

PRESS RELEASE



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HARMAN REPORTS SECOND QUARTER FISCAL 2017 RESULTS

- **Net Sales Up 10% to \$1.95 Billion**
- **GAAP EBITDA Up 4% to \$227 Million; Operational EBITDA Up 19% to \$268 Million**
- **GAAP EPS Down 11% to \$1.39; Operational EPS Up 20% to \$2.22**
- **Secured \$2.7 Billion in New Automotive Awards Year-to-Date**
- **Samsung Acquisition on Track to Close in Mid Calendar 2017**

STAMFORD, CT – Harman International Industries, Incorporated (NYSE: HAR), the premier connected technologies company for automotive, consumer and enterprise markets, today announced results for the second quarter ended December 31, 2016.

Net sales for the second quarter were \$1.95 billion, an increase of 10 percent, 11 percent excluding the impact of foreign exchange (Ex-FX), compared to the prior year. Lifestyle Audio net sales increased 19 percent due to higher sales in both consumer and car audio. Connected Services net sales increased 13 percent primarily due to higher demand for automotive services. Connected Car net sales increased four percent due to stronger production and the expansion of recently launched programs. Professional Solutions net sales increased three percent primarily due to stronger sales in Asia.

On a GAAP basis, second quarter operating income increased nine percent to \$174 million compared to \$159 million in the prior year, and EBITDA increased four percent to \$227 million compared to \$217 million in the prior year. During the quarter, the Company recognized approximately \$23 million of non-recurring incremental U.S. income tax from deemed income on foreign earnings. As a result, earnings per diluted share decreased 11 percent to \$1.39 compared to \$1.55 in the prior year.

Non-GAAP Operating income increased 22 percent to \$228 million compared to \$186 million in the prior year, and EBITDA increased 19 percent to \$268 million compared to \$225 million in the prior year, excluding restructuring, acquisition-related items, costs associated with the pending Samsung transaction and one-time stock compensation costs. Earnings per diluted share increased 20 percent to \$2.22 compared to \$1.84 in the prior year.

Dinesh C. Paliwal, the Company's Chairman, President and CEO said, "HARMAN delivered solid second quarter results, including double digit revenue, EBITDA and EPS growth led by strong performance in our Lifestyle Audio division. Additionally, we continue to leverage our success in Connected Car and Connected Services to develop broader end-to-end solutions for immersive and personalized experiences.

"The pending acquisition of HARMAN by Samsung will accelerate connected and autonomous driving innovation and technology deployment faster than if HARMAN were to remain a standalone company. The transaction also delivers immediate and compelling cash value to our shareholders. We remain on track to close the transaction in mid-2017."

| FY 2017 Key Figures – Total Company | Three Months Ended December 31 | | | | Six Months Ended December 31 | | | |
|---|--------------------------------|------------|----------------------------------|---|------------------------------|------------|----------------------------------|---|
| | | | Increase (Decrease) | | | | Increase (Decrease) | |
| <i>\$ millions (except per share data)</i> | 3M FY17 | 3M FY16 | Including Currency Changes | Excluding Currency Changes ¹ | 6M FY17 | 6M FY16 | Including Currency Changes | Excluding Currency Changes ¹ |
| Net sales | 1,947 | 1,772 | 10% | 11% | 3,707 | 3,403 | 9% | 9% |
| Gross profit | 608 | 545 | 12% | 13% | 1,149 | 1,032 | 11% | 12% |
| Percent of net sales | 31.2% | 30.8% | | | 31.0% | 30.3% | | |
| SG&A | 434 | 386 | 12% | 13% | 824 | 742 | 11% | 11% |
| Operating income | 174 | 159 | 9% | 11% | 325 | 291 | 12% | 13% |
| Percent of net sales | 8.9% | 9.0% | | | 8.8% | 8.5% | | |
| EBITDA | 227 | 217 | 4% | 6% | 429 | 405 | 6% | 7% |
| Percent of net sales | 11.6% | 12.3% | | | 11.6% | 11.9% | | |
| Net Income attributable to HARMAN International Industries, Incorporated | 99 | 113 | (12)% | (11)% | 203 | 200 | 1% | 2% |
| Diluted earnings per share | 1.39 | 1.55 | (11)% | (10)% | 2.83 | 2.76 | 3% | 4% |
| Restructuring & non-recurring costs | 38 | 7 | | | 51 | 12 | | |
| Acquisition-related items | 16 | 20 | | | 40 | 41 | | |
| Non-GAAP - operational¹ | | | | | | | | |
| Gross profit | 609 | 546 | 11% | 12% | 1,151 | 1,035 | 11% | 12% |
| Percent of net sales | 31.3% | 30.8% | | | 31.0% | 30.4% | | |
| SG&A | 381 | 360 | 6% | 6% | 735 | 692 | 6% | 7% |
| Operating income | 228 | 186 | 22% | 24% | 415 | 344 | 21% | 22% |
| Percent of net sales | 11.7% | 10.5% | | | 11.2% | 10.1% | | |
| EBITDA | 268 | 225 | 19% | 21% | 495 | 422 | 17% | 19% |
| Percent of net sales | 13.8% | 12.7% | | | 13.4% | 12.4% | | |
| Net Income attributable to HARMAN International Industries, Incorporated | 159 | 134 | 19% | 20% | 293 | 241 | 21% | 23% |
| Diluted earnings per share | 2.22 | 1.84 | 20% | 22% | 4.10 | 3.33 | 23% | 24% |
| Shares outstanding – diluted (in millions) | 72 | 73 | | | 72 | 73 | | |
| 1 A non-GAAP measure, see reconciliations of non-GAAP measures later in this release. | | | | | | | | |

