

Forrester Research, Inc.
Consolidated Statements Cash Flows

(In thousands)

| | Year ended December 31, | |
|---|-------------------------|------------------|
| | 2006 | 2005 |
| | (Unaudited) | |
| Cash flows from continuing operations: | | |
| Net Income | 16,171 | 11,348 |
| Income from discontinued operations | (300) | 319 |
| Gain on disposal of discontinued operations, net | (1,399) | - |
| Income from continuing operations | 14,472 | 11,667 |
| Adjustments to reconcile net income to net cash provided by operating activities – | | |
| Depreciation | 3,551 | 3,539 |
| Amortization of intangible assets | 2,060 | 3,527 |
| Non-cash stock-based compensation | 8,515 | 1,556 |
| Tax benefit from exercises of employee stock options | - | 1,387 |
| Excess tax benefits from non-cash stock-based compensation | (1,854) | - |
| Non-marketable investments gains, net | (348) | (206) |
| Realized gain on sale of securities | - | (1,489) |
| Deferred income taxes | 8,781 | 5,261 |
| Increase in provision for doubtful accounts | 353 | 100 |
| Loss on disposal of fixed assets | 67 | - |
| Accretion of premiums on marketable securities | 852 | 1,080 |
| Changes in assets and liabilities - | | |
| Accounts receivable | (7,765) | (14,307) |
| Deferred commissions | (1,267) | (2,084) |
| Prepaid expenses and other current assets | (1,906) | (545) |
| Accounts payable | 1,171 | (2,063) |
| Accrued expenses | 4,457 | (412) |
| Deferred revenue | 12,751 | 16,508 |
| Net cash provided by continuing operations | 43,890 | 23,519 |
| Net cash provided by discontinued operations | 326 | 413 |
| Net cash provided by operating activities | 44,216 | 23,932 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (3,334) | (3,012) |
| Purchase of non-marketable investments | (300) | (700) |
| Proceeds from non-marketable investments | 555 | 741 |
| Proceeds from sale of discontinued operations | 1,642 | - |
| Decrease in other assets | 391 | 995 |
| Purchase of available-for-sale securities | (565,495) | (260,362) |
| Proceeds from sales and maturities of available-for-sale securities | 480,166 | 264,626 |
| Net cash (used in) provided by investing activities | (86,375) | 2,288 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan | 42,526 | 8,963 |
| Excess tax benefits from non-cash stock-based compensation | 1,854 | - |
| Acquisition of treasury shares | (12,304) | (23,474) |
| Net cash provided by (used in) financing activities | 32,076 | (14,511) |
| Effect of exchange rate changes on cash and cash equivalents | 702 | (499) |
| Net (decrease) increase in cash and cash equivalents | (9,381) | 11,210 |
| Cash and cash equivalents, beginning of period | 48,538 | 37,328 |
| Cash and cash equivalents, end of period | \$ 39,157 | \$ 48,538 |