

Forrester Research, Inc.
Consolidated Statements of Income

(In thousands, except per share data)

	Three months ended December 31,		Year ended December 31,	
	2005	2004	2005	2004
	(Unaudited)			
Revenues				
Research services	\$ 26,095	\$ 24,768	\$ 98,298	\$ 94,347
Advisory services and other	15,081	13,182	54,931	44,132
Total revenues	41,176	37,950	153,229	138,479
Operating expenses				
Cost of services and fulfillment	15,950	13,905	61,598	54,687
Selling and marketing	13,350	13,166	50,814	46,867
General and administrative	4,417	4,677	17,539	16,364
Depreciation	925	890	3,539	3,691
Amortization of intangible assets	782	1,349	3,527	6,461
Non-cash stock-based compensation expense	537	-	1,556	-
Reorganization costs	-	(355)	-	8,396
Total operating expenses	35,961	33,632	138,573	136,466
Income from operations	5,215	4,318	14,656	2,013
Other income, net	799	699	3,027	2,867
Realized (losses) gains on sales of securities and non-marketable investments	(162)	305	1,859	1,353
Impairments of non-marketable investments	(164)	-	(164)	-
Income before income taxes	5,688	5,322	19,378	6,233
Income tax provision	2,094	1,796	8,030	2,101
Net income	\$ 3,594	\$ 3,526	\$ 11,348	\$ 4,132
Diluted income per share	\$ 0.16	\$ 0.16	\$ 0.52	\$ 0.18
Diluted weighted average shares outstanding	21,912	22,040	21,883	22,442
Basic income per share	\$ 0.17	\$ 0.16	\$ 0.53	\$ 0.19
Basic weighted average shares outstanding	21,246	21,814	21,413	22,024
Pro forma data (1):				
Income from operations	\$ 5,215	\$ 4,318	\$ 14,656	\$ 2,013
Amortization of intangible assets	782	1,349	3,527	6,461
Non-cash stock-based compensation	537	-	1,556	-
Reorganization costs	-	(355)	-	8,396
Pro forma income from operations	6,534	5,312	19,739	16,870
Other income, net	799	699	3,027	2,867
Pro forma income before income taxes	7,333	6,011	22,766	19,737
Pro forma income tax provision	2,567	2,104	7,968	6,908
Pro forma net income	\$ 4,766	\$ 3,907	\$ 14,798	\$ 12,829
Pro forma diluted earnings per share	\$ 0.22	\$ 0.18	\$ 0.68	\$ 0.57
Diluted weighted average shares outstanding	21,912	22,040	21,883	22,442

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, non-cash stock-based compensation, reorganization costs, and impairments of non-marketable securities and gains from sales of marketable securities as well as their related tax effects. This does not purport to be prepared in accordance with Generally Accepted Accounting Principles