Summary of Operations – Gross Margin and SG&A

On an operational basis, gross margin for the second quarter of fiscal year 2017 increased 50 basis points to 31.3 percent, primarily due to the impact of higher sales volume leveraging a more efficient fixed production cost base. Operational SG&A expenses as a percent of net sales decreased 70 basis points to 19.6 percent compared to 20.3 percent in the prior year due to favorable product mix.

On a GAAP basis in the second quarter of fiscal year 2017, gross margin increased 40 basis points to 31.2 percent. SG&A expenses as a percent of net sales increased 50 basis points to 22.3 percent compared to 21.8 percent in the prior year, primarily due to higher restructuring expenses.

Withdrawal of Guidance and Suspension of Conference Calls

As announced on November 14, 2016, Samsung Electronics, Co. Ltd. (“Samsung”) and Harman International Industries, Incorporated (“HARMAN”) entered into a definitive agreement under which Samsung will acquire HARMAN for \$112 per share in cash. On January 20, 2017, HARMAN filed a definitive proxy statement with the U.S. Securities and Exchange Commission in connection with a special meeting of its stockholders to consider the adoption of the merger agreement. The special meeting is scheduled to be held on February 17, 2017.

In light of the pending transaction, HARMAN is withdrawing its financial outlook and will not be hosting earnings conference calls.

General Information

HARMAN (harman.com) designs and engineers connected products and solutions for automakers, consumers, and enterprises worldwide, including connected car systems, audio and visual products, enterprise automation solutions; and connected services. With leading brands including AKG®, Harman Kardon®, Infinity®, JBL®, Lexicon®, Mark Levinson® and Revel®, HARMAN is admired by audiophiles, musicians and the entertainment venues where they perform around the world. More than 25 million automobiles on the road today are equipped with HARMAN audio and connected car systems. The Company's software services power billions of mobile devices and systems that are connected, integrated and secure across all platforms, from work and home to car and mobile. HARMAN has a workforce of approximately 30,000 people across the Americas, Europe, and Asia and reported sales of \$7.2 billion during the 12 months ended December 31, 2016. The Company's shares are traded on the New York Stock Exchange under the symbol NYSE:HAR.

A reconciliation of the non-GAAP measures included in this press release to the most comparable GAAP measures is provided in the tables contained at the end of this press release. HARMAN does not intend for this information to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

Forward-Looking Information

Except for historical information contained herein, the matters discussed in this earnings release are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. One should not place undue reliance on these statements. The Company bases these statements on particular assumptions that it has made in light of its industry experience, as well as its perception of historical trends, current market conditions, current economic data, expected future developments and other factors that the Company believes are appropriate under the circumstances. These statements involve risks, uncertainties and assumptions that could cause actual results to differ materially from those suggested in the forward-looking statements, including but not limited to: (1) the loss of one or more significant customers, the loss of a significant platform with an automotive customer or the in-sourcing of certain services by the Company's automotive customers; (2) the Company's ability to maintain a competitive technological advantage through innovation and leading product designs; (3) the Company's ability to maintain profitability if there are delays in its product launches or increased pricing pressure from its customers; (4) fluctuations in currency exchange rates, particularly with respect to the value of the U.S. Dollar and the Euro; (5) the inability of the Company's suppliers to deliver materials, parts and components including, without limitation, microchips and displays, at the scheduled rate and disruptions arising in connection therewith; (6) fluctuations in the price and supply of raw materials including, without limitation, petroleum, copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components; (7) the Company's failure to protect the security of its products and systems against cyber crime; (8) the Company's failure to maintain the value of its brands and implementing a sufficient brand protection program; and (9) other risks detailed in the Harman International Industries, Incorporated Annual Report on Form 10-K for the fiscal year ended June 30, 2016 and other filings made by the Company with the Securities and Exchange Commission. In addition, the Company may be subject to certain risks during the pendency of the Samsung transaction, and may not be able to complete the proposed transaction on the terms described herein or other acceptable terms or at all because of a number of factors, including without limitation (i) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, (ii) the failure to obtain the requisite approval of the Company's stockholders or the failure to satisfy the other closing conditions, (iii) risks related to disruption of management's attention from the Company's ongoing business operations due to the pending transaction and (iv) the effect of the announcement of the pending transaction on the ability of the Company to retain and hire key personnel, maintain relationships with its customers and suppliers, and maintain its operating results and business generally. The Company undertakes no obligation to publicly update or revise any forward-looking statement except as required by law.

