



Making New Waves
in Market Research

ANNUAL REPORT
2006

Financial Highlights

(In thousands of US dollars except share and per share amounts)

	FY2006	FY2005	FY2004	FY2003	FY2002
Internet Revenue	\$125,418	\$109,330	\$86,112	\$59,823	\$40,608
Traditional Revenue	\$90,593	\$87,635	\$52,370	\$64,271	\$54,298
Total Revenue	\$216,011	\$196,965	\$138,482	\$124,094	\$94,906
Gross Profit	\$110,653	\$103,635	\$73,939	\$62,278	\$45,389
Gross Margin	51.2%	52.6%	53.4%	50.2%	47.8%
Operating Income (Loss)	\$14,292	\$9,029	\$13,264	\$7,265	(\$16,171)
Operating Margin	6.6%	4.6%	9.6%	5.9%	(17.0%)
Diluted Net Income (Loss) Per Share					
Continuing Operations	\$0.15	\$0.07	\$0.52	\$0.20	(\$0.32)
Discontinued Operations	–	\$(0.05)	\$0.00	\$0.01	\$0.00
Diluted Net Income (Loss) Per Share	\$0.15	\$0.03	\$0.52	\$0.20	(\$0.32)
Working Capital	\$61,509	\$46,274	\$70,416	\$44,920	\$31,028
Stockholders' Equity	\$201,278	\$192,493	\$165,489	\$118,489	\$103,300
Weighted Average Shares Outstanding – Diluted	61,685,777	61,238,064	57,444,785	54,638,596	46,136,445

Note: Per share amounts may not add due to rounding.



"I believe that the combined power of all of our employees' individual efforts will propel Harris Interactive from being a good Company to being a great Company and grow our shareholder value in a commensurate manner."

—Gregory T. Novak
President and Chief Executive Officer

DEAR FELLOW STOCKHOLDERS,

Fiscal 2006 was a complex year for Harris Interactive - it was a year of major change and also a year of great success. We reinvented this Company by tearing it down, digging down to the bedrock and rebuilding it again.

It wasn't easy, but we got through it due to the competency, dedication, leadership and discipline of each and every one of our one thousand employees. Together, we created a strong foundation on which to build a new Company.

LET ME RECOUNT SOME OF OUR ACHIEVEMENTS FROM FISCAL 2006.

- We hit our double-digit revenue growth goal in the 4th quarter and grew our top-line 10% - or about twice the overall growth rate that had been projected by the market research industry analysts
- Internet revenue grew 15% - a healthy increase, but not quite as much as we had expected
- Operating income increased 58% – pushing up our operating margin by two points
- And our net earnings increased nearly 500% from fiscal 2005

MANY OF OUR OTHER ACHIEVEMENTS AREN'T EVEN LISTED ON THE FINANCIAL STATEMENTS:

- We continued to satisfy our customers; achieving global customer satisfaction scores of just under 9 on a 10 point scale
- We conducted our first employee attitude survey in four years and are now diligently working to improve those areas that our employees told us needed improvement

- We won an IDG *InfoWorld* 100 Award for implementing one of the year's most creative business-oriented IT projects
- We earned our 7th Ogilvy Award for excellence in advertising research
- We completed our 64 millionth online survey
- In August of 2006, we moved one rung closer to the top – by being named the 12th largest market research firm in the world according to *Inside Research*
- And in September, *Inside Research* once again named us the world's fastest-growing market research organization – for the third year in a row

While the market research world learned that Harris Interactive is a rising tide to be reckoned with, I personally learned much about the individual power of our employees:

- I learned that our leaders, at all levels of the organization, are happy to take on the responsibility, accountability and ownership for their jobs, and aren't afraid to be measured by the unsympathetic scorecards of revenue growth, utilization rates, customer satisfaction ratings and operating margins.
- We have some of the very best customer relationship managers in this industry, who are willing to do whatever it takes to delight our clients.
- The spirit of continuous improvement is contagious here. There is a growing sense that each and every one of us can get better at everything we do to truly make a difference.
- And finally, I learned that our hard-won experiences from the last year have instilled a great confidence in all of us.

That confidence is a catalyst that changes the way we look at problems and gives us the faith we need to reach a little farther and raise the bar a bit higher for 2007.

"...the market research world learned that Harris Interactive is a rising tide to be reckoned with..."

