

Forrester Research, Inc.
Consolidated Statements of Income

(Unaudited, In thousands, except per share data)

	Three months ended		Year ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Revenues:				
Research services	\$ 51,398	\$ 51,946	\$ 202,843	\$ 203,091
Advisory services and other	26,123	23,215	94,807	89,940
Total revenues	<u>77,521</u>	<u>75,161</u>	<u>297,650</u>	<u>293,031</u>
Operating expenses:				
Cost of services and fulfillment	31,664	28,726	117,061	111,228
Selling and marketing	27,456	25,681	107,073	101,390
General and administrative	11,063	9,742	38,280	36,866
Depreciation	2,314	2,411	9,268	8,921
Amortization of intangible assets	560	666	2,230	2,445
Reorganization costs (credits)	-	(10)	1,905	1,421
Total operating expenses	<u>73,057</u>	<u>67,216</u>	<u>275,817</u>	<u>262,271</u>
Income from operations	4,464	7,945	21,833	30,760
Other income, net	32	404	592	1,300
Gains (losses) on investments, net	(2,349)	(804)	(2,433)	94
Income before income taxes	<u>2,147</u>	<u>7,545</u>	<u>19,992</u>	<u>32,154</u>
Income tax provision	164	3,002	7,220	6,193
Net income	<u>\$ 1,983</u>	<u>\$ 4,543</u>	<u>\$ 12,772</u>	<u>\$ 25,961</u>
Diluted income per share	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ 0.60</u>	<u>\$ 1.13</u>
Diluted weighted average shares outstanding	<u>20,341</u>	<u>22,652</u>	<u>21,353</u>	<u>22,929</u>
Basic income per share	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ 0.61</u>	<u>\$ 1.15</u>
Basic weighted average shares outstanding	<u>19,764</u>	<u>22,282</u>	<u>20,861</u>	<u>22,500</u>
Pro forma data (1):				
Income from operations	\$ 4,464	\$ 7,945	\$ 21,833	\$ 30,760
Amortization of intangible assets	560	666	2,230	2,445
Reorganization costs (credits)	-	(10)	1,905	1,421
Acquisition-related costs	-	569	-	569
Stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	877	872	3,585	3,085
Selling and marketing	243	256	1,136	894
General and administrative	343	348	1,330	1,418
Pro forma income from operations	6,487	10,646	32,019	40,592
Other income, net	32	404	592	1,300
Pro forma income before income taxes	6,519	11,050	32,611	41,892
Pro forma income tax provision	2,542	4,310	12,718	16,338
Pro forma net income	<u>\$ 3,977</u>	<u>\$ 6,740</u>	<u>\$ 19,893</u>	<u>\$ 25,554</u>
Pro forma diluted income per share	<u>\$ 0.20</u>	<u>\$ 0.30</u>	<u>\$ 0.93</u>	<u>\$ 1.11</u>
Diluted weighted average shares outstanding	<u>20,341</u>	<u>22,652</u>	<u>21,353</u>	<u>22,929</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, costs associated with acquisition activities, stock-based compensation, reorganization costs and credits 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)

	As of December 31,	
	2013	2012
Balance sheet data:		
Cash, cash equivalents and marketable investments	\$ 155,145	\$ 242,656
Accounts receivable, net	\$ 77,543	\$ 74,623
Deferred revenue	\$ 152,903	\$ 150,495

	Year ended December 31,	
	2013	2012
Cash flow data:		
Net cash provided by operating activities	\$ 30,713	\$ 53,147
Purchases of property and equipment	\$ (3,127)	\$ (5,103)
Repurchases of common stock	\$ (118,210)	\$ (29,843)
Dividends paid	\$ (12,394)	\$ (12,588)

	As of December 31,	
	2013	2012
Metrics:		
Agreement value	\$ 216,508	\$ 220,355
Client retention	73%	77%
Dollar retention	86%	90%
Enrichment	97%	95%
Number of clients	2,471	2,462

	As of December 31,	
	2013	2012
Headcount:		
Total headcount	1,288	1,236
Research staff	475	432
Sales staff	485	462