

Forrester Research, Inc.
Consolidated Statements of Income

(In thousands, except per share data)

	Three months ended March 31,	
	2009	2008
	(Unaudited)	
Revenues		
Research services	\$ 39,050	\$ 35,949
Advisory services and other	<u>17,357</u>	<u>19,025</u>
Total revenues	56,407	54,974
Operating expenses		
Cost of services and fulfillment	22,212	21,148
Selling and marketing	19,149	18,850
General and administrative	6,972	7,226
Depreciation	1,092	1,036
Amortization of intangible assets	656	171
Reorganization costs	<u>3,141</u>	<u>-</u>
Total operating expenses	53,222	48,431
Income from operations	3,185	6,543
Other income, net	1,269	2,072
Realized gains from securities and non-marketable investments	<u>-</u>	<u>497</u>
Income from operations before income taxes	4,454	9,112
Income tax provision	<u>1,823</u>	<u>4,084</u>
Net income	<u>\$ 2,631</u>	<u>\$ 5,028</u>
Diluted income per share	<u>\$ 0.11</u>	<u>\$ 0.21</u>
Diluted weighted average shares outstanding	<u>23,106</u>	<u>23,617</u>
Basic income per share	<u>\$ 0.11</u>	<u>\$ 0.22</u>
Basic weighted average shares outstanding	<u>22,946</u>	<u>23,048</u>
Pro forma data (1):		
Income from operations	\$ 3,185	\$ 6,543
Amortization of intangible assets	656	171
Reorganization costs	3,141	-
Investigation related benefit	-	(68)
Non-cash stock-based compensation included in the following expense categories:		
Cost of services and fulfillment	1,149	768
Selling and marketing	365	270
General and administrative	<u>678</u>	<u>368</u>
Pro forma income from operations	9,174	8,052
Other income, net	1,269	2,072
Pro forma income before income taxes	<u>10,443</u>	<u>10,124</u>
Pro forma income tax provision	<u>4,177</u>	<u>3,948</u>
Pro forma net income	<u>\$ 6,266</u>	<u>\$ 6,176</u>
Pro forma diluted income per share	<u>\$ 0.27</u>	<u>\$ 0.26</u>
Diluted weighted average shares outstanding	<u>23,106</u>	<u>23,617</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 reorganization costs, amortization of intangible assets, stock-based compensation, net gains or impairments from marketable and non-marketable investments, costs associated with the stock option investigation and restatement of our historical financial statements, 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.
Condensed Consolidated Balance Sheets

(In thousands)

	March 31, 2009 (Unaudited)	December 31, 2008
Assets:		
Cash and cash equivalents	\$ 111,284	\$ 129,478
Short-term investments	114,470	83,951
Accounts receivable, net	40,559	64,226
Deferred commissions	8,792	9,749
Deferred income taxes	7,760	7,947
Prepaid expenses and other current assets	18,066	15,553
Total current assets	300,931	310,904
Long-term investments	44,200	46,500
Property and equipment, net	8,202	6,759
Deferred income taxes	8,884	8,523
Goodwill and intangible assets, net	74,242	74,562
Non-marketable investments and other long term assets	7,411	7,703
Total assets	\$ 443,870	\$ 454,951
Liabilities and stockholders' equity:		
Accounts payable	\$ 3,062	\$ 3,532
Accrued expenses	24,847	27,527
Deferred revenue	108,412	113,844
Total current liabilities	136,321	144,903
Non-current liabilities	6,053	6,551
Total liabilities	142,374	151,454
Preferred stock	-	-
Common stock	291	291
Additional paid-in capital	317,676	315,149
Retained earnings	113,324	110,693
Treasury stock, at cost	(125,750)	(120,851)
Accumulated other comprehensive loss	(4,045)	(1,785)
Total stockholders' equity	301,496	303,497
Total liabilities and stockholders' equity	\$ 443,870	\$ 454,951

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Forrester Research, Inc.
Consolidated Statements of Cash Flows

(In thousands)

	Three months ended March 31,	
	2009	2008
	(Unaudited)	(Unaudited)
Cash flows from operations:		
Net income	\$ 2,631	\$ 5,028
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	1,092	1,036
Amortization of intangible assets	656	171
Non-cash stock-based compensation	2,192	1,406
Increase in provision for doubtful accounts	150	96
Unrealized (gain) loss on foreign currency and other, net	(95)	-
Deferred income taxes	(240)	605
Gains from non-marketable investments and available-for-sale securities	-	(497)
Tax benefit from exercises of employee stock options	-	(440)
Amortization of premiums on available-for-sale securities	293	187
Changes in assets and liabilities –		
Accounts receivable	23,251	19,802
Deferred commissions	958	331
Prepaid expenses and other current assets	(2,721)	1,873
Accounts payable	(896)	(886)
Accrued expenses	(2,314)	(2,644)
Deferred revenue	(4,280)	4,419
Net cash provided by operating activities	<u>20,677</u>	<u>30,487</u>
Cash flows from investing activities:		
Acquisition of Forrester Middle East FZ-LLC	(561)	-
Purchases of property and equipment	(2,602)	(954)
Proceeds from non-marketable investments	-	200
Decrease in other assets	268	202
Purchases of available-for-sale securities	(245,911)	(390,696)
Proceeds from sales and maturities of available-for-sale securities	216,444	442,962
Net cash (used in) provided by investing activities	<u>(32,362)</u>	<u>51,714</u>
Cash flows from financing activities:		
Proceeds from exercises of employee stock options	366	4,377
Excess tax benefits from non-cash stock-based compensation	-	440
Acquisition of treasury shares	(4,899)	(14,474)
Net cash used in financing activities	<u>(4,533)</u>	<u>(9,657)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,976)</u>	<u>803</u>
Net (decrease) increase in cash and cash equivalents	(18,194)	73,347
Cash and cash equivalents, beginning of period	<u>129,478</u>	<u>53,163</u>
Cash and cash equivalents, end of period	<u>\$ 111,284</u>	<u>\$ 126,510</u>