

— PARTICIPANTS**Corporate Participants**

Michael T. Burns – VP-Investor Relations & External Reporting
Eric W. Narowski – CFO, Principal Accounting Officer, Global Controller
Albert A. Angrisani – President, CEO, Vice Chairman

Other Participants

Bill Sutherland – Analyst, Northland Securities, Inc.
Brian T. Horey – President, Aurelian Management LLC

— MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen. Welcome to the Harris Interactive Third Quarter 2012 Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct the question-and-answer session with instructions following at that time. [Operator Instructions] As a reminder, this conference is being recorded.

Now, I'll turn the conference over to Michael Burns, Vice President Investor Relations & External Reporting. Please begin.

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

Good afternoon and thank you for joining us to discuss Harris Interactive's third quarter fiscal 2012 financial results. With me today are Al Angrisani, our President and Chief Executive Officer; and Eric Narowski, our Chief Financial Officer. The format for today's call will include a brief recap of the quarter 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 this evening and will be archived there for at least 30 days.

However, no telephone replay of this call will be provided. We'll post a transcript of this call as soon as we are able to following 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/or which are incorporated by reference herein are more fully described in today's press release as well as the company's SEC filings, particularly under the risks factor 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 the date of this presentation 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 today's press release and are posted on the Investor Relations section of our website.

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

Eric W. Narowski, CFO, Principal Accounting Officer, Global Controller

Thanks Mike. Good afternoon everyone, and thank you for joining us. Before I review the quarter, please note that the results I will cover are for our continuing operations only and exclude our Asia operations, which ceased in September 2011 and are now classified as discontinued operations in the financial statements that accompany today's earning release. Let me now give you a brief overview of our financial performance for Q3. Q3 revenue was \$34.1 million, down 8% from \$37 million for last year's Q3.

Foreign currency exchange rate differences did not have a meaningful impact on revenue for the quarter. Putting revenue for the quarter into context, in local currency we saw a 7% decrease in U.S. revenue, mainly as the result of the revenue impact from our bookings decline we experienced during the first half of this fiscal year. A 5% decrease in Canadian revenue, driven primarily by the revenue impact from bookings declines we experienced in Q2 of this fiscal year. A 30% decline in U.K. revenue in large part attributable to the expected impact of our restructuring actions earlier this fiscal year to scale back the U.K. business to focus on core markets and key solution areas.

A 5% increase in France, driven primarily by the revenue impact from strong bookings during the first half of the fiscal 2012. And in Germany, revenue was essentially flat compared with the same prior year period.

Our operating loss for the quarter was \$371,000, compared with an operating loss of \$1.8 million for last fiscal year's Q3. Q3's operating loss included a credit to restructuring and other charges of \$19,000, compared with \$448,000 in restructuring and other charges for last fiscal year's Q3.

Our net loss for Q3 was \$323,000 or \$0.01 per fully diluted share, compared with \$2.3 million or \$0.04 per fully diluted share for last fiscal year's Q3. At March 31, 2012, we had \$13.2 million in cash and \$7.2 million in outstanding debt and we're in compliance with the financial covenants under our credit agreement.

Cash provided by operations for Q3 was \$39,000, compared with \$65,000 for the last fiscal year's Q3. Non-GAAP adjusted EBITDA with restructuring and other charges added back was \$1.5 million for the quarter compared with \$595,000 for last fiscal year's Q3.

Bookings for Q3 were \$39.5 million, up 1% with \$39 million for last fiscal year's Q3. Excluding foreign currency exchange rate differences, bookings were up 3%. Putting our bookings for the quarter into context in local currency, we saw a 4% increase in both U.S. and Canadian bookings largely attributable to timing differences, a 13% decrease in UK bookings, and a large part attributable to the expected impact of our restructuring actions earlier this fiscal year to scale back the UK business to focus on our core markets and key solution areas.

