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**MANAGEMENT DISCUSSION SECTION**

Operator: Good day, ladies and gentlemen. And welcome to the Q1 Fiscal 2011 Harris Interactive Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Michael Burns, Vice President of Investor Relations and External Reporting. You may begin.

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**Michael T. Burns, Vice President, Investor Relations and External Reporting**

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Thank you. Good afternoon, and thank you for joining us to discuss Harris Interactive's first quarter fiscal 2011 financial results. With me today are Kimberly Till, our President and Chief Executive Officer; Pavan Bhalla, our Executive Vice President, Chief Financial Officer and Treasurer; and Eric Narowski, our Principal Accounting Officer and Senior Vice President, Global Controller.

The format for today's call will include formal remarks by both Kimberly and Pavan on the state of the business and our performance for the first quarter. After the formal remarks, Kimberly, Pavan and Eric 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 will post a transcript of this call as soon as we can 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 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 Risk Factors section of the company's most recent annual report on Form 10-K, as updated quarterly in our quarterly reports on Form 10-Q to reflect additional material risks.

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 only made 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 and 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 Harris Interactive's President and Chief Executive Officer, Kimberly Till. Kimberly?

**Kimberly Till, President and Chief Executive Officer**

Thank you, Mike. Good afternoon, everyone, and thank you for joining us and for your interest in Harris Interactive. Since our last call, we have continued to make progress in executing on our key initiatives within the three phases of our strategic roadmap.

Before I give you an update on our progress, let me touch briefly on the highlights for the quarter. And then Pavan will cover our Q1 results in more detail later.

Revenue declined in the quarter by 5% versus Q1 of last year, primarily as a result of tracking studies lost during fiscal 2010 in the U.S. and in U.K, the deferral of a large tracking study in the U.K., and revenue declines in the public affairs and policy and healthcare U.S. sectors. These were partially offset by increased revenue in certain other U.S. sectors. Our U.K. client, who deferred the large tracking study, is doubling up on the tracking in Q2. So we expect to recognize the lost Q1 revenue in Q2.

The revenue decline coupled with changes in the mix of our business resulted in a higher operating loss and a lower adjusted EBITDA than last year's Q1 results. Our consolidated bookings or sales for Q1 were up 8%, compared with Q1 of last year, excluding foreign currency exchange rate differences. This growth was driven primarily by increased bookings in the U.S., Canada, France and Germany. As I mentioned on our last earnings call, we expected Q1 to be our richest quarter as there is generally less activity in our industry during the summer months. We continue to believe that we are well positioned to achieve revenue growth and profitability growth in fiscal 2011.

Over the past year I've said that to accomplish Phase 1 of our road map, turning around all parts of the business, we need all of our worldwide businesses to achieve sustainable revenue growth and profitability. The U.S. is gaining traction. France, Germany and Asia are all performing well. So this leaves us with the U.K. and Canada, where we have a strong sense of urgency to complete the turnaround of those businesses. I will add more contexts and commentary regarding the individual business unit's performance after Pavan provides the financial details.

Phase 2 of our road map calls for us to re-establish the leadership position in the market research industry through product innovation and economies of scale. In terms of product innovation, we believe that the Research Lifestreaming platform and products provide us with a competitive advantage. As shared before, Research Lifestreaming connects the conversations that people are having, online and offline, with the views they express and the actions they take through a research platform with numerous capabilities and product components.

A key advantage of Research Lifestreaming over competitive offerings is that the individuals who have agreed to be part of Research Lifestreaming have, at a minimum, invited us to listen and monitor their conversations on membership social media networks, such as Facebook, not just in the public areas of the Internet such as blogs. This enables us to obtain unfiltered and not readily accessible behavioral, attitudinal and contactual information.