This earnings release also makes reference to the Company's awarded business or "backlog", which represents the estimated future lifetime net sales for all of the Company's automotive customers. The Company's awarded business does not represent firm customer orders. The Company reports its awarded business primarily based on written award letters. To validate these awards, the Company uses various assumptions including global vehicle production forecasts, customer take rates for the Company's products, revisions to product life cycle

estimates and the impact of annual price reductions and exchange rates, among other factors. The term “take rate” represents the number of units sold by the Company divided by an estimate of the total number of vehicles of a specific vehicle line produced during the same timeframe. The assumptions the Company uses to validate these awards are updated and reported externally on an annual basis.

APPENDIX

Connected Car

| FY 2017 Key Figures – Connected Car | Three Months Ended December 31 | | | | Six Months Ended December 31 | | | |
|---|--------------------------------|---------|----------------------------|---|------------------------------|---------|----------------------------|---|
| | | | Increase (Decrease) | | | | Increase (Decrease) | |
| <i>\$ millions (except per share data)</i> | 3M FY17 | 3M FY16 | Including Currency Changes | Excluding Currency Changes ¹ | 6M FY17 | 6M FY16 | Including Currency Changes | Excluding Currency Changes ¹ |
| Net sales | 769 | 737 | 4% | 5% | 1,566 | 1,492 | 5% | 5% |
| Gross profit | 203 | 183 | 11% | 12% | 401 | 361 | 11% | 12% |
| Percent of net sales | 26.4% | 24.8% | | | 25.6% | 24.2% | | |
| SG&A | 126 | 99 | 28% | 29% | 229 | 189 | 21% | 21% |
| Operating income | 77 | 84 | (9%) | (8%) | 172 | 171 | 0% | 1% |
| Percent of net sales | 10.0% | 11.4% | | | 11.0% | 11.5% | | |
| EBITDA | 97 | 103 | (6%) | (5%) | 213 | 209 | 2% | 3% |
| Percent of net sales | 12.7% | 14.0% | | | 13.6% | 14.0% | | |
| Restructuring & non-recurring costs | 20 | 4 | | | 22 | 4 | | |
| Acquisition-related items | 1 | - | | | 2 | 1 | | |
| <u>Non-GAAP - operational¹</u> | | | | | | | | |
| Gross profit | 203 | 184 | 10% | 11% | 401 | 363 | 10% | 11% |
| Percent of net sales | 26.4% | 25.0% | | | 25.6% | 24.3% | | |
| SG&A | 105 | 96 | 9% | 10% | 205 | 187 | 10% | 10% |
| Operating income | 98 | 88 | 11% | 13% | 196 | 176 | 11% | 12% |
| Percent of net sales | 12.7% | 11.9% | | | 12.5% | 11.8% | | |
| EBITDA | 118 | 105 | 12% | 13% | 235 | 210 | 12% | 13% |
| Percent of net sales | 15.3% | 14.3% | | | 15.0% | 14.1% | | |
| 1 A non-GAAP measure, see reconciliations of non-GAAP measures later in this release. | | | | | | | | |

Net sales in the second quarter of fiscal 2017 were \$769 million, an increase of four percent (5 percent ex-FX) compared to the prior year. The increase in net sales was due to the expansion of recently launched programs and stronger production.

On an operational basis in the second quarter of fiscal 2017, gross margin increased 140 basis points to 26.4 percent compared to the prior year primarily due to the impact of higher sales volume leveraging a more efficient fixed production cost base and favorable product mix. SG&A expenses as a percent of net sales increased 70 basis points to 13.7 percent compared to the prior year primarily due to higher research and development expenses to support awarded business.

On a GAAP basis in the second quarter of fiscal 2017, gross margin increased 160 basis points to 26.4 percent compared to the prior year. SG&A expenses as a percent of net sales increased 300 basis points to 16.4 percent compared to the prior year primarily due to higher expenses for restructuring and research and development.

Connected Car Highlights

During the quarter, HARMAN launched embedded infotainment solutions on a variety of vehicle models, including the Audi SQ5, the VW Atlas, and feature upgrades to the Discover Pro infotainment system across Volkswagen's Golf lineup. HARMAN also launched a next generation, fully integrated embedded infotainment solution including CarPlay and Android Auto for Subaru. HARMAN will supply the entry, mid and high embedded infotainment solutions for Subaru vehicles over the next several years.

Earlier this month at the Consumer Electronics Show in Las Vegas, HARMAN unveiled a number of new industry-first solutions centered on addressing autonomous mobility and intelligent personalization. Showcased in the Oasis concept car, HARMAN demonstrated a wide-view full windshield heads-up display using holographic augmented reality technology, as well as demonstrating an augmented reality concierge, predictive collision prevention, and intelligent e-mirrors. The Company also demonstrated its new intelligent cockpit design leveraging HARMAN's integrated compute platform (LIVS) to deliver a connected and unified personal user experience across the car, home and office. During CES, the Company was presented the 2016 Internet of Things (IoT) Breakthrough Award for the LIVS connected car platform.

