UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

|X| Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended June 30, 2001.

or

| | Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 000-21433

FORRESTER RESEARCH, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-2797789
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
400 Technology Square Cambridge, Massachusetts	02139
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (617) 613-6000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No | |

As of August 13, 22,665,021 shares of the registrant's common stock were outstanding.

FORRESTER RESEARCH, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	JUNE 30, 2001	DECEMBER 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 20,863	$ 15,848
Marketable securities	184,382	158,891
Accounts receivable, net	19,160	49,923
Deferred commissions	5,017	7,873
Prepaid income taxes	721	3,632
Prepaid expenses and other current assets	7,078	6,255
Total current assets	237,221	242,422
LONG-TERM ASSETS:		
Property and equipment, net	24,268	22,128
Goodwill and other intangible assets, net	14,852	15,358
Deferred income taxes	18,848	16,968
Other assets	10,222	6,927
Total long-term assets	68,190	61,381
Total assets	$ 305,411	$ 303,803
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,046	$ 3,993
Customer deposits	1,267	1,200
Accrued expenses	17,275	17,384
Accrued income taxes	1,771	1,771
Deferred revenue	76,142	102,527
Total current liabilities	99,501	126,875
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value		
Authorized--500 shares		
Issued and outstanding--none	--	--
Common stock, $.01 par value		
Authorized--125,000 shares		
Issued and outstanding--22,499 and 21,812 shares at June 30, 2001 and December 31, 2000, respectively	225	218
Additional paid-in capital	148,463	131,018
Retained earnings	56,595	46,048
Accumulated other comprehensive income (loss)	627	(356)
Total stockholders' equity	205,910	176,928
Total liabilities and stockholders' equity	$ 305,411	$ 303,803

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
REVENUES:				
Core research	$32,963	$28,011	$68,315	$51,769
Advisory services and other	13,451	10,269	21,744	17,327
Total revenues	46,414	38,280	90,059	69,096
OPERATING EXPENSES:				
Cost of services and fulfillment	15,138	11,674	27,436	20,968
Selling and marketing	16,909	14,323	34,654	26,537
General and administrative	4,790	4,703	9,766	8,483
Depreciation and amortization	2,777	1,750	5,499	3,182
Total operating expenses	39,614	32,450	77,355	59,170
Income from operations	6,800	5,830	12,704	9,926
OTHER INCOME, NET	2,148	1,972	3,905	3,425
Income before income tax provision	8,948	7,802	16,609	13,351
INCOME TAX PROVISION	3,266	2,926	6,062	5,007
Net income	$ 5,682	$ 4,876	$10,547	$ 8,344
BASIC NET INCOME PER COMMON SHARE	$ 0.25	$ 0.23	$ 0.47	$ 0.41
DILUTED NET INCOME PER COMMON SHARE	$ 0.24	$ 0.20	$ 0.44	$ 0.35
BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	22,451	20,895	22,253	20,422
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	23,722	24,727	24,196	24,152

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,547	$ 8,344
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation and amortization	5,499	3,182
Loss on disposals of property and equipment	254	--
Deferred income taxes	5,584	5,007
Increase in provision for doubtful accounts	335	493
Amortization of premium (accretion of discount) on marketable securities	126	(148)
Changes in assets and liabilities--		
Accounts receivable	29,997	9,483
Deferred commissions	2,856	(1,460)
Prepaid income taxes	2,935	--
Prepaid expenses and other current assets	(959)	(552)
Accounts payable	(905)	173
Customer deposits	74	268
Accrued expenses	276	6,093
Deferred revenue	(25,749)	15,458
Net cash provided by operating activities	30,870	46,341
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,647)	(6,597)
Purchases of non-marketable investments	(3,318)	(1,500)
Decrease in other assets	93	26
Purchases of marketable securities	(123,471)	(228,395)
Proceeds from sales and maturities of marketable securities	98,801	169,596
Net cash used in investing activities	(35,542)	(66,870)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from the sale of common stock	--	22,647
Proceeds from issuances of common stock under stock option plans and employee stock purchase plan	9,988	11,858
Net cash provided by financing activities	9,988	34,505
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(301)	(54)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,015	13,922
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,848	13,445
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 20,863	$ 27,367
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 550	$ --