Another key advantage is that the individuals who have agreed to be part of Research Lifestreaming are part of our Harris Poll online panel, a panel of millions of individuals from around the world, who have provided us with profiling information and voluntarily agree to participate in our various online research studies. This delivers key benefits to clients, as we are able to obtain the opinions and inputs of real people who had views and thoughts about companies and products. It also allows us to continuously calculate sociographic attributes at the individual level. Most of the competitive offerings simply collect the volume of various words or cinemas, but are unable to tie them back to individuals or segments of the market, making our offering much more insightful and actionable.

We're in the process of developing additional products that will sit on top of the Research Lifestreaming platform to address specific market needs such as brand tracking, digital advertising effectiveness and social media monitoring. Although our plans for Research Lifestreaming in the mobile space are at an earlier stage, we have teams in the U.S. and France developing our approach and capability, including our ability to interview people at the point of experience based on their location using Mobile GPS technology.

We have continued to meet with a large number of clients and prospects to showcase our Research Lifestreaming offering and capabilities, since many clients are developing their own social media and mobile strategies and plans. We have generated a high level of interest in these offerings. We now have Research Lifestreaming proposals in progress. Even though we only officially launched Research Lifestreaming in June, we are already starting to win projects including a pilot Research Lifestreaming project for a Fortune 100 company in the insurance industry. And we expect to carry out a series of studies over a multi-year period that contains an important Research Lifestreaming component, and this is for a large, non-profit healthcare organization in the near-term.

Further, in a short period of time, Research Lifestreaming has already helped drive new sales of our core offerings including communications develop – development and copy testing programs in the retail space as well as tracking studies.

Phase 2 of our road map also involves creating economics of scale to deliver client work faster with improved quality and reduced cost. We are making progress with the implementation of our worldwide global panel and survey platform, which should provide us with both cost and operational efficiencies. We also have several other cost initiatives underway. For example, we continued to implement our aggressive sourcing initiative, which involves critically assessing all of our vendor relationships to identify opportunities for cost reduction, and are currently exploring new opportunities for offshoring and outsourcing.

I'd now like to turn the call over to Pavan Bhalla, our new CFO, who will cover our financial results for the quarter in greater detail. I am delighted that Pavan has joined our team and believe that his significant experience in corporate finance, international operations and strategic planning at public companies will be invaluable to us as we work to rebuild revenue and achieve sustainable profitability. Pavan?

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**Pavan Bhalla, Executive Vice President, Chief Financial Officer, and Treasurer**

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Thank you, Kimberly, and good afternoon, everyone. I am really excited to have joined Harris.

Let me start by highlighting our consolidated results. Consolidated revenue for Q1 was \$37 million, down 5% when compared with \$38.9 million for last year's Q1. Excluding foreign currency exchange rate differences, consolidated Q1 revenue was down 4% from the same prior-year period.

Our operating loss for Q1 was \$1.3 million, compared with the 360,000 loss in last year's Q1. The increase in our operating loss was driven mainly by the decline in revenue and changes in business mix.

We generated non-GAAP adjusted EBITDA with restructuring and other charges added back of \$867,000 or 2.3% of revenue, compared with \$2.1 million or 5.3% of revenue for last year's Q1.

To better understand Q1 revenue, we will now look at it geographically and in local currency compared with last year's Q1. U.S. revenue was down 4%, driven mainly by a 19% decline in our public affairs and policy sector due to lower spending by associations, non-profit and government

clients and a 9% decline in our healthcare sector, driven primarily by lower bookings during the fourth quarter of fiscal 2010. These declines were offset by increases in our technology, media and telecom and financial services sectors of 13% and 8% respectively despite, in the case of our financial services sector, the loss of a large tracking study, as well as a 5% increase in our service bureau research business.

We made recent investments in sales resources to reverse the trends in the sectors with recent declines in revenue and to capitalize on opportunities in the growing sectors. U.K. revenue was down 15%, driven in large part by the delay of a large tracking study that was delivered in last year's Q1. However, the client is doubling up on the tracking in Q2, so we expect to recognize the lost Q1 revenue in Q2. The revenue decline in the U.K. also resulted from slower bookings activity early in the quarter.

