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**MANAGEMENT DISCUSSION SECTION**

Operator: Good day everyone and welcome to the Harris Interactive Inc. Q4 2009 Earnings Conference Call. Today's call is being recorded. At this time, I'd like to turn the call over to Mr. Michael Burns, Vice President of Investor Relations and External Reporting. Please go ahead, sir.

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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 fourth quarter and full year fiscal 2009 financial results. With me today are Ms. Kimberly Till, our President and Chief Executive Officer and Mr. Robert Cox, our Executive Vice President and Chief Financial Officer.

The format for today's call will include formal remarks by both Kimberly and Bob on the state of the business, in our fourth quarter and full fiscal year performance. After the formal remarks, Kimberly and Bob 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 the transcript of this call as soon as practicable 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 provision 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 operation.

They involve a number of risks, known and unknown, that could cause actual results, performance, or achievements of the company to be materially different from the 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 including the Risk Factors section.

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 will also be discussing non-GAAP financial measures, including adjusted EBITDA and adjusted EBITDA with the add-back of the restructuring and other charges. These items are reconciled to GAAP financial measures in today's press release, and are posted on the company's website.

I will now turn the call over to Harris Interactive's President and Chief Executive Officer, Kimberly Till. Kimberly?

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

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Thank you, Mike. Good afternoon everyone and thank you for joining us. Welcome also to many of our employees who are listening in. On today's call, I'd like to cover two main areas. First, I'll

provide an overview of our financial results for fiscal year '09 including Q4 and highlight some of the key accomplishments we achieved during the year.

Second, after Bob delivers his remarks on our financial results, I'll update you on key initiatives we're planning for fiscal year '10 to further implement the four key elements of our strategy.

During fiscal year 2009, as we are all very aware, there was a severe recession which had a significant impact on the market research industry, especially in the U.S. where we generate over 60% of our business.

This contraction in the market research industry had a significant impact on Harris, resulting in a 23% decline in revenues versus fiscal 2008. But, due to the aggressive cost cutting measures we took during fiscal year 2009, which I'll discuss in a moment, we were able to generate 6.9 million in adjusted EBITDA during fiscal year 2009.

Additionally, I would like to highlight that the U.S. business generated 1.7 million in operating income in the fourth quarter, showing the benefits of the cost reductions we made. Our cash position of 17.8 million as of June 30 remains strong despite a challenging fiscal year and positions us well to execute on our strategic plan in fiscal year '10.

Although the financial results in fiscal year '09 were disappointing, we accomplished many key initiatives that I think will position us well for fiscal year 2010. Let me recap a couple of those. First of all, we significantly reduced our cost base. As a result of the proactive cost reduction actions we took this past December and March to bring our cost structure in line with our revenues, we reduced expenses by nearly 22 million on an annualized basis. We intentionally cut cost, deep enough to provide funding to reinvest in talent. We expect that we will reinvest in talent in fiscal year '10 approximately \$6 million. Additionally, we plan to invest in our panel asset and upgrading our infrastructure.

Second, we recruited and promoted from within significant talent. On a very aggressive timeline, we recruited externally and promoted from within top talent in many key parts of the company. We are very excited to have a strong management team in place with the functional expertise and proven executional skills to aggressively implement our strategy and plans.

As a management team, we are focused on growing profitable revenue in each of the markets where we are present. Further, this newly assembled team is focused on ensuring that our cost infrastructure is aligned with our revenues.

Our ability to attract this kind of top talent, speaks very well to the strength of our brand and the opportunity that exists here at Harris. Some of the key additions to our leadership team include Frank Forkin, as President of North American, Client Services. He had a long career at J.D. Power, so he brings syndicated market research experience to us.

George Terhanian, who was our Head of Europe, who moved to New York and joined the global management team, is now President of Global Solutions. Bob Cox is our Chief Financial Officer and he was formerly CFO of a publicly traded company DealerTrack.

Enzo Micali, who is our Global Executive Vice President of Technology and Operations, who worked together with me at TNS in a similar role and prior to that was CIO of 1-800-FLOWERS. Richard Scionti is our Chief Technology Officer. He has deep market research experience at several of the market research firms and also is an expert in social media.

Robert Salvoni is our new Managing Director of Europe. He was Senior Executive at British Telecom, brings very, very strong P&L skills to the European business. Berkeley Scott, Senior Vice President of Global Accounts & Business Development, with a proven record of rebuilding

revenues. Carol Gstalder, who joined the company as part of our Wirthlin acquisition several years ago, is our new Head of Business & Industrial sector.

Marc Levin, Senior Vice President and General Counsel who brings market research as well as strong legal experience. Mike Saxon as our Senior Vice President of Technology, Media & Entertainment is going to focus on strengthening, particularly the Media & Entertainment side of our business; and Stefan Schmelcher, who is Head of our Global Stakeholder Relationship practice; so quite a strong senior management team that we have in place now.

Third key accomplishment in this fiscal year is in December, we created a new integrated research and selling organization that better serves our clients. This new integrated organization leverages both our solutions and our industry expertise and integrates the teams along industry lines.