Lifestyle Audio

| FY 2017 Key Figures – Lifestyle Audio | Three Months Ended December 31 | | | | Six Months Ended December 31 | | | |
|---|--------------------------------|---------|----------------------------|---|------------------------------|---------|----------------------------|---|
| | | | Increase (Decrease) | | | | Increase (Decrease) | |
| <i>\$ millions (except per share data)</i> | 3M FY17 | 3M FY16 | Including Currency Changes | Excluding Currency Changes ¹ | 6M FY17 | 6M FY16 | Including Currency Changes | Excluding Currency Changes ¹ |
| Net sales | 765 | 641 | 19% | 20% | 1,333 | 1,117 | 19% | 19% |
| Gross profit | 260 | 208 | 25% | 26% | 460 | 362 | 27% | 27% |
| Percent of net sales | 33.9% | 32.4% | | | 34.5% | 32.4% | | |
| SG&A | 134 | 125 | 7% | 8% | 256 | 232 | 10% | 11% |
| Operating income | 126 | 83 | 52% | 53% | 204 | 130 | 57% | 58% |
| Percent of net sales | 16.4% | 12.9% | | | 15.3% | 11.7% | | |
| EBITDA | 140 | 97 | 45% | 46% | 233 | 158 | 48% | 49% |
| Percent of net sales | 18.4% | 15.1% | | | 17.5% | 14.1% | | |
| Restructuring & non-recurring costs | - | (1) | | | 3 | 2 | | |
| Acquisition-related items | 5 | 8 | | | 10 | 13 | | |
| <u>Non-GAAP - operational¹</u> | | | | | | | | |
| Gross profit | 260 | 208 | 25% | 26% | 461 | 363 | 27% | 28% |
| Percent of net sales | 34.0% | 32.4% | | | 34.6% | 32.4% | | |
| SG&A | 129 | 118 | 9% | 10% | 244 | 217 | 12% | 12% |
| Operating income | 131 | 90 | 45% | 46% | 218 | 145 | 50% | 51% |
| Percent of net sales | 17.2% | 14.1% | | | 16.3% | 13.0% | | |
| EBITDA | 141 | 99 | 42% | 43% | 236 | 163 | 45% | 46% |
| Percent of net sales | 18.4% | 15.5% | | | 17.7% | 14.6% | | |
| 1 A non-GAAP measure, see reconciliations of non-GAAP measures later in this release. | | | | | | | | |

Net sales in the second quarter of fiscal 2017 were \$765 million, an increase of 19 percent (20 percent ex-FX) compared to the prior year, primarily due to higher consumer audio sales, reflecting increased demand for smart audio products and headphones, as well as higher car audio sales due to higher take rates and automotive production.

On an operational basis in the second quarter of fiscal 2017, gross margin improved 160 basis points to 34.0 percent compared to the prior year, primarily due to margin expansion in car audio as a result of operating leverage and manufacturing excellence. While research and development in car audio increased to support awarded business, total SG&A expenses as a percent of net sales decreased 150 basis points to 16.8 percent due to improved operating leverage on higher sales.

On a GAAP basis in the second quarter of fiscal 2017, gross margin improved 150 basis points to 33.9 percent compared to the prior year. SG&A expenses as a percent of net sales decreased 200 basis points to 17.5 percent compared to the prior year.

Lifestyle Audio Highlights

HARMAN's consumer audio products won a number of industry accolades. The Company earned nine CES innovation awards for products including the JBL Everest Elite and JBL BassPro Go, as well as three Red Dot design awards.

During the quarter, HARMAN secured new car audio business awards with Audi (Bang & Olufsen), SAIC-GM-Wuling (Infinity) and Volvo (Bowers & Wilkins). The Company launched car audio solutions in the BMW 5 Series (Bowers & Wilkins and Harman Kardon), the Great Wall Haval H7 (Infinity), the Chrysler Pacifica (Sound Management), the Lexus LC (Mark Levinson) and the Subaru Impreza (Harman Kardon).

At CES 2017, HARMAN showcased new car audio technologies. The HARMAN SUMMIT premium audio platform and the seamless, scalable HARMAN Voyager smart audio platform are both designed with a strong focus on intelligent, personalized and connected in-car experiences for consumers.