A 8% decrease in French bookings mainly as a result of a large one-time project booked in Q3 of last fiscal year and a 10% increase in German bookings mainly as a result of bookings during the

quarter that has been deferred as a result of client delays during the first half of this fiscal year. Secured revenue at March 31, 2012 was \$50.5 million, down 8%, compared with \$54.9 million at March 31, 2011.

Foreign currency exchange rate differences did not have a meaningful impact on secured revenue. The decrease in secured revenue was mainly due to the bookings declines we experienced throughout this fiscal year.

Before I turn the call over to AI, I want to remind you that as an exception to our practice of not issuing financial guidance and in connection with the announcement of our share repurchase program, we said that we expected fiscal 2012 adjusted EBITDA with restructuring and other charges added back to be between \$9.5 million and \$11.5 million. Based on current market conditions and internal forecasts, we now anticipate adjusted EBITDA with restructuring and other charges added back of between \$10.5 million and \$11.5 million for the fiscal 2012.

I'd now like to turn the call over to AI for his remarks. AI?

Albert A. Angrisani, President, CEO, Vice Chairman

Thanks, Eric. Okay, we're now nine months into our fiscal year, which means that we're also nine months into our turnaround program. As on our last call, I wanted to give you an update on where things currently stand and basically the major takeaway of that update is to why we've made a lot of progress, we still have a lot more work to do, especially on our sales program.

In terms of the highlights for Q3, let me touch on a few key points. First, we clearly have continued to see our profitability improve through our efforts to right-size the company's cost structure and sell more profitable research services. The end result of which is the financial guidance that was just given to you for the full fiscal year that shows significantly improved adjusted EBITDA with restructuring and other charges added back.

Next looking forward into 2013, we're going to continue to strive to improve our expense structure. However, I want to make it clear to everybody that we're beginning to transition our efforts away from right-sizing to enhancing the productivity of our research and operations delivery systems. And that's an important transitional note to keep in your minds as you listen to our commentary going forward.

Next, our liquidity has continued to stabilize. That isn't to say that we don't have room for improvement but I think it's really important to remember that to-date through fiscal 2012, we've been able to fund almost \$5 million in restructuring and severance payments along with \$3.6 million in debt service payments or basically deleveraging payments for a total of \$8.6 million that's been used from internally generated cash. And that's quite an accomplishment particularly since we were obviously in a position nine months ago, where we were not sure how we were going to fund those payments.

Also, in March, we finalized all of my executive and senior management team appointments. As you know, for a turnaround to be successful, we need to have a stable and committed management team with clearly defined areas of accountability; we now have that. And putting the team in place has freed me up to spend considerably more amount of my personal time on solving problems, and going forward that time is going to be spent a lot more on solving sales problems.

Another key point to highlight is that I'm also pleased and very, very pleased to report this that our UK team has made good progress, if not excellent progress, in turning around our business. They have clearly exceeded our expectations and we're very optimistic about their ability to contribute to the company's improved performance next fiscal year. And lastly, as most of you know, in

February, we regained compliance with the NASDAQ listing standards and averted the negative consequences that would have come with being delisted.

So taking a deep breath after those highlights, I now want to just mention a few of the key challenges going forward that we're working on as we speak. At this stage of the turnaround, it's really all about profitable sales growth. As my team here has heard me say so many times over and that they're probably really tired of hearing me say it, sales are now job one at Harris Interactive.

And in looking at the numbers, you can see that bookings are up 3% for the quarter in constant currency; however, to really understand where we are in the turnaround efforts, especially as it relates to sales, it's important to note that the increase we saw was in part due to some timing differences, but I'll take it. And it should not be taken to mean that we are resolving this systemic sales challenges that I've spoken about on other calls, it just means that we're beginning to take the first steps, if not baby steps in this area.

Also, as you know, our success on the sales side directly impacts our ability to maintain and grow revenue. So until we get it right on sales, I believe, we're unfortunately going to continue to see some downward pressure on revenue.

