.01	0.01
	$ 0.08	$ 0.13	$ 0.12	$ 0.38
Diluted:				
From continuing operations	$ 0.09	$ 0.11	$ 0.10	$ 0.36
From discontinued operations	(0.01)	0.02	0.01	0.01
	$ 0.08	$ 0.13	$ 0.11	$ 0.37

(1) The aggregate of the four quarters basic and diluted earnings per common share may not equal

the reported full calendar year amounts due to the effects of share repurchases, dilutive equity compensation, and rounding.

(2) The first quarter of 2008 includes $0.07 per share from gain on disposal of discontinued operations.

(3) Includes $9.1 million of pre-tax Other charges in the second quarter of 2007.

NEW ACCOUNTING STANDARDS

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which replaces FASB Statement No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree, and the goodwill acquired in a business combination. The Statement requires that adjustments to tax benefits related to the acquiree that are recorded subsequent to the acquisition date will be recognized in income, rather than as an adjustment of goodwill under the current rules. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity s fiscal year that begins after December 15, 2008, which for Gartner is the fiscal year beginning January 1, 2009.

As of December 31, 2008, we had approximately $8.3 million of unrecognized tax benefits and valuation allowances related to our acquisition of META. While the possibility exists that some portion of these items may reverse in future periods, we believe the impact to our provision and results of operations would not be significant. Accordingly, we do not believe the adoption of the standard will have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statement amendments of ARB No. 51 (SFAS No. 160). SFAS No. 160 requires the accounting and reporting of minority interests as noncontrolling interests and classified as a component of equity. The statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. The statement is effective as of the beginning of an entity s first fiscal year beginning after December 15, 2008, which will be the Company s fiscal year beginning January 1, 2009. The Company does not believe the adoption of the standard will have a material impact on its financial position or results of operations.

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

Interest Rate Risk

We have exposure to changes in interest rates resulting from $296.3 million outstanding on our two term loans and $120.0 million outstanding on our revolver, all of which are floating rate borrowings. Our 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 0.75% on prime borrowings and between .625% and 1.75% on Libor borrowings.

As of December 31, 2008, the annualized interest rates on the original 2007 term loan, the 2008 term loan, and revolver were 2.46%, 2.96%, and 1.47%, respectively. The rates on the original and new term loans consisted of a three-month LIBOR base rate plus margins of 1.00% and 1.50% on the original term loan and 2008 term loan, respectively. The rate on the revolver consisted of a one-month LIBOR base rate plus a margin of 1.00%.

We have two interest rate swap contracts which effectively convert the floating base rates on the term loans to fixed rates. Including the effect of the interest rate swaps, the annualized interest rates on the original term loan and 2008 term loan were 6.06% and 4.42%, respectively, as of December 31, 2008.

The Company does not hedge the interest rate risk on the revolver. Accordingly, 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.

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 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 December 31, 2008, we had 15 foreign currency forward contracts outstanding with a total notional amount of $73.4 million and a net unrealized loss of $2.5 million. All of these contracts matured in January 2009.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of short-term, highly liquid investments classified as cash equivalents, accounts receivable, and interest rate swap contracts. The majority of the Company s cash equivalent investments and its two interest rate swap contracts are with investment grade commercial banks that are participants in the Company s Credit Agreement. Accounts receivable balances deemed to be collectible from customers have limited concentration of credit risk due to our diverse customer base and geographic dispersion.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements for 2008, 2007, and 2006, together with the reports of KPMG LLP, independent registered public accounting firm, dated February 20, 2009, are included herein in this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management conducted an evaluation, as of December 31, 2008, of the effectiveness of the design and operation of our disclosure controls and procedures, (as such term is defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) 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 our 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 or submitted under the Act.

Management s Annual Report on Internal Control Over Financial Reporting

Gartner management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Gartner s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management s assessment was reviewed with the Audit Committee of the Board of Directors.

Based on its assessment of internal control over financial reporting, management has concluded that, as of December 31, 2008, Gartner s internal control over financial reporting was effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be furnished pursuant to this item will be set forth under the captions Proposal One: Election of Directors, Executive Officers, Corporate Governance, Section 16(a) Beneficial Ownership Reporting Compliance and Miscellaneous Available Information in the Company s Proxy Statement to be filed with the SEC no later than April 30, 2009. If the Proxy Statement is not filed with the SEC by April 30, 2009, such information will be included in an amendment to this Annual Report filed by April 30, 2009. See also Item 1. Business Available Information.

NYSE Certification

The NYSE requires that the chief executive officers of its listed companies certify annually to the NYSE that they are not aware of violations by their companies of NYSE corporate governance listing standards. The Company submitted a non-qualified certification by its Chief Executive Officer to the NYSE in 2008 in accordance with the NYSE s rules.

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ITEM 11. EXECUTIVE COMPENSATION.

The information required to be furnished pursuant to this item is incorporated by reference from the information set forth under the caption Executive Compensation in the Company s Proxy Statement to be filed with the SEC no later than April 30, 2009. If the Proxy Statement is not filed with the SEC by April 30, 2009, such information will be included in an amendment to this Annual Report filed by April 30, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required to be furnished pursuant to this item will be set forth under the caption Security Ownership of Certain Beneficial Owners and Management in the Company s Proxy Statement to be filed with the SEC by April 30, 2009. If the Proxy Statement is not filed with the SEC by April 30, 2009, such information will be included in an amendment to this Annual Report filed by April 30, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required to be furnished pursuant to this item will be set forth under the captions Transactions With Related Persons and Corporate Governance Director Independence in the Company s Proxy Statement to be filed with the SEC by April 30, 2009. If the Proxy Statement is not filed with the SEC by April 30, 2009, such information will be included in an amendment to this Annual Report filed by April 30, 2009.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required to be furnished pursuant to this item will be set forth under the caption Principal Accountant Fees and Services in the Company s Proxy Statement to be filed with the SEC no later than April 30, 2009. If the Proxy Statement is not filed with the SEC by April 30, 2009, such information will be included in an amendment to this Annual Report filed by April 30, 2009.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) 1. and 2. Consolidated Financial Statements and Schedules

The reports of our independent registered public accounting firm and consolidated financial statements listed in the Index to Consolidated Financial Statements herein are filed as part of this report.

All financial statement schedules not listed in the Index have been omitted because the information required is not applicable or is shown in the consolidated financial statements or notes thereto.

3. Exhibits

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
3.1a(1)	Restated Certificate of Incorporation of the Company.
3.1b(2)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Company, dated November 27, 2006.
3.2(3)	Amended Bylaws, as amended through February 2, 2006.
4.1(1)	Form of Certificate for Common Stock as of June 2, 2005.
4.2(2)	Second Amended and Restated Rights Agreement, dated as of November 6, 2006, between the Company and American Stock Transfer & Trust Company (as successor Rights Agent of Mellon Investor Services LLC).
4.3(5)	Credit Agreement, dated as of January 31, 2007, among the Company, the several lenders from time to time parties thereto, and JPMorgan Chase Bank, N.A. as administrative agent (the Credit Agreement).
4.4 (13)	First Amendment dated as of April 9, 2008 to the Credit Agreement.
10.1(6)	Form of Indemnification Agreement.
10.2(4)	Amended and Restated Securityholders Agreement dated as of July 12, 2002 among the Company, Silver Lake Partners, L.P. and other parties thereto.
10.3(7)	Lease dated December 29, 1994 between Soundview Farms and the Company for premises at 56 Top Gallant Road, 70 Gatehouse Road, and 88 Gatehouse Road, Stamford, Connecticut.
10.4(8)	Lease dated May 16, 1997 between Soundview Farms and the Company for premises at 56 Top Gallant Road, 70 Gatehouse Road, 88 Gatehouse Road and 10 Signal Road, Stamford, Connecticut (amendment to lease dated December 29, 1994, see exhibit 10.3(7)).
10.5(7)+	1991 Stock Option Plan as amended and restated on October 19, 1999.
10.6(9)+	2002 Employee Stock Purchase Plan, as amended and restated effective June 1, 2008.
10.7(1)+	1994 Long Term Stock Option Plan, as amended and restated on October 12, 1999.

10.8(1)+	1998 Long Term Stock Option Plan, as amended and restated on October 12, 1999.
10.9(10)+	1999 Stock Option Plan.
10.10(1)+	2003 Long-Term Incentive Plan, as amended and restated on June 29, 2005.
10.11*	2008-1 Amendment to 2003 Long-Term Incentive Plan dated October 28, 2008.
10.12*	2008-2 Amendment to 2003 Long-Term Incentive Plan dated October 28, 2008.
10.13*	Amended and Restated Employment Agreement between Eugene A. Hall and the Company dated as of December 31, 2008.
10.14(11)+	Restricted Stock Agreement by and between Eugene A. Hall and the Company dated November 9, 2005.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.15*	Company Deferred Compensation Plan, effective January 1, 2009.
10.16*	Company Executive Benefits Program, effective December 19, 2008.
10.17(12)+	Form of Stock Appreciation Right Agreement for executive officers.
10.18(12)+	Form of Restricted Stock Unit Agreement for executive officers.
21.1*	Subsidiaries of Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (see Signature Page).
31.1*	Certification of chief executive officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of chief financial officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification under Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed with this document.

\+ Management compensation plan or arrangement.

(1) Incorporated by reference from the Company s Current Report on Form 8-K dated June 29, 2005 as filed on July 6, 2005.

(2) Incorporated by reference from the Company s Current Report on Form 8-K dated November 30,

2006 as filed on November 30, 2006.

(3) Incorporated by reference from the Company s Current Report on Form 8-K dated February 2, 2006 as filed on February 7, 2006.

(4) Incorporated by reference from the Company s Annual Report on Form 10-K as filed on December 29, 2002.

(5) Incorporated by reference from the Company s Current Report on Form 8-K dated February 6, 2007 as filed on February 6, 2007.

(6) Incorporated by reference from the Company s Registration Statement on Form S-1 (File No. 33-67576), as amended, effective October 4, 1993.

(7) Incorporated by reference from the Company s Annual Report

on Form 10-K as filed on December 21, 1995

(8) Incorporated by reference from the Company s Annual Report on Form 10-K filed on December 22, 1999.

(9) Incorporated by reference from the Company s Quarterly Report on Form 10-Q as filed on May 10, 2005.