Professional Solutions

| FY 2017 Key Figures – Professional Solutions | Three Months Ended December 31 | | | | Six Months Ended December 31 | | | |
|---|--------------------------------|---------|----------------------------|---|------------------------------|---------|----------------------------|---|
| | | | Increase (Decrease) | | | | Increase (Decrease) | |
| <i>\$ millions (except per share data)</i> | 3M FY17 | 3M FY16 | Including Currency Changes | Excluding Currency Changes ¹ | 6M FY17 | 6M FY16 | Including Currency Changes | Excluding Currency Changes ¹ |
| Net sales | 256 | 249 | 3% | 3% | 496 | 496 | (0%) | 0% |
| Gross profit | 96 | 103 | (7%) | (7%) | 190 | 206 | (8%) | (7%) |
| Percent of net sales | 37.4% | 41.4% | | | 38.2% | 41.4% | | |
| SG&A | 85 | 79 | 8% | 8% | 168 | 156 | 8% | 8% |
| Operating income | 10 | 24 | (57%) | (57%) | 22 | 50 | (56%) | (56%) |
| Percent of net sales | 4.0% | 9.6% | | | 4.4% | 10.0% | | |
| EBITDA | 18 | 33 | (44%) | (44%) | 37 | 67 | (45%) | (44%) |
| Percent of net sales | 7.1% | 13.2% | | | 7.5% | 13.5% | | |
| Restructuring & non-recurring costs | 2 | 5 | | | 10 | 7 | | |
| Acquisition-related items | 3 | - | | | 5 | - | | |
| <u>Non-GAAP - operational¹</u> | | | | | | | | |
| Gross profit | 96 | 103 | (7%) | (7%) | 190 | 206 | (8%) | (7%) |
| Percent of net sales | 37.4% | 41.4% | | | 38.3% | 41.5% | | |
| SG&A | 80 | 75 | 7% | 8% | 153 | 149 | 2% | 3% |
| Operating income | 16 | 29 | (45%) | (45%) | 37 | 56 | (35%) | (35%) |
| Percent of net sales | 6.2% | 11.5% | | | 7.4% | 11.4% | | |
| EBITDA | 23 | 37 | (39%) | (38%) | 50 | 73 | (31%) | (30%) |
| Percent of net sales | 8.8% | 14.8% | | | 10.1% | 14.6% | | |
| 1 A non-GAAP measure, see reconciliations of non-GAAP measures later in this release. | | | | | | | | |

Net sales for the second quarter of fiscal 2017 were \$256 million, an increase of three percent on a nominal and ex-FX basis compared to the prior year, primarily due to stronger sales in Asia. On an operational basis in the second quarter of fiscal 2017, gross margin decreased 400 basis points to 37.4 percent compared to the prior year as a result of geographic and product mix. SG&A expenses as a percent of net sales increased 130 basis points to 31.2 percent compared to the prior year, primarily as a result of higher research and development costs to support new product introductions.

On a GAAP basis in the second quarter of fiscal 2017, gross margin decreased 400 basis points to 37.4 percent. SG&A expenses as a percent of net sales increased 160 basis points to 33.4 percent compared to prior year.

Professional Solutions Highlights

HARMAN secured new and follow-on orders for its entertainment and enterprise solutions from the U.S. Strategic Command, Warner Brothers Park in the UAE and Nike. Notable installations included the University of Nebraska, the Norwegian Cruise Line Ships, and Samsung Hall in Switzerland. HARMAN's solutions also powered a wide range of high-profile special events, music festivals, concerts and events including the U.S. Presidential Inauguration.

HARMAN and Cinemark entered a strategic partnership appointing HARMAN as the exclusive audio equipment provider for Cinemark theaters for the next three years. Cinemark is a leader in the motion picture exhibition industry with 522 theaters and 5,865 screens in the U.S. and Latin America.

The division also launched 11 new products during the quarter, several of which were recognized with innovation awards from industry experts.

Connected Services

| FY 2017 Key Figures – Connected Services | Three Months Ended December 31 | | | | Six Months Ended December 31 | | | |
|---|--------------------------------|---------|----------------------------|---|------------------------------|---------|----------------------------|---|
| | | | Increase (Decrease) | | | | Increase (Decrease) | |
| <i>\$ millions (except per share data)</i> | 3M FY17 | 3M FY16 | Including Currency Changes | Excluding Currency Changes ¹ | 6M FY17 | 6M FY16 | Including Currency Changes | Excluding Currency Changes ¹ |
| Net sales | 173 | 154 | 13% | 16% | 340 | 313 | 8% | 11% |
| Gross profit | 54 | 53 | 2% | 6% | 106 | 107 | (1%) | 1% |
| Percent of net sales | 31.0% | 34.2% | | | 31.1% | 34.0% | | |
| SG&A | 34 | 48 | (28%) | (28%) | 84 | 96 | (12%) | (11%) |
| Operating income | 20 | 5 | 304% | 433% | 21 | 10 | 102% | 141% |
| Percent of net sales | 11.3% | 3.2% | | | 6.2% | 3.3% | | |
| EBITDA | 27 | 19 | 40% | 49% | 36 | 39 | (6%) | (2%) |
| Percent of net sales | 15.7% | 12.6% | | | 10.7% | 12.3% | | |
| Restructuring & non-recurring costs | 1 | 1 | | | 2 | 1 | | |
| Acquisition-related items | 6 | 14 | | | 23 | 28 | | |
| <u>Non-GAAP - operational¹</u> | | | | | | | | |
| Gross profit | 54 | 53 | 3% | 7% | 106 | 107 | (1%) | 2% |
| Percent of net sales | 31.3% | 34.2% | | | 31.2% | 34.0% | | |
| SG&A | 28 | 34 | (18%) | (16%) | 60 | 68 | (12%) | (10%) |
| Operating income | 26 | 19 | 41% | 50% | 46 | 39 | 18% | 24% |
| Percent of net sales | 15.2% | 12.2% | | | 13.5% | 12.4% | | |
| EBITDA | 28 | 22 | 30% | 38% | 50 | 45 | 12% | 16% |
| Percent of net sales | 16.4% | 14.2% | | | 14.7% | 14.3% | | |
| 1 A non-GAAP measure, see reconciliations of non-GAAP measures later in this release. | | | | | | | | |