French and German revenue were both up 6% and 21% respectively, primarily due to continued success in selling to new clients across several sectors. Canadian revenue was down 1%. Asia revenue, comprised of our Hong Kong and Singapore operations, was up 13%, driven primarily by priming differences in project delivery as compared to last year's first quarter. Our consolidated bookings for Q1 were \$35.4 million, up 8% when compared to last year's Q1. To better understand Q1 bookings, we now look at them geographically and in local currency compared with last year's Q1.

U.S. bookings were up 18%, driven by increases in the majority of our industry sectors including our largest sector, healthcare, up 16%, as well as technology, media and telecom, up 90%, financial services up 110%, business and industrial up 63%, and our service bureau research business up 22%. These increases should help us neutralize the revenue impact of the tracking studies we lost during fiscal 2010.

U.K. bookings were down 21%, driven primarily by the non-renewal of a large tracking study that was booked in Q1 of last year and slower bookings activity early in the quarter. French and German bookings were up 9% and 21% respectively, due primarily to continued success in selling to new clients across several sectors. Canadian bookings were up 9%, driven primarily by higher telephone data collection work compared with the same prior year period. Asia bookings, comprised of our operations in Hong Kong and Singapore, were down 14% as a result of our focus on rebuilding the Asian team.

Secured revenue, formerly referred to as backlog for the first quarter, was \$45 million, as compared with \$42.5 million for the same prior year period. Secured revenue for the first quarter included \$400,000 unfavorable foreign currency impact, as compared with the prior year period.

Our operating loss for Q1 was \$1.3 million, compared with a \$360,000 operating loss in last year's Q1. Included in last year's Q1 operating loss was \$148,000 in restructuring and other charges. The increased operating loss for Q1, when compared with the same prior year period, was primarily due to the decrease in consolidated revenue and changes in business mix that was mentioned earlier.

Our net loss for Q1 was \$1.3 million or \$0.02 per fully diluted share, compared with a net loss of \$633,000 or \$0.01 per fully diluted share for the same prior year period.

Non-GAAP adjusted EBITDA, with restructuring and other charges added back, was \$867,000 for the quarter, down from \$2.1 million for last year's Q1.

Cash consumed by operations in Q1 was \$2.2 million, compared with \$1.5 million of cash consumed by operations for last year's Q1. As of September 30, 2010, we had cash of \$11.3 million and \$14.4 million in outstanding debt. Our cash position remained strong and we expect that it will improve over time as our revenue rebuilds and profitability improves.

We continue to believe that we have sufficient liquidity to meet our current operating needs, as well as our debt service requirements and expect to be in compliance with all of our debt covenants including minimum cash balance and our total consolidated leverage and interest coverage ratios.

I'll now turn the call back over to Kimberly.

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**Kimberly Till, President and Chief Executive Officer**

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Thank you, Pavan. Now, I would like to add a little more context to the numbers. As I noted earlier, we experienced losses or reductions in several large trackers in the U.S. and U.K. as a result of client decisions made many quarters ago. But the revenue and profit impact of these decisions is still impacting the current quarters as we look to replace that lost business. So to increase revenue over prior year, we need to replace the lost tracker revenue and grow new revenue.

Given the strong sales performance of most parts of the business in Q1, we expect that these bookings will convert to revenue in the coming quarters and start to build a base from which we can achieve revenue growth for the full fiscal year. The increases in bookings that we experienced in the quarter are largely the result of investment and selling resources and changes in the leadership of several of our business units. We expect both of these factors to continue to have a positive impact on our business in the coming quarters.

On a country-by-country basis, I believe the U.S. is well positioned for growth. We now have in place proven leaders of our U.S. industry sectors and solution areas. The performance improvement initiatives that they have been implementing over the past few months are starting to gain traction. Also, France, Germany and Asia are all performing well and are on track. This leaves Canada and U.K. As I said earlier, we have a very strong sense of urgency to complete the turnaround of those two businesses.

