

# Harman International

## Highlights: Q4 and FY 2009 – August 19, 2009



**Herbert Parker**  
CFO

**Dinesh Paliwal**  
Chairman and CEO



## Forward-Looking Information

*Except for historical information contained herein, the matters discussed are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act. One should not place undue reliance on these statements. We base these statements on particular assumptions that we have made in light of our industry experience, as well as our perception of historical trends, current market conditions, current economic data, expected future developments and other factors that we believe are appropriate under the circumstances. These statements involve risks and uncertainties that could cause actual results to differ materially from those suggested in the forward-looking statements, including but not limited to (1) our ability to successfully implement our strategic initiatives, including our STEP Change cost reduction initiatives, and to achieve the intended benefits and anticipated savings of those initiatives; (2) automobile industry sales and production rates and the willingness of automobile purchasers to pay for the option of a premium audio system and/or a multi-function infotainment system; (3) changes in consumer confidence and spending and worsening economic conditions worldwide; (4) customer acceptance of our consumer and professional products; (5) the bankruptcy or financial deterioration of one or more of our major customers or suppliers; (6) the loss of one or more significant customers, including our automotive manufacturer customers, or the loss of a significant platform with an automotive customer; (7) changes in interest rates and availability of financing affecting corporate and consumer spending, including the effects of continued volatility and further deterioration in the financial and credit markets; (8) fluctuations in currency exchange rates, particularly with respect to the value of the U.S. dollar and the euro, and other risks inherent in international trade and business transactions; (9) warranty obligations for defects in our products; (10) our ability to satisfy automotive contract performance criteria, including our ability to meet technical specifications and due dates on new platforms, at expected profit margins; (11) competition in the automotive, consumer or professional markets in which we operate, including pricing pressures in the market for personal navigation devices; (12) our ability to achieve cost reductions and other benefits in connection with the restructuring of our manufacturing, engineering and administrative organizations; (13) model-year changeovers and customer acceptance in the automotive industry; (14) our ability to enforce or defend our ownership and use of intellectual property; (15) our ability to maintain a competitive technological advantage within the systems, services and products we provide into the market place; (16) our ability to effectively integrate acquisitions made by us or manage restructuring and cost migration initiatives; (17) our ability to comply with financial or other covenants in our long-term debt agreements; (18) limitations on our ability to borrow funds under our existing credit facilities; (19) valuation of certain assets, including goodwill, investments and deferred tax assets, considering recent market conditions and operating results; (20) strikes, work stoppages and labor negotiations at our facilities or at a facility of one of our significant customers, or work stoppages at a common carrier or a major shipping location; (21) commodity price fluctuations; (22) availability of key components for the products we manufacture; (23) the outcome of pending or future litigation and other claims, including, but not limited to the current stockholder and ERISA lawsuits; and (24) other risks detailed in Harman International's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 and other filings made by Harman International with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statement.*

## Market Leader In Infotainment, Consumer and Pro Audio

- Best-in-class designer and manufacturer of audio and infotainment products
  - Innovation leader
  - 16 respected and legendary brands
  - Successful delivery of 13 new infotainment platforms in 24 months
  - Manufacturing scale across developed and emerging markets
  - Deep and broad global distribution capabilities
- Geographically diversified global customer base
- Comprehensive \$400M STEP Change sustainable cost-savings program ahead of schedule; well-positioned to restore profitability
- Significant growth potential from new technology applications, penetration of new infotainment markets and high-opportunity emerging markets
- Battle-tested management with restructuring and turn-around experience

# Core Businesses

## Infotainment



Automotive Navigation, Telematics, Multimedia and Connectivity for a premium driving experience

\$1,577M

## Automotive Audio



Automotive branded audio for high quality automotive sound installed by OEMs

\$465M

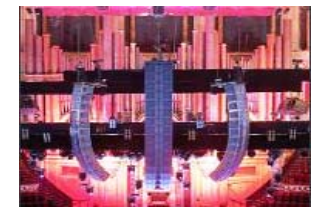
## Consumer Audio



Consumer audio, video, storage and multimedia products for the home and on the go

