

# Harman International Highlights – Q1 2009, October 29, 2009



BECKER



DigiTech

harman/kardon

Infinity



lexicon

mark Levinson



Soundcraft  
STUDER



**Dinesh Paliwal**  
**Chairman & 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 and to achieve the intended benefits of those initiatives; (2) changes in consumer confidence and general economic conditions in the U.S. and Europe; (3) the effect of changes in consumer confidence; (4) a change in interest rates and availability of financing affecting consumer spending; (5) automobile industry sales and production rates; (6) our ability to effectively implement our restructuring programs and to realize the intended benefits of these programs; (7) fluctuations in currency exchange rates; (8) the loss of one or more significant customers, including our automotive customers; (9) model-year changeovers and customer acceptance in the automotive industry; (10) our ability to satisfy contract performance criteria at expected profit margins; (11) availability of key components for the products we manufacture; (12) customer acceptance of our consumer and professional products; (13) competition in the automotive, consumer or professional markets in which the Company operates, including pricing pressures for our products; (14) the outcome of pending or future litigation and other claims, including, but not limited to the current stockholder and ERISA lawsuits or any claims or litigation arising out of our business, labor disputes at our facilities and those of our customers or common carriers; and (15) other risks detailed in Harman International's Annual Report on Form 10-K for the fiscal year ended June 30, 2008 and other filings made by Harman International with the Securities and Exchange Commission.*

# Complementary Core Businesses



Harman

Consumer Audio

Automotive

Professional Audio

	1Q08	1Q09	1Q08	1Q09		1Q08	1Q09		1Q08	1Q09
<b>Sales</b>	<b>947</b>	<b>869</b>	<b>119</b>	<b>106</b>		<b>673</b>	<b>617</b>		<b>145</b>	<b>137</b>
<b>% OP</b>	<b>4.9%</b>	<b>4.9%</b>	<b>(2.6%)</b>	<b>(0.6%)</b>	<b>↑</b>	<b>6.6%</b>	<b>4.8%</b>	<b>↓</b>	<b>14.0%</b>	<b>15.3%</b>

(Non-GAAP; See earnings release for reconciliation)

Harman International provides the industry's premium and most complete audio and infotainment experience, from capturing words and music at the source to the best in high-fidelity enjoyment.

## Automotive Q1: Execution Earns Customer Confidence



- Awarded A/B-Class, SL-Class and SLK-Class Branded Audio Systems



- Completed infotainment launch for for BMW 7 Series



- Completed infotainment launch for Audi A6 Series



- Launched infotainment unit for Ferrari California Model
- Selected as strategic supplier for infotainment systems



- Production ramp-up for Porsche Carrera and Cayenne models



- Awarded branded audio system for Ssangyong Y300 Platform



- Launched branded audio system for GM Europe Insignia Platform

## Consumer Audio Q1: Strong Brands Drive Loyalty



- Hosted more than 220,000 visitors at the IFA Consumer Electronics Show in Berlin, Germany



- Harman Consumer launched 36 new products during Q1 2009
- The division shipped more than 70,000 car aftermarket products to India alone, to help satisfy the demand from enthusiasts.



- JBL Synthesis One Home Theater System inducted into Custom Design and Installers Assn. Hall of Fame



- Harman Kardon AVR 3550HD 7.1 Channel Receiver earns Custom Retailer Magazine Excite Award



- European Imaging & Sound Association selects our JBL LS80 as Loudspeaker of the Year



- Infinity Classic Series Speakers earn Certified & Recommended Product designation from Sound & Vision Magazine

## Professional Audio Q1: 'Star Power' Drives Profitable Growth



- China Olympic venues including opening and closing ceremonies from 'Birds Nest' stadium were equipped by Harman



- Completed shipments for new NY Yankees and NY Mets Stadiums; Awarded new University of Minnesota Stadium audio systems



- The new Indianapolis Colts stadium has been fully equipped by Harman, including more than 350 amplifiers and 4,000 speakers



- We toured with Billy Joel, Bruce Springsteen, Melissa Etheridge, Kanye West, Jay Z, Joe Cocker, Keith Urban, and more



