

Forrester Research, Inc.
Consolidated Statements of Cash Flows

(In thousands)

	Three months ended March 31,	
	2006	2005
	(Unaudited)	
Cash flows from operations:		
Net income	\$ 1,520	\$ 2,739
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	884	874
Amortization of intangible assets	652	1,123
Non-cash stock-based compensation	1,736	-
Tax benefit from stock options	8	28
Deferred income taxes	(188)	574
Realized gains on securities	(199)	(1,668)
Amortization of premiums on marketable securities	178	297
Changes in assets and liabilities –		
Accounts receivable	19,027	10,037
Deferred commissions	81	164
Prepaid expenses and other current assets	(3,025)	(915)
Accounts payable	(431)	(1,551)
Accrued expenses	333	(1,783)
Deferred revenue	456	1,480
Net cash provided by operating activities	<u>21,032</u>	<u>11,399</u>
Cash flows from investing activities:		
Purchases of property and equipment	(328)	(1,590)
Purchases of non-marketable investments	(300)	-
Proceeds from non-marketable investments	137	-
Decrease in other assets	32	230
Purchase of marketable securities	(74,886)	(42,421)
Proceeds from sales and maturities of securities	82,181	43,654
Net cash provided by (used in) investing activities	<u>6,836</u>	<u>(127)</u>
Cash flows from financing activities:		
Proceeds from exercises of employee stock options	6,522	215
Acquisition of treasury shares	(2,935)	(4,789)
Structured stock repurchases	-	-
Net cash provided by (used in) financing activities	<u>3,587</u>	<u>(4,574)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>77</u>	<u>(136)</u>
Net increase in cash and cash equivalents	31,532	6,562
Cash and cash equivalents, beginning of period	<u>48,538</u>	<u>37,328</u>
Cash and cash equivalents, end of period	<u>\$ 80,070</u>	<u>\$ 43,890</u>

