

Forrester Research, Inc.
Consolidated Statements of Income

(Unaudited, In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues:				
Research services	\$ 42,895	\$ 38,893	\$123,063	\$116,968
Advisory services and other	16,882	14,988	60,547	54,898
Total revenues	<u>59,777</u>	<u>53,881</u>	<u>183,610</u>	<u>171,866</u>
Operating expenses:				
Cost of services and fulfillment	22,399	20,052	69,026	65,824
Selling and marketing	20,228	17,266	61,036	54,018
General and administrative	9,489	7,099	24,413	20,468
Depreciation	943	1,075	2,740	3,311
Amortization of intangible assets	905	439	2,715	1,751
Reorganization costs	-	-	-	3,141
Total operating expenses	<u>53,964</u>	<u>45,931</u>	<u>159,930</u>	<u>148,513</u>
Income from operations	5,813	7,950	23,680	23,353
Other income (loss), net	(945)	460	1,278	2,182
Gains (losses) from investments, net	1,377	(732)	1,829	(1,683)
Income before income taxes	<u>6,245</u>	<u>7,678</u>	<u>26,787</u>	<u>23,852</u>
Income tax provision	2,541	3,378	10,409	10,769
Net Income	<u>\$ 3,704</u>	<u>\$ 4,300</u>	<u>\$ 16,378</u>	<u>\$ 13,083</u>
Diluted income per share	<u>\$ 0.16</u>	<u>\$ 0.19</u>	<u>\$ 0.71</u>	<u>\$ 0.57</u>
Diluted weighted average shares outstanding	<u>23,107</u>	<u>22,809</u>	<u>23,040</u>	<u>22,953</u>
Basic income per share	<u>\$ 0.16</u>	<u>\$ 0.19</u>	<u>\$ 0.73</u>	<u>\$ 0.58</u>
Basic weighted average shares outstanding	<u>22,462</u>	<u>22,561</u>	<u>22,456</u>	<u>22,736</u>
Pro forma data (1):				
Income from operations	\$ 5,813	\$ 7,950	\$ 23,680	\$ 23,353
Amortization of intangible assets	905	439	2,715	1,751
Duplicate lease costs	388	-	388	-
Reorganization costs	-	-	-	3,141
Acquisition costs (credits)	-	-	(326)	-
Stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	531	733	1,587	2,481
Selling and marketing	238	274	709	884
General and administrative	388	423	1,390	1,556
Pro forma income from operations	<u>8,263</u>	<u>9,819</u>	<u>30,143</u>	<u>33,166</u>
Other income (loss), net	(945)	460	1,278	2,182
Pro forma income before income taxes	<u>7,318</u>	<u>10,279</u>	<u>31,421</u>	<u>35,348</u>
Pro forma income tax provision	2,927	4,112	12,568	14,139
Pro forma net income	<u>\$ 4,391</u>	<u>\$ 6,167</u>	<u>\$ 18,853</u>	<u>\$ 21,209</u>
Pro forma diluted income per share	<u>\$ 0.19</u>	<u>\$ 0.27</u>	<u>\$ 0.82</u>	<u>\$ 0.92</u>
Diluted weighted average shares outstanding	<u>23,107</u>	<u>22,809</u>	<u>23,040</u>	<u>22,953</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 acquisition-related intangible assets, duplicate lease costs, reorganization costs, stock-based compensation, net gains or losses from investments and costs or (credits) associated with acquisition activities, as well as their related tax effects. The pro forma data does not purport to be prepared in accordance with Accounting Principles Generally Accepted in the United States.

Forrester Research, Inc.
Consolidated Balance Sheet and Cash Flow Data

(Unaudited, In thousands)

	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Balance sheet data:		
Cash, cash equivalents and marketable investments	\$ 285,026	\$ 259,792
Accounts receivable, net	\$ 39,229	\$ 67,436
Deferred revenue	\$ 104,583	\$ 117,888
	<u>Nine months ended</u> <u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flow data:		
Net cash provided by operating activities	\$ 37,688	\$ 36,469
Cash used for acquisitions	\$ (1,660)	\$ (752)
Purchases of property and equipment	\$ (6,248)	\$ (3,464)
Repurchases of common stock	\$ (13,951)	\$ (15,233)