

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

(In thousands)

	Nine Months ended	
	Sept 30, 2007	Sept 30, 2006
	(as restated)	
	Unaudited	
<b>Cash flows from operations:</b>		
Net income	\$ 13,329	\$ 11,517
Net income and gain from sale of discontinued operations	-	(1,699)
Income from continuing operations	<u>\$ 13,329</u>	<u>\$ 9,818</u>
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	2,881	2,747
Amortization of intangible assets	978	1,598
Non-cash stock-based compensation	5,763	5,209
Impairments (gains) from non-marketable investments, net	1,690	(258)
Increase in provision for doubtful accounts	380	150
Deferred income taxes	3,991	(316)
Accretion of premiums on marketable securities	473	631
Changes in assets and liabilities –		
Accounts receivable	24,147	21,816
Deferred commissions	2,216	1,725
Prepaid expenses and other current assets	(4,146)	(1,606)
Accounts payable	(338)	280
Accrued expenses	(6,116)	5,403
Deferred revenue	(16,053)	(11,389)
<b>Net cash provided by operating activities</b>	<u>29,195</u>	<u>35,808</u>
<b>Net cash provided by discontinued operations</b>	<u>-</u>	<u>326</u>
<b>Net cash provided by operating activities</b>	<u>29,195</u>	<u>36,134</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,826)	(2,348)
Purchase of non-marketable investments	-	(300)
Proceeds from non-marketable investments	1,058	380
Proceeds from sale of discontinued operations	250	1,642
Decrease in other assets	26	403
Purchase of marketable securities	(872,420)	(465,362)
Proceeds from sales and maturities of marketable securities	<u>845,631</u>	<u>388,916</u>
<b>Net cash (used in) provided by investing activities</b>	<u>(29,281)</u>	<u>(76,669)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	811	35,216
Excess tax benefits from non-cash stock-based compensation	-	253
Acquisition of treasury shares	-	(12,307)
<b>Net cash provided by (used in) financing activities</b>	<u>811</u>	<u>23,162</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>938</u>	<u>457</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,663</u>	<u>(16,916)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>39,157</u>	<u>48,538</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 40,820</u>	<u>\$ 31,622</u>