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for reporting on Form 10-Q. Accordingly, certain information and footnote disclosures required for complete financial statements are not included herein. It is recommended that these financial statements be read in conjunction with the consolidated financial statements and related notes which appear in the Annual Report of Forrester Research, Inc. ("Forrester") as reported on Form 10-K for the year ended December 31, 2000. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations, and cash flows at the dates and for the periods presented have been included. The consolidated balance sheet presented as of December 31, 2000 has been derived from the consolidated financial statements that have been audited by Forrester's independent public accountants. The results of operations for the periods ended June 30, 2001 may not be indicative of the results that may be expected for the year ended December 31, 2001, or any other period.

NOTE 2 - NET INCOME PER COMMON SHARE

Basic net income per common share was computed by dividing net income by the basic weighted average number of common shares outstanding during the period. Diluted net income per common share was computed by dividing net income by the diluted weighted average number of common shares outstanding during the period. The weighted average number of common equivalent shares outstanding has been determined in accordance with the treasury-stock method. Common stock equivalents consist of common stock issuable on the exercise of outstanding options. Reconciliation of basic to diluted weighted average shares outstanding is as follows (in thousands):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 2001	JUNE 30, 2000
Basic weighted average common shares outstanding	22,451	20,895	22,253	20,422
Weighted average common equivalent shares	1,271	3,832	1,943	3,730
Diluted weighted average shares outstanding	23,722	24,727	24,196	24,152

As of June 30, 2001 and 2000, 2,828,000 and 68,500 stock options, respectively, were excluded from the calculation of diluted weighted average shares outstanding as the effect would have been anti-dilutive.

NOTE 3 - COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The components of other comprehensive income for the three- and six-month periods ended June 30, 2001 and 2000 are as follows (in thousands):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 2001	JUNE 30, 2000
Unrealized (loss) gain on marketable securities, net of taxes	$ (183)	$ 27	$ 942	$ 17
Cumulative translation adjustment	(302)	(53)	41	(127)
Total other comprehensive (loss) income	$ (485)	$ (26)	$ 983	$ (110)

NOTE 4 - NON-MARKETABLE INVESTMENTS

In March 2000, Forrester invested $1.0 million in the common stock of Doculabs, Inc. ("Doculabs"), an independent technology research firm. In March 2001, Forrester invested an additional $2.0 million, resulting in approximately a 10.4% ownership interest in Doculabs. This investment is being accounted for using the cost method and, accordingly, is being valued at cost unless a permanent impairment in its value occurs or the investment is liquidated. As of June 30, 2001, Forrester had not determined that a permanent impairment had occurred.

In July 2000, Forrester invested $1.6 million to purchase preferred shares of comScore Networks, Inc. ("comScore"), a provider of infrastructure services which utilizes proprietary technology to accumulate comprehensive information on consumer buying behavior, resulting in approximately a 1.2% ownership interest. This investment is being accounted for using the cost method and, accordingly, is being valued at cost unless a permanent impairment in its value occurs or the investment is liquidated. As of June 30, 2001, Forrester had not determined that a permanent impairment had occurred.

In June 2000, Forrester committed to invest $20.0 million in two private equity investment funds over a period of up to five years. Forrester has adopted a cash bonus plan to pay bonuses, measured by the proceeds of a portion of our share of net profits from these investments, if any, to certain key employees, subject to the terms and conditions of the plan. The payment of such bonuses would result in compensation expense with respect to the amounts so paid. As of June 30, 2001, Forrester had contributed approximately $5.5 million to the private equity investment funds. These investments are being accounted for using the cost method and, accordingly, are being valued at cost unless a permanent impairment in their value occurs or the investments are liquidated. As of June 30, 2001, Forrester had not determined that a permanent impairment had occurred.

In May 1999, Forrester invested $1.0 million in a holding company that is the majority shareholder of Greenfield Online, Inc. ("Greenfield"), an Internet-based marketing research firm. As a result of this investment, Forrester effectively owned approximately a 3.4% ownership interest in Greenfield. In March 2000 and June 2000, Forrester entered into additional Note and Warrant Agreements with Greenfield. Pursuant to these agreements, Forrester loaned Greenfield an aggregate of $216,000 bearing interest at 10% per annum. Forrester also received warrants to purchase additional equity in Greenfield. In August 2000, and concurrent with an additional round of financing in which Forrester did not participate, the notes, related accrued interest, and warrants were all converted into common stock such that Forrester's effective ownership interest in Greenfield was approximately 3.1%.

