

**— PARTICIPANTS****Corporate Participants**

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**Michael T. Burns** – VP-Investor Relations & External Reporting

**Eric W. Narowski** – Chief Accounting Officer, SVP & Global Controller

**Al Angrisani** – Interim Chief Executive Officer

**Other Participants**

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**Donald Wang** – Portfolio Manager & Senior Analyst, Tocqueville Asset Management LP

**— MANAGEMENT DISCUSSION SECTION**

Operator: Good day, ladies and gentlemen and welcome to the Harris Interactive Q4 and Full Fiscal Year 2011 Harris Interactive Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. Michael Burns, Vice President of Investor Relations. Please go ahead.

**Michael T. Burns, VP-Investor Relations & External Reporting**

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Thank you. Good morning and thank you for joining us to discuss Harris Interactive's fourth quarter and full year fiscal 2011 financial results. With me today are Al Angrisani, our Interim Chief Executive Officer, and Eric Narowski, our Interim Chief Financial Officer.

The format for today's call will include a brief recap of the quarter and fiscal year by Eric, followed by Al's commentary. After the formal remarks, both Eric and Al will be available for questions. A webcast replay of this entire call will be accessible via the Investor Relations section of our corporate website later today, and will be archived there for at least 30 days. However, no telephone replay of this call will be provided. We will post a transcript of this call as soon as we can after the call.

We would like to take this opportunity to remind you that certain statements made during this conference call are forward-looking statements for purposes of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995. These statements include beliefs, predictions and expectations related to the company's future financial performance, other business and operating metrics, as well as statements regarding the company's future plans and operations. They involve a number of risks known and unknown that could cause actual results, performance and/or achievements of the company to be materially different from the beliefs, predictions and expectations discussed on this call.

Factors that could cause the company's results to materially differ from the forward-looking statements made today and which are incorporated herein by reference are more fully described in today's press release as well as the company's SEC filings, particularly under the Risk Factors section of the company's most recent annual report on Form 10-K.

You are urged to consider these factors carefully in evaluating such forward-looking statements and are cautioned not to place undue reliance on them. The forward-looking statements are made only

as of today's date and the company undertakes no obligation to publicly update them to reflect subsequent events or circumstances.

We also will be discussing non-GAAP financial measures including adjusted EBITDA with the add-back of restructuring and other charges. These items are reconciled to GAAP financial measures in our press release from last week, and are posted on the Investor Relations section of our website.

I'd now like to turn today's call over to Eric Narowski. Eric?

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**Eric W. Narowski, Chief Accounting Officer, SVP & Global Controller**

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Thanks, Mike. Good morning everyone. And thank you for joining us. Let me give you a brief overview of our financial performance for Q4 and our full fiscal year 2011. First, for the quarter, Q4 revenue was \$45.2 million, up 4% from \$43.6 million, from last year's Q4. However, excluding foreign exchange rate differences, Q4 revenue was down 1% compared with last year's Q4.

Our operating loss for Q4 was \$4.7 million, compared with an operating income of \$186,000 for last year's Q4. Q4's operating loss included restructuring and other charges of \$4.3 million, as a result of post employment obligations to executives exited from the business, head count reductions in the U.S. and the UK, and scaling down of our facilities footprint in the UK, Norwalk, Connecticut and Portland, Oregon. Q4 of fiscal 2011 had no restructuring or other charges.

Our net loss for Q4 was \$5.1 million or \$0.09 per fully diluted share, driven in large part by the restructuring and other charges I just mentioned, compared with a net loss of \$1.3 million or \$0.02 per fully diluted share for last year's Q4.

Bookings for Q4 were \$34.6 million, compared with \$35.7 million for last fiscal year's Q4. Excluding foreign currency exchange rate differences, bookings were down 10% compared with Q4 of last fiscal year.

Non-GAAP adjusted EBITDA with restructuring and other charges added back was \$1.5 million for the quarter, compared with \$2.3 million for last year's Q4. Cash provided by operations for Q4 was \$2.9 million as compared with \$4.5 million provided by operations in last year's Q4.