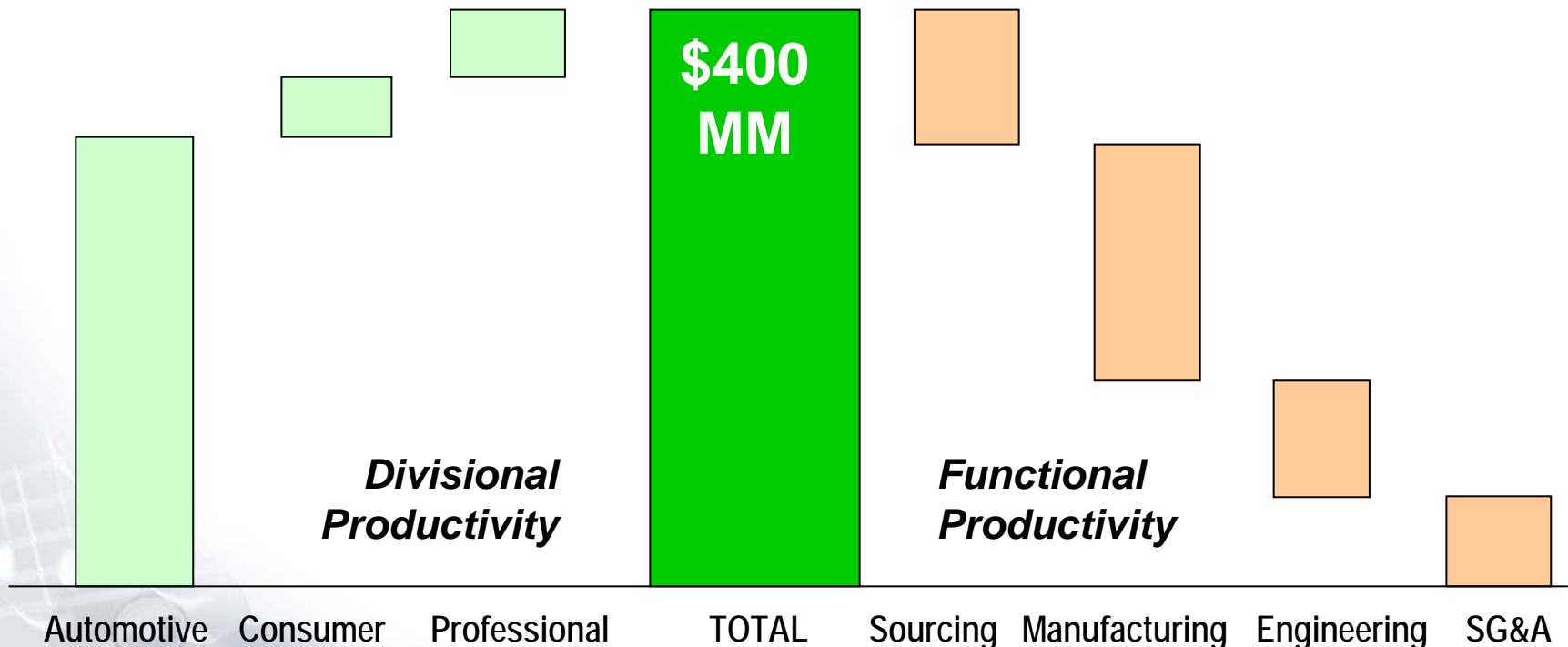
- Miss Universe Pageant in Vietnam and India's largest political event with more than 1 million people were equipped by Harman



- Launched more than a dozen new products for integration with our industry leading HiQ-Net integration software architecture

## Improving productivity for a sustainable future

- **\$400 million sustainable savings by 2011**
  - 1500 Job Reductions in High-Cost Countries
  - 240 Operational Excellence initiatives
- **40% improvement in capital expenditure efficiency**



