

Forrester Research, Inc.
Consolidated Statements of Income

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Research services	\$ 52,322	\$ 51,312	\$ 103,115	\$ 101,590
Advisory services and other	30,625	27,641	52,903	48,724
Total revenues	<u>82,947</u>	<u>78,953</u>	<u>156,018</u>	<u>150,314</u>
Operating expenses:				
Cost of services and fulfillment	33,558	30,786	63,038	57,813
Selling and marketing	28,630	26,789	58,513	53,846
General and administrative	9,815	8,420	19,342	17,907
Depreciation	2,289	2,302	5,062	4,662
Amortization of intangible assets	536	554	1,075	1,113
Reorganization costs	1,039	314	1,888	1,905
Total operating expenses	<u>75,867</u>	<u>69,165</u>	<u>148,918</u>	<u>137,246</u>
Income from operations	7,080	9,788	7,100	13,068
Other income, net	79	255	15	631
Gains (losses) on investments, net	43	98	80	(102)
Income before income taxes	<u>7,202</u>	<u>10,141</u>	<u>7,195</u>	<u>13,597</u>
Income tax provision	2,913	3,956	2,972	5,243
Net Income	<u>\$ 4,289</u>	<u>\$ 6,185</u>	<u>\$ 4,223</u>	<u>\$ 8,354</u>
Diluted income per share	<u>\$ 0.23</u>	<u>\$ 0.28</u>	<u>\$ 0.22</u>	<u>\$ 0.38</u>
Diluted weighted average shares outstanding	<u>19,044</u>	<u>21,747</u>	<u>19,479</u>	<u>22,202</u>
Basic income per share	<u>\$ 0.23</u>	<u>\$ 0.29</u>	<u>\$ 0.22</u>	<u>\$ 0.38</u>
Basic weighted average shares outstanding	<u>18,757</u>	<u>21,256</u>	<u>19,184</u>	<u>21,781</u>
Pro forma data (1):				
Income from operations	\$ 7,080	\$ 9,788	\$ 7,100	\$ 13,068
Amortization of intangible assets	536	554	1,075	1,113
Reorganization costs	1,039	314	1,888	1,905
Stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	798	743	1,871	1,647
Selling and marketing	127	150	465	572
General and administrative	293	(25)	829	509
Pro forma income from operations	9,873	11,524	13,228	18,814
Other income, net	79	255	15	631
Pro forma income before income taxes	9,952	11,779	13,243	19,445
Pro forma income tax provision	3,782	4,594	5,032	7,584
Pro forma net income	<u>\$ 6,170</u>	<u>\$ 7,185</u>	<u>\$ 8,211</u>	<u>\$ 11,861</u>
Pro forma diluted income per share	<u>\$ 0.32</u>	<u>\$ 0.33</u>	<u>\$ 0.42</u>	<u>\$ 0.53</u>
Diluted weighted average shares outstanding	<u>19,044</u>	<u>21,747</u>	<u>19,479</u>	<u>22,202</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, and are also used by Forrester in making compensation decisions. Our pro forma presentation excludes amortization of acquisition-related intangible assets, stock-based compensation, reorganization costs and net gains or losses from investments, 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.
Key Financial Data

(Unaudited, dollars in thousands)

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Balance sheet data:		
Cash, cash equivalents and marketable investments	\$ 133,658	\$ 155,145
Accounts receivable, net	\$ 41,182	\$ 77,543
Deferred revenue	\$ 143,938	\$ 152,903

	<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Cash flow data:		
Net cash provided by operating activities	\$ 35,281	\$ 37,231
Purchases of property and equipment	\$ (871)	\$ (1,267)
Repurchases of common stock	\$ (54,940)	\$ (92,083)
Dividends paid	\$ (6,128)	\$ (6,414)

	<u>As of June 30,</u>	
	<u>2014</u>	<u>2013</u>
Metrics:		
Agreement value	\$ 225,470	\$ 211,025
Client retention	75%	76%
Dollar retention	87%	89%
Enrichment	97%	95%
Number of clients	2,439	2,451

	<u>As of June 30,</u>	
	<u>2014</u>	<u>2013</u>
Headcount:		
Total headcount	1,306	1,235
Research and consulting staff	489	442
Sales staff	500	469