

Forrester Research, Inc.
Consolidated Statements Cash Flows

(In thousands)

	Six months ended June 30,	
	2006	2005
	(Unaudited)	
Cash flows from operations:		
Net income	\$ 5,363	\$ 5,196
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	1,800	1,756
Amortization of intangible assets	1,124	1,956
Non-cash stock-based compensation	3,524	290
Excess tax benefits from non-cash stock-based compensation	(369)	(400)
Non-marketable investments gains, net	(161)	(291)
Realized gain on sale of marketable securities	-	(1,489)
Deferred income taxes	(339)	598
Accretion of premiums on marketable securities	406	577
Changes in assets and liabilities -		
Accounts receivable	20,603	10,114
Deferred commissions	1,156	173
Prepaid expenses and other current assets	(2,367)	(531)
Accounts payable	1,426	(1,286)
Accrued expenses	2,317	(123)
Deferred revenue	(7,447)	(415)
Net cash provided by operating activities	27,036	16,125
Cash flows from investing activities:		
Purchases of property and equipment	(1,676)	(1,983)
Purchase of non-marketable investments	(300)	-
Proceeds from non-marketable investments	188	-
Decrease in other assets	153	538
Purchase of marketable securities	(229,887)	(103,222)
Proceeds from sales and maturities of marketable securities	215,821	115,567
Net cash (used in) provided by investing activities	(15,701)	10,900
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	26,952	2,202
Excess tax benefits from non-cash stock-based compensation	369	400
Acquisition of treasury shares	(2,937)	(11,187)
Net cash provided by (used in) financing activities	24,384	(8,585)
Effect of exchange rate changes on cash and cash equivalents	301	(551)
Net increase in cash and cash equivalents	36,020	17,889
Cash and cash equivalents, beginning of period	48,538	37,328
Cash and cash equivalents, end of period	\$ 84,558	\$ 55,217