Now for the full fiscal year, revenue for fiscal 2011 was \$165.3 million, down 2% from \$168.4 million for fiscal 2010. Excluding foreign exchange rate differences, fiscal 2011 revenue was down 3% compared to fiscal 2010.

Fiscal 2011 operating loss was \$7 million, compared with an operating loss of \$523,000 for fiscal 2010. The operating loss for fiscal 2011 included restructuring and other charges of \$5.4 million, as a result of post employment obligations to executives exited from the business, head count reductions in the U.S. and the UK, and scaling down of our facilities footprint in the UK, Norwalk, Connecticut, and Portland, Oregon. During fiscal 2010, our operating loss included \$623,000 in restructuring and other charges.

Our net loss for fiscal 2011 was \$8.5 million or \$0.15 per fully diluted share, driven in large part by the restructuring and other charges incurred during the fiscal year, compared with a net loss of \$2.2 million or \$0.04 per fully diluted share for fiscal 2010.

At June 30, 2011, we had \$14.2 million in cash and \$10.8 million in outstanding debt. We reduced our amount of our outstanding debt by \$4.8 million during fiscal 2011. However, at the end of fiscal 2011, we were not in compliance with certain financial covenants under our credit agreement. On September 27, 2011, we amended our credit agreement and received a permanent waiver of such

non-compliance. We noted in our earnings release further details regarding our amended credit agreement and waiver can be found in the 8-K that we filed with the SEC on September 28, 2011.

Secured revenue at June 30, 2011 was \$45.9 million, compared with \$44.9 million at June 30, 2010. Excluding foreign currency exchange rate differences secured revenue was down 2% compared with the same prior year period.

Non-GAAP adjusted EBITDA with restructuring and other charges added back was \$6.5 million for fiscal 2011, compared with \$8.9 million for fiscal 2010. During fiscal 2011, we generated \$4 million in cash from operations, compared with \$6.5 million generated from operations in fiscal 2010.

More details regarding our financial performance for fiscal 2011 can be found in our Form 10-K filed with the SEC on September 28, 2011.

Now, I'd like to turn the call over to AI for his remarks.

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**AI Angrisani, Interim Chief Executive Officer**

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Okay. Thanks, Eric. As I said in the earnings release, it's been about 100 days since I took on the role of Interim CEO and turning around Harris Interactive is not going to be a quick or easy fix.

The results you just heard from Eric were the product of an attempted turnaround effort over the last few years that was not successful. So in effect what we're trying to do here now is we're attempting to execute a turnaround on top of a turnaround, which is extremely challenging.

The good news is that the Harris brand is still strong, from what I can see. The executive team, our skilled researchers and the employees are 100% committed to the challenge. And our clients have been very supportive over the first 100 days of my tenure as Interim CEO.

The bad news is that as part of the turnaround, we have to address many elements of the current business model and fundamentally change them. The good news is that I've done this before, several times, in fact, and have a specific roadmap that I follow which will help facilitate our efforts throughout this turnaround process.

Again, the bad news is that shareholders, clients and employees need to be patient because the turnaround of this magnitude takes time and the uncertain economy that we're in today is not going to be a helpful factor.

To end my comments on this first press call, and they are brief comments, to end them on a positive note, I'm pleased that we've been able to stay current on our bank loan payments, as Eric referred to, to reduce some debt, and to cure our covenant defaults and keep our term loan and revolving line of credit in place. It's going to be extremely helpful to us as we go forward. Those are my comments on this first earnings call, not very long.

And I think I'll turn it back to Mike and take some questions if you have them.

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**Michael T. Burns, VP-Investor Relations & External Reporting**

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Thanks, AI. And operator, if you would now please open the queue for any questions that we might have.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] Our first question comes from [ph] Steve Cole (10:47). Please go ahead.

<Q>: Yeah, good morning, Al, and Eric and Mike. First of all, I can appreciate, Al that you're coming into a difficult situation as you point out. I guess I'm a little curious on what you've seen in the first 100 days aside from the fact that the Harris name hasn't been compromised and still has value. But, I know you have a roadmap. I guess I'm just curious on how do things typically work, what are you focusing in on in terms of the core strengths at Harris. I know you're exiting Asia or already have exited Asia. But what is Harris going to look like looking out six months or even 12 months from now from what you can see and is it going to be a much more streamlined, focused organization, really narrowing down the number of verticals for example that you're targeting?

