

Forrester Research, Inc.
Consolidated Statements of Income

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Revenues				
Research services	\$ 38,893	\$ 40,326	\$ 116,968	\$ 114,136
Advisory services and other	14,988	19,180	54,898	63,818
Total revenues	53,881	59,506	171,866	177,954
Operating expenses				
Cost of services and fulfillment	19,234	21,806	63,306	65,848
Selling and marketing	18,084	20,282	56,536	60,119
General and administrative	7,099	7,529	20,468	22,945
Reorganization costs	-	-	3,141	-
Depreciation	1,075	1,012	3,311	2,998
Amortization of intangible assets	439	282	1,751	476
Total operating expenses	45,931	50,911	148,513	152,386
Income from operations	7,950	8,595	23,353	25,568
Other income, net	460	1,447	2,182	5,221
Realized (losses) gains from marketable and non-marketable investments	(732)	26	(1,683)	2,136
Income from operations before income tax provision	7,678	10,068	23,852	32,925
Income tax provision	3,378	3,680	10,769	12,864
Net income	\$ 4,300	\$ 6,388	\$ 13,083	\$ 20,061
Diluted net income per common share	\$ 0.19	\$ 0.27	\$ 0.57	\$ 0.85
Diluted weighted average common shares outstanding	22,809	23,793	22,953	23,655
Basic net income per common share	\$ 0.19	\$ 0.28	\$ 0.58	\$ 0.87
Basic weighted average common shares outstanding	22,561	23,163	22,736	23,056
Pro forma data (1):				
Income from operations	\$ 7,950	\$ 8,595	\$ 23,353	\$ 25,568
Amortization of intangible assets	439	282	1,751	476
Reorganization costs	-	-	3,141	-
Investigation related expenses	-	487	-	1,085
Stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	733	678	2,481	2,094
Selling and marketing	274	247	884	723
General and administrative	423	343	1,556	1,156
Pro forma income from operations	9,819	10,632	33,166	31,102
Other income, net	460	1,447	2,182	5,221
Pro forma income before income taxes	10,279	12,079	35,348	36,323
Pro forma income tax provision	4,112	4,711	14,139	14,166
Pro forma net income	\$ 6,167	\$ 7,368	\$ 21,209	\$ 22,157
Pro forma diluted net income per share	\$ 0.27	\$ 0.31	\$ 0.92	\$ 0.94
Diluted weighted average common shares outstanding	22,809	23,793	22,953	23,655

(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)

	September 30, 2009 (Unaudited)	December 31, 2008
Assets:		
Cash and cash equivalents	\$ 108,177	\$ 129,478
Short-term investments	162,055	83,951
Accounts receivable, net	36,404	64,226
Deferred commissions	6,365	9,749
Deferred income taxes	9,037	7,947
Prepaid expenses and other current assets	10,112	15,553
Total current assets	<u>332,150</u>	<u>310,904</u>
Long-term investments	9,950	46,500
Property and equipment, net	6,957	6,759
Deferred income taxes	7,460	8,523
Goodwill and intangible assets, net	73,463	74,562
Non-marketable investments and other long term assets	5,612	7,703
Total assets	<u>\$ 435,592</u>	<u>\$ 454,951</u>
Liabilities and stockholders' equity:		
Accounts payable	\$ 1,952	\$ 3,532
Accrued expenses	23,892	27,527
Deferred revenue	93,541	113,844
Total current liabilities	<u>119,385</u>	<u>144,903</u>
Non-current liabilities	6,552	6,551
Total liabilities	<u>125,937</u>	<u>151,454</u>
Preferred stock	-	-
Common stock	293	291
Additional paid-in capital	322,707	315,149
Retained earnings	123,776	110,693
Treasury stock, at cost	(136,084)	(120,851)
Accumulated other comprehensive loss	(1,037)	(1,785)
Total stockholders' equity	<u>309,655</u>	<u>303,497</u>
Total liabilities and stockholders' equity	<u>\$ 435,592</u>	<u>\$ 454,951</u>

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Forrester Research, Inc.
Consolidated Statements of Cash Flows

(In thousands)

	Nine months ended September	
	2009	2008
	(Unaudited)	(Unaudited)
Cash flows from operations:		
Net income	\$ 13,083	\$ 20,061
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	3,311	2,998
Amortization of intangible assets	1,751	476
Non-cash stock-based compensation	4,921	3,973
Increase in provision for doubtful accounts	320	494
Unrealized loss on foreign currency and other, net	125	-
Deferred income taxes	225	2,961
Impairments (gains) from non-marketable investments, net	1,683	(79)
Gains on sales of marketable investments	-	(2,057)
Amortization of premiums on marketable investments	838	626
Changes in assets and liabilities –		
Accounts receivable	28,401	34,518
Deferred commissions	3,385	2,134
Prepaid expenses and other current assets	5,611	2,290
Accounts payable	(2,050)	(1,056)
Accrued expenses	(3,797)	(10,035)
Deferred revenue	(21,338)	(16,951)
Net cash provided by operating activities	<u>36,469</u>	<u>40,353</u>
Cash flows from investing activities:		
Acquisition of JupiterResearch	-	(23,398)
Acquisition of Forrester Middle East FZ-LLC	(752)	-
Purchases of property and equipment	(3,464)	(2,730)
Proceeds from non-marketable investments	-	250
Decrease in other assets	438	344
Purchases of marketable investments	(530,345)	(966,671)
Proceeds from sales and maturities of marketable investments	487,339	1,028,902
Net cash (used in) provided by investing activities	<u>(46,784)</u>	<u>36,697</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under stock option plans and employee stock purchase plan	2,721	17,246
Tax benefits related to stock options	-	5,314
Acquisition of treasury shares	(15,233)	(26,086)
Net cash used in financing activities	<u>(12,512)</u>	<u>(3,526)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,526</u>	<u>(1,818)</u>
Net (decrease) increase in cash and cash equivalents	(21,301)	71,706
Cash and cash equivalents, beginning of period	<u>129,478</u>	<u>53,163</u>
Cash and cash equivalents, end of period	<u>\$ 108,177</u>	<u>\$ 124,869</u>