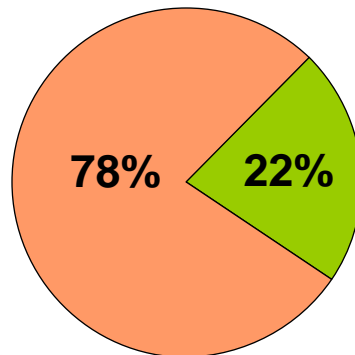
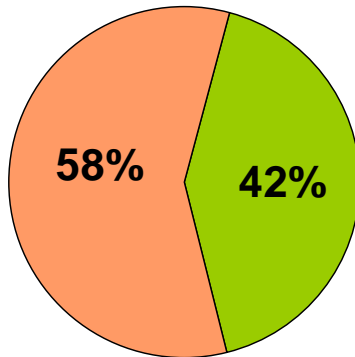
# Optimizing Global Footprint for greater productivity

**\$400 million sustainable savings by 2011**

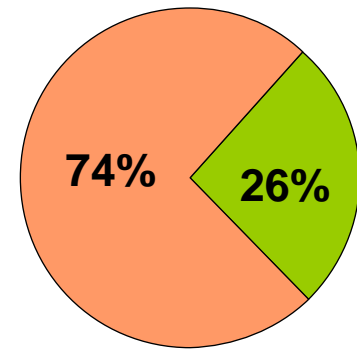
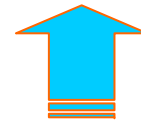
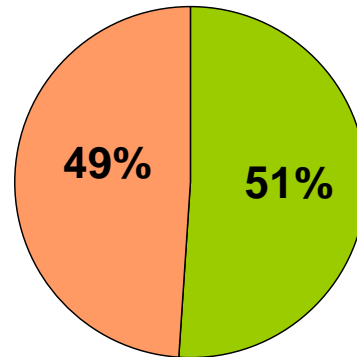
**Target 2011  
GFI = 151%**

**Baseline 2008  
GFI = 78%**

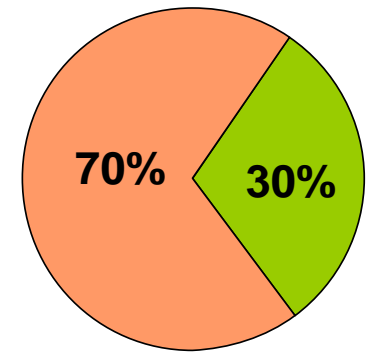
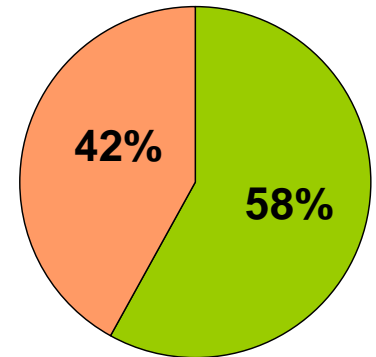
**Employees**