(10) Incorporated by reference from the Company s Form S-8 as filed on February 16, 2002.

(11) Incorporated by reference from the Company s Quarterly Report on Form 10-Q as filed on November 9, 2005.

(12) Incorporated by reference from the Company s Current Report on Form 8-K dated February 11, 2009 as filed on February 12, 2009.

(13)

Incorporated by reference from the Company s Current Report on Form 8-K dated April 9, 2008 as filed on April 14, 2008.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

GARTNER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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All financial statement schedules have been omitted because the information required is not applicable or is shown in the consolidated financial statements or notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Gartner, Inc.:

We have audited the accompanying consolidated balance sheets of Gartner, Inc. and subsidiaries (Gartner, Inc. or the Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders (deficit) equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gartner, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gartner Inc. s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 20, 2009 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP
New York, New York
February 20, 2009

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Gartner, Inc.:

We have audited Gartner, Inc. and subsidiaries (Gartner, Inc. or the Company) internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Gartner Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Gartner, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Gartner, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders (deficit) equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated February 20, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
New York, New York
February 20, 2009

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GARTNER, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 140,929	$ 109,945
Fees receivable, net of allowances of $7,800 and $8,450 respectively	318,511	354,926
Deferred commissions	52,149	53,537
Prepaid expenses and other current assets	42,935	39,382
Total current assets	554,524	557,790
Property, equipment and leasehold improvements, net	61,869	66,551
Goodwill	398,737	416,181
Intangible assets, net	2,015	3,645
Other assets	75,920	89,043
Total assets	$ 1,093,065	$ 1,133,210
LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 219,381	$ 215,990
Deferred revenues	395,278	423,522
Current portion of long-term debt	177,750	236,500
Total current liabilities	792,409	876,012
Long-term debt	238,500	157,500
Other liabilities	83,472	82,200
Total liabilities	1,114,381	1,115,712
Commitments and contingencies (note 7)		
Stockholders (deficit) equity:		
Preferred stock:		
$.01 par value, authorized 5,000,000 shares; none issued or outstanding		
Common stock:		
$.0005 par value, authorized 250,000,000 shares for both periods; 156,234,416 shares issued for both periods	78	78
Additional paid-in capital	570,667	545,654
Unearned compensation, net		(386)
Accumulated other comprehensive (loss) income, net	(1,741)	23,641
Accumulated earnings	426,428	322,557
Treasury stock, at cost, 62,353,575 and 57,202,660 common shares, respectively	(1,016,748)	(874,046)
Total stockholders (deficit) equity	(21,316)	17,498

Total liabilities and stockholders (deficit) equity	$ 1,093,065	$ 1,133,210

See Notes to Consolidated Financial Statements.

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GARTNER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended December 31,		
	2008	2007	2006
Revenues:			
Research	$ 773,257	$ 673,335	$ 571,217
Consulting	347,404	325,030	305,231
Events	150,080	160,065	146,412
Other	8,324	10,045	14,439
Total revenues	1,279,065	1,168,475	1,037,299
Costs and expenses:			
Cost of services and product development	554,837	530,807	490,560
Selling, general and administrative	532,365	472,737	413,053
Depreciation	25,880	24,298	23,444
Amortization of intangibles	1,615	2,091	10,753
META integration charges			1,450
Other charges		9,084	
Total costs and expenses	1,114,697	1,039,017	939,260
Operating income	164,368	129,458	98,039
Interest income	3,121	2,912	2,517
Interest expense	(22,390)	(25,066)	(19,098)
Other (expense) income, net	(358)	3,193	(797)
Income before income taxes	144,741	110,497	80,661
Provision for income taxes	47,598	39,831	26,403
Income from continuing operations	97,148	70,666	54,258
Income from discontinued operations, net of taxes (note 2)	6,723	2,887	3,934
Net income	$ 103,871	$ 73,553	$ 58,192
Net income per share:			
Basic:			
Income from continuing operations	$ 1.02	$ 0.68	$ 0.48
Income from discontinued operations	.07	.03	.03
	$ 1.09	$ 0.71	$ 0.51
Diluted:			
Income from continuing operations	$ 0.98	$ 0.65	$ 0.47
Income from discontinued operations	.07	.03	.03

	$ 1.05	$ 0.68	$ 0.50
Weighted average shares outstanding:			
Basic	95,246	103,613	113,071
Diluted	99,028	108,328	116,203

See Notes to Consolidated Financial Statements.

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GARTNER, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS (DEFICIT) EQUITY AND COMPREHENSIVE INCOME
(IN THOUSANDS)

	Common Stock	Additional Paid-In Capital	Unearned Compensation, Net	Accumulated Other Comprehensive Income (Loss), Net	Accumulated Earnings	Treasury Stock	Total Stockholders' (Deficit) Equity
Balance at December 31, 2005	$ 77	$ 511,062	$ (6,652)	$ 6,320	$ 187,652	$ (551,871)	$ 146,588
Cumulative effect of adoption of SAB No. 108, net of tax (note 8)		7,167			3,160		10,327
Adjusted opening balance at January 1, 2006	77	518,229	(6,652)	6,320	190,812	(551,871)	156,915
Comprehensive income:							
Net income					58,192		58,192
Other comprehensive income:							
Foreign currency translation adjustments				7,340			7,340
Interest rate swap and investment, net of tax				775			775
Pension unrecognized loss, net of tax				(736)			(736)
Other comprehensive income				7,379			7,379
Comprehensive income							65,571
Adoption of SFAS No. 158, net of tax				(602)			(602)
Issuances under stock plans	1	1,634	2,361			42,736	46,732
Excess tax benefits from stock compensation		9,159					9,159
Purchase of shares for treasury stock						(269,204)	(269,204)
Stock compensation (net of forfeitures)		15,664	2,083				17,747
Balance at December 31, 2006	$ 78	$ 544,686	$ (2,208)	$ 13,097	$ 249,004	$ (778,339)	$ 26,318
Comprehensive income:							
Net income					73,553		73,553
Other comprehensive income:							
Foreign currency translation adjustments				10,570			10,570
Interest rate swap, net of tax				(2,966)			(2,966)
Pension unrecognized gain, net of tax				2,940			2,940
Other comprehensive income				10,544			10,544
Comprehensive income							84,097
Issuances under stock plans		(36,210)				73,357	37,147
Excess tax benefits from stock compensation		14,759					14,759
Purchase of shares for treasury stock						(169,064)	(169,064)
Stock compensation (net of forfeitures)		22,419	1,822				24,241

Balance at December 31, 2007	$ 78	$ 545,654	$ (386)	$ 23,641	$ 322,557	$ (874,046)	$ 17,498
Comprehensive income:							
Net income					103,871		103,871
Other comprehensive loss:							
Foreign currency translation adjustments				(20,497)			(20,497)
Interest rate swaps, net of tax				(6,060)			(6,060)
Pension unrecognized gain, net of tax				1,175			1,175
Other comprehensive loss				(25,382)			(25,382)
Comprehensive income							78,489
Issuances under stock plans		(10,128)				55,874	45,746
Excess tax benefits from stock compensation		14,831					14,831
Purchase of shares for treasury stock						(198,576)	(198,576)
Stock compensation (net of forfeitures)		20,310	386				20,696
Balance at December 31, 2008	$ 78	$ 570,667	$	$ (1,741)	$ 426,428	$ (1,016,748)	$ (21,316)

See Notes to Consolidated Financial Statements.

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GARTNER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended December 31,		
	2008	2007	2006
Operating activities:			
Net income	$ 103,871	$ 73,553	$ 58,192
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of Vision Events business (note 2)	(7,061)		
Depreciation and amortization of intangibles	27,495	26,389	34,197
Stock-based compensation expense	20,696	24,241	16,660
Excess tax benefits from stock-based compensation expense	(14,831)	(14,759)	(9,159)
Deferred taxes	2,617	6,740	6,830
Amortization and writeoff of debt issue costs	1,222	1,363	1,627
Changes in assets and liabilities:			
Fees receivable, net	20,987	(10,880)	(3,876)
Deferred commissions	(1,403)	(5,266)	(2,774)
Prepaid expenses and other current assets	(21)	(857)	(4,562)
Other assets	2,907	(12,288)	(1,562)
Deferred revenues	(308)	26,858	33,574
Accounts payable, accrued, and other liabilities	28,179	33,241	(22,883)
Cash provided by operating activities	184,350	148,335	106,264
Investing activities:			
Additions to property, equipment and leasehold improvements	(24,332)	(24,172)	(21,113)
Proceeds from sale of Vision Events business	7,847		
Other investing activities, net	30	36	(688)
Cash used in investing activities	(16,455)	(24,136)	(21,801)
Financing activities:			
Proceeds from terminated interest rate swap		1,167	
Proceeds from stock issued for stock plans	44,702	34,458	46,732
Proceeds from debt issuance	180,000	525,000	190,000
Payments for debt issuance costs	(801)	(1,257)	(45)
Payments on debt	(157,750)	(501,000)	(66,667)
Purchases of treasury stock	(200,817)	(166,822)	(270,704)
Excess tax benefits from stock-based compensation expense	14,831	14,759	9,159
Cash used by financing activities	(119,835)	(93,695)	(91,525)
Net increase (decrease) in cash and cash equivalents	48,060	30,504	(7,062)
Effects of exchange rates on cash and cash equivalents	(17,076)	11,640	4,581

Cash and cash equivalents, beginning of period	109,945	67,801	70,282
Cash and cash equivalents, end of period	$ 140,929	$ 109,945	$ 67,801
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 22,380	$ 24,100	$ 14,900
Income taxes, net of refunds received	$ 19,961	$ 3,564	$ 11,160

See Notes to Consolidated Financial Statements.

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GARTNER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The fiscal year of Gartner, Inc. (the Company) represents the period from January 1 through December 31. Certain prior year amounts have been reclassified to conform to the current year presentation. When used in these notes, the terms Company, we, us, or our mean Gartner, Inc. and its consolidated subsidiaries.

Principles of consolidation. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. Investments in companies in which the Company owns less than 50% but have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. All other investments for which the Company does not have the ability to exercise significant influence are accounted for under the cost method of accounting.

