

Forrester Research, Inc.
Consolidated Statements of Income

(In thousands, except per share data)

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
Revenues				
Research services	\$ 30,596	\$ 25,641	\$ 114,876	\$ 96,699
Advisory services and other	18,352	15,070	66,597	54,699
Total revenues	48,948	40,711	181,473	151,398
Operating expenses				
Cost of services and fulfillment	19,013	15,820	73,704	60,262
Selling and marketing	15,597	13,418	59,945	50,974
General and administrative	6,094	4,543	22,984	17,904
Depreciation	871	925	3,618	3,539
Amortization of intangible assets	462	782	2,060	3,527
Total operating expenses	42,037	35,488	162,311	136,206
Income from continuing operations	6,911	5,223	19,162	15,192
Other income, net	1,721	799	5,657	3,027
Realized gains on sales of securities and non-marketable investments, net	90	(326)	395	1,695
Income from continuing operations before income taxes	8,722	5,696	25,214	19,914
Income tax provision	3,229	2,097	10,742	8,247
Income from continuing operations	5,493	3,599	14,472	11,667
Discontinued operations				
Income (loss) from discontinued operations, net of taxes	-	(5)	300	(319)
Gain on sale of discontinued operations, net of taxes	-	-	1,399	-
Net income	\$ 5,493	\$ 3,594	\$ 16,171	\$ 11,348
Diluted income per share from continuing operations	\$ 0.23	\$ 0.16	\$ 0.63	\$ 0.53
Diluted income per share from discontinued operations	\$ -	\$ (0)	\$ 0.07	\$ (0.01)
Diluted income per share from net income	\$ 0.23	\$ 0.16	\$ 0.70	\$ 0.52
Diluted weighted average shares outstanding	23,822	21,912	22,968	21,883
Basic income per share from continuing operations	\$ 0.24	\$ 0.17	\$ 0.65	\$ 0.54
Basic income per share from discontinued operations	\$ -	\$ (0.00)	\$ 0.08	\$ (0.01)
Basic income per share from net income	\$ 0.24	\$ 0.17	\$ 0.73	\$ 0.53
Basic weighted average shares outstanding	22,970	21,246	22,195	21,413
Pro forma data (1):				
Income from continuing operations	\$ 6,911	\$ 5,223	\$ 19,162	\$ 15,192
Amortization of intangible assets	462	782	2,060	3,527
Non-cash stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	1,178	294	3,817	853
Selling and marketing	645	117	2,354	338
General and administrative	649	126	2,343	365
Pro forma income from continuing operations	9,845	6,542	29,736	20,275
Other income, net	1,721	799	5,657	3,027
Pro forma income before income taxes	11,566	7,341	35,393	23,302
Pro forma income tax provision	4,279	2,569	13,095	8,156
Pro forma net income	\$ 7,287	\$ 4,772	\$ 22,298	\$ 15,146
Pro forma diluted earnings per share	\$ 0.31	\$ 0.22	\$ 0.97	\$ 0.69
Diluted weighted average shares outstanding	23,822	21,912	22,968	21,883

(1) Iforrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Iforrester's ongoing business. Our pro forma presentation excludes amortization of intangibles, non-cash stock-based compensation expense and gains or impairments of non-marketable investments, gains from sales of securities and gains and income from discontinued operations as well as their related tax effects. This does not purport to be prepared in accordance with Accounting Principles Generally Accepted in the United States.