Moving forward, part of being successful in selling to our clients requires that we focus on looking for ways to be innovative. While this is an area where the majority of the efforts we undertake now will bear fruit for a while, it's important for you to know that we have just begun the process to focus on innovation and product development and upgrading some of the very, very tiered products that were here when we started the turnaround.

And, as an informational note, the first area that we've begun focusing on is our Harris Poll syndicated products. One of those products, which is the Harris Poll EquiTrend, was recently showcased on the covers of Advertising Age at Adweek magazines and we're all very, very proud of that.

So as you know, I'm now onboard as permanent CEO of the company. My team and I are committed and locked in to doing all we can to overcome some of the challenges that we've talked about here and to do a very best job we can for our shareholders. And we're looking forward to Q4 and addressing some of those challenges and giving you hopefully some good news in terms of our progress in those areas.

So with that, Mike, I believe we should open this up to questions and I'm going to turn it back over to you.

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

Sounds good, Al. And, operator, if we could please now open the queue for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We have a question from Bill Sutherland of Northland Capital. Your line is open.

<Q – Bill Sutherland – Northland Securities, Inc.>: Thanks. Hey, Al.

<A – Albert Angrisani – Harris Interactive, Inc.>: Hi, Bill.

<Q – Bill Sutherland – Northland Securities, Inc.>: I wanted to ask you just one number question I noticed in the quarter and that was just SG&A. It coughed up a little high as a percent of revenue. I know it's a low – it's a seasonally low revenue quarter, so I'm not surprised, but I'm just curious – it's up about a million sequentially.

<A – Eric Narowski – Harris Interactive, Inc.>: Yeah. It was predominately because of the lower revenue that we had in the quarter and we did see some increases specifically one of the areas we saw a slight increase in our stock-based comp expense for the quarter and Q3 is usually it's predominately a higher quarter for us as well, because we see some seasonality at some of our payroll taxes and such and other benefits in there that pop up in the first calendar quarter of the year.

<Q – Bill Sutherland – Northland Securities, Inc.>: Okay.

<A – Michael Burns – Harris Interactive, Inc.>: So...

<A – Albert Angrisani – Harris Interactive, Inc.>: But, overall, our G&A has been trending down on an absolute basis...

<Q – Bill Sutherland – Northland Securities, Inc.>: Yeah. So, Al, when we think about as you go into fiscal 2013 and you do start to invest more, will the nice progressions in the gross margin offset most of what you need to fund on the development side?

<A – Albert Angrisani – Harris Interactive, Inc.>: When you say fund on the development side, do you mean can we do it from internally generated cash?

<Q – Bill Sutherland – Northland Securities, Inc.>: Yeah. I meant it's sort of like the balancing act with the P&L so that if you are going to be expensing, I assume, it will all be expensed, that the investment you're going to be making in the new product...

<A – Albert Angrisani – Harris Interactive, Inc.>: Yeah. Okay. Yeah, I got it. Yeah. No, we're not looking at major purchases of capital equipment so – of some of which of course would be capitalized, but that's not really how the product development cycle here works. I mean, Harris is largely a content driven company. When you look at a syndicated product like EquiTrend that we just talked about where we're really proud that we've been able – we got the cover of advertising agents as a result of some work we were doing for clients. Those are really content intellectually capital driven product enhancements. So I don't really see that as being a major factor in how we spend. There could be some additional people that we bring on board to do that. But, no, I don't think that changes our business model or expense model at all.

<Q – Bill Sutherland – Northland Securities, Inc.>: Okay. Well, I guess, just to wrap up on that line of questions now, I mean, you're going to end up with fiscal 2012 being in the \$150 million range as far as revenue and then with your EBITDA guidance – adjusted EBITDA guidance of around 7% margin, where is that in the spectrum, I guess, of where a business like this can be as you looked at it?