The company also announced the formation of a Center for Innovation that focuses on developing new methods, products, services, and solutions on a global basis. It is a cross-functional team staffed by key individuals from across the global organization.

Fourth, in May we successfully renegotiated our credit agreement. Despite difficult market conditions, we were able to renegotiate our credit agreement, which keeps our outstanding term loans in place and provides us access to working capital through a revolving line of credit.

Fifth, throughout the year, we reengaged with numerous clients and potential clients. We've done this in a number of different ways. We hosted client events in many of the major markets in the U.S. including Atlanta, New York, Washington, Philadelphia, San Francisco, Chicago, and Houston. We have invested in business development and are strengthening ourselves in marketing materials, and we've also expanded our business development activities in Europe and Asia. All of that is having a very positive impact on rebuilding our pipeline.

Six, we clearly defined and articulated early in this calendar year our go-forward strategy and plans, and we are well underway in implementing them.

As I've talked about previously, our strategy focuses on delivering superior expertise, insights, and service to our clients; leveraging technology both for internal operating efficiencies but also for the development of cutting edge products and methodologies; building out a seamless global organization that will allow expansion over time into key research markets; and product and solutions innovation both via our own development efforts through that product innovation center that I've discussed but also through partnerships with other leading companies.

We've translated these four key strategic goals into very specific action plans for fiscal year '10, which gives me confidence in our capabilities to implement them.

And last, we developed a new brand positioning and logo that captures our new go-forward strategy. This new positioning and logo will signal a revitalized Harris which operates as a nimble, inventive, and forward-looking research organization. We've launched this new look and feel internally to great positive reaction by our employees worldwide, and we will start to roll it out over the coming months externally.

While I recognize that many of these improvements are not yet visible in our top line growth, I have every confidence that we now have in place the people, brand positioning, and balance sheet to grow this business once again.

I will now turn the call over to Bob to provide a more detailed look at the financial performance for the fourth quarter. And then after Bob's remarks, I'll provide an update on some of our plans for fiscal year '10.

**Robert J. Cox III, Executive Vice President, Chief Financial Officer and Treasurer**

Thank you, Kimberly, and good afternoon everyone. I'd like to take you through our financial highlights for both the fourth quarter of fiscal 2009 and for the full fiscal year. For the quarter, on a consolidated basis our revenues were \$43.5 million, a decrease of 20 million or 32% when compared to last year's fourth quarter. The revenue decline impacted nearly all of our geographic regions and was largely due to macroeconomic factors. Foreign currency fluctuations also negatively impacted us by 3.5 million, accounting for 18% of our overall revenue decline.

By country, as compared with last year's fourth quarter, in the U.S., revenue was down 32%. In the U.K., revenue was down 26% in local currency and 43% on a U.S. dollar basis. Canadian revenues fell 16% in local currency and 29% in U.S. dollars. Revenue in France was up 7% in local currency but down 5% in U.S. dollars. In Germany, revenue was up 7% in local currency but down 3% in U.S. dollars. In Asia, revenue was up 22% in U.S. dollars with a de minimis impact from foreign currency translation.

Our bookings for the quarter were \$36.3 million, down 32% from 53.3 million in the same period last year. We ended the quarter with a sales backlog of 48.8 million, 27% lower than the 66.8 million we had at the end of the fourth quarter of fiscal 2008. Similar to our revenues, bookings and backlog were impacted by macroeconomic factors as well as foreign exchange rate fluctuations, which accounted for approximately 18% and 13% respectively of the decline.

Our selling, general, and administrative expenses decreased by 8.5 million during the quarter when compared to last year's fourth quarter. SG&A was 31.5 % of fourth quarter revenues compared with 34.9% of revenues for the fourth quarter of last year. These trends in SG&A demonstrate the benefits of the cost reductions we made during the second and third quarters of fiscal 2009.

Our operating loss for the quarter was 0.1 million compared with \$87.7 million loss for the fourth quarter last year. Included in last year's Q4 loss was an \$86.5 million goodwill impairment charge and a \$2.7 million charge for restructuring and other charges which were taken during that quarter.

Our net loss for the quarter was 0.7 million or \$0.01 per fully diluted share compared with a net loss of 85.7 million or \$1.61 per fully diluted share for the same prior-year period.

Non-GAAP adjusted EBITDA, which is defined as EBITDA less stock-based compensation, was \$2.3 million compared with 2.4 million for the same period last year. Non-GAAP adjusted EBITDA with restructuring and other charges added back was \$2.5 million compared with 5.1 million for last year's fourth quarter.

Cash generated from operations for the fourth quarter was \$3.4 million compared with 4.5 million for last year's fourth quarter.

Now for the full fiscal year; on a consolidated basis, our revenues were 184.3 million for fiscal 2009, a decrease of 54.4 million or 23% when compared to fiscal 2008. The revenue decline impacted nearly all of our geographic regions and was due in part to macroeconomic factors. Foreign currency fluctuations also negatively impacted us by 12.1 million, accounting for 22% of our overall revenue decline.

