

Forrester Research, Inc.
Consolidated Statements of Income

(In thousands, except per share data)

	Three months ended December 31,		Year ended December 31,	
	2004	2003	2004	2003
	(Unaudited)			
Revenues:				
Research services	\$ 24,768	\$ 24,120	\$ 94,347	\$ 92,289
Advisory services and other	13,182	11,211	44,132	33,710
Total revenues	37,950	35,331	138,479	125,999
Operating expenses:				
Cost of services and fulfillment	13,905	13,667	54,687	50,047
Selling and marketing	13,166	11,494	46,867	41,017
General and administrative	4,677	3,689	16,364	14,674
Depreciation and amortization	890	1,204	3,691	6,256
Amortization of intangible assets	1,349	2,638	6,461	8,778
Reorganization costs	(355)	1,364	8,396	2,594
Integration costs	-	117	-	1,055
Total operating expenses	33,632	34,173	136,466	124,421
Income from operations	4,318	1,158	2,013	1,578
Other income, net	699	751	2,867	3,443
Gains on sales of equity and debt	394	-	1,072	509
Non-marketable investment (impairments) gains	(89)	(1,782)	281	(2,354)
Income before income tax provision	5,322	127	6,233	3,176
Income tax provision	1,796	40	2,101	985
Net income	\$ 3,526	\$ 87	\$ 4,132	\$ 2,191
Diluted earnings per share	<u>\$ 0.16</u>	<u>\$ 0.00</u>	<u>\$ 0.18</u>	<u>\$ 0.10</u>
Diluted weighted average shares outstanding	<u>22,040</u>	<u>22,970</u>	<u>22,442</u>	<u>22,837</u>
Basic earnings per share	<u>\$ 0.16</u>	<u>\$ 0.00</u>	<u>\$ 0.19</u>	<u>\$ 0.10</u>
Basic weighted average shares outstanding	<u>21,814</u>	<u>22,505</u>	<u>22,024</u>	<u>22,555</u>
Pro forma data (1):				
Income from operations	4,318	1,158	2,013	1,578
Amortization of intangible assets	1,349	2,638	6,461	8,778
Reorganization costs	(355)	1,364	8,396	2,594
Integration costs	-	117	-	1,055
Pro forma income from operations	5,312	5,277	16,870	14,005
Other income, net	699	751	2,867	3,952
Pro forma income before income taxes	6,011	6,028	19,737	17,957
Pro forma income tax provision	2,104	2,110	6,908	6,285
Pro forma net income	\$ 3,907	\$ 3,918	\$ 12,829	\$ 11,672
Pro forma diluted earnings per share	<u>\$ 0.18</u>	<u>\$ 0.17</u>	<u>\$ 0.57</u>	<u>\$ 0.51</u>
Diluted weighted average shares outstanding	<u>22,040</u>	<u>22,970</u>	<u>22,442</u>	<u>22,837</u>

- (1) Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester's ongoing business. Our pro forma presentation excludes amortization of intangibles and other integration costs related to acquisitions, reorganization costs, impairments of non-marketable investments, and gains on sales of equity securities as well as their related tax effects. This does not purport to be prepared in accordance with Generally Accepted Accounting Principles.