Net sales in the second quarter of fiscal 2017 were \$173 million, an increase of 13 percent (16 percent ex-FX) compared to the prior year due to higher demand for automotive services.

On an operational basis, gross margin declined 290 basis points to 31.3 percent primarily due to higher revenue recognition on high-margin engineering change orders in the prior year. SG&A expenses as a percent of net sales decreased 600 basis points to 16.0 percent due to productivity improvements as a result of footprint migration initiatives.

On a GAAP basis, gross margin decreased 320 basis points to 31.0 percent. SG&A expenses as a percent of net sales decreased from 31.1 percent in the prior year to 19.7 percent primarily driven by productivity improvements and lower amortization of acquired intangible assets.

Connected Services Highlights

HARMAN secured awards to provide software services for customers including AT&T, Hitachi, Intel, Microsoft, Sprint and Verizon, among others. The Company also won a number of awards for its cloud-based Over-The-Air (OTA) software update technology from customers including a U.S. Automaker, Porsche and Renault.

For the second straight year, HfS Research, a leading authority and global network for IT and business services, recognized HARMAN with a place in its "Winner's Circle", recognizing the Company's excellence in design and cloud-driven product modernization services.

Other (Corporate)

| FY 2017 Key Figures – Other | Three Months Ended December 31 | | | | Six Months Ended December 31 | | | |
|---|--------------------------------|---------|----------------------------|---|------------------------------|---------|----------------------------|---|
| | | | Increase (Decrease) | | | | Increase (Decrease) | |
| <i>\$ millions (except per share data)</i> | 3M FY17 | 3M FY16 | Including Currency Changes | Excluding Currency Changes ¹ | 6M FY17 | 6M FY16 | Including Currency Changes | Excluding Currency Changes ¹ |
| SG&A | 58 | 37 | 56% | 56% | 93 | 71 | 31% | 31% |
| Restructuring & non-recurring costs | 15 | (1) | | | 14 | (1) | | |
| Acquisition-related items | 0 | (2) | | | 0 | (1) | | |
| <u>Non-GAAP - operational¹</u> | | | | | | | | |
| SG&A | 43 | 40 | 7% | 7% | 79 | 73 | 8% | 8% |
| 1 A non-GAAP measure, see reconciliations of non-GAAP measures later in this release. | | | | | | | | |

Other (Corporate) SG&A expenses includes compensation, benefit and occupancy costs for corporate employees, new technology innovation and expenses associated with the Company's brand identity campaign. On an operational basis, Corporate SG&A expenses as a percent of total net sales remained consistent with the prior year. On a GAAP basis, Corporate SG&A expenses as a percent of total net sales increased 90 basis points compared to the prior year due to costs associated with the pending Samsung transaction and one-time stock compensation costs.

HARMAN International Industries, Incorporated
Consolidated Statements of Income

| (In thousands, except earnings per share data; unaudited) | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|----------------|----------------------------------|----------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Net sales | \$1,947,474 | \$1,772,157 | \$3,706,996 | \$3,403,045 |
| Cost of sales | 1,339,513 | 1,227,065 | 2,557,764 | 2,370,555 |
| Gross profit | 607,961 | 545,092 | 1,149,232 | 1,032,490 |
| Selling, general and administrative expenses | 433,947 | 385,939 | 824,407 | 741,870 |
| Operating income | 174,014 | 159,153 | 324,825 | 290,620 |
| Other expenses: | | | | |
| Interest expense, net | 9,214 | 7,666 | 18,538 | 15,925 |
| Foreign exchange losses (gains), net | 2,365 | 887 | 1,398 | (958) |
| Miscellaneous, net | 1,916 | 4,363 | 4,811 | 8,350 |
| Income before income taxes | 160,519 | 146,237 | 300,078 | 267,303 |
| Income tax expense, net | 60,865 | 33,050 | 98,288 | 66,600 |
| Equity in loss (income) of unconsolidated subsidiaries | 205 | - | (776) | - |
| Net income | 99,449 | 113,187 | 202,566 | 200,703 |
| Net income attributable to non-controlling interest | - | 289 | - | 707 |
| Net income attributable to HARMAN International Industries, Incorporated | <u>99,449</u> | <u>112,898</u> | <u>202,566</u> | <u>199,996</u> |
| Earnings per share: | | | | |
| Basic | \$1.40 | \$1.57 | \$2.86 | \$2.78 |
| Diluted | \$1.39 | \$1.55 | \$2.83 | \$2.76 |
| Weighted average shares outstanding: | | | | |
| Basic | 70,986 | 72,079 | 70,938 | 72,060 |
| Diluted | 71,712 | 72,830 | 71,510 | 72,549 |