In December 2000, Forrester determined that its investment in Greenfield had been permanently impaired due to an additional round of financing at a significantly lower valuation. As a result, Forrester recorded a one-time charge of $950,000 to other income in the statement of income for the three-month period ended December 31, 2000. As of June 30, 2001, Forrester has determined that no further permanent impairment has occurred.

NOTE 5 - SEGMENT AND ENTERPRISE WIDE REPORTING

Statement of Financial Accounting Standards ("SFAS") No. 131, Disclosures About Segments of an Enterprise and Related Information, establishes selected standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise about which separate, discrete financial information is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and assess performance. Forrester's chief decision-making group, as defined under SFAS No. 131, is its Executive Team, consisting of its executive officers. To date, Forrester has viewed its operations and managed its business principally as one segment, research services. As a result, the financial information disclosed herein materially represents all of the financial information related to Forrester's principal operating segment. Foreign-based assets comprised approximately $25.7 million and $32.2 million of total consolidated assets as of June 30, 2001 and December 31, 2000, respectively.

Net revenues by geographic destination and as a percentage of total revenues are as follows (dollars in thousands):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2001	JUNE 30, 2000	JUNE 30, 2001	JUNE 30, 2000
United States	$ 32,907	$ 27,938	$ 63,282	$ 50,790
United Kingdom	3,711	3,430	7,112	6,059
Europe (excluding United Kingdom)	5,011	3,529	10,099	5,983
Canada	2,389	1,577	4,524	3,040
Other	2,396	1,806	5,042	3,224
	$ 46,414	$ 38,280	$ 90,059	$ 69,096
United States	71%	73%	70%	74%
United Kingdom	8	9	8	9
Europe (excluding United Kingdom)	11	9	11	9
Canada	5	4	5	4
Other	5	5	6	4
	100%	100%	100%	100%

NOTE 6 - NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, Business Combinations. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. This statement is effective for all business combinations initiated after June 30, 2001.

In July 2001, the FASB issued SFAS no. 142, Goodwill and Other Intangible Assets. This statement applies to goodwill and intangible assets acquired after June 30, 2001, as well as goodwill and intangible assets previously acquired. Under this statement, goodwill as well as certain other intangible assets determined to have an infinite life, will no longer be amortized. Instead these assets will be reviewed for impairment on a periodic basis beginning with the first quarter in the fiscal year ending in December 2002. Management is currently evaluating the impact that this statement will have on Forrester's financial statements.

In June 1998, FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 is effective for all periods beginning after June 15, 2000, and establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The adoption of SFAS No. 133 in the period ended June 30, 2001 did not have a material impact on Forrester's consolidated financial position or results of operations.

NOTE 7 - SUBSEQUENT EVENT

On July 12, 2001, Forrester announced a sales force reorganization and general workforce reduction in response to conditions and demands of the market and a slower economy. As a result, Forrester reduced its workforce by 111 positions and expects to record a one-time charge in the quarter ending September 30, 2001 of approximately $3.0 million to $4.0 million. This charge will consist of severance and related expenses from the reduction of the workforce, and other charges related to the reorganization, including office consolidations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the private securities litigation reform act of 1995. Words such as "Expects," "Believes," "Anticipates," "Intends," "Plans," "Estimates," or similar expressions are intended to identify these forward-looking statements. These statements are based on our current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual future activities and results to differ include, among others, our ability to anticipate business and economic conditions, market trends, competition, the need to retain qualified professional staff, possible variations in our quarterly operating results, our dependence on renewals for our membership-based research services and on key personnel, the actual amount of the one-time workforce reduction charge, and risks associated with our ability to offer new products and services. This list of factors is not exhaustive. Other risks and uncertainties are discussed elsewhere in this report and in further detail under the caption entitled "Risks and Uncertainties" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000 which has been filed with the SEC and is incorporated herein by reference. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. Unless the context otherwise requires, references in this quarterly report to "We," "Us," and "Our" refer to Forrester Research, Inc. and our subsidiaries.