**Capital**



**Sourcing**

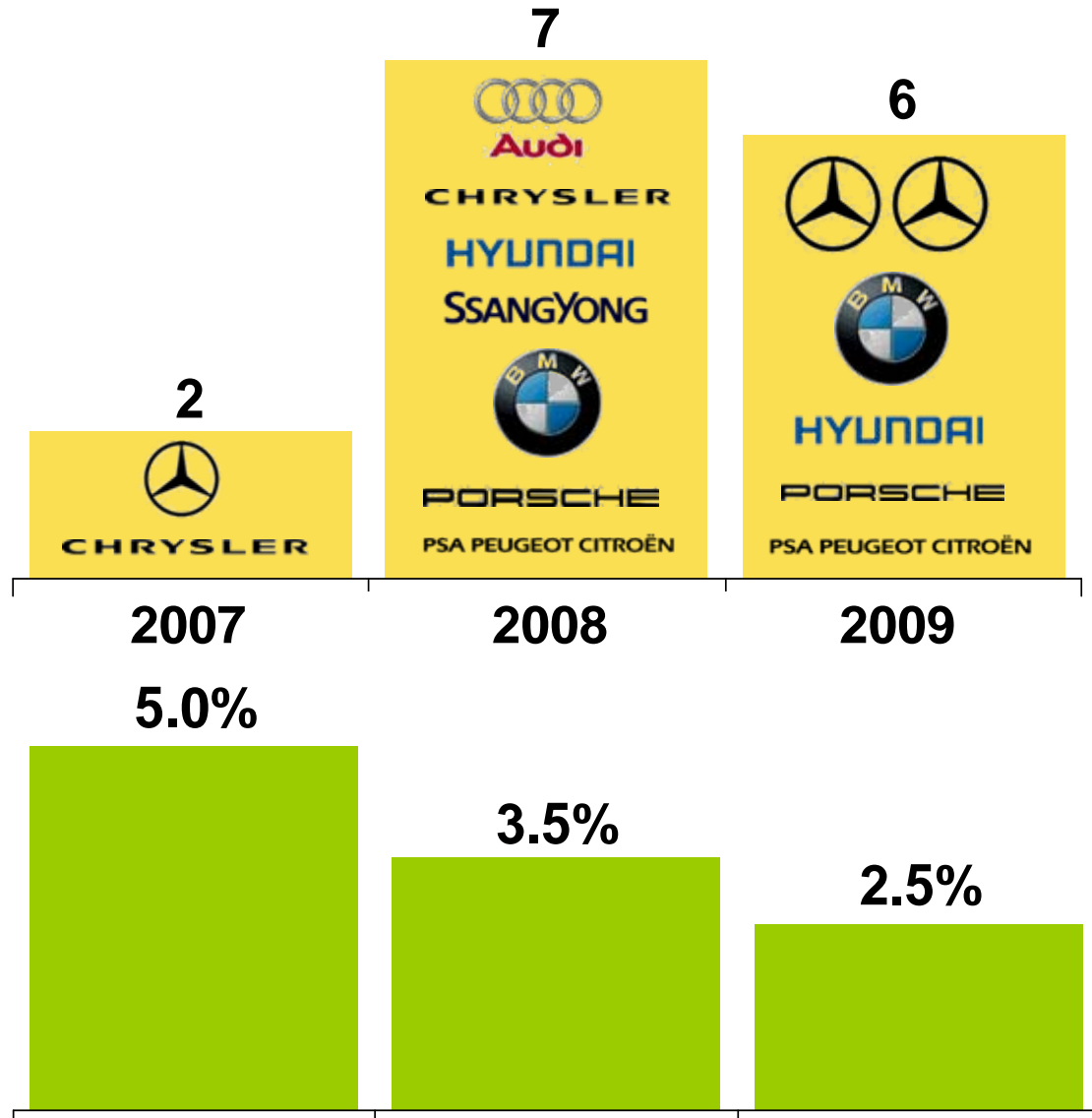


High Cost Countries Low Cost Countries

# Capital Efficiency is Number One Priority as we execute on record backlog

**Number of Infotainment Platform Launches**

**CAPEX as Percent of Sales**

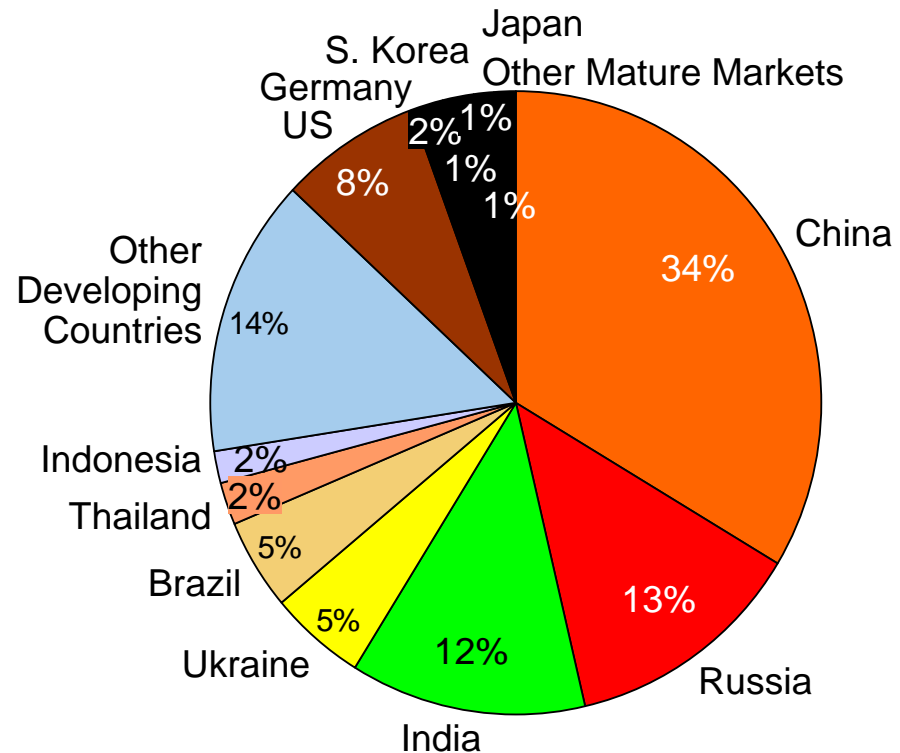


## Q1 2009 Shows Our Ability to Execute

- Positive cash from operations; Balance sheet remains strong
- Operating profit flat, despite turbulent global market environment.
- Successful launch of four automotive model platforms
- Awarded five new automotive audio projects
- Completed definition phase of \$400 million STEP Change program