HARMAN International Industries, Incorporated
Consolidated Balance Sheets

| (In thousands; unaudited) | December 31, <u>2016</u> | June 30, <u>2016</u> |
|--|-----------------------------|-------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$683,351 | \$602,300 |
| Receivables, net | 1,195,761 | 1,122,920 |
| Inventories | 787,559 | 706,084 |
| Other current assets | 584,653 | 487,151 |
| Total current assets | 3,251,324 | 2,918,455 |
| Property, plant and equipment, net | 579,039 | 593,290 |
| Intangible assets, net | 435,930 | 476,284 |
| Goodwill | 1,500,499 | 1,510,279 |
| Deferred tax assets, long-term, net | 131,681 | 140,181 |
| Other assets | 433,150 | 409,380 |
| Total assets | <u>\$6,331,623</u> | <u>\$6,047,869</u> |
| | | |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Current portion of long-term debt | \$55,543 | \$86,641 |
| Short-term debt | 2,832 | - |
| Accounts payable | 1,001,822 | 867,279 |
| Accrued liabilities | 724,759 | 670,746 |
| Accrued warranties | 185,656 | 178,367 |
| Income taxes payable | 40,762 | 28,773 |
| Total current liabilities | 2,011,374 | 1,831,806 |
| Borrowings under revolving credit facility | 513,000 | 523,000 |
| Long-term debt | 766,601 | 787,333 |
| Pension liability | 210,471 | 216,016 |
| Other non-current liabilities | 253,718 | 237,241 |
| Total liabilities | 3,755,164 | 3,595,396 |
| Total equity | 2,576,459 | 2,452,473 |
| Total liabilities and equity | <u>\$6,331,623</u> | <u>\$6,047,869</u> |
| | | |

HARMAN International Industries, Incorporated
Consolidated Statement of Income
Reconciliation of GAAP to Non-GAAP Results

| (In thousands except earnings per share data; unaudited) | Three Months Ended December 31, 2016 | | |
|--|---|-----------------------|-----------------------------------|
| | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> |
| Net sales | \$1,947,474 | \$0 | \$1,947,474 |
| Cost of sales | 1,339,513 | (742) ^a | 1,338,771 |
| Gross profit | 607,961 | 742 | 608,703 |
| Selling, general and administrative expenses | 433,947 | (53,073) ^b | 380,874 |
| Operating income | 174,014 | 53,815 | 227,829 |
| Other expenses: | | | |
| Interest expense, net | 9,214 | 0 | 9,214 |
| Foreign exchange losses (gains), net | 2,365 | 0 | 2,365 |
| Miscellaneous, net | 1,916 | 4 | 1,920 |
| Income before income taxes | 160,519 | 53,811 | 214,330 |
| Income tax expense, net | 60,865 | (5,987) ^c | 54,878 |
| Equity in loss (income) of unconsolidated subsidiaries | 205 | - | 205 |
| Net income | 99,449 | 59,798 | 159,247 |
| Net income attributable to HARMAN International Industries, Incorporated | <u>\$99,449</u> | <u>\$59,798</u> | <u>\$159,247</u> |
| Earnings per share: | | | |
| Basic | \$1.40 | \$0.84 | \$2.24 |
| Diluted | \$1.39 | \$0.83 | \$2.22 |
| Weighted average shares outstanding: | | | |
| Basic | 70,986 | | 70,986 |
| Diluted | 71,712 | | 71,712 |

- a) Restructuring expense in Cost of Sales was \$0.7 million for projects to increase manufacturing productivity.
- b) Restructuring expense in SG&A was \$20.4 million primarily due to projects to increase productivity in engineering, manufacturing and administrative functions; acquisition-related expenses were \$15.7 million, including \$11.7 million of intangible amortization expenses; other non-recurring expenses included in SG&A were \$17.0 million, which primarily relate to the planned acquisition of HARMAN by Samsung and one-time stock compensation costs.
- c) The tax benefits are calculated by multiplying the actual restructuring / non-recurring charge in each individual country by the discrete tax rate within that specific country. Also included is a discrete tax charge of \$22.7 million from deemed income on foreign earnings attributable to fiscal years 2014, 2015 and 2016.