We are a leading independent technology research firm that conducts research and analysis on the impact of emerging technologies on businesses, consumers, and society. Our clients, which include senior management, business strategists, and marketing and technology professionals within large enterprises, use our prescriptive, actionable research to understand and capitalize on emerging business models and technologies.

We derive revenues from memberships to our core research, and from our advisory services and our Forum and Summit events. We offer contracts for our products and services that are typically renewable annually and payable in advance. Accordingly, a substantial portion of our billings are initially recorded as deferred revenue. Research revenues are recognized ratably on a monthly basis over the term of the contract. Our advisory services clients purchase such services together with memberships to our research. Billings attributable to advisory services are initially recorded as deferred revenue and recognized as revenue when performed. Similarly, Forum and Summit billings are initially recorded as deferred revenue and are recognized upon completion of each event.

Our operating expenses consist of cost of services and fulfillment, selling and marketing expenses, general and administrative expenses, and depreciation and amortization. Cost of services and fulfillment represent the costs associated with the production and delivery of our products and services, and include the costs of salaries, bonuses, and related benefits for research personnel and all associated editorial, travel, and support services. Selling and marketing expenses include salaries, employee benefits, travel expenses, promotional costs, sales commissions, and other costs incurred in marketing and selling our products and services. General and administrative expenses include the costs of the technology, operations, finance, and strategy groups and our other administrative functions.

We believe that the "agreement value" of contracts to purchase research and advisory services provides a significant measure of our business volume. We calculate agreement value as the total revenues recognizable from all research and advisory service contracts in force at a given time, without regard to how much revenue has already been recognized. Agreement value increased 4% to $155.2 million at June 30, 2001 from $148.6 million at June 30, 2000. No single client accounted for more than 2% of agreement value at June 30, 2001. Our experience is that a substantial portion of client companies renew expiring contracts for an equal or higher level of total research and advisory service fees each year. Approximately 64% of our client companies with memberships expiring during the twelve-months ended June 30, 2001 renewed one or more memberships for our products and services, compared with 74% during the twelve-months ended June 30, 2000. The decline in renewal rates is reflective of a more difficult economic environment. This renewal rate is not necessarily indicative of the rate of future retention of our revenue base.

On July 12, 2001, we announced a sales force reorganization and general workforce reduction in response to conditions and demands of the market and the slower economy. As a result, we reduced our workforce by 111 positions and expects to record a one-time charge in the quarter ending September 30, 2001 of approximately $3.0 million to $4.0 million. This charge will consist of severance and related expenses from the reduction of the workforce, and other charges related to the reorganization, including office consolidations.

RESULTS OF OPERATIONS

The following table sets forth selected financial data as a percentage of total revenues for the periods indicated:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Core research	71%	73%	76%	75%
Advisory services and other	29	27	24	25
Total revenues	100	100	100	100
Cost of services and fulfillment	33	31	30	30
Selling and marketing	36	37	39	39
General and administrative	10	12	11	12
Depreciation and amortization	6	5	6	5
Income from operations	15	15	14	14
Interest income	4	5	4	5
Income before income tax provision	19	20	18	19
Provision for income taxes	7	7	6	7
Net income	12%	13%	12%	12%

THREE MONTHS ENDED JUNE 30, 2001 AND JUNE 30, 2000

REVENUES. Total revenues increased 21% to $46.4 million in the three months ended June 30, 2001 from $38.3 million in the three months ended June 30, 2000. Revenues from core research increased 18% to $33.0 million in the three months ended June 30, 2001 from $28.0 million in the three months ended June 30, 2000. The increases in total revenues and revenues from core research were primarily attributable to sales of additional core research products to existing clients. No single client company accounted for more than 2% of revenues for the three months ended June 30, 2001.

Advisory services and other revenues increased 31% to $13.5 million in the three months ended June 30, 2001 from $10.3 million in the three months ended June 30, 2000. This increase was primarily attributable to the increase in the number of events held to five in the three months ended June 30, 2001 from three in the three months ended June 30, 2000, increased demand for our advisory services programs, and the increase in research staff to 207 employees at June 30, 2001 from 159 at June 30, 2000.