On April 1, 2005, the Company acquired META Group, Inc. (META), which was a technology and research firm. The acquisition was accounted for as a purchase business combination. The consolidated financial statements include the results of META from the date of acquisition.

Use of estimates. The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, and other long-lived assets, as well as tax accruals and other liabilities. In addition, estimates are used in revenue recognition, income tax expense, stock-based compensation charges, depreciation and amortization, and the allowance for loan losses. Management believes its use of estimates in the accompanying consolidated financial statements to be reasonable.

Management evaluates its estimates on an ongoing basis using historical experience and other factors, to include the general economic environment. We adjust such estimates when facts and circumstances dictate. However, these estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on our best judgment at a point in time.

The current global credit crisis and economic downturn, volatile foreign currency rates, and cuts in travel, marketing and technology budgets have combined to increase the risks and uncertainty inherent in such estimates. These external factors have increased the risks the Company s faces as it relates in particular to estimates regarding the collection of receivables and the valuation of goodwill.

As future events and their effects cannot be determined with precision, actual results could differ significantly from the estimates we have used. Changes in those estimates resulting from continuing weakness in the economic environment could be material and would be reflected in the Company s financial statements in future periods.

Revenues and commission expense recognition. The Company typically enters into annually renewable subscription contracts for research products. Revenues from research products are deferred and recognized ratably over the applicable contract term. The Company records the commission obligation related to research contracts upon the signing of the contract and amortizes the corresponding deferred commission expense over the contract period in which the related revenues are earned.

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 may have cancellation or fiscal funding clauses, which have not produced material cancellations to date. With the exception of certain government contracts which permit termination and contracts with special billing terms, it is Company policy to record the entire amount of the contract that is billable as a fee receivable at the time the contract is signed, which represents a legally enforceable claim, and a corresponding amount as deferred revenue. For those government contracts that permit termination, the Company bills the client the full amount billable under the contract but only records a receivable equal to the earned portion of the contract. In addition, the Company only records deferred revenue on these government contracts when cash is received.

Deferred revenue attributable to government contracts was $61.6 million and $57.6 million at December 31, 2008 and 2007, respectively. In addition, at December 31, 2008 and 2007, the Company had not recognized receivables or deferred revenues relating to government contracts that permit termination of $12.1 million and $10.8 million, respectively, which had been billed but not yet collected.

Consulting revenues, primarily derived from consulting, measurement and strategic advisory services (paid one-day analyst engagements), are principally generated from fixed fee or time and materials for discrete projects. Revenues for such projects are recognized as work is delivered and/or services are provided. Unbilled fees receivables associated with consulting engagements were $35.3 million at December 31, 2008, and $35.8 million at December 31, 2007. Revenues related to contract optimization contracts are contingent in nature and are only recognized upon satisfaction of all conditions related to their payment.

Events revenues are deferred and recognized upon the completion of the related symposium, conference or exhibition. In addition, the Company defers certain costs directly related to events and expenses these costs in the period during which the related symposium, conference or exhibition occurs. The Company policy is to defer only those costs, primarily prepaid site and production services costs, which are incremental and are directly attributable to a specific event. Other costs of organizing and producing our events, primarily Company personnel and non-event specific expenses, are expensed in the period incurred. At the end of each fiscal quarter, the

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Company assesses on an event-by-event basis whether expected direct costs of producing a scheduled event will exceed expected revenues. If such costs are expected to exceed revenues, the Company records the expected loss in the period determined.

Other revenues consist primarily of fees from research reprints. Reprint fees are recognized when the reprint is shipped.

Cash and cash equivalents. All highly liquid investments with original maturities of three months or less are classified as cash equivalents. The carrying value of these investments approximates fair value based upon their short-term maturity. Investments with maturities of more than three months are classified as marketable securities.

Property leases. Costs to lease facilities, including contractual rent concessions and rent increases, are expensed ratably over the life of the lease. This expense was $22.5 million in 2008, $23.8 million in 2007, and $22.6 million for 2006.

Property, equipment and leasehold improvements. Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the remaining term of the related leases. Property, equipment and leasehold improvements, less accumulated depreciation and amortization consist of the following (in thousands):

	Useful Life (Years)	December 31, 2008	December 31, 2007
Computer equipment and software	2 7	$ 123,970	$ 143,268
Furniture and equipment	3 8	34,220	38,136
Leasehold improvements	2 10	49,110	50,311
		207,300	231,715
Less accumulated depreciation and amortization		(145,431)	(165,164)
		$ 61,869	$ 66,551

Total depreciation expense was $25.9 million, $24.3 million, and $23.4 million in 2008, 2007, and 2006, respectively. At December 31, 2008 and 2007, capitalized development costs for internal use software were $19.6 million and $18.6 million, respectively, net of accumulated amortization of $18.9 million and $12.4 million, respectively. Amortization of capitalized internal software development costs, which is included in Depreciation in the Consolidated Statements of Operations, totaled $7.4 million, $6.5 million, and $4.6 million during 2008, 2007, and 2006, respectively.

Intangible assets. Intangible assets are amortized using the straight-line method over their expected useful lives. Customer relationships are amortized over five years, while noncompete agreements are generally amortized over two to five years.

Intangible assets subject to amortization include the following (in thousands):

December 31, 2008	Customer Relationships	Noncompete Agreements	Total
Gross cost	$ 7,700	$ 278	$ 7,978
Accumulated amortization	(5,775)	(188)	(5,963)
Net	$ 1,925	$ 90	$ 2,015

December 31, 2007	Customer Relationships	Noncompete Agreements	Total
Gross cost	$ 7,700	$ 498	$ 8,198
Accumulated amortization	(4,235)	(318)	(4,553)
Net	$ 3,465	$ 180	$ 3,645

Aggregate amortization expense related to intangible assets was $1.6 million, $2.1 million, and $10.8 million for 2008, 2007, and 2006, respectively.

The estimated future amortization expense by year from purchased intangibles is as follows (in thousands):

2009	$ 1,589
2010	426
	$ 2,015

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Goodwill. Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and identifiable intangible net assets acquired. Under SFAS No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized but is tested for impairment, at least annually, at the reporting unit level. A reporting unit can be an operating segment or a business if discrete financial information is prepared and reviewed by management. Under the impairment test, if a reporting unit s carrying amount exceeds its estimated fair value, goodwill impairment is recognized to the extent that the reporting unit s carrying amount of goodwill exceeds the implied fair value of the goodwill. The fair value of reporting units is estimated using discounted cash flows, market multiples, and other valuation techniques.

The changes to the carrying amount of goodwill by reporting segment during 2008 and the balance at December 31, 2008, follows (in thousands):

	Balance December 31, 2007	Currency Translation Adjustments	Adjustments	Balance December 31, 2008
Research (1)	$ 289,199	$ (10,600)	$ (520)	$ 278,079
Consulting	88,425	(4,377)		84,048
Events (2)	36,475	(107)	(1,840)	34,528
Other	2,082			2,082
Total goodwill	$ 416,181	$ (15,084)	$ (2,360)	$ 398,737

(1) The Company reduced Research goodwill by $0.5 million due to a META tax purchase accounting adjustment. The adjustment relates to the utilization or anticipated utilization of net operating losses for which a valuation was recorded at the acquisition date.

(2) The Company reduced Events segment goodwill by $1.8 million related to the sale of its Visions Events business in February 2008 (see Note 2 Discontinued Operations).

Impairment of long-lived assets and intangible assets. The Company reviews long-lived assets and intangible assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of the respective asset may not be recoverable. Such evaluation may be based on a number of factors including current and projected operating results and cash flows, changes in management s strategic direction as well as other economic and market variables. The Company s policy regarding long-lived assets and intangible assets other than goodwill is to evaluate the recoverability of these assets by determining whether the balance can be recovered through undiscounted future operating cash flows. Should events or circumstances indicate that the carrying value might not be recoverable based on undiscounted future operating cash flows, an impairment loss would be recognized. The amount of impairment, if any, is measured based on the difference between projected discounted future operating cash flows using a discount rate reflecting the Company s average cost of funds and the carrying value of the asset.

Pension obligations. The Company has defined-benefit pension plans in several of its international locations (see Note 13 Employee Benefits). Benefits earned 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 the requirements of Statement of Financial Accounting Standards No. 87, Employers Accounting for Pensions, as amended (SFAS No. 87). Under SFAS No. 87, the benefit obligation and related benefit expense is based on actuarial assumptions and valuations. The Company had $2.2 million, $2.7 million, and $2.9 million of expense under these plans in 2008, 2007, and 2006, respectively.

Foreign currency translation. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as foreign currency translation adjustments, a component of Accumulated Other Comprehensive Income (Loss), net within the Stockholders equity section of the Consolidated Balance Sheets. Income and expense items are translated at average

exchange rates for the year. Currency transaction gains or losses arising from transactions denominated in currencies other than the functional currency of a subsidiary are included in results of operations within Other income (expense), net within the Consolidated Statements of Operations. Net currency transaction (losses) gains were $(1.6) million in 2008, $1.1 million in 2007, and $(0.6) million during 2006.

We may enter into foreign currency forward exchange contracts to offset the effects of adverse fluctuations in foreign currency exchange rates. These contracts generally have a short maturity and are recorded at fair value with unrealized and realized gains and losses recorded in Other income (expense). During 2008, the net loss from these contracts was $(0.6) million. At December 31, 2008, the Company had 15 foreign currency forward contracts outstanding with a total notional value of $73.4 million. All of these contracts expired in January 2009.

Income taxes. Deferred tax assets and liabilities are recognized based on differences between the book and tax basis of assets and liabilities using presently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to taxable income for that year and the net changes during the year in deferred tax assets and liabilities. We credit additional paid-in capital for realized tax benefits arising from stock transactions with employees. The tax benefit on a nonqualified stock option is equal to the tax effect of the difference between the market price of the Company s common stock on the date of exercise and the exercise price.

Sales taxes. Sales tax collected from customers remitted to governmental authorities is presented on a net basis in the Consolidated Statements of Operations.

Fair value disclosures. The Company s fair value disclosures are included in Note 12 Fair Value Disclosures.