- Announced closure of 2 sites in Germany and 1 in the US (October 08)
- Opened new India engineering and R&D center
- Opened new China automotive manufacturing center
- Launched global brand advertising program
- Completed consolidation of corporate headquarters

## China, India, Russia = 59% of Total Automotive Growth

**Global Vehicle Sales  
Volume Change  
(2007-2012)**



**... And Harman Has Barely Scratched the Surface in this more than \$10 Billion Market.**

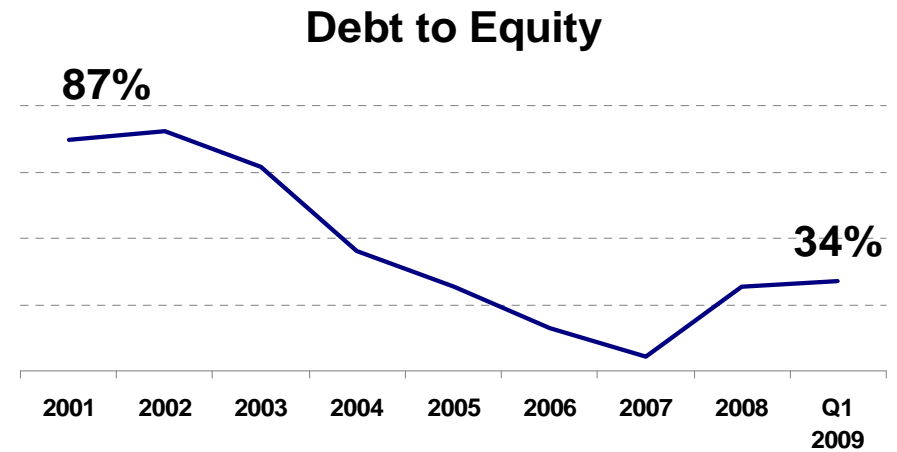
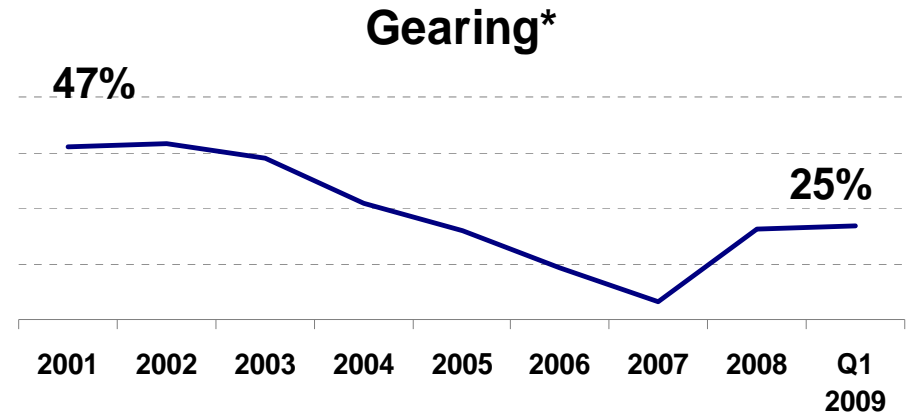
Source: Global Insight Data, June 2008 release, Booz & Company analyses