Revenues attributable to customers outside the United States increased 31% to $13.5 million in the three months ended June 30, 2001 from $10.3 million in the three months ended June 30, 2000. Revenues attributable to customers outside the United States increased as a percentage of total revenues to 29% for the three months ended June 30, 2001 from 27% in the three months ended June 30, 2000. The increase in international revenues is primarily attributable to the continued expansion of our European headquarters in Amsterdam, the Netherlands, and our Research Centres in London, England and Frankfurt, Germany, and the increase in direct sales personnel at each location. We invoice our international clients in U.S. dollars, except for those billed by our UK Research Centre, which invoices its clients in British pounds sterling. To date, the effect of changes in currency exchange rate have not had a significant impact on our results of operations.

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment increased as a percentage of total revenues to 33% in the three months ended June 30, 2001 from 31% in the three months ended June 30, 2000. These expenses increased 30% to $15.1 million in the three months ended June 30, 2001 from $11.7 million in the three months ended June 30, 2000. The increase in these expenses as a percentage of revenues was principally due to the increase in the number of events hosted during the three months ended June 30, 2001 and additional survey costs associated with our new TechRankings(R) product offerings. The increase in these expenses in the three months ended June 30, 2001 was principally due to additional compensation associated with the increase in research staff, as well as the increases in survey costs and the number of events hosted during the three months ended June 30, 2001.

SELLING AND MARKETING. Selling and marketing expenses decreased as a percentage of total revenues to 36% in the three months ended June 30, 2001 from 37% in the three months ended June 30, 2000. These expenses increased 18% to $16.9 million in the three months ended June 30, 2001 from $14.3 million in the three months ended June 30, 2000. The decrease in these expenses as a percentage of revenues was principally due to decreased travel and recruiting costs and reflects a larger revenue base in three months ended June 30, 2001. The increase in expenses in the three months ended June 30, 2001 was principally due to additional compensation associated with the increase in the number of sales and marketing personnel.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased as a percentage of total revenues to 10% in the three months ended June 30, 2001 from 12% in the three months ended June 30, 2000. These expenses increased 2% to $4.8 million in the three months ended June 30, 2001 from $4.7 million in the three months ended June 30, 2000. The decrease in these expenses as a percentage of revenues was principally due to decreased travel and recruiting costs and reflects a larger revenue base in the three months ended June 30, 2001.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses increased 59% to $2.8 million in the three months ended June 30, 2001, including $261,000 related to the amortization of goodwill, from $1.8 million in the three months ended June 30, 2000. The increase in these expenses was principally due to purchases of computer equipment, software, and leasehold improvements to support business growth.

OTHER INCOME, NET. Other income, consisting primarily of interest income, increased 9% to $2.1 million in the three months ended June 30, 2001 from $2.0 million in the three months ended June 30, 2000. The increase was due to additional interest income from higher cash and marketable securities balances. Other income also includes a loss of $254,000 realized on the disposal of property and equipment related to relocating our European headquarters to new office space in Amsterdam.

PROVISION FOR INCOME TAXES. During the three months ended June 30, 2001, we recorded a tax provision of $3.3 million, reflecting an effective tax rate of 36.5%. During the three months ended June 30, 2000, we recorded a tax provision of $2.9 million, which reflected an effective tax rate of 37.5%. The decrease in our effective tax rate resulted primarily from an increase in our investments in tax-exempt marketable securities and a reduction in our effective state tax rate.

SIX MONTHS ENDED JUNE 30, 2001 AND JUNE 30, 2000

REVENUES. Total revenues increased 30% to $90.1 million in the six months ended June 30, 2001 from $69.1 million in the six months ended June 30, 2000. Revenues from core research increased 32% to $68.3 million in the six months ended June 30, 2001 from $51.8 million in the six months ended June 30, 2000. The increases in total revenues and revenues from core research were primarily attributable to sales of additional core research products to existing clients. No single client company accounted for more than 2% of revenues for the six months ended June 30, 2001.