*Concentrations of credit risk***.** Items that potentially subject the Company to concentration of credit risk at December 31, 2008 consist primarily of short-term, highly liquid investments classified as cash equivalents, accounts receivable, interest rate swaps, and a pension reinsurance asset. The majority of the Company s cash equivalent investments and its two interest rate swap contracts are with investment grade commercial banks that are participants in the Company s Credit Agreement. Accounts receivable balances deemed to be collectible from customers have limited concentration of credit risk due to our diverse customer base and geographic dispersion. The Company s pension reinsurance asset is maintained with a large international insurance company that was rated investment grade as of December 31, 2008.

Stock repurchase programs. The Company records the cost to repurchase its own shares to treasury stock. During 2008, 2007 and 2006, the Company recorded $198.6 million, $169.1 million, and $269.2 million, respectively, of stock repurchases (see Note 8 Equity). Shares repurchased by the Company are added to treasury shares and are not retired.

Accounting for stock-based compensation. On January 1, 2006, the Company adopted 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). Stock-based compensation cost is based on the fair value of the award on the date of grant, which is expensed over the related service period, net of forfeitures. The service period is the period over which the employee performs the related services, which is normally the same as the vesting period. The Company adopted SFAS No. 123(R) under the modified prospective transition method, and consequently prior period results have not been restated. Under this transition method, the Company s reported stock compensation expense includes: a) expense related to the remaining unvested portion of awards granted prior to January 1, 2006, which is based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123; and b) expense related to stock compensation awards granted subsequent to January 1, 2006, which is based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R).

Prior to January 1, 2006, the Company applied APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) in accounting for its employee stock compensation and applied Statement of Financial Accounting Standards No. 123, Accounting for Stock Issued to Employees (SFAS 123) for disclosure purposes only. Under APB 25, the intrinsic value method was used to account for stock-based employee compensation plans and expense was not recorded for awards that did not have intrinsic value.

During 2008, 2007, and 2006, the Company had $20.7 million, $24.2 million, and $16.7 million, respectively, of stock-based compensation expense (see Note 9 Stock-Based Compensation).

Recent accounting developments.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which replaces FASB Statement No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree, and the goodwill acquired in a business combination. The Statement requires that adjustments to tax benefits related to the acquiree that are recorded subsequent to the acquisition date will be recognized in income, rather than as an adjustment of goodwill under the current rules. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity s fiscal year that begins after December 15,

2008, which for Gartner is the fiscal year beginning January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statement amendments of ARB No. 51 (SFAS No. 160). SFAS No. 160 requires the accounting and reporting of minority interests as noncontrolling interests and classified as a component of equity. The statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160

applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. The statement is effective as of the beginning of an entity s first fiscal year beginning after December 15, 2008, which will be the Company s fiscal year beginning January 1, 2009.

2 DISCONTINUED OPERATIONS

In February 2008 the Company sold its Vision Events business, which had been part of the Company s Events segment, for $11.4 million in cash. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the operating results of the Vision Events business have been reported separately as a discontinued operation for all periods presented. The Vision Events business generated revenues of zero, $20.7 million, and $23.0 million in 2008, 2007 and 2006, respectively, and had operating (loss) income of $(0.3) million, $2.9 million and $3.9 million in 2008, 2007, and 2006, respectively.

The Company realized net cash proceeds from the sale of approximately $7.8 million. The Company recorded a net gain on the sale of approximately $7.1 million after deducting direct costs to sell, a charge of $1.8 million of Events segment goodwill, and related tax charges. The gain is recorded in Income from discontinued operations on the Consolidated Statements of Operations. The goodwill charge was recorded in accordance with SFAS No. 142, Goodwill and Other Intangible Assets, which requires an allocated portion of goodwill to be included in the gain or loss on disposal of a portion of a reporting unit. As of December 31, 2007, the recorded assets and liabilities of the Vision Events business consisted primarily of $3.3 million of accounts receivable and prepaid expenses, while recorded liabilities consisted primarily of $3.4 million of deferred revenues. These amounts were not material to the Company s Condensed Consolidated Balance Sheet or Cash Flow as of December 31, 2007.

3 OTHER CHARGES

The Company recorded Other charges of $0 in 2008, $9.1 million in 2007, and $0 in 2006.

Other charges of $9.1 million recorded in 2007 included charges of $8.7 million related to a litigation settlement and $2.7 million related to our decision to exit consulting operations in Asia. Offsetting these charges was a credit of $2.3 million related to an excess facility.

The $8.7 million litigation settlement charge in 2007 related 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. In addition to the $8.7 million charge recorded in 2007, the Company had previously accrued $1.0 million toward the settlement of this matter.

The Company also recorded a charge of $2.7 million in 2007 for severance and benefits 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 following table summarizes the activity related to restructuring costs recorded as Other Charges in the Consolidated Statements of Operations (in thousands):

	Workforce Reduction Costs	Excess Facilities Costs	Asset Impairments and Other	Total
Accrued liability at December 31, 2005	$ 3,591	$ 20,595	$ 587	$ 24,773
Charges during 2006				
Currency translation and reclassifications	(113)	284	(120)	51
Payments	(2,797)	(5,849)	(467)	(9,113)

Accrued liability at December 31, 2006	$ 681	$ 15,030	$	$ 15,711
Charges during 2007	2,682		8,681	11,363
Adjustment for excess facility		(2,280)		(2,280)
Currency translation and reclassifications	(156)	164		8

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	Workforce Reduction Costs	Excess Facilities Costs	Asset Impairments and Other	Total
Payments	(2,871)	(5,138)	(8,681)	(16,690)
Accrued liability at December 31, 2007	$ 336	$ 7,776	$	$ 8,112
Charges during 2008				
Currency translation and reclassifications	(114)			(114)
Payments	(222)	(4,117)		(4,339)
Accrued liability at December 31, 2008 (1), (2)	$	$ 3,659	$	$ 3,659

(1) The $3.7 million liability for excess facilities represents the present value of the estimated remaining lease payments less projected sublease income. Accretion expense related to the obligations is charged to operations.
(2) Costs for excess facilities will be paid as the leases expire, through 2011. The Company intends to fund these payments from existing cash.

4 OTHER ASSETS

Other assets consist of the following (in thousands):

	December 31, 2008	December 31, 2007
Security deposits	$ 2,796	$ 2,328
Debt issuance costs	2,376	2,441
Benefit plan related assets	23,095	27,248
Non-current deferred tax assets	46,378	55,845
Other	1,275	1,181
Total other assets	$ 75,920	$ 89,043

5 ACCOUNTS PAYABLE, ACCRUED, AND OTHER LIABILITIES

Accounts payable and accrued liabilities consist of the following (in thousands):

	December 31, 2008	December 31, 2007
Accounts payable	$ 12,130	$ 11,264
Accrued bonus	45,040	49,792
Payroll and related benefits payable	50,340	47,574
Taxes payable	29,508	22,454
Commissions payable	33,797	35,347
Termination benefits payable (1)	8,500	336
Excess facilities costs	3,311	4,116
Other accrued liabilities	36,755	45,107
Total accounts payable and accrued liabilities	$ 219,381	$ 215,990

(1) The $8.5 million termination benefits payable at December 31, 2008 represents an accrual for severance and benefits costs related to a reduction in the Company s workforce of 117 employees. The Company recorded the charge in the fourth quarter of 2008 in accordance with SFAS No. 112, Employers Accounting for Postemployment Benefits. The Company expects the majority of the $8.5 million will be paid in the first half of 2009.

Other liabilities consist of the following (in thousands):

	December 31,	
	2008	2007
Non-current deferred revenue	$ 1,913	$ 3,083
Excess facilities costs	348	3,660
Long-term taxes payable	15,386	16,005
Benefit plan-related liabilities	30,098	35,545
Other	35,727	23,907
Total other liabilities	$83,472	$82,200

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6 DEBT

Credit Agreement

The Company has a Credit Agreement dated as of January 31, 2007 that provides for a $300.0 million revolving credit facility and a five-year, $180.0 million term loan (the original term loan). On April 9, 2008, the Company entered into a First Amendment (the First Amendment) with the lenders to the Credit Agreement, which provided for a new $150.0 million term loan (the 2008 term loan). The revolving credit facility may be increased up to an additional $100.0 million at the discretion of the Company s lenders (the expansion feature), for a total revolving credit facility of $400.0 million. However, the $100.0 million expansion feature may or may not be available to the Company depending upon prevailing credit market conditions. To date the Company has not sought to borrow under the expansion feature.

Borrowings under the Credit Agreement carry interest rates that are either prime-based or Libor-based. Interest rates under these borrowings include a base rate plus a margin between 0.00% and 0.75% on Prime-based borrowings and between 0.625% and 1.75% on Libor-based borrowings. Generally, the Company s borrowings are Libor-based. The revolving loans may be borrowed, repaid and reborrowed until January 31, 2012, at which time all amounts borrowed must be repaid. The revolver borrowing capacity is reduced for both amounts outstanding under the revolver and for letters of credit.

The original term loan will be repaid in 18 consecutive quarterly installments which commenced on September 30, 2007, with the final payment due on January 31, 2012, and may be prepaid at any time without penalty or premium at the option of the Company. The 2008 term loan is co-terminus with the original 2007 term loan under the Credit Agreement and will be repaid in 16 consecutive quarterly installments which commenced June 30, 2008, 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 Credit Agreement contains certain customary restrictive loan covenants, including, among others, financial covenants requiring a maximum leverage ratio, a minimum fixed charge coverage ratio, and a minimum annualized contract value ratio and covenants limiting Gartner s ability to incur indebtedness, grant liens, make acquisitions, be acquired, dispose of assets, pay dividends, repurchase stock, make capital expenditures, and make investments.

The Company was in full compliance with its debt covenants as of December 31, 2008. A failure to comply with these covenants in the future could result in acceleration of all amounts outstanding under the Credit Agreement, which would materially impact our financial condition unless accommodations could be negotiated with our lenders.

At December 31, 2008, the Company had $416.3 million in total debt outstanding under the Credit Agreement, which included $157.5 million outstanding under the original term loan, $138.8 million outstanding under the 2008 term loan, and $120.0 million outstanding under the revolver. The Company had approximately $178.3 million of available borrowing capacity under the $300.0 million revolving credit facility (not including the expansion feature) as of December 31, 2008.