<A – Al Angrisani – Harris Interactive, Inc.>: Right. Well, as you know, Steve, we can't forecast anything going forward. However, I can give you some commentary on the priorities that we're focusing on today as part of the turnaround process and the principal one of those is the business model itself. The results pretty much speak to the fact that a company doing \$165 million of revenue is losing money and there's plenty of revenue there to generate a profit. And what we're really focusing on is streamlining the expense structure, focusing in on the winners in terms of our products versus the products that are actually not producing sufficient amounts of profits, and trying to reshape the model in a way where at this level of revenue, we can generate an acceptable profit. That's number one.

Number two, from a shareholder value perspective, I mean -- and those are the two key drivers in any turnaround, the business model and shareholder value. We're really focusing on trying to bring the Harris brand, which is still good, forward, and to build our product strategy around that. Without getting into too much detail, those are the two principal drivers of the strategy at the early stages here.

<Q>: So when you look at what you've seen, Al, obviously you know this company well, you were with Total Research, which by the way I was a shareholder back some years ago, and we also were holders of Greenfield. So I've come across your career in a couple of vantage points here. And I'm just curious. You know it well. What needs to happen and what's the realistic timetable to get this back to earning a reasonable return? As you know, there was a time when Harris generated reasonable profits, reasonable returns on capital and reasonable cash flows and the former management that was going through the turnaround set out some targets obviously that they never hit. And your history is that you don't do that. And I guess that's why you have the success that you have, I think in part, that you do tell us as it is. And I guess I'm curious whether the business model has changed to a point, whether we can get to those types of numbers that we saw three or four years ago or five years, again, or what do you see that can give us some comfort that we can generate those types of returns or some reasonable return here?

<A – Al Angrisani – Harris Interactive, Inc.>: Well, I wish I could give you comfort because as I say I'd like to do nothing more than that. But as I said – I chose my words very carefully. This is not going to be a quick or easy fix. I mean, there's an awful lot to address here as the numbers indicate. I also can tell you that every turnaround is different, whether it's Total Research or Harris the first time or Greenfield or any other ones that I've been involved in. The core thesis is the same in terms of what you have to do and how you have to do it from the rightsizing phase of the business to selecting products that deliver a higher quality of revenue through optimizing your business model, right through the new product phase. They're all the same.

But they're all a little different. The elements come together differently. And one of the things that I'm not sure about right now, it's only been 100 days, how those pieces come together. Depending on how those pieces come together, you will define the upside of this and to be really honest with

you, I just don't know right now. It's going to require another quarter or two before I have some comfort of my own that I can pass on to shareholders.

<Q>: Well, I'll get out of the queue and let somebody else come in. But, certainly appreciate you taking the challenge here, Al.

<A – Al Angrisani – Harris Interactive, Inc.>: Thank you, Steve.

Operator: [Operator Instructions] Our next question comes from Donald Wang of Tocqueville Asset Management. Please go ahead.

<Q – Donald Wang – Tocqueville Asset Management LP>: Hi, Al. Could you just comment on three things. First, in terms of the head count reductions, the 50 some odd people between the UK and the U.S. as well as the branch savings that will come from the Connecticut, UK and Oregon offices, can you just quantify how much benefit we will get in fiscal '12 from those actions?

Second, could you just describe from a customer's point of view what they will see differently in either a go-to-market approach and panel design and study design that would make them want to do business with Harris?

And then third, can you just comment, are there any significant tracking studies that were performed in fiscal '11 that will not be performed in fiscal '12, a la, the ones you allude to in the UK, of, I guess, there is going to be a several million dollar loss of not having that tracking study in the UK? Thanks.