Advisory services and other revenues increased 25% to $21.7 million in the six months ended June 30, 2001 from $17.3 million in the six months ended June 30, 2000. This increase was primarily attributable to increased demand for our advisory services programs, the increase in research staff to 207 employees at June 30, 2001 from 159 at June 30, 2000, and the increase in the number of events held to six in the first half of 2001 from five in the first half of 2000.

Revenues attributable to customers outside the United States increased 46% to $26.8 million in the six months ended June 30, 2001 from $18.3 million in the six months ended June 30, 2000. Revenues attributable to customers outside the United States increased as a percentage of total revenues to 30% for the six months ended June 30, 2001 from 26% in the six months ended June 30, 2000. The increase in international revenues is primarily attributable to the continued expansion of our European headquarters in Amsterdam, the Netherlands, and our Research Centres in London, England and Frankfurt, Germany, and the increase in sales personnel at each location. We invoice our international clients in U.S. dollars, except for those billed by our UK Research Centre, which invoices its clients in British pounds sterling. To date, the effect of changes in currency exchange rate have not had a significant impact on our results of operations.

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment remained constant as a percentage of total revenues at 30% in the six months ended June 30, 2001 and 2000. These expenses increased 31% to $27.4 million in the six months ended June 30, 2001 from $21.0 million in the six months ended June 30, 2000. The increase in these expenses in the six months ended June 30, 2001 was principally due to additional compensation associated with the increase in research staff, additional survey costs associated with our new TechRankings(R) product offerings, and the increase in the number of events hosted during the first half of 2001.

SELLING AND MARKETING. Selling and marketing expenses remained constant as a percentage of total revenues at 39% in the six months ended June 30, 2001 and 2000. These expenses increased 31% to $34.7 million in the six months ended June 30, 2001 from $26.5 million in the six months ended June 30, 2000. The increase in these expenses was principally due to additional compensation associated with the increase in the number of sales and marketing personnel.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased as a percentage of total revenues to 11% in the six months ended June 30, 2001 from 12% in the six months ended June 30, 2000. These expenses increased 15% to $9.8 million in the six months ended June 30, 2001 from $8.5 million in the six months ended June 30, 2000. The decrease in these expenses as a percentage of revenues was principally due to decreased travel and recruiting costs and reflects a larger revenue base in the first half of 2001. The increase in expenses in the six months ended June 30, 2001 was principally due to additional compensation associated with increased staffing in our technology, operations, finance, and strategy groups.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses increased 73% to $5.5 million in the six months ended June 30, 2001, including $522,000 related to the amortization of goodwill, from $3.2 million in the six months ended June 30, 2000. The increase in these expenses was principally due to purchases of computer equipment, software, and leasehold improvements to support business growth.

OTHER INCOME, NET. Other income, consisting primarily of interest income, increased 14% to $3.9 million in the six months ended June 30, 2001 from $3.4 million in the six months ended June 30, 2000. The increase was due to additional interest income from higher cash and marketable securities balances. Other income also includes a loss of $254,000 realized on the disposal of property and equipment related to relocating our European headquarters.

PROVISION FOR INCOME TAXES. During the six months ended June 30, 2001, we recorded a tax provision of $6.1 million, reflecting an effective tax rate of 36.5%. During the six months ended June 30, 2000, we recorded a tax provision of $5.0 million, which reflected an effective tax rate of 37.5%. The decrease in our effective tax rate resulted primarily from an increase in our investments in tax-exempt marketable securities and a reduction in our effective state tax rate.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations during these periods primarily through funds generated from operations. Memberships for core research, which constituted approximately 76% of our revenues for the six months ended June 30, 2001, are annually renewable and are generally payable in advance. We generated $30.9 million and $46.3 million in cash from operating activities during the six months ended June 30, 2001 and 2000, respectively. This decline in cash from operations is primarily the result of the decrease in deferred revenues which is reflective of the more difficult economic environment.

During the six months ended June 30, 2001, we used $35.5 million of cash in investing activities, consisting primarily of $7.6 million for purchases of property and equipment and $28.0 million for net purchases of marketable securities and other non-marketable investments. We regularly invest excess funds in short- and intermediate-term interest-bearing obligations of investment grade.