\$356M

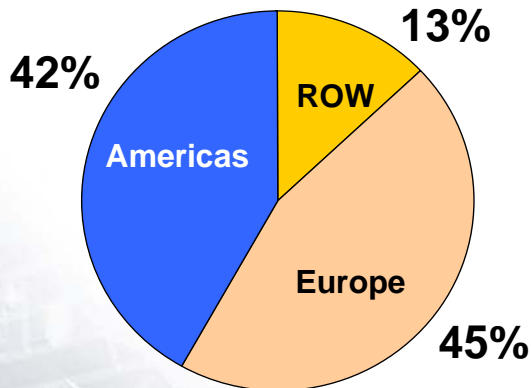
## Professional Audio



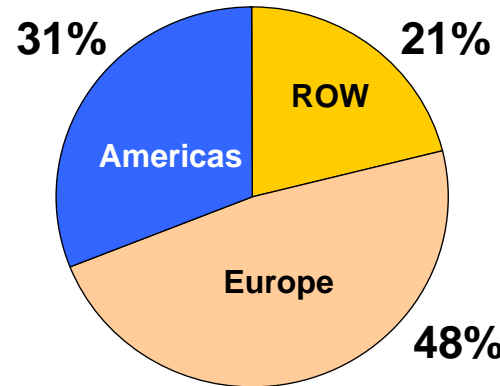
Professional audio and networking for recording/broadcast, sports and entertainment

\$493M

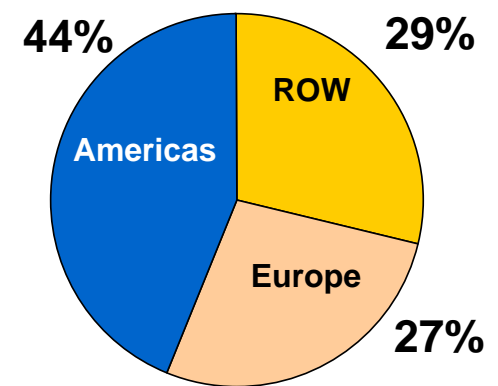
### Automotive Division\* \$2,042M



### Consumer Division



### Professional Division



**\$2.9 Billion combined revenues in FY 2009**

\* Includes \$37M of QNX from Other

## Global Recession And Credit Crisis Impacted All Sectors

### Automotive

- U.S. auto production down 49% Q4 and 36% Fiscal Year 2009
- European production down 25% Q4 and 27% Fiscal Year 2009
- New car sales generated by scrappage incentive programs were mostly in lower price “A” and “B” segment and had little effect on Harman sales

### Consumer

- Consumer confidence remains cautious in most mature markets

### Professional

- Some contractor-deferred projects are picking back up with recent increase in construction spending
- Specialty retailers keeping a tight watch on inventories, waiting for musician / consumer demand to improve

Source: J.D. Power and Associates

## Recession Impacted All Three Business Divisions ...

### Three Months Ending June 30, 2009

#### Harman Intl.

	Q4 09	Q4 08	Change
<b>Sales</b>	668	1,067	(37%)
<b>EBIT</b>	(34)	55	n.m.

#### Automotive

	Q4 09	Q4 08	Change
<b>Sales</b>	466	777	(40%)
<b>EBIT</b>	(25)	38	n.m.

#### Consumer

	Q4 09	Q4 08	Change
<b>Sales</b>	70	112	(37%)
<b>EBIT</b>	(8)	(6)	(33%)

#### Professional

	Q4 09	Q4 08	Change
<b>Sales</b>	124	168	(26%)
<b>EBIT</b>	16	33	(50%)

### Twelve Months Ending June 30, 2009

#### Harman Intl.

	FY09	FY 08	Change
<b>Sales</b>	2,891	4,113	(30%)
<b>EBIT</b>	(78)	199	n.m.

#### Automotive

	FY 09	FY 08	Change
<b>Sales</b>	2,005	2,929	(32%)
<b>EBIT</b>	(85)	140	n.m.

#### Consumer

	FY 09	FY 08	Change
<b>Sales</b>	356	515	(31%)
<b>EBIT</b>	(14)	2	n.m.

#### Professional

	FY 09	FY 08	Change
<b>Sales</b>	493	627	(21%)
<b>EBIT</b>	62	97	(36%)

Note: All EBIT figures are non-GAAP and exclude restructuring & goodwill charges

n.m. = not meaningful

## ... But Q4 Shows Progress From A Very Difficult Q3

- Revenue increased 11.6% sequentially from \$598M in Q3 to \$668M in Q4
- Gross profit improved from 18.9% in Q3 to 21.5% in Q4
- Operating margin improved 7.0 percentage points from (12.0%) in Q3 to (5.0%) in Q4
- Loss per diluted share improved from (\$0.89) in Q3 to (\$0.45) in Q4

### Q4 to Q3 FY 2009

#### Harman Intl.

	Q4 09	Q3 09	Change
<b>Sales</b>	668	598	12%
<b>EBIT</b>	(34)	(72)	n.m.

