

**Forrester Research, Inc.**  
**Consolidated Statements Cash Flows**

(In thousands)

	Nine months ended September 30,	
	2005	2004
	(Unaudited)	
<b>Cash flows from operations:</b>		
Net income	\$ 8,690	\$ 606
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	2,615	2,801
Amortization of intangible assets	2,742	5,112
Non-marketable investments gains	(532)	(370)
Realized gain on sale of securities	(1,489)	(678)
Tax benefit from stock options	1,243	256
Deferred income taxes	(739)	(2)
Non-cash reorganization costs	-	1,541
Increase in provision for doubtful accounts	100	224
Accretion of premiums on marketable securities	829	635
Changes in assets and liabilities, net of acquisition –		
Accounts receivable	9,282	15,541
Deferred commissions	520	849
Prepaid expenses and other current assets	(294)	(296)
Accounts payable	(1,785)	(116)
Accrued expenses	1,317	(3,722)
Deferred revenue	(2,572)	(8,770)
<b>Net cash provided by operating activities</b>	<b>19,927</b>	<b>13,611</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,376)	(2,423)
Purchase of non-marketable investments	(300)	(2,263)
Proceeds from non-marketable investments	516	-
Decrease in other assets	788	842
Purchase of marketable securities	(179,612)	(107,478)
Proceeds from sales and maturities of marketable securities	185,776	121,623
<b>Net cash provided by investing activities</b>	<b>4,792</b>	<b>10,301</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	7,201	2,959
Acquisition of treasury shares	(16,258)	(12,623)
Structured stock repurchase	-	54
<b>Net cash used in financing activities</b>	<b>(9,057)</b>	<b>(9,610)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(522)</b>	<b>(66)</b>
<b>Net increase in cash and cash equivalents</b>	<b>15,140</b>	<b>14,236</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>37,328</b>	<b>22,385</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 52,468</b>	<b>\$ 36,621</b>