<A – Al Angrisani – Harris Interactive, Inc.>: Yeah. I mean, I'll work backwards and then let Eric sort of pick up the run rate savings from the changes that were made before. First of all, on the product design, obviously, I'm not anxious to give any competitors any secrets on the phone here, so I'm not going to be too specific with you. But, we're definitely looking at our product suite, and I don't think it's going to surprise anybody when you look at the financial results to say that there's some winners and there's some losers in that. And what we're really focusing on is feeding the winners sort of and slowly phasing out those losers.

What I think the end result of it will be without being too crystal clear on the phone is that we'll have a much better definition to our product offering in the marketplace. I think we're trying to evolve it now as we're working on it to position it, so that it is a better value proposition for our customers, so that it is not in the competitive strength zones of the much bigger market research companies. There are three or four that sit on top of the industry now as it's consolidated that have several billion dollars of revenue and it's difficult for Harris and just about anybody else to compete with their global reach and their ability to effectuate pricing to win work. So we're not going to try to take those guys on. We're going to try to define our own niche around our own winners.

The good news is that, again, back to the Harris brand, the Harris brand is strong and underneath that brand there are a number of products and services that I can see that are winners. And we're going to do our best to make sure that those are the products that we present to the market and give people a compelling reason to buy from us based upon the value that those products contribute to their businesses.

To turn to the tracking studies, I don't really want to comment on specific tracking studies. I can tell you that tracking studies are an important part of our business that quite frankly we're working very hard to keep them as part of our business. And from what I can see so far, we're being able to make the necessary adjustments in how we service those clients and how we price those tracking studies to be able to keep them as an important part of our business going forward. So, they do play into our, what I call our winner strategy.

**<Q – Donald Wang – Tocqueville Asset Management LP>:** Just to interrupt you for a second, Al. So was the only major tracking study loss the one that was referred to in the 10-K, where in essence \$8 million of revenue in the UK is going to go away?

**<A – Eric Narowski – Harris Interactive, Inc.>:** That was our largest one in the UK. We've had some smaller ones as we've noted in some of our sectors within the U.S. Given the custom nature of our business, we have tracking studies coming and going at all times, but there was a couple others in the U.S. during the last fiscal year.

**<Q – Donald Wang – Tocqueville Asset Management LP>:** So if you just took them in aggregate, how much would the loss of those contracts impact fiscal '12?

**<A – Eric Narowski – Harris Interactive, Inc.>:** Probably slightly north of \$10 million I'd say.

**<Q – Donald Wang – Tocqueville Asset Management LP>:** Okay. And then I'm sorry, on the expenses?

**<A – Al Angrisani – Harris Interactive, Inc.>:** Yeah. The run rate on the expenses from the head count savings and...

**<A – Eric Narowski – Harris Interactive, Inc.>:** Yeah. As you look – let me just clarify again, when we're talking right now clearly about our fiscal '11 results, the restructuring charges that we had there for the facilities we have about \$0.5 million run rate savings for the facilities that we did impair through the regions that we noted, and also with the severance there is approximately \$400,000 to \$500,000 of annualized salary savings related to that. You probably also have noted that subsequent to year end, we filed a few other 8-Ks as it relates to additional facilities restructuring. And we'll talk more about those annual savings when we get to our Q1 results in November.

**<Q – Donald Wang – Tocqueville Asset Management LP>:** So, just to recap then, so \$0.5 million on the lease announcements that have been announced, so Connecticut, UK, and Oregon, and \$0.5 million on the 50 people that have been separated in UK and U.S. but does not include, I presume, the Asian closures you're referring to?

**<A – Al Angrisani – Harris Interactive, Inc.>:** Correct. Correct.

**<Q – Donald Wang – Tocqueville Asset Management LP>:** So, \$1 million in total would be the savings annually?

**<A – Al Angrisani – Harris Interactive, Inc.>:** Correct.

**<Q – Donald Wang – Tocqueville Asset Management LP>:** Thank you.

Operator: I'm showing no further questions at this time. I'd like to turn the call back over to Mr. Michael Burns for any closing remarks.

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**Michael T. Burns, VP-Investor Relations & External Reporting**

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Thanks again everyone for joining us today and we look forward to speaking with you at some point in November when we release our Q1 results.

Operator: Ladies and gentlemen, this does conclude today's conference. You may now disconnect and have a wonderful day.

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