As of December 31, 2008, the annualized interest rates on the original term loan, 2008 term loan, and revolver were 2.46%, 2.96%, and 1.47%, respectively. The rates on the original term loan and 2008 term loan consisted of a three-month LIBOR base rate plus margins of 1.00% and 1.50%, respectively. The rate on the revolver consisted of a one-month LIBOR base rate plus a margin of 1.00%. For 2008, 2007, and 2006, the Company had $22.4 million, $25.1 million, and $19.1 million, respectively, in interest expense, which includes amounts related to debt outstanding and interest received/paid on the interest rate swaps discussed below.

Interest Rate Swap Contracts

The Company has two interest rate swap contracts that hedge the base interest rate risk on its two term loans. The effect of the swaps is to convert the floating base rates on the term loans to fixed rates. Under the swap terms, the Company pays a fixed rate and in return receives a three-month LIBOR rate. The three-month LIBOR rate received on the swaps matches the base rate paid on the term loans since the Company optionally selects a three-month LIBOR rate on the term loans. Both of the interest rate swaps are amortizing swaps such that the notional value of the swaps declines over time and constantly matches the outstanding amounts of the term loans. Including the effect of the interest rate swaps, the annualized interest rates on the original term loan and 2008 term loan were 6.06% and 4.42%, respectively, as of December 31, 2008.

The Company accounts for the swaps as cash flow hedges in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). SFAS No. 133 requires all derivatives, whether designated as hedges or not, to be recorded on the balance sheet at fair value. Since the swaps qualify as cash flow hedges under SFAS No. 133, changes in the fair values of the swaps are recorded in Other comprehensive income as long as the swaps continue to effectively hedge the base interest rate risk on the respective term loans. Any ineffective portion of changes in the fair value of the hedges is recorded in earnings. At December 31, 2008, there was no ineffective portion of the hedges as defined under SFAS No. 133. The two interest rate swaps had a net negative fair value of approximately $14.7 million at December 31, 2008, which is recorded in Other comprehensive income, net of tax effect.

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Letters of Credit

The Company issues letters of credit and related guarantees in the ordinary course of business. At December 31, 2008, the Company had outstanding letters of credit and guarantees of approximately $3.8 million.

7 COMMITMENTS AND CONTINGENCIES

The Company leases various facilities, furniture, and computer equipment under operating lease arrangements expiring between 2009 and 2025. The future minimum annual cash payments under non-cancelable operating lease agreements at December 31, 2008, are as follows (in thousands):

Year ended December 31,	
2009	$ 30,980
2010	26,572
2011	16,876
2012	11,116
2013	7,512
Thereafter	43,428
Total minimum lease payments (1)	$ 136,484

(1) Excludes approximately $7.7 million of contractual sublease rental income.

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 December 31, 2008, we did not have any indemnification agreements that would require material payments.

The Company received cash proceeds of $1.2 million in 2008 related to the settlement of a litigation matter and $1.8 million in 2007 related to the settlement of a claim. These amounts were recorded as gains in Other (expense) income, net in the Consolidated Statements of Operations.

8 EQUITY

Capital stock. Holders of common stock are entitled to one vote per share on all matters to be voted by stockholders. The Company does not currently pay cash dividends on its common stock. Also, our credit arrangement contains a negative covenant which may limit our ability to pay dividends. In addition, our Amended and Restated Security Holders Agreement with Silver Lake requires us to obtain Silver Lake s consent prior to declaring or paying dividends.

The following table summarizes transactions relating to the Company s common stock for the three years ending December 31, 2008:

Treasury

	Issued Shares	Stock Shares
Balance at December 31, 2005	153,549,434	39,214,747
Issuances under stock plans	2,684,982	(1,952,616)
Purchases for treasury		14,907,460
Balance at December 31, 2006	156,234,416	52,169,591
Issuances under stock plans		(3,353,421)
Purchases for treasury		8,386,490
Balance at December 31, 2007	156,234,416	57,202,660
Issuances under stock plans		(4,568,658)
Purchases for treasury		9,719,573
Balance at December 31, 2008	156,234,416	62,353,575

Share repurchase 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, which the Board of Directors supplemented in February 2008 with an additional $250.0 million authorization for share repurchases. The new program replaced the repurchase program approved in October 2005.

Repurchases under the program are generally made from time-to-time through open market purchases. 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 Agreement.

During 2008, 2007, and 2006, the Company had $198.6 million, $169.1 million, and $269.2 million, respectively, of common share repurchases. Included in these totals is $26.9 million and $200.0 million for shares repurchased directly from Silver Lake in 2008 and 2006, respectively.

Adoption of Staff Accounting Bulletin No. 108. The Company adopted SEC Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB No. 108) effective the beginning of the fiscal year ended December 31, 2006. SAB No. 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 establishes an approach that requires quantification of financial statement errors based on the effects on each of the Company s financial statements and related financial statement disclosures.

In accordance with the requirements of SAB No. 108, the Company adjusted its opening accumulated earnings for 2006 in the accompanying Consolidated Statements of Stockholders (Deficit) Equity and Comprehensive Income for the three items described below. The net impact of these adjustments increased the Company s opening balance of accumulated earnings for 2006 by approximately $3.2 million and increased the opening balance of additional paid-in-capital by approximately $7.2 million. The Company considered these adjustments to be immaterial to its Consolidated Statements of Operations and its Consolidated Balance Sheets in prior periods.

The Company recorded an adjustment of $10.7 million related to an overstatement of current taxes payable, resulting in an increase to opening accumulated earnings of $7.4 million and a $3.3 million increase to opening additional paid-in capital. The adjustment had no impact on tax expense. The adjustment was due to the carryover impact of an excess payable balance from prior years in the current taxes payable account which had accumulated over a period of years prior to 2000.

Prior to October 1999, the exercise price of stock options granted to employees under the Company s stock option plans was equal to the average of the closing price of the Company s common stock for the five trading days immediately preceding the grant date. In 2006, the Company determined that for valuation purposes, the exercise price should have been the closing price on the date of grant (which is the formula used by the Company since October 1999). Accordingly, the Company revalued options granted prior to October 1999 using the closing price on the date of grant and determined that an additional $6.0 million of compensation expense should have been recorded. The cumulative effect of the adjustment resulted in a reduction of opening accumulated earnings of approximately $3.8 million, an increase to additional paid-in capital of $3.9 million, and a tax effect of less than $0.1 million.

Lastly, the Company recorded an adjustment of $0.7 million related to a correction in the accounting treatment of certain operating leases, which resulted in a reduction of opening accumulated earnings of approximately $0.4 million, net of tax effect of $0.3 million. Promulgated accounting principles require contractual rent concessions and rent increases to be applied ratably over the life of the operating lease. The Company only applied this requirement to operating leases above a certain threshold, with the resulting adjustment amount accumulating over a period of years.

9 STOCK-BASED COMPENSATION

The Company grants stock-based compensation awards as an incentive for employees and directors to contribute to the Company s long-term success. The Company s stock compensation awards include stock options, stock-settled stock appreciation rights, restricted stock, service- and performance-based restricted stock units, and common stock equivalents. At December 31, 2008, the Company had approximately 5.8 million shares of common stock available for awards of stock-based compensation under its 2003 Long-Term Incentive Plan.

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The Company accounts for 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 Bulletins No. 107 (SAB No. 107) and No. 110 (SAB No. 110). Under SFAS No. 123(R), stock-based compensation expense is based on the fair value of the award on the date of grant, which is recognized over the related service period, net of estimated forfeitures. The service period is the period over which the related service is performed, which is generally the same as the vesting period. At the present time, the Company issues treasury shares upon the exercise or settlement of stock-based compensation awards.

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 the likelihood of the 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.

The Company recognized the following amounts of stock-based compensation expense under SFAS No. 123(R) in the Consolidated Statement of Operations for the years ended December 31 (in millions):

Amount recorded in:	2008	2007	2006
Costs of services and product development	$ 9.6	$ 10.8	$ 8.2
Selling, general, and administrative	11.1	13.4	8.5
Total stock-based compensation expense (1)	$ 20.7	$ 24.2	$ 16.7

(1) Includes $1.3 million, $0.9 million, and $1.4 million for charges related to retirement-eligible employees in 2008, 2007, and 2006, respectively.

As of December 31, 2008, the Company had $40.5 million of total unrecognized stock-based compensation cost, which is expected to be recognized as stock-based compensation expense over the remaining weighted-average service period of approximately 2.1 years. Currently, the Company issues treasury shares upon the exercise or settlement of stock-based compensation awards.

Stock-Based Compensation Awards

The following disclosures provide information regarding the Company s stock-based compensation awards, all of which are classified as equity awards in accordance with SFAS No. 123(R):

Stock Options

The Company may grant stock options to employees that allow them to purchase shares of the Company s common stock at a certain price. The Company determines the fair value of stock options at the date of grant using the Black-Scholes-Merton valuation model. Options vest annually over a four-year vesting period, and options granted prior to 2005 expire ten years from the grant date, whereas options granted beginning in 2005 generally expire seven

years from the grant date. The Company has not made new stock option awards since 2006.

The Company recognized $1.9 million, $5.8 million, and $7.9 million of expense related to stock options in 2008, 2007, and 2006, respectively. There was no remaining unamortized cost related to stock options as of December 31, 2008. The Company received $42.0 million and $31.7 million of cash from stock option exercises in 2008 and 2007, respectively.

A summary of the changes in stock options outstanding for the year ended December 31, 2008, follows:

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	Options in millions	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2007	9.9	$ 11.02	4.31 years
Forfeited or expired	(0.1)	11.31	na
Exercised (1)	(3.7)	14.57	na
Outstanding at December 31, 2008 (2)	6.1	$ 10.78	3.56 years
Vested and exercisable at December 31, 2008 (2)	6.1	$ 10.78	3.56 years

na=not applicable

(1) Options exercised during 2008 had an aggregate intrinsic value of $45.4 million.

(2) At December 31, 2008, options outstanding and options vested and exercisable had an aggregate intrinsic value of $42.8 million.