<A – Albert Angrisani – Harris Interactive, Inc.>: I mean, you probably know better than I do, but I think the rule of thumb in the industry is that custom market research companies, which I believe we are the classic definition of although there are some unique next to Harris Interactive because of the Harris Poll, although that's not a very – it's not a big enough portion of our revenue stream to reclassify us in just an area like syndicated research. It's just the uniqueness that I'd say that the rule of thumb is that if you can work to get your business operating at a 10% margin, you're operating very tough echelons of the industry.

<Q – Bill Sutherland – Northland Securities, Inc.>: Yeah..

<A – Albert Angrisani – Harris Interactive, Inc.>: So we're trying to get to be the best. So we'll see how that comes out next year.

<Q – Bill Sutherland – Northland Securities, Inc.>: Okay. Looks good so far. Thanks, Al.

<A – Albert Angrisani – Harris Interactive, Inc.>: Thanks, Bill.

Operator: Thank you. [Operator Instructions] Next question is from Brian Horey of Aurelian. Your line is open.

<Q – Brian Horey – Aurelian Management LLC>: Hi. Thanks for taking my question. I just wanted to follow-up on the comment about profitable sales being job one for the company. Can you give us some color as to what needs to be put in place for that execution to happen? Is that more feet on the street, better training, new products to sell can you just maybe embellish that a little bit?

<A – Albert Angrisani – Harris Interactive, Inc.>: Yeah, that's a fair question. I mean, it is – every turnaround is different in terms of what the key areas of emphasis are. And in the case of Harris Interactive, I mean, this is probably the primary area of emphasis for the turnaround. I mean, clearly the last nine months we spent a lot of time as we said in our call deleveraging the company, stabilizing cash, improving liquidity and right sizing the expense structure and those are all the things that you do to fundamentally create a stable platform from which to grow again. And the trick is always to get that balance right, because early on if you start to try to drive your sales program in your revenues, there's a good chance that you're going to be selling what we call bad revenue or unprofitable revenue.

So now we've gotten ourselves to the point that we pretty much understand our business, we understand what we can sell that makes money for us. We understand that if we sell a dollar of revenue, it's going to drop a minimum requirement of X to our gross profit line. So with that now known, we'll now have to turn our attention to growing the sales line. The keys to that are rather complex, it's not a one item. It's a multifaceted thing of probably about a half a dozen variables.

The good news is it doesn't require a lot of investments. The company has adequate resources to grow itself. It's just a matter of getting the sales and marketing model right in the company, which includes things like establishing your product priorities, what is it that you want to sell with purpose getting your sales force properly balanced against the priority accounts, making sure that the commission plan is right to in fact drive growth, making sure that you have the sales recruitment pipeline to constantly be bringing new people in, and most of all, and this why, like it or not, I always have to step up in these processes and say sales is our job one, because if sales are job one in the company, as a CEO it's the job – it's my job, it's my primary job going forward.

So I own this and that means that I'm going to be deeply involved in this process with our management team to get it fixed. There are no quick or easy fixes as it comes to fixing a sales continuum like the one I've just discussed but it's also not rocket science. And it just means getting the right plan and executing it.

<Q – Brian Horey – Aurelian Management LLC>: Okay. Do you feel like you have enough in terms of the head count in the sales organization that you have the right quantity of people?

<A – Albert Angrisani – Harris Interactive, Inc.>: Yes, I do.

<Q – Brian Horey – Aurelian Management LLC>: Okay. And do you feel like you have, let's say, an appropriately skilled cadre of sales management talent within the company to go execute that plan at this point or is that an area that you need to work on?

<A – Albert Angrisani – Harris Interactive, Inc.>: Yes, yes, I do. And it doesn't mean that we won't add to it, but I feel like that people that we have here can get the job done.

<Q – Brian Horey – Aurelian Management LLC>: Okay. And then, can you give us some sense as to the timing in the process by which a sales pipeline converts into closes of business and then that in turn converts into revenue?