During the six months ended June 30, 2001, we generated $10.0 million in proceeds from exercises of employee stock options and our employee stock purchase plan. As a result of these option exercises during the six months ended June 30, 2001, we will receive a tax benefit in the form of a tax deduction that will offset approximately $7.5 million of our taxable income. The offset to this deferred tax benefit has been reflected as an increase in our additional paid-in capital within shareholders' equity.

As of June 30, 2001, we had cash and cash equivalents of $20.9 million and $184.4 million in marketable securities. We do not have a line of credit and do not anticipate the need for one in the foreseeable future. We plan to continue to introduce new products and services and to invest in our infrastructure over the next twelve months. We believe that our current cash balance, marketable securities, and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for at least the next two years.

In June 2000, we committed to invest $20.0 million in two private equity investment funds over a period of up to five years. We have adopted a cash bonus plan to pay bonuses, measured by the proceeds of a portion of the net profits from these investments, if any, to certain key employees, subject to the terms and conditions of the plan. The payment of such bonuses would result in compensation expense with respect to the amounts so paid. As of June 30, 2001, we had contributed approximately $5.5 million to the funds. The timing and amount of future contributions are entirely within the discretion of the investment funds.

The timing of the recognition of gains or losses from the investment funds is beyond our control. As a result, it is not possible to predict when we will recognize such gains or losses, if we will award cash bonuses based on the net profit from such investments, or when we will incur compensation expense in connection with the payment of such bonuses. If the investment funds realize large gains or losses on their investments, we could experience significant variations in our quarterly results unrelated to our business operations. These variations could be due to significant gains or losses or to significant compensation expenses. While gains may offset compensation expenses in a particular quarter, there can be no assurance that related gains and compensation expenses will occur in the same quarter.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. We do not use derivative financial instruments for speculative or trading purposes.

INTEREST RATE SENSITIVITY. We maintain an investment portfolio consisting mainly of corporate obligations, federal agency obligations, state and municipal bonds, and Treasury notes with a weighted-average maturity of less than one year. These available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. We have the ability to hold our fixed income investments until maturity. Therefore, we would not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates on our securities portfolio. The following table provides information about our investment portfolio. For investment securities, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates.

Principal amounts by expected maturity in U.S. dollars (in thousands, except interest rates):

	FAIR VALUE AT JUNE 30, 2001	FY 2001	FY 2002	FY 2003 AND THEREAFTER
Cash equivalents	$ 16,491	$ 16,491	$ --	$ --
Weighted average interest rate	4.20%	4.20%	--%	--%
Investments	$ 184,382	$ 78,548	$ 74,060	$ 31,774
Weighted average interest rate	4.36%	4.02%	4.74%	4.31%
Total portfolio	$ 200,873	$ 95,039	$ 74,060	$ 31,774
Weighted average interest rate	4.35%	4.05%	4.74%	4.31%

FOREIGN CURRENCY EXCHANGE. On a global level, we face exposure to movements in foreign currency exchange rates. This exposure may change over time as business practices evolve and could have a material adverse impact on our financial results. Historically, our primary exposure has been related to non-dollar-denominated operating expenses in Europe, Canada, and Asia, where we sell primarily in U.S. dollars. The introduction of the Euro as a common currency for members of the European Monetary Union took place in our fiscal year 1999, and has not, to date, had a significant impact on our financial position or results of operations. We are prepared to hedge against fluctuations in the Euro and other foreign currencies if our foreign exchange exposure becomes material. As of June 30, 2001, the total assets related to non-dollar-denominated currencies was approximately $25.7 million.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Forrester is not currently a party to any material legal proceedings.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

The Annual Meeting of Stockholders ("Meeting") was held on May 8, 2001. At the Meeting, Henk W. Broeders and George R. Hornig were re-elected as Class II Directors of the Board of Directors. Below are the votes by which each Director was elected:

	Total Vote For Director	Total Vote Withheld From Director
Henk W. Broeders	20,729,959	87,278
George R. Hornig	20,729,929	87,308

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Forrester Research, Inc.

By: /s/ George F. Colony

George F. Colony
Chairman of the Board of Directors
and Chief Executive Officer (principal
executive officer)

Date: August 14, 2001

By: /s/ Susan Whirty Maffei

Susan Whirty Maffei, Esq.
Chief Financial Officer (principal
financial and accounting officer)

Date: August 14, 2001