Stock Appreciation Rights

Stock-settled stock appreciation rights (SARs) are settled in common shares and are similar to options as they permit the holder to participate in the appreciation of the Company s common stock. SARs may be settled in common shares by the employee once the applicable vesting criteria have been met. When SARs are exercised, the number of Gartner common shares awarded is calculated as follows: (1) the total proceeds from the SARs exercise (the closing price of Gartner common stock on the date of exercise less the exercise price of the SARs, multiplied by the number of SARs exercised) is divided by (2) the closing price of Gartner common stock on the exercise date. The Company will withhold a portion of the common shares issuable upon exercise to satisfy minimum statutory tax withholding requirements. SARs recipients do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until after actual shares of common stock are issued in respect of the award, which is subject to the prior satisfaction of the vesting and other criteria relating to such grants. At the present

time, SARs are awarded only to the Company s executive officers.
The Company determines the fair value of SARs on the date of grant using the Black-Scholes-Merton valuation model. The SARs vest ratably over a four-year service period and they expire seven years from the grant date. Total compensation expense for SARs was $3.2 million, $2.4 million, and $1.0 million in 2008, 2007, and 2006, respectively.
A summary of the changes in SARs outstanding for the year ended December 31, 2008, follows:

	SARs in millions	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2007	1.7	$ 17.07	$6.75	5.59 years
Granted	0.7	18.10	6.37	6.13 years
Forfeited or expired	(0.2)	17.95	6.58	na
Exercised	(0.1)	15.69	6.34	na
Outstanding at December 31, 2008 (1)	2.1	$ 17.42	$6.61	5.12 years
Vested and exercisable at December 31,2008 (1)	0.6	$ 16.11	$6.45	4.54 years

na=not applicable

(1) At December 31, 2008, SARs outstanding had an intrinsic value of $3.2 million. SARs vested and exercisable had an intrinsic value of $1.5 million.

The fair value of the Company s SARs was determined on the date of grant using the Black-Scholes-Merton valuation model with the following weighted-average assumptions for the years ended December 31:

	2008	2007	2006
Expected dividend yield (1)	0%	0%	0%
Expected stock price volatility (2)	36%	33%	40%

Risk-free interest rate (3)	2.8%	4.7%	4.7%
Expected life in years (4)	4.75	4.74	4.81

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(1) The dividend yield assumption is based on the history and expectation of the Company s dividend payouts. Historically Gartner has not paid cash dividends on its common stock.

(2) The determination of expected stock price volatility was based on both historical Gartner common stock prices and implied volatility from publicly traded options in Gartner common stock.

(3) The risk-free interest rate is based on the yield of a U.S. Treasury security with a maturity similar to the expected life of the award.

(4) The expected life in years is based on the simplified calculation

provided for in SEC Staff Accounting Bulletin No. 107. The simplified method determines the expected life in years based on the vesting period and contractual terms as set forth when the award is made. The Company continues to use the simplified method for awards of stock-based compensation after January 1, 2008 as permitted by SEC Staff Accounting Bulletin 110 (SAB No. 110), since it does not have the necessary historical exercise and forfeiture data to determine an expected life for SARs. Originally, the use of the simplified method was due to expire on December 31, 2007, but SAB No. 110 permits continued use of the simplified method if the Company

concludes that it is not reasonable to base its estimate of expected term on its experience with historical exercise patterns.

Restricted Stock, Restricted Stock Units, and Common Stock Equivalents

Restricted stock awards give the awardee the right to vote the restricted common shares and to receive dividends and distributions on these shares; however, the awardee may not sell the restricted shares until all restrictions on the release of the shares have lapsed and the shares are released. Restricted stock units (RSUs) give the awardee the right to receive Gartner common shares when the restrictions lapse and the vesting conditions are met, and each RSU that vests entitles the awardee to one common share. RSU awardees do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until after the common shares are released. Common stock equivalents (CSEs) are convertible into Gartner common shares, and each CSE entitles the holder to one common share. Certain members of our Board of Directors receive directors fees payable in CSEs unless they opt for cash payment. Generally, the CSEs are converted when service as a director terminates.

The fair value of restricted stock, restricted stock units (RSUs), and common stock equivalents (CSEs) is determined on the date of grant based on the closing price of the Company s common stock as reported by the New York Stock Exchange on that date. The fair value of these awards is recognized as compensation expense as follows: (i) outstanding restricted stock awards vest based on the achievement of a market condition and are expensed on a straight-line basis over three years; (ii) service-based RSUs vest ratably over four years and are expensed on a straight-line basis over four years; (iii) performance-based RSUs are subject to both performance and service conditions, vest ratably over four years, and are expensed on an accelerated basis as required by SFAS No. 123(R); and (iv) CSEs vest immediately and are recorded as expense on the date of grant.

The Company recognized the following amounts of stock-based compensation expense for the years ended December 31 (in millions):

Award type:	2008	2007	2006
Restricted stock	$ 0.4	$ 1.8	$2.1
Restricted stock units (RSUs)	14.8	13.7	5.2
Common stock equivalents (CSEs)	0.4	0.5	0.5
	$15.6	$16.0	$7.8

A summary of the changes in restricted stock, RSUs, and CSEs during the year ended December 31, 2008 is presented in the table below:

	Restricted Stock	Weighted-Average Grant Date Fair Value	Restricted Stock Units (RSUs)	Weighted-Average Grant Date Fair Value	Common Stock Equivalents (CSEs)	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2007	200,000	$7.30	2,188,782	$18.33		$
Granted (1), (2)			1,273,280	18.37	21,478	19.85

Vested or settled (2)			(637,671)	18.00	(21,478)	19.85
Forfeited			(209,544)	18.68		
Unvested at December 31, 2008 (3), (4)	200,000	$7.30	2,614,847	$18.40		$

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(1) The 1.3 million RSUs granted in 2008 consisted of 0.5 million performance-based RSUs awarded to executives and 0.8 million service-based RSUs awarded to executive and non-executive staff.

The number of performance-based RSUs awarded was subject to the achievement of a performance condition tied to the annual increase in the Company s subscription-based contract value for 2008, which ranged from 0% and 200% of the target number awarded depending on the performance level achieved. The aggregate target performance-based RSUs awarded in 2008 was 0.6 million. The actual performance target achieved was 75.1%, resulting in 0.5 million performance-based RSUs awarded.

(2) CSEs represent fees paid to directors. The CSEs vest when granted and

are convertible into common shares when the director leaves the Board of Directors or earlier if the director elects to accelerate the release.

(3) Vesting on the 200,000 shares of restricted stock held by our CEO is subject to a market condition as follows: (i) 100,000 shares will vest when the Company s common stock trades at an average price of $25 or more each trading day for sixty consecutive trading days; and (ii) 100,000 shares will vest when the Company s common stock trades at an average price of $30 or more each trading day for sixty consecutive trading days.

(4) The weighted-average remaining contractual term of the RSUs is 1.3 years. The restricted stock has no defined contractual term.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan (the ESPP Plan) under which eligible employees are permitted to purchase Gartner common stock through payroll deductions, which may not exceed 10% of an employee s compensation (or $23,750 in any calendar year), at a price equal to 95% of the common stock price as reported by the New York Stock Exchange at the end of each offering period.

At December 31, 2008, the Company had 1.8 million shares available for purchase under the ESPP Plan. The ESPP Plan is considered non-compensatory under SFAS No. 123(R), and as a result the Company does not record compensation expense related to employee share purchases. The Company received $2.7 million in cash from share purchases under the Plan in the year ended December 31, 2008.

10 COMPUTATION OF EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in earnings. When the impact of stock options or other stock-based compensation is antidilutive they are excluded from the calculation.

The following table sets forth the reconciliation of the basic and diluted earnings per share computations (in thousands, except per share amounts):

	2008	2007	2006
Numerator:			
Net income used for calculating basic and diluted earnings per common share	$ 103,871	$ 73,553	$ 58,192
Denominator: (1)			
Weighted average number of common shares used in the calculation of basic earnings per share	95,246	103,613	113,071
Common share equivalents associated with stock-based compensation plans	3,782	4,715	3,132
Shares used in the calculation of diluted earnings per share	99,028	108,328	116,203
Earnings per share:			
Basic (2)	$ 1.09	$ 0.71	$ 0.51
Diluted (2)	$ 1.05	$ 0.68	$ 0.50

(1) During 2008, 2007 and 2006, the Company repurchased 9.7 million, 8.4 million, and 14.9 million of its common shares, respectively (see Note 8 Equity).

(2) Basic and diluted include income from discontinued operations of

$0.07 per share, $0.03 per share, and $0.03 per share for 2008, 2007, and 2006, respectively.

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The following table presents the number of options and other share equivalents that were not included in the computation of diluted EPS in the table above because the effect would have been antidilutive. During periods with reported income, these options and other share equivalents were antidilutive because their exercise prices were greater than the average market value of a share of common stock during the period. During periods with reported loss, all options and other share equivalents outstanding would have an antidilutive effect.

	2008	2007	2006
Antidilutive options and other share equivalents as of December 31 (in millions):	1.3	0.6	1.9
Average market price per share of Gartner common stock during the year	$ 20.17	$ 23.00	$ 15.68

11 INCOME TAXES

Following is a summary of the components of income before income taxes (in thousands):

	2008	2007	2006
U.S.	$ 79,393	$ 59,884	$ 39,233
Non-U.S.	65,348	50,613	41,428
Income before income taxes	$ 144,741	$ 110,497	$ 80,661

The expense for income taxes on the above income consists of the following components (in thousands):

	2008	2007	2006
Current tax expense (benefit):			
U.S. federal	$ 10,564	$ 3,321	$ (10,096)
State and local	3,341	(2,935)	7,063
Foreign	15,614	14,286	11,856
Total current	29,519	14,672	8,823
Deferred tax (benefit) expense:			
U.S. federal	(547)	2,695	24,588
State and local	1,848	5,487	(16,826)
Foreign	(2,798)	(381)	(2,384)
Total deferred	(1,497)	7,801	5,378
Total current and deferred	28,022	22,473	14,201
Benefit (expense) relating to interest rate swap used to increase (decrease) equity	3,776	2,449	(417)
Benefit from stock transactions with employees used to increase equity	15,876	15,237	10,750
Benefit (expense) relating to SFAS No. 158 pension adjustments used to increase (decrease) equity	(594)	(1,688)	
Benefit of certain SAB No. 108 adjustments to DTA s used to increase equity			1,075
Benefit of acquired tax assets used to reduce goodwill	518	1,360	794
Tax expense on continuing operations	47,598	39,831	26,403

Tax expense on discontinued operations	617	777	1,277
Total tax expense	$ 48,215	$ 40,608	$ 27,680

Current and long-term deferred tax assets and liabilities are comprised of the following (in thousands):

	December 31,	
	2008	2007
Depreciation and software amortization	$ 6,591	$ 10,673
Expense accruals	32,865	33,004
Loss and credit carryforwards	37,036	52,474
Other assets	24,294	16,953
Gross deferred tax asset	100,786	113,104
Intangible assets	(10,238)	(7,690)
Prepaid expenses	(6,533)	(7,401)
Other liabilities	(970)	(1,331)
Gross deferred tax liability	(17,741)	(16,422)
Valuation allowance	(24,924)	(38,296)
Net deferred tax asset	$ 58,121	$ 58,386

Current net deferred tax assets and net deferred tax liabilities were $15.7 million and $2.8 million as of December 31, 2008 and $7.8 million and $4.9 as of December 31, 2007, respectively, and are included in Prepaid expenses and other current assets and Accounts payable and accrued liabilities in the Consolidated Balance Sheets. Long-term net deferred tax assets and net deferred tax liabilities were $46.4 million and $1.2 million as of December 31, 2008, and $55.8 million and $0.3 million as of December 31, 2007, respectively, and are included in Other assets and Other liabilities in the Consolidated Balance Sheets.