FY2006

8.4.05

Ranked as World's
13th Largest Market
Research Firm

8.31.05

Named the World's
Fastest-growing
Market Research Firm

9.25.05

Harris Interactive
College Football Poll
Launched as Part of
Bowl Championship
Series Rankings

11.3.05

Internet Revenue
Increased 16% in
Q1FY06

11.14.05

Won IDG *InfoWorld*
Award for Most
Innovative Corporate
IT Solution of 2005

SO WHERE ARE WE GOING IN 2007?

I believe fiscal 2007 will be a year of Education, Communication and Expansion as we continue to grow our revenue and profitability and as we continue to expand our brand and our business on a larger, more global scale. Specifically, this year we will:

- **REMAIN DISCIPLINED** – and continue to manage our businesses via operating metrics like utilization and realization and by matching every cost to our anticipated revenue. That intensive cost control got us here and we won't get blasé about it now.
- **NURTURE OUR PEOPLE** – they are the lifeblood of Harris Interactive. We will continue to attract the best and retain them by keeping them stimulated, challenged, well-rewarded and continuously educated. To that last point, this year's training budget has been increased by 40% because we believe it's one of the very best investments we can make.
- **CONTINUE TO LEARN** – to improve our selling strategy and start our move from customer satisfaction to client delight. We will strive to be our clients' true partners, by understanding their needs and then consistently delivering more than we promise to satisfy those needs.
- **CONTINUE TO EXPAND THE BOUNDARIES OF INTERNET-BASED RESEARCH** – and utilize the associated inherent advantages to supply our clients with more accurate, insightful results delivered on time and at the right price. We are the leaders in Internet-based market research and we will continue to behave that way.
- **CONTINUE TO BE INNOVATIVE** – developing new products and services that will help us improve our quality and efficiency as well as stay ahead of our competition.
- **CONTINUE TO FOCUS ON EUROPE** – the opportunities there are too great to ignore. We have the right foundation in place, and now we must build upon it.
- **STRENGTHEN OUR CORPORATE DEVELOPMENT STRATEGY** – and utilize it to satisfy our clients' and our business leaders' needs for global growth.

1.31.06
Acquired Remaining
Rights to Use Harris
Name Worldwide

2.2.06
Operating Income
Increased 68% in
Q2FY06

2.17.06
Ronald E. Salluzzo
Named Chief
Financial Officer

3.13.06
Awarded Best
International
Research Paper
by ESOMAR

3.28.06
Won Seventh
Ogilvy Award

- **GROW THE HARRIS INTERACTIVE BRAND** – and push it out farther and wider in the world. It's a very valuable asset for us, and we must promote it, protect it and use it well.
- **FOCUS ON OUR CLIENTS' GLOBAL NEEDS** – and use them as the blueprint to build our Company in a way that will best satisfy those needs.