HARMAN has provided a reconciliation of non-GAAP measures in order to provide the users of these consolidated financial statements with a better understanding of its restructuring, acquisition-related, and non-recurring charges. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. These measurements should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Consolidated Statement of Income
Reconciliation of GAAP to Non-GAAP Results

| (In thousands except earnings per share data; unaudited) | Six Months Ended December 31, 2016 | | |
|--|---------------------------------------|-----------------------|-----------------------------------|
| | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> |
| Net sales | \$3,706,996 | \$0 | \$3,706,996 |
| Cost of sales | 2,557,764 | (1,430) ^a | 2,556,334 |
| Gross profit | 1,149,232 | 1,430 | 1,150,662 |
| Selling, general and administrative expenses | 824,407 | (89,071) ^b | 735,336 |
| Operating income | 324,825 | 90,501 | 415,326 |
| Other expenses: | | | |
| Interest expense, net | 18,538 | - | 18,538 |
| Foreign exchange losses (gains), net | 1,398 | - | 1,398 |
| Miscellaneous, net | 4,811 | (966) | 3,845 |
| Income before income taxes | 300,078 | 91,467 | 391,545 |
| Income tax expense, net | 98,288 | 1,194 ^c | 99,482 |
| Equity in loss (income) of unconsolidated subsidiaries | (776) | - | (776) |
| Net income | 202,566 | 90,273 | 292,839 |
| Net income attributable to HARMAN International Industries, Incorporated | <u>\$202,566</u> | <u>\$90,273</u> | <u>\$292,839</u> |
| Earnings per share: | | | |
| Basic | \$2.86 | \$1.27 | \$4.13 |
| Diluted | \$2.83 | \$1.26 | \$4.10 |
| Weighted average shares outstanding: | | | |
| Basic | 70,938 | | 70,938 |
| Diluted | 71,510 | | 71,510 |

- a) Restructuring expense in Cost of Sales was \$1.4 million for projects to increase manufacturing productivity.
- b) Restructuring expense in SG&A \$32.3 million due engineering, manufacturing and administrative functions; acquisition-related expenses were \$39.4 million, including \$23.5 million of intangible amortization expenses; other non-recurring expense included in SG&A was \$17.4 million primarily related to the planned acquisition of HARMAN by Samsung and one-time stock compensation costs.
- c) The tax benefits are calculated by multiplying the actual restructuring / non-recurring charge in each individual country by the discrete tax rate within that specific country. Also included is a discrete tax charge of \$22.7 million from deemed income on foreign earnings attributable to fiscal years 2014, 2015 and 2016.

HARMAN has provided a reconciliation of non-GAAP measures in order to provide the users of these consolidated financial statements with a better understanding of its restructuring, acquisition-related, and non-recurring charges. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. These measurements should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Consolidated Statement of Income
Reconciliation of GAAP to Non-GAAP Results

| (In thousands except earnings per share data; unaudited) | Three Months Ended December 31, 2015 | | |
|--|---|-----------------------|-----------------------------------|
| | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> |
| Net sales | \$1,772,157 | \$0 | \$1,772,157 |
| Cost of sales | 1,227,065 | (1,322) ^a | 1,225,743 |
| Gross profit | 545,092 | 1,322 | 546,414 |
| Selling, general and administrative expenses | 385,939 | (25,522) ^b | 360,417 |
| Operating income | 159,153 | 26,844 | 185,997 |
| Other expenses: | | | |
| Interest expense, net | 7,666 | - | 7,666 |
| Foreign exchange losses (gains), net | 887 | - | 887 |
| Miscellaneous, net | 4,363 | (1,914) | 2,449 |
| Income before income taxes | 146,237 | 28,758 | 174,995 |
| Income tax expense, net | 33,050 | 7,426 ^c | 40,476 |
| Net income | 113,187 | 21,332 | 134,519 |
| Net income attributable to non-controlling interest | 289 | 0 | 289 |
| Net income attributable to HARMAN International Industries, Incorporated | <u>\$112,898</u> | <u>\$21,332</u> | <u>\$134,230</u> |
| Earnings per share: | | | |
| Basic | \$1.57 | \$0.30 | \$1.86 |
| Diluted | \$1.55 | \$0.30 | \$1.84 |
| Weighted average shares outstanding: | | | |
| Basic | 72,079 | | 72,079 |
| Diluted | 72,830 | | 72,830 |
| | | | |

- a) Restructuring expense in Cost of Sales was \$1.3 million for projects to increase manufacturing productivity.
- b) Restructuring expense in SG&A was \$3.6 million primarily due to projects to increase productivity in engineering, manufacturing and administrative functions; other non-recurring expense included in SG&A was \$4.5 million. Acquisition-related expenses were \$17.4 million, including \$17.0 million of intangible amortization expenses.
- c) The tax benefits are calculated by multiplying the actual restructuring / non-recurring charge in each individual country by the discrete tax rate within that specific country.

HARMAN has provided a reconciliation of non-GAAP measures in order to provide the users of these consolidated financial statements with a better understanding of its non-recurring charges. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. These measurements should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Selected