The valuation allowances in 2008 and 2007 relate primarily to non-U.S. net operating losses, domestic capital loss carryforwards, and domestic foreign tax credits that more likely than not will expire unutilized. The net decrease in valuation allowance of $13.4 million in 2008 relates primarily to the following items: (a) the release of approximately $9.4 million of valuation allowances for changes in both actual and anticipated utilization of foreign tax credits and (b) the release of approximately $2.6 million of valuation allowances on federal and state capital loss carryovers due to both utilization and expiration of the capital loss carryovers.

The Company has established a full valuation allowance against domestic realized and unrealized capital losses, as the future utilization of these losses is uncertain. As of December 31, 2008, the Company had U.S. federal capital loss carryforwards of $5.1 million, of which $5.0 million will expire in 2010 and $0.1 million will expire in 2011. The Company also had $7.3 million in state and local capital loss carryforwards that will expire over a similar time period. As of December 31, 2008, the Company had state and local tax net operating loss carryforwards of $181.2 million, of which $6.9 million will expire within one to five years, $107.0 million will expire within six to fifteen years, and $67.3 million will expire within sixteen to twenty years. In addition, the Company had non-U.S. net operating loss carryforwards of $37.6 million, of which $6.2 million will expire over the next 20 years and $31.4 million that can be carried forward indefinitely.

As of December 31, 2008 the Company also had foreign tax credit carryforwards of $15.0 million, all of which will expire in 2017.

The differences between the U.S. federal statutory income tax rate and the Company s effective tax rate on income before income taxes are:

	2008	2007	2006
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.8	2.9	2.2
Foreign income taxed at different rates	(4.4)	(2.4)	(3.0)
Non-deductible meals and entertainment	0.7	0.8	0.8
Repatriation of foreign earnings	7.6		
Record (release) valuation allowance	(9.2)	(1.4)	(15.9)
Foreign tax credits	(1.0)	(1.8)	
(Release) increase reserve for tax contingencies	(0.3)	1.8	13.2
Other items (net)	1.7	1.1	0.4
Effective tax rate	32.9%	36.0%	32.7%

The Company adopted FIN 48 on January 1, 2007. As of December 31, 2008 and 2007, the Company had gross unrecognized tax benefits of $16.3 million and $18.1 million, respectively. The reduction is primarily attributable to the expiration of certain statutes of limitation in the second quarter of 2008. It is reasonably possible that the gross unrecognized tax benefits will be decreased by $2.1 million within the next 12 months due primarily to the expiration of the relevant statutes of limitation. The nature of the uncertainty relates to the tax effects of intercompany charges and the deductibility of certain expenses.

FIN 48 also requires companies to reclassify uncertain tax positions not expected to be settled within one year to long term liabilities. As of December 31, 2008 and 2007, the Company had Other Liabilities of $14.2 million and $15.4 million, respectively, related to long term uncertain tax positions.

Upon adoption of FIN 48, the Company elected an accounting policy to classify accrued interest and penalties related to unrecognized tax benefits in its income tax provision. Previously, the policy classified interest and penalties as an operating expense in arriving at pretax income. The Company had $3.6 million and $2.5 million of accrued interest and penalties recorded as of December 31, 2008 and 2007, respectively, related to the unrecognized tax benefits. These amounts are in addition to the gross unrecognized tax benefits noted above. The total amount of interest and penalties recognized in the Consolidated Statements of Operations for the years ending December 31, 2008 and 2007 was $1.4 million and $2.6 million, respectively.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, for the years ending December 31 (in thousands):

	2008	2007
Balance at January 1, 2008	$ 18,051	$ 25,105
Additions based on tax positions related to the current year	1,253	3,174
Additions for tax positions of prior years	1,424	1,831
Reductions for tax positions of prior years	(1,692)	(488)
Reclass to current taxes payable and other income tax accounts		(11,734)
Reductions for expiration of statutes	(2,128)	
Settlements	(264)	
Impact of foreign exchange	(297)	163
Balance at December 31, 2008	$ 16,347	$ 18,051

In December 2008, the Company repatriated $55.0 million from its foreign subsidiary. The cost of the repatriation was offset with the utilization of foreign tax credits and capital loss carryovers against which a valuation allowance was previously established.

The number of years with open statues of limitation varies depending on the tax jurisdiction. Generally, our statutes are open for tax years ended September 30, 2004 and forward. Major taxing jurisdictions include the U.S. (federal and state), the United Kingdom, Italy, Canada, Japan, and Ireland.

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. On February 27, 2008, the Company received official written notification that the case had cleared the IRS Joint Committee, which officially closes the IRS audit for those periods. The Company recently received notice that the IRS intends to conduct an audit of the 2007 tax year. The Company does not expect any material impact on its financial position as a result of such review.

Undistributed earnings of subsidiaries outside of the U.S. amounted to approximately $12.8 million as of December 31, 2008. The Company intends to reinvest such earnings in non-U.S. operations. However, the Company may repatriate a portion of these earnings to the extent that it does not incur an additional U.S. tax liability. Accordingly, no provision for U.S. federal and state income taxes has been provided thereon.

12 FAIR VALUE DISCLOSURES

The Company s financial instruments include cash and cash equivalents, fees receivable from customers, accounts payable, and accruals which are short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximates their fair value.

At December 31, 2008, the Company had $416.3 million of outstanding floating rate debt and two interest rate swap contracts (see Note 6 Debt), as well as foreign currency forward contracts (see Note 1 Summary of Significant Accounting Policies). These items are all considered financial instruments. The Company s debt is carried at amortized cost while the interest rate swaps and forward contracts are carried at fair value. The Company believes the carrying amount of the debt approximates its fair value as the rate of interest on the term loans and revolver are floating rate which reflect current market rates of interest for similar instruments with comparable maturities. Additional information regarding the determination of the fair value of the interest rate swaps and the forward contracts is discussed below.

Adoption of SFAS No. 157, Fair Value Measurements

On January 1, 2008, the Company partially adopted SFAS No. 157 Fair Value Measurements (SFAS No. 157), which required additional disclosures but did not have an impact on our consolidated financial statements. The Company only partially adopted SFAS No. 157 due to the issuance of FASB Staff Position (FSP) FASB 157-2, Effective Date of FASB Statement No. 157 (FSP No. 157-2).

SFAS No. 157 defines fair value, establishes a common framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements for assets and liabilities. SFAS No. 157 does not require additional assets or liabilities to be

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accounted for at fair value beyond that already required under other U.S. GAAP accounting standards. FSP No. 157-2 deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Included in the scope of FSP No. 157-2 are nonfinancial assets and liabilities acquired in business combinations and impaired assets. The effective date for nonfinancial assets and nonfinancial liabilities was delayed by one year to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company continues to assess the deferred portion of SFAS No. 157.

Under SFAS No. 157, the framework for measuring fair value and a valuation hierarchy is based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the resulting fair value measurement. The valuation hierarchy contains three levels:

Level 1 Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the asset or liability being measured.

Level 3 Valuation inputs are unobservable and significant to the fair value measurement.

The following table presents Company assets and liabilities measured at fair value on a recurring basis (in thousands):

Description	Fair Value December 31, 2008
Assets:	
Deferred compensation assets (1)	$ 13,900
Liabilities:	
Foreign currency forward contracts (2)	$ 2,500
Interest rate swap contracts (3)	14,700
	$ 17,200

(1) The Company has a supplemental deferred compensation arrangement for the benefit of certain highly compensated officers, managers and other key employees (see Note

13 Employee Benefits). The plan s assets consist of $4.5 million of investments in money market and mutual funds, and $9.4 million of company-owned life insurance. The money market and mutual funds consist of cash equivalents or securities traded in active markets, which the Company considers the fair value of these assets to be based on Level 1 inputs as defined by SFAS No. 157. The value of the Company-owned life insurance is based on indirect observable inputs which the Company considers to be Level 2.

(2) The Company had 15 foreign currency forward contracts outstanding as of December 31, 2008, with a notional value of $73.4 million. All of these contracts expired by the end of January 2009. The Company

periodically enters into these foreign currency forward exchange contracts to offset the effects of adverse fluctuations in foreign currency exchange rates. These instruments are typically short term in duration and are recorded at fair value with unrealized and realized gains and losses recorded in earnings. Valuation of the foreign currency forward contracts is based on foreign currency exchange rates in active markets, thus the Company measures the fair value of these contracts under a Level 2 input as defined by SFAS No. 157.

(3) The Company has two interest rate swap contracts that hedge the base interest rate risk on its term loans. These contracts are accounted for as cash flow hedges in accordance with SFAS No. 133. The fair value of the swaps is

recorded in Other comprehensive income, net of tax effect (see Note 6 Debt). To determine the value of the swaps, the Company relies on a mark-to-market valuations prepared by third-party brokers based on observable interest rate yield curves. Accordingly, the fair value of the swaps is determined under a Level 2 input as defined by SFAS No. 157.

