

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

(In thousands)

	Year ended	
	December 31, 2008	December 31, 2007
	(Unaudited)	
<b>Cash flows from operations:</b>		
Net income	\$ 29,215	\$ 18,943
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	4,007	3,986
Amortization of intangible assets	1,435	1,232
Non-cash stock-based compensation	5,358	8,326
Impairments from non-marketable investments, net	584	1,622
Realized net gains and impairments on sales of investments	(2,057)	(603)
Increase in provision for doubtful accounts	594	480
Excess tax benefits from stock-based compensation	(8,476)	101
Deferred income taxes	(156)	6,878
Accretion of premiums on investments	870	607
Changes in assets and liabilities -		
Accounts receivable	6,806	(9,966)
Deferred commissions	881	(514)
Prepaid expenses and other current assets	(4,184)	(3,552)
Accounts payable	(893)	1,171
Accrued expenses	9,449	(1,122)
Deferred revenue	211	9,841
<b>Net cash provided by operating activities</b>	<u>43,644</u>	<u>37,430</u>
<b>Cash flows from investing activities:</b>		
Acquisition of Jupiter	(22,398)	-
Purchases of property and equipment	(3,698)	(5,106)
Proceeds from non-marketable investments	493	2,640
Proceeds from sale of discontinued operations	-	250
Decrease in other assets	444	146
Purchases of short-term investments	(1,224,793)	(1,240,584)
Proceeds from sales and maturities of short-term investments	1,288,532	1,217,367
<b>Net cash provided by (used in) investing activities</b>	<u>38,580</u>	<u>(25,287)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	18,577	4,896
Tax benefits related to stock options	8,476	807
Acquisition of treasury shares	(30,423)	(4,594)
<b>Net cash (used in) provided by financing activities</b>	<u>(3,370)</u>	<u>1,109</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(2,539)</u>	<u>754</u>
<b>Net increase in cash and cash equivalents</b>	76,315	14,006
<b>Cash and cash equivalents, beginning of period</b>	<u>53,163</u>	<u>39,157</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 129,478</u>	<u>\$ 53,163</u>