## A solid balance sheet for tough market conditions

Strong Balance Sheet with low leverage

- Gearing ratio 25%
- Debt to Equity ratio 34%

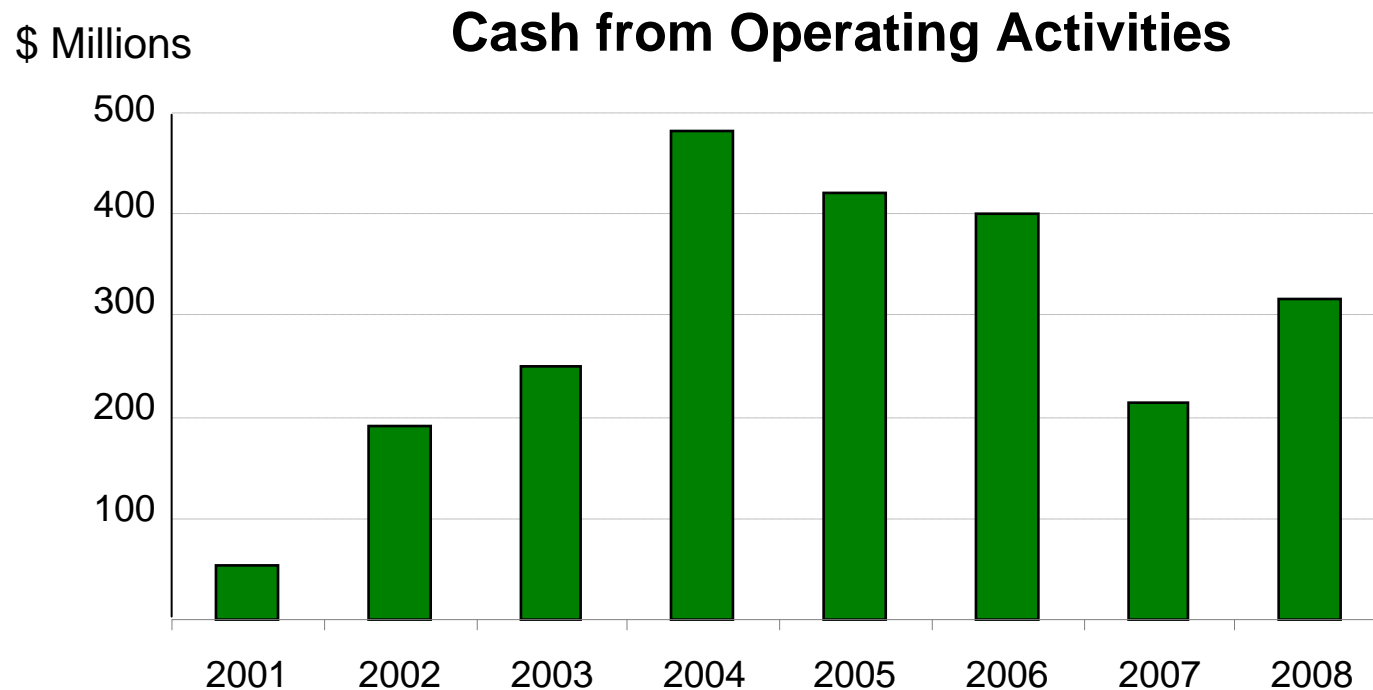
\* total debt divided by the sum of total debt plus equity, incl. minority interest



## Conservative cash management policy pays off

- Cash and Short-term Investments
  - Invested with commercial banks for low exposure to sub-prime
- Short-term maturities
  - Less than 30 days
- Revolving Credit Facility
  - \$300 million committed
  - \$25 million drawn as of September 30, 2008
  - Available until June 2010
- \$400 million convertible notes
  - 1.25% coupon rate, Maturity October 2012