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13 EMPLOYEE BENEFITS

Savings and investment plan. The Company has a savings and investment plan covering substantially all domestic employees. Company contributions are based upon the level of employee contributions, up to a maximum of 4% of the employee s eligible salary, subject to an annual maximum. For 2008, the maximum match was $6,200. In addition, the Company also contributes at least 1% of an employee s base compensation, subject to an IRS annual limitation of $2,300 for 2008. Amounts expensed in connection with the plan totaled $12.5 million, $11.8 million, and $10.9 million, for 2008, 2007, and 2006, respectively.

Deferred compensation arrangement. The Company has a supplemental deferred compensation arrangement for the benefit of certain highly compensated officers, managers and other key employees which is structured as a rabbi trust. We classify the plan s investment assets in Other assets on the Consolidated Balance Sheets at current fair value, and the value of the assets was $13.9 million and $18.8 million at December 31, 2008 and 2007, respectively. The corresponding deferred compensation liability of $16.5 million and $21.9 million at December 31, 2008 and 2007, respectively, is recorded at fair market value, and is adjusted with a corresponding charge or credit to compensation cost to reflect the fair value of the amount owed to the employee and is included in Other liabilities on the Consolidated Balance Sheets. Total compensation (benefit) expense for the arrangement was $(0.4) million, $0.3 million, and $0.3 million, for 2008, 2007, and 2006, respectively.

Defined benefit pension plans. The Company has defined-benefit pension plans in several of its international locations. Benefits earned 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 the requirements of Statement of Financial Accounting Standards No. 87, Employers Accounting for Pensions, as amended (SFAS No. 87).

On December 31, 2006, the Company adopted FASB Statement No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans An Amendment of FASB Statements No. 87, 88, 106, and 132R (SFAS No. 158). The standard requires an employer to: (a) recognize in its statement of financial position an asset for a plan s overfunded status or a liability for a plan s underfunded status; (b) measure a plan s assets and its obligations that determine its funded status as of the end of the employer s fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

The following are the components of net periodic pension expense for the years ended December 31 (in thousands):

	2008	2007	2006
Service cost	$ 1,470	$ 1,922	$ 2,013
Interest cost	717	599	471
Recognition of actuarial (gain) loss	(74)	129	321
Recognition of termination benefit	40	24	98
Net periodic pension expense	$ 2,153	$ 2,674	$ 2,903

Assumptions used in the computation of net periodic pension expense are as follows:

	2008	2007	2006
Weighted-average discount rate	5.09%	5.01%	3.69%
Average compensation increase	3.27%	3.32%	3.31%

The Company determines the weighted-average discount rate by utilizing the yields on long-term corporate bonds in the relevant country with a duration consistent with the pension obligations.

The following table provides information related to changes in the projected benefit obligation (in thousands):

	December 31,		
	2008	2007	2006

Projected benefit obligation at beginning of year	$ 13,224	$ 13,900	$ 11,569
Service cost	1,470	1,922	2,163
Interest cost	717	599	471
Actuarial gain	(1,799)	(4,589)	(1,192)
Benefits paid (1)	(583)	(217)	(28)
Foreign currency impact	257	1,609	917
Projected benefit obligation at end of year (2)	$ 13,286	$ 13,224	$ 13,900

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(1) Benefits to be paid in future years are estimated as follows: $0.1 million in 2009; $0.2 million in 2010; $0.2 million in 2011; $0.3 million in 2012; $0.9 million in 2013; and $3.8 million in the five years thereafter.

(2) Measured as of December 31.

The following table provides information related to the funded status of the plans and the amounts recorded in the Consolidated Balance Sheets (in thousands):

	December 31,		
Funded status of the plans:	2008	2007	2006
Projected benefit obligation	$ 13,286	$ 13,224	$ 13,900
Plan assets at fair value (1)			
Funded status (2)	$ 13,286	$ 13,224	$ 13,900
Amounts recorded in the Consolidated Balance Sheets:			
Other assets reinsurance asset (1)	$ 9,141	$ 8,380	$ 6,335
Other liabilities accrued pension obligation	$ 13,286	$ 13,224	$ 13,900
Stockholders equity unrecognized actuarial gain (loss) (3)	$ 2,777	$ 1,602	$ (1,338)

(1) The Company has a reinsurance asset arrangement with a large international

insurance company that was rated investment grade as of December 31, 2008. The purpose of the reinsurance asset arrangement is to fund the benefit obligation under one of the plans. However, the reinsurance asset is not recognized as a plan asset under SFAS No. 87 since it is considered an asset of the Company and is not legally segregated or restricted for purposes of meeting the pension obligation. The reinsurance asset is carried at its cash surrender value, which the Company believes approximates its fair value as of December 31, 2008.

(2) Contributions expected to be paid to the plans in 2009 are $0.1 million.

(3)

The $2.8 million recorded in Stockholders equity as of December 31, 2008, represents the plan s net unrecognized actuarial gain. This amount is recorded in accordance with SFAS No. 158 and will be amortized to net periodic pension cost over approximately 15 years. Amortization of the gain is estimated to reduce net periodic pension cost in 2009 by approximately $0.2 million.

14 SEGMENT INFORMATION

The Company manages its business in three reportable segments: Research, Consulting and Events. Research consists primarily of subscription-based research products, access to research inquiry, as well as peer networking services 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, as presented below, is defined as operating income excluding certain Cost of services and product development and SGA 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.

We earn revenue from clients in many countries. Other than the United States, there is no individual country in which revenues from external clients represent 10% or more of the Company s consolidated revenues. Additionally, no single client accounted for 10% or more of total revenue and the loss of a single client, in management s opinion, would not have a material adverse effect on revenues.

We do not identify or allocate assets, including capital expenditures, by operating segment. Accordingly, assets are not being reported by segment because the information is not available by segment and is not reviewed in the evaluation of performance or 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 corporate 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 intersegment revenues:

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	Research	Consulting	Events	Other	Consolidated
2008					
Revenues	$ 773,257	$ 347,404	$ 150,080	$ 8,324	$ 1,279,065
Gross contribution	507,705	141,395	64,954	6,639	720,693
Corporate and other expenses					(556,325)
Operating income					$ 164,368

	Research	Consulting	Events	Other	Consolidated
2007					
Revenues	$ 673,335	$ 325,030	$ 160,065	$ 10,045	$ 1,168,475
Gross contribution	429,064	128,215	81,908	7,738	646,925
Corporate and other expenses					(517,467)
Operating income					$ 129,458

	Research	Consulting	Events	Other	Consolidated
2006					
Revenues	$ 571,217	$ 305,231	$ 146,412	$ 14,439	$ 1,037,299
Gross contribution	345,521	120,660	75,437	11,725	553,343
Corporate and other expenses					(455,304)
Operating income					$ 98,039

The Company s consolidated revenues are generated primarily through direct sales to clients by domestic and international sales forces and a network of independent international sales agents. Revenues in the table below are reported based on where the sale is fulfilled; Other International revenues are those attributable to all areas located outside of the United States and Canada, as well as Europe, the Middle East, and Africa. Most of our products and services are provided on an integrated worldwide basis. Because of the integration of products and services delivery, it is not practical to separate precisely our revenues by geographic location. Long-lived assets exclude goodwill and other intangible assets. Accordingly, the separation set forth in the table below is based upon internal allocations, which involve certain management estimates and judgments.
Summarized information by geographic location is as follows (in thousands):

	2008	2007	2006
Revenues:			
United States and Canada	$ 723,247	$ 661,216	$ 608,273
Europe, Middle East and Africa	430,401	403,919	337,722
Other International	125,417	103,340	91,304
Total revenues	$ 1,279,065	$ 1,168,475	$ 1,037,299

Long-lived assets:			
United States and Canada	$ 67,753	$ 73,859	$ 67,683
Europe, Middle East and Africa	19,324	21,861	17,183
Other International	4,325	4,029	3,052
Total long-lived assets	$ 91,402	$ 99,749	$ 87,918

15 VALUATION AND QUALIFYING ACCOUNTS

The following table provides information regarding the Company s allowance for doubtful accounts and returns and allowances (in thousands):

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Additions Charged Against Other Accounts (1)	Deductions from Reserve	Balance at End of Year
2006:					
Allowance for doubtful accounts and returns and allowances	$7,900	$2,559	$ 6,823	$8,582	$8,700
2007:					
Allowance for doubtful accounts and returns and allowances	$8,700	$ 691	$ 6,608	$7,549	$8,450
2008:					
Allowance for doubtful accounts and returns and allowances	$8,450	$1,650	$ 5,000	$7,300	$7,800

(1) Amounts charged against revenues.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this Report on Form 10-K to be signed on its behalf by the undersigned, duly authorized, in Stamford, Connecticut, on February 20, 2009.

Gartner, Inc.

Date: February 20, 2009

By: /s/ Eugene A. Hall
Eugene A. Hall
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below appoints Eugene A. Hall and Christopher J. Lafond and each of them, acting individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in all capacities, to sign all amendments to this Report on Form 10-K, and to file the same, with appropriate exhibits and other related documents, with the Securities and Exchange Commission. Each of the undersigned, ratifies and confirms his or her signatures as they may be signed by his or her attorney-in-fact to any amendments to this Report.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ Eugene A. Hall Eugene A. Hall	Director and Chief Executive Officer (Principal Executive Officer)	February 20, 2009
/s/ Christopher J. Lafond Christopher J. Lafond	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 20, 2009
/s/ Michael J. Bingle Michael J. Bingle	Director	February 20, 2009
/s/ Richard J. Bressler Richard J. Bressler	Director	February 20, 2009
/s/ Karen E. Dykstra Karen E. Dykstra	Director	February 20, 2009
/s/ Russell P. Fradin Russell P. Fradin	Director	February 20, 2009
/s/ Anne Sutherland Fuchs Anne Sutherland Fuchs	Director	February 20, 2009

/s/ William O. Grabe	Director	February 20, 2009
William O. Grabe		
/s/ Max D. Hopper	Director	February 20, 2009
Max D. Hopper		
/s/ John R. Joyce	Director	February 20, 2009
John R. Joyce		
/s/ Stephen G. Pagliuca	Director	February 20, 2009
Stephen G. Pagliuca		
/s/ James C. Smith	Director	February 20, 2009
James C. Smith		

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Name	**Title**	**Date**
/s/ Jeffrey W. Ubben	Director	February 20, 2009
Jeffrey W. Ubben		

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