

Forrester Research, Inc.
Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31,	
	2005	2004
Cash flows from operations:		
Net income	\$ 11,348	\$ 4,132
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	3,539	3,691
Amortization of intangible assets	3,527	6,461
(Gains) impairments of non-marketable investments	(206)	(281)
Realized gain on sale of securities	(1,489)	(1,072)
Tax benefit from stock options	1,375	411
Deferred income taxes	5,261	(158)
Non-cash stock-based compensation expense	1,556	-
Non-cash reorganization costs	-	1,844
Increase in provision for doubtful accounts	100	309
Accretion of premiums on marketable securities	1,080	924
Changes in assets and liabilities, net of acquisition –		
Accounts receivable	(14,444)	1,283
Deferred commissions	(2,108)	(835)
Prepaid expenses and other current assets	117	1,763
Accounts payable	(2,057)	1,152
Accrued expenses	(400)	(3,850)
Deferred revenue	16,733	2,232
Net cash provided by operating activities	<u>23,932</u>	<u>18,006</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,012)	(3,664)
Purchase of non-marketable investments	(700)	(3,613)
Proceeds from non-marketable investments	741	-
Decrease in other assets	995	1,081
Purchase of marketable securities	(260,362)	(161,344)
Proceeds from sales and maturities of marketable securities	264,626	176,509
Net cash provided by investing activities	<u>2,288</u>	<u>8,969</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	8,963	5,279
Acquisition of treasury shares	(23,474)	(17,756)
Structured stock repurchase	-	54
Net cash used in financing activities	<u>(14,511)</u>	<u>(12,423)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(499)</u>	<u>391</u>
Net increase in cash and cash equivalents	11,210	14,943
Cash and cash equivalents, beginning of period	<u>37,328</u>	<u>22,385</u>
Cash and cash equivalents, end of period	<u>\$ 48,538</u>	<u>\$ 37,328</u>