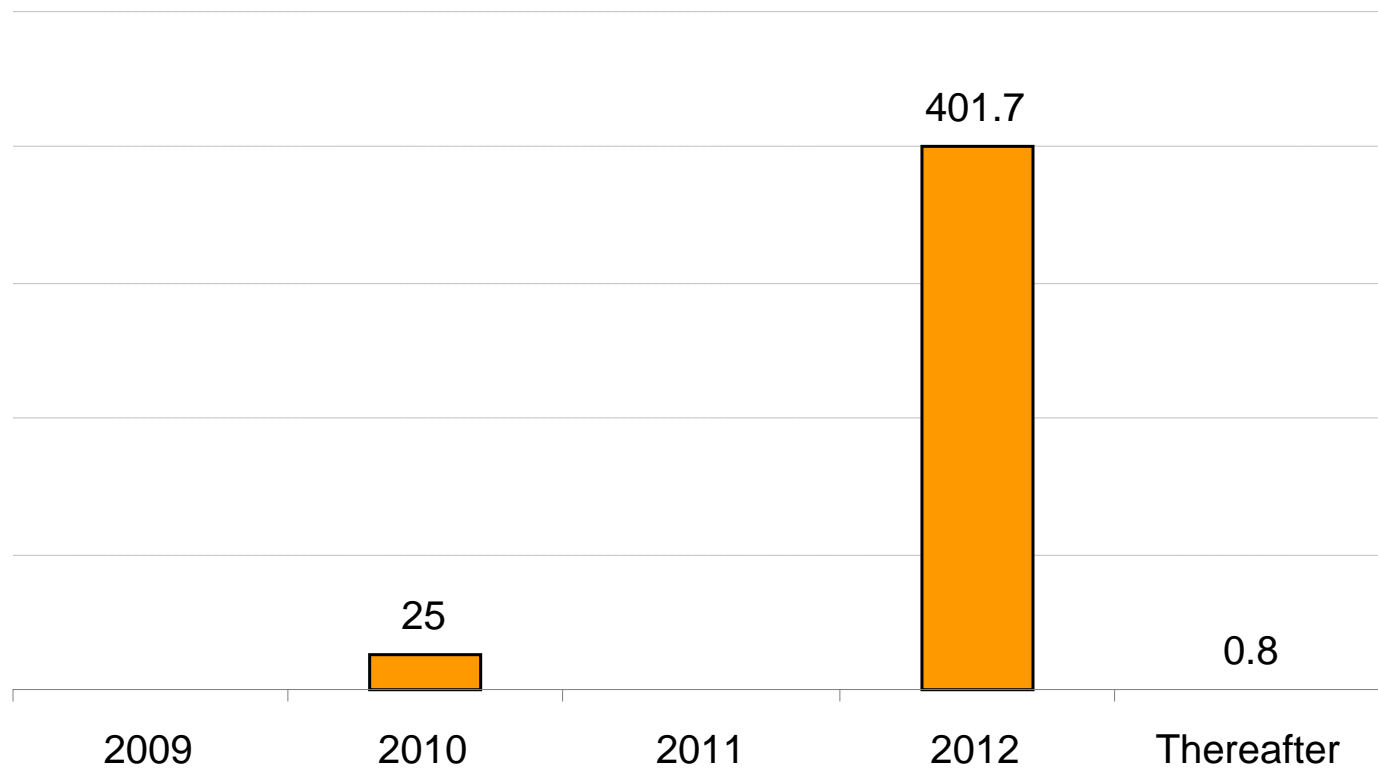
## Strong Cash Generation from Operating Activities



- Cash from Operating Activities strong even while margins challenged
- Cash generation will further accelerate once STEP Change cost savings goals are achieved

## Maturity profile of debt securities

Total debt securities of \$427.6 million as of September 30, 2008



## Positioned to Weather the Global Market Turmoil

- STEP Change productivity program is on track
  - Program management and metrics established since Q4 2008
  - Expect \$55 million in pre-tax savings in 2009
  - Expect \$265 million in pre-tax savings in 2010
  - \$400 million sustainable savings by 2011
- Premium customers less impacted by cyclical downturn
- Strong brand recognition drives consumer loyalty in times of crisis
- Large untapped opportunities for growing emerging market footprint
- Strong SG&A and cash management initiatives in place
- Healthy balance sheet and conservative investment profile



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QNX  
QNX SOFTWARE SYSTEMS

Soundcraft  
STUDER

# Harman International

Premium Solutions for Audio and Infotainment