By country, as compared with fiscal 2009, in the U.S., revenue was down 26%. In the U.K., revenue fell 8% in local currency and 26% in U.S. dollars. Canadian revenue fell 6% in local currency and 19% after the impact of foreign currency translation. Revenue in France was up 18% in local currency and 9% in U.S. dollars. Revenue in Germany was down 13% in local currency and 15% in U.S. dollars. In Asia, revenue was up 82% in U.S. dollars, again with de minimis impact from foreign currency translation.

Our selling, general, and administrative expenses decreased by 17.4 million for fiscal 2009 when compared with fiscal 2008. Within SG&A, there were several noteworthy decreases: specifically a \$9.5 million decrease in payroll related expenses, driven largely by head count reductions throughout the year; a \$2.1 million decrease in stock-based compensation expense, driven by departures of several senior executives; a \$2 million decrease in travel and related expenses, driven by our continued focus on controlling costs; and a \$900,000 decrease in office rent, driven by space reductions taken during fiscal 2008 and 2009. Again, these trends demonstrate the impact of the cost reductions taken in fiscal 2009 and our continued focus on controlling costs.

Our operating loss for fiscal 2009 was 56.4 million compared to an \$84.6 million operating loss for 2008. Our operating loss for fiscal 2009 includes the following: a \$40.3 million goodwill impairment charge; \$6.7 million for severance and other termination benefits related to our reductions in force and senior executive departures; 3.1 million in consulting fees for services rendered in connection with performance improvement initiatives, bank negotiations, and interim CFO services; and a \$900,000 charge related to reductions of leased space; and also 1.2 million, which included \$400,000 related to a note receivable whose collectability became doubtful during 2009; \$400,000 in legal fees related to our bank negotiations; and 200,000 in executive recruitment fees.

Our operating loss in fiscal 2008 included an \$86.5 million goodwill impairment charge and a \$4.6 million charge for restructuring and other charges. Our net loss for fiscal 2009 was 75.3 million or \$1.41 per fully diluted share compared with a net loss of 84.6 million or \$1.60 per fully diluted share for the same period last year.

Non-GAAP adjusted EBITDA, which is defined as EBITDA less stock-based compensation, was a negative 5.1 million for fiscal '09 compared with a positive 16.1 million for the same period last year. Non-GAAP adjusted EBITDA with restructuring and other charges added back was a positive 6.9 million for fiscal '09 compared with a positive 20.7 million for fiscal 2008.

At June 30, we had cash and marketable securities of \$17.8 million and 22.5 million in outstanding debt. 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 revenue, total indebtedness to EBITDA, and interest-to-EBITDA coverage ratios throughout fiscal 2010.

Given the continued uncertainty as a result of the macroeconomic conditions, we do not believe that it is prudent to provide guidance on our 2010 results at this time.

I'll now turn the call back over to Kimberly for an update on strategy. Kimberly?

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

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Thank you, Bob. In fiscal year '10, we expect to make substantial progress on each of the four key elements of our strategy. A number of these actions we are taking should have a positive impact on both revenue and profits. We also have a strong team in place worldwide to implement our key fiscal year '10 initiatives.

Let me share some of the key plans. First, we expect to deliver superior client insights and service through the creation of client teams with specialized expertise. We will look to strengthen the way our organization works to bring solutions and industry expertise to clients in an integrated way. We also will look to develop larger, more strategic account relationships through improved global account planning and coordination and by linking some of our products into integrated solutions.

Our second key area of focus is leveraging technology. When we do this, we have the potential to significantly improve the efficiency of our internal operations as well as to create new products and

methodologies. In fiscal year '10, we plan to improve our panel management through the implementation of a next generation global panel management system. We also plan to streamline our operations through process automation and a unified global operating model, which we expect will reduce costs, increase quality, and improve speed of delivery to our clients.

Third, we are continuing to create a seamless global organization. We plan to create a global account program and coordinate business development worldwide, strengthen our international presence in geographic markets with attractive size and growth such as China, and expand our global partner network.

Fourth and final is development of new products and solutions. We plan to develop a robust pipeline of new products and solutions and bring those that are most promising to market in this year. Further, we expect to make strategic investments in our panel, which we consider a key asset.

I feel very positive about the decisive steps that we took in fiscal year 2009 and the team that we now have in place. We are well positioned to implement our strategy and plans in fiscal year '10 and beyond. We will continue to manage the company in a very proactive manner with the goal of creating a financially strong and strategically well positioned company for the future.

Lastly, we announced today that Howard Shecter will assume the role of Chairman of the Board of Directors following our Annual Meeting, succeeding George Bell who has decided not to stand for reelection. At that time, Steven Fingerhood will replace Howard Shecter as our Lead Independent Director. I would like to thank George for his more than five years of service to the company, and I look forward to working with Howard and Steven in their new leadership roles on our board.

With that, I'll turn the call back over to Michael and the operator for questions.

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

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If you'd please, open the queue now for questions.

**QUESTION AND ANSWER SECTION**

Operator: Absolutely. [Operator Instructions] And at this time, we have no questions in the queue.

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

Okay, very good. Well, I would like to thank everyone very much for joining us today. We look forward to speaking with you again in November when we announce our first quarter fiscal 2010 results.

Operator: That does conclude today's conference. Thank you for your participation. You may now disconnect.

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