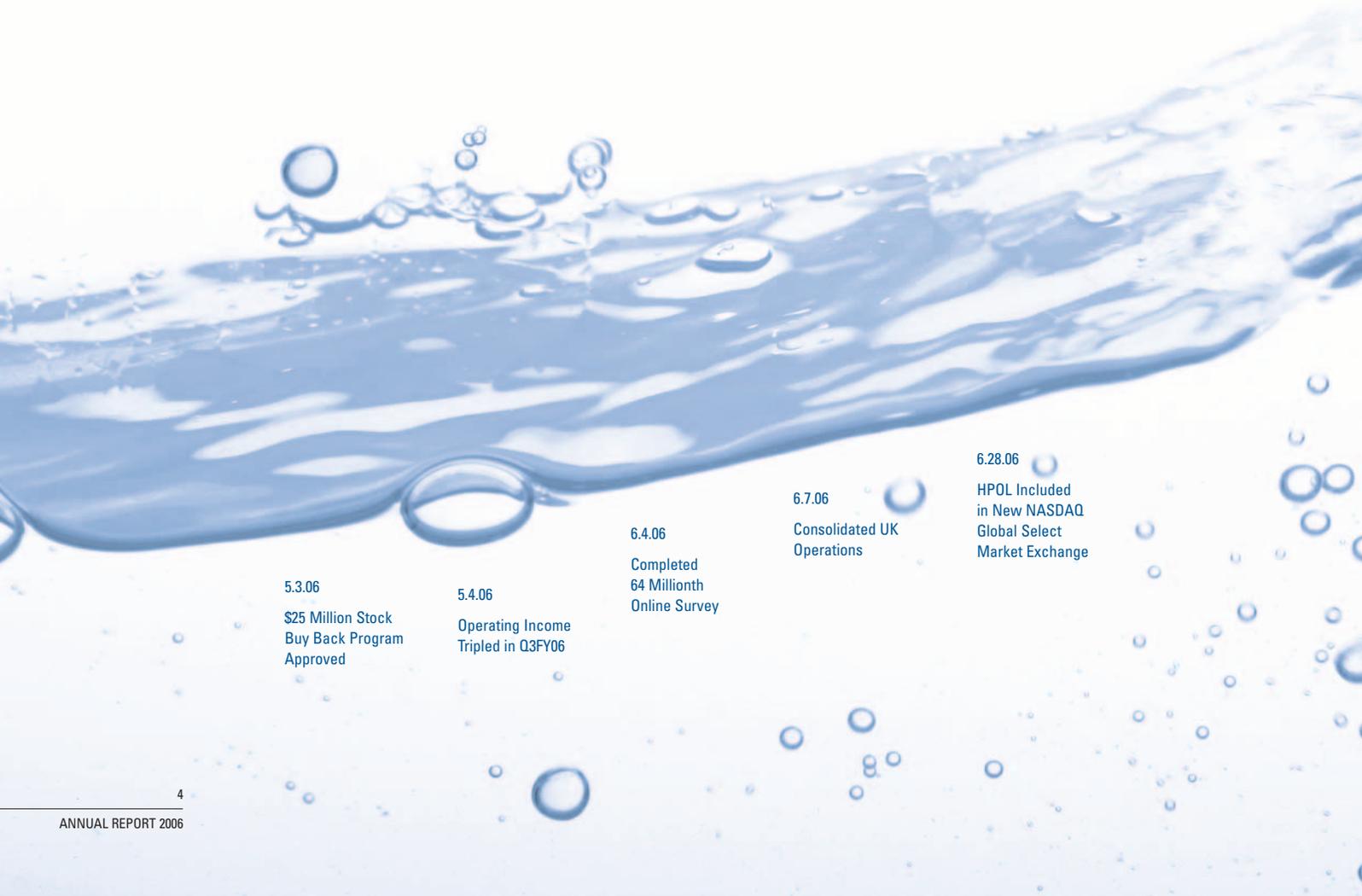
That's a long list. But I believe it's achievable because I have great faith in our people. I believe that they have the strength and the smarts and the desire and experience to make this happen. I believe that the combined power of all of their individual efforts will propel Harris Interactive from being a good Company to being a great Company and grow our shareholder value in a commensurate manner.

As always, I thank you for your ongoing support.

Sincerely,



Gregory T. Novak
President and Chief Executive Officer



5.3.06
\$25 Million Stock
Buy Back Program
Approved

5.4.06
Operating Income
Tripled in Q3FY06

6.4.06
Completed
64 Millionth
Online Survey

6.7.06
Consolidated UK
Operations

6.28.06
HPOL Included
in New NASDAQ
Global Select
Market Exchange

Key Executives and Directors

Gregory T. Novak*

President and Chief Executive Officer

Dee T. Allsop

President, US Solutions Research Groups

Leonard R. Bayer*

Executive Vice President, Chief Scientist and Chief Technology Officer

Dennis K. Bhame

Executive Vice President, Human Resources

Katherine A. Binns

President, US Industry Research Groups

Arthur E. Coles

President, US Industry Research Groups

James E. Fredrickson

Executive Vice President, Research Operations

Kyle R. Karnes

Executive Vice President, Corporate Development

Eric W. Narowski

Principal Accounting Officer

Michelle F. O'Neill

President, US Industry Research Groups

Ronald E. Salluzzo

Executive Vice President, Chief Financial Officer, Treasurer and Secretary

George H. Terhanian, Ph.D.

President, Harris Interactive Europe and Global Internet Research

David B. Vaden

Executive Vice President and Chief Operations Officer

George Bell

Chairman of the Board

David Brodsky

Director

Stephen D. Harlan

Director

James R. Riedman

Director

Subrata K. Sen, Ph.D.

Director

Howard L. Shecter

Director

Antoine G. Treuille

Director

Richard B. Wirthlin, Ph.D.

Director

**Member of the Board of Directors*

Corporate Information

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Nasdaq Global Select Market - HPOL

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American Stock Transfer & Trust Company

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PricewaterhouseCoopers LLP

Rochester, New York

Legal Counsel

Harris Beach PLLC

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Claremont, California
Detroit, Michigan
Grandville, Michigan
Hazel Grove, England
Hong Kong, China
London, England
Maidenhead, England
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