

Forrester Research, Inc.
Consolidated Statements Cash Flows

(In thousands)

| | Nine Months ended | |
|---|-------------------|------------------|
| | Sept 30, 2007 | Sept 30, 2006 |
| | (as restated) | |
| | Unaudited | |
| Cash flows from operations: | | |
| 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>\$ 13,216</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) |
| Net cash provided by operating activities | <u>29,195</u> | <u>39,206</u> |
| Net cash provided by discontinued operations | <u>-</u> | <u>326</u> |
| Net cash provided by operating activities | <u>29,195</u> | <u>39,532</u> |
| Cash flows from investing activities: | | |
| 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> |
| Net cash (used in) provided by investing activities | <u>(29,281)</u> | <u>(76,669)</u> |
| Cash flows from financing activities: | | |
| 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) |
| Net cash provided by (used in) financing activities | <u>811</u> | <u>23,162</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>938</u> | <u>457</u> |
| Net increase in cash and cash equivalents | 1,663 | (13,518) |
| Cash and cash equivalents, beginning of period | <u>39,157</u> | <u>48,538</u> |
| Cash and cash equivalents, end of period | <u>\$ 40,820</u> | <u>\$ 35,020</u> |