<A – Albert Angrisani – Harris Interactive, Inc.>: Well, I mean normally, I mean we have a lead cycle on anything we sell and it varies by the different products, but you usually looking at a – with the sales person you are looking at a 90 day to 120 day cycle between a sales call and a potential close. So you've got to look at a quarter or two before you can start to begin to even see the beginnings of the results that you're acting on today.

<Q – Brian Horey – Aurelian Management LLC>: Okay. And then a conversion of those orders to actual revenue, I mean, it sounds like from some of the comments that there is at times a gap between that. What is that typically turn out to be?

<A – Eric Narowski – Harris Interactive, Inc.>: We would look at that. I mean, we do have quite a few in our variety of projects here vary from very short-term to, I mean, we have some very long-term. I'd say on average you could say three months to four months would probably be our average cycle time from selling a job to completing that, but again we see – so we have on both sides of that spectrum.

<Q – Brian Horey – Aurelian Management LLC>: Okay. So if you had all your kind of ducks in a row so to speak with the sales organization and the sales process now, and we're really executing on that it would be six months really before that would start to show up on the revenue line in terms of a real delta. Is that a way to – a good way to think about it?

<A – Albert Angrisani – Harris Interactive, Inc.>: Yeah, I don't want to pin it down to a specific date but I think you're smart to understand there is a lead time. And then remember the variables that we don't control like the economy, clearly if the economy becomes weaker that could impact customers budget so it could may give you another hurdle to overcome. But if the economy gets stronger, the tide lifts all the boats, right, and it could make it easier. So it is a lot of things that go into that but it's smart not to look for immediate gratification.

<Q – Brian Horey – Aurelian Management LLC>: Okay, I understand. And then that that's a good segue and my last question was – which was – can you just comment, give us some color on what you're hearing from clients in terms of budgets and propensity to spend and that kind of stuff and do you think things have gotten better, worse or stayed the same since last quarter?

<A – Albert Angrisani – Harris Interactive, Inc.>: Well, we get a lot of anecdotal information, so I don't know that there is any great wisdom in any of this. But I mean, we pretty much hear that Europe is a challenge going both back-half of this year and going into next year, and when I say challenge I mean people have questions about whether it's going to improve or get worse. But on the other side people, I hear the people feel like the U.S. market research budgets are perhaps a little more stable than may be they were last year. So it's a bit of a mixed bag right now. And we're

not going to pay too much attention to, we believe that or we should be able to succeed regardless of the environment, but it is a factor.

<Q – Brian Horey – Aurelian Management LLC>: Okay. Thank you.

<A – Albert Angrisani – Harris Interactive, Inc.>: You're welcome.

Operator: Thank you. [Operator Instructions] I'm showing a question from [indiscernible] (25:37) of OCM Partners. Your line is open.

<Q>: Thanks for taking my question. So it looks like Q4 has historically been one of your strongest from a cash flow perspective. I was wondering if you thought that seasonal trend will continue with this Q4 and also if you had an estimate of what you thought the cash balance might be at the end of June?

<A – Albert Angrisani – Harris Interactive, Inc.>: [indiscernible] (26:00).

<A – Eric Narowski – Harris Interactive, Inc.>: Thanks Al. Yes historically Q4 has been one of our strong performances and you can see that based on the guidance that we've given. We do anticipate that it – that it will be as well favorable to us. I guess from a cash perspective that will – the performance will lead into more cash, but I want to caution on that as Al cautioned as well. We still have a significant amount of cash payments as it relates to the restructuring and severance payments that we are making. So essentially it's – we're not prepared to give you guidance on where the cash balance will be. But from a performance perspective, we do – from an EBITDA perspective we see that that it will be ahead of last year.

<Q>: Okay. Thanks.

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

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

Well, thanks to everyone for joining us today. And we look forward to speaking with you again later in the summer when we released our Q4 and full fiscal year 2012 results.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Have a wonderful day.

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