We have spent substantial time during the past six weeks developing plans to improve the performance of our Canadian business. We recently changed management there and promoted Dan Kirkland, a very seasoned leader from the business, to president of Canada. We are working with Dan and his senior team to execute plans to improve the performance of our Canadian business quickly, so that we can have a favorable impact on fiscal 2011 results.

As part of our plans, we intend to focus on growing the online data collection capabilities and the higher consultative part of the Canadian business. As historically, a significant portion of Canadian revenue has come from the lower margin telephone data collection.

Finally, we have a number of initiatives underway in the U.K. to improve the final performance there. The U.K. sales pipeline is strong and we plan to replace the lost tracker revenue with existing and new client sales. So looking ahead to Q2 and the second half of fiscal 2011, I believe that we are well positioned to achieve revenue growth and profit growth for the full fiscal year, as the progress we've made in executing on our key initiatives should begin to positively impact our financial performance. However, we do recognize that there is more work to do to ensure that that revenue growth and profitability growth is realized and we look forward to updating you on our continued progress in this regard throughout the fiscal year.

Thank you very much for joining us today. And operator, we're happy to respond to any questions.

**QUESTION AND ANSWER SECTION**

Operator: Thank you. [Operator Instructions] And our first question comes from Buzz [inaudible].

<Q>: Hi, good afternoon. The political season, a lot of polling going on, is that affecting your business at all?

<A – Eric Narowski>: We are seeing some of the delays. There is – we do have activity in that area. But given the political polling going on, we're seeing some delays in some of our governmental work. As it relates to, specifically, political polling, we do not have a lot of activity in that. But in the government sector, we do have activity that slowed down slightly.

<A – Kimberly Till>: Yeah. And a lot of the polling that we do is on a national basis and a lot of this is state-by-state elections, and we're not doing any polling related to the state-by-state.

<Q>: Okay. How long does it take to convert business into revenue? Does it vary greatly by account?

<A – Pavan Bhalla>: Well, it actually varies. But if you look at it, it roughly takes about three quarters by the time a lot of revenue is converted. But we do have some tracking studies of – some of our revenue does go across all four quarters, but a predominant part is spread over about three quarters.

<Q>: And you mentioned you lost some tracking studies. How about the existing client base, have they been consistent, have you been losing any?

<A – Kimberly Till>: Existing client base has been really strong and we are actually starting to see some of our core customers who cut back during the worst part of the recession starting to increase their market research spending again, which is very attractive. When we refer to these lost trackers, it was a handful of trackers that were quite large and the decisions on those trackers were made many, many quarters ago, so well before we started making the changes as a company. But we are still feeling the impact of that. Recently, we have seen much much less reduction of trackers, both in terms of scope or just cutting them out completely.

<Q>: Okay. And lastly, in the financial area, you have an item called unbilled receivables. Can you describe what that is and what do you expect? Do you expect positive cash flow in the coming quarter?

<A – Eric Narowski>: Yes. This is Eric. Yes, we do expect a positive cash flow in the coming quarters as revenue does continue to rebuild and profitability does. As it relates to the unbilled, the unbilled is a timing difference as it relates to our billing. Contractually, we bill revenue based on the contracts with our clients, but we take revenue based on a proportional performance basis. So there is a timing difference from when we can – from when we take revenue and when we bill our clients. So that's just receivables that we have earned, but we can't bill [inaudible] contracting with our clients.

<Q>: Okay. Thank you.

Operator: [Operator Instructions] And I am showing no further questions in the queue.

**Michael T. Burns, Vice President, Investor Relations and External Reporting**

Okay. Well, I'd just like to thank everyone again for joining us today. And we look forward to speaking with you again in January when we announce our second quarter results.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may all disconnect. Everyone have a great day.

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