#### Automotive

	Q4 09	Q3 09	Change
<b>Sales</b>	466	405	15%
<b>EBIT</b>	(25)	(67)	n.m.

#### Consumer

	Q4 09	Q3 09	Change
<b>Sales</b>	70	69	1%
<b>EBIT</b>	(8)	(8)	n.m.

#### Professional















	Q4 09	Q3 09	Change
<b>Sales</b>	124	115	9%
<b>EBIT</b>	16	12	37%

Note: All EBIT Operating Profit) figures are non-GAAP and exclude restructuring & goodwill charges  
n.m. = not meaningful

# Impeccable New Platform Launch Record



*The largest project backlog ever for a supplier in our space*

 RNEG Mid	 PCM3 High	 S-Class Facelift
 3G LowHigh	 E-Class Mid	
 Rüko Mid	 PCM3.1 High	
 W200 High	 VI High	
 NTG3 High	 NG4 High	
 PCM2.0 High	 RER High	 L6 High

FY 05	FY 06	FY 07	FY 08	FY 09
2 launches	0 launches	2 launches	7 launches	6 launches
<div style="border: 1px solid black; display: inline-block; padding: 5px;"> <b>13 New SOPs</b> </div>				



iSuppli's world's most technologically advanced vehicle 2009: BMW 7 Series



Ferrari Technology Award 2008



North American Car of the Year 2009: Hyundai Genesis



Connect Magazine 2009 "Product of the Year": Harman Kardon BMW



Friendly User Award 2008: Porsche Communications Management System



Connect Magazine 2009 "Product of the Year": Audi MMI

## Successful Execution and Technology Leadership

 Harman International



 Harman International

 GREENEDGE™

- Successful launch of record 13 major audio and infotainment platforms for 8 different OEMs since start of FY 2008
- Harman-supplied Audi infotainment system awarded Product of the Year by Germany's *Connect Magazine*
- Harman-equipped BMW 7 Series named world's most technologically advanced new vehicle by analysts iSuppli
- Harman-equipped Hyundai Genesis Sedan named 2009 Car of the Year at the Detroit Auto Show
- Harman selected as Top Ten supplier to Daimler/Mercedes-Benz
- Full-line BMW MINI / Harman Kardon partnership announced to more than 30,000 enthusiasts at *MINI United Festival 2009*
- Launched infotainment system for new Ferrari California
- Exclusive partnership with Lotus Engineering to develop Active Noise Management applications for traditional and electric cars
- Launched Harman GreenEdge™ energy-efficient audio and infotainment solutions with Intel and Rinspeed Automotive

## Scalable, Next-Generation System Debut Ahead of Schedule

- Estimated \$5 billion new market opportunity
- Complete infotainment features at competitive price
  - Target Upper & Lower Mid segments
- More advanced features than competition
  - Voice recognition
  - Video playback
  - Dynamic user interface
  - Internet connectivity
- Leverage partnerships in High system
- Texas Instruments, Freescale, QNX
- System available fall 2009
  - Started customer previews



## Advanced Solutions For Hybrid & Electric Car Segments



- GreenEdge Energy Efficiency initiative to reduce power consumption
  - Collaboration with Intel and Texas Instruments to develop low-power solutions
  - System software design based on QNX CAR for run-time power efficiency
  - Aligned with Harman high-efficiency, high-performance audio amplifier system
- Active Noise Management solutions for hybrid, electric and conventional vehicles through exclusive partnership with Lotus Engineering

# Professional Brand/Product Overview – \$493M FY09 Sales

Brands / Technologies	
	Microphones Headphones
	Digital Signal Processing
	Digital Amplification
	Digital Signal Processing
	Speakers
	Digital Signal Processing
	Mixing Consoles
	Proprietary Systems Protocol

End Markets	Customers
Installed Sound	 
Portable PA	 
Recording & Broadcast	  
Tour Sound	 
Musicians	 
Cinema Sound	  

## Leading Entertainers and Venues Choose Harman Pro



- 100 new Harman Professional products introduced
- Equipped more than a dozen key venues at the Beijing Olympics
- Provided new audio systems for New York Yankees, New York Mets and Baltimore Orioles stadiums
- Cinemark Theaters roll out Harman's next-generation ScreenArray system featuring JBL speakers and Crown amplifiers
- Official Sound Partner to the GRAMMY Awards and Museum
- Harman systems inform and entertain more than two million people at the historic 2009 US Presidential Inauguration
- New Harman Pro systems take the stage at Kennedy Center
- Supported leading artists and events including Bruce Springsteen, Billy Joel, Neil Diamond, Vienna State Opera, O2 World Arena, Club Nokia, Rock and Roll Hall of Fame

**Consumer Brand/Product Overview -- \$356M FY09 Sales**

BRANDS	HOME	MOBILE	MULTIMEDIA
			
<p>harman/kardon®</p>			
			
<p>mark levinson.</p>			
			
			

## Innovation Drives Strong Consumer Brand Penetration

harman/kardon



mark  
LEVINSON



iPhone

amazon.com



- Harman Kardon HKTS 15 ranked No. 1 by Consumer Reports in 5.1-channel system category
- New partnership established with fashion leader Roxy for co-branded personal audio products
- Mark Levinson 53 amplifier earns “Stereo Sound Grand Prix Award” from Japan’s leading audiophile magazine
- AKG consumer products premiere in the US and form new retail partnership at *Airport Wireless* stores
- Expanded partnerships with Apple for iPod and iPhone accessories
- Dedicated shopping portal expanded for Harman products with leading online retailer *Amazon.com*
- European Imaging and Sound Association selects the JBL LS80 as Loudspeaker of the Year
- Harman channel partners opened the largest multimedia retail outlets in Dubai and India, anchored by our products

## Leading-edge Software Solutions to Drive Growth



- 2010 Range Rover model begins shipment with instrument cluster based on QNX Neutrino operation system
- QNX deployed in Harris Corporation's Falcon III tactical radios, the first and only radio to be certified for Architecture of the Joint Tactical Radio System.
- QNX featured as premier software provider in cutting edge Alcatel-Lucent NG Connect Program
- QNX Fast Boot Technology received "Award of Excellence", Most Innovative Software for Intel Atom Processor
- Singapore Land Transport Authority selects QNX technologies for remote diagnostics and fare monitoring on 3500 buses
- Pandora Internet Radio joins the QNX Connected Automotive Reference (CAR) program for technology integration
- QNX leadership honored for its contributions at the 2009 Telematics Detroit and Embedded Systems Conferences

## Launched \$400M STEP Change Cost Savings Program

**Structural Changes** ↔ **Reduced Overhead Cost** ↔ **Operational Excellence**

- Involves all business divisions
- Disciplined approach with online tracking of KPIs and milestones
- Full sustainable savings targeted by end of FY11

### **Program focus:**

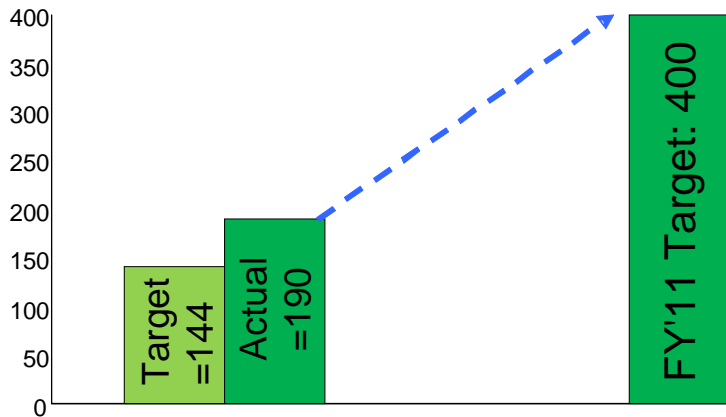
- Organizational Simplicity (e.g. realizing synergies between divisions)
- Supply Chain Excellence (e.g. design excellence, consolidating suppliers and leveraging global purchasing power)
- Footprint Optimization (e.g. optimizing engineering and production sites, consolidating locations and leveraging global cost)

**Additional aggressive cost-saving measures were implemented to deal with the economic slowdown**

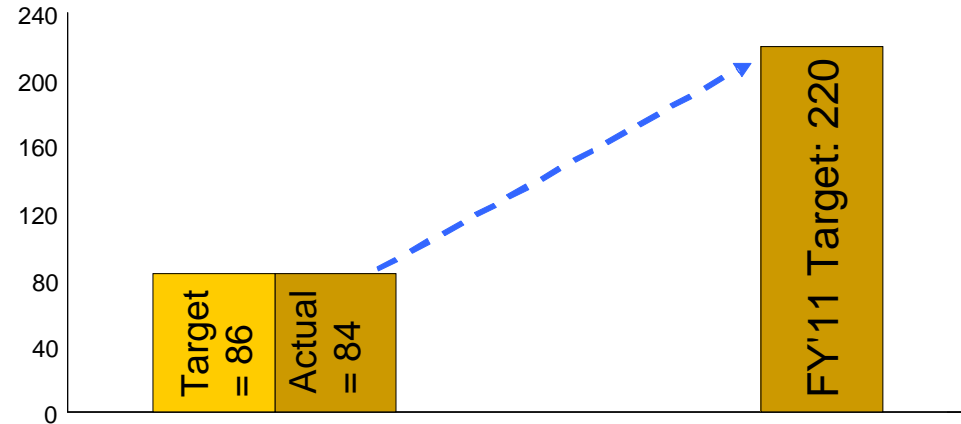
## Optimizing Harman's Global Footprint & Cost Structure

- Nearly 250 STEP Change measures at or ahead of schedule
- 1,900 jobs reduced in high-cost countries
  - Additional 300 temporary production related reductions
- Closed and consolidated multiple manufacturing, engineering and service facilities
  - Automotive: Northridge, CA; Martinsville, IN; Upper Saddle River, NJ; Motala, Sweden; East London, So. Africa; Hechingen and Hildesheim, Germany
  - Consumer: Bedford, MA; Woodbury, NY; Billerica, MA
- Multiple operations migrated successfully to low cost countries
  - Automotive: Opened new world class factory in Suzhou, China; Expanded manufacturing in Hungary and Mexico; Opened new engineering centers in India and China
  - Professional: Relocated high-volume loudspeaker production from California to Mexico.
- Outsourced or divested non-core activities e.g. IT infrastructure, warranty repairs, speech unit
- Renegotiated or consolidated numerous supplier agreements at lower cost

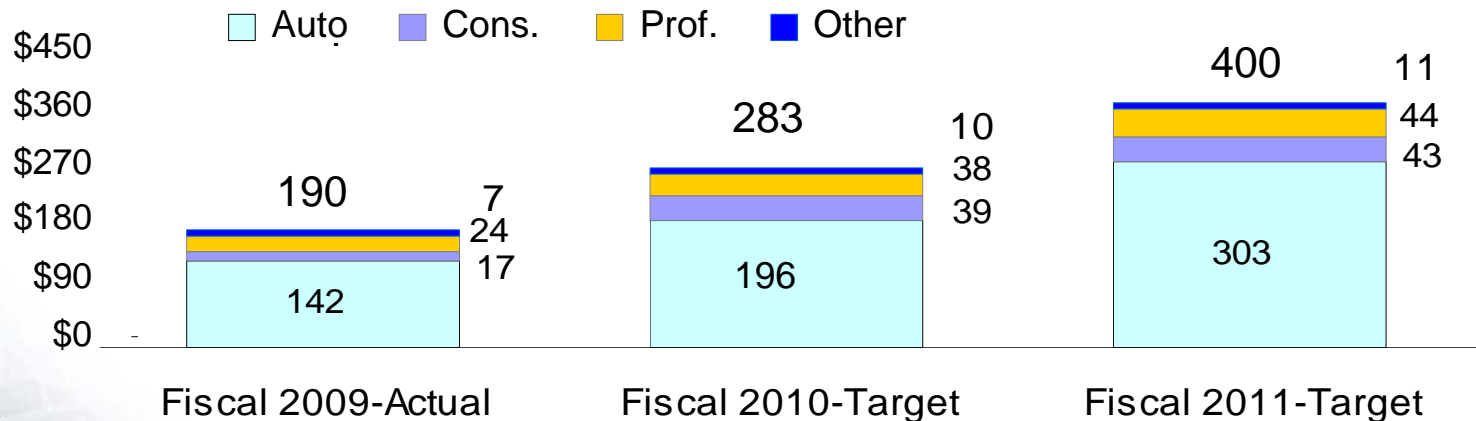
**On Track to Yield \$400M Permanent Cost Savings by FY11 YE**



**Savings (USD M)**



**One-time Investments<sup>(1)</sup> (USD M)**



<sup>(1)</sup> Total one-time investments = restructuring costs + depreciation of CAPEX

## Prudent Liquidity Management

### Liquidity overview

- \$591M cash and equivalents at 4Q'09
- \$200M public offering of common stock (1)
- Vigilant cash management
  - Suspended Company 401(k) contributions
  - Implemented salary freeze
  - Reduced T&E expense by 30%
- Capital Efficiency improved - CAPEX down more than 40% from FY08 level
  - \$139M >> \$80M FY09

### Selected debt covenants

- Revolving credit agreement (\$232M )
  - >\$150M cash + R/C availability at 4Q'09; >\$100M thereafter
  - >\$100M LTM EBITDA at Q4'10; threshold rising thereafter
- \$400M convertible note (1¼% coupon).
  - Maturity October 2012
  - No additional debt incurrence before Oct-2010 if debt/LTM EBITDA >3.25x

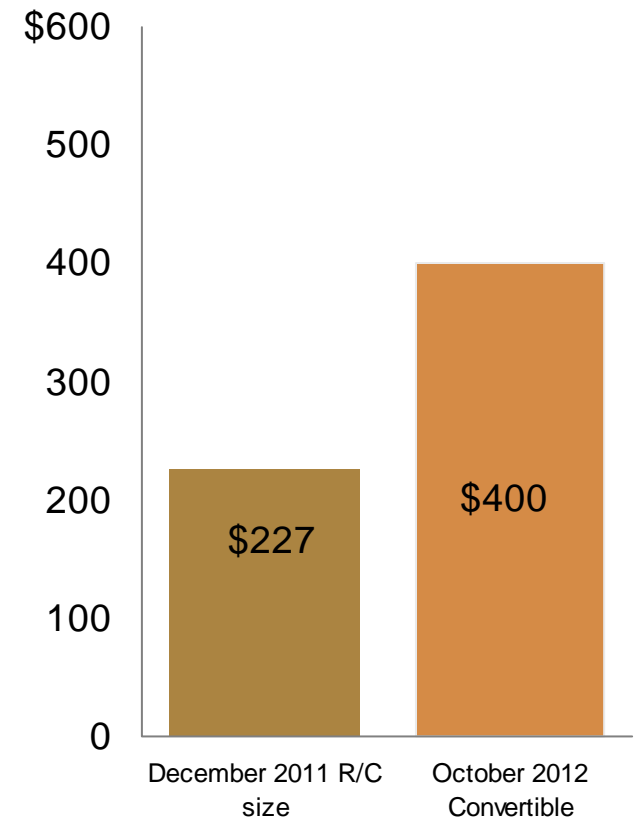
(1) net proceeds \$153M including fees and \$38M revolver pay down

# Strong Cash and Liquidity Position

**Cash Balances**



**Principal Debt Maturities**



(1) net proceeds \$153M including fees and \$38M revolver pay down

## Strong Foundation for Sustainable & Profitable Growth

- ✓ **Adequate liquidity to execute our plans**
  - Cash and cash equivalents \$591M as of June 30, 2009
  - No debt maturity until December 31, 2011
- ✓ **STEP Change cost-savings ahead of target**
  - \$190 million savings during FY 2009
  - 1,900 jobs reduced in high-cost countries
    - Additional 300 temporary production-related reductions
- ✓ **Focus on Operational Excellence to drive profitability**
  - Successfully launched 13 new infotainment platforms since beginning of FY '08
  - Continued investment in R&D and innovation (e.g. GreenEdge Technology)
  - Taking market share with dozens of award-winning new product introductions
  - Scalable, next-generation system launch ahead of target -- penetrating new markets
- ✓ **Strengthening position in emerging markets**
  - Implementing China growth strategy: capacity doubled with new plant
  - Appointed Country Managers for China and India and established regional offices
  - New R&D and Engineering Centers established in Bangalore and Shanghai



BECKER



CROWN

dbx

PROFESSIONAL PRODUCTS

harman/kardon

Infinity

JBL

lexicon

mark Levinson

ONX

ONX SOFTWARE SYSTEMS

Soundcraft  
STUDER

# Harman International

Premium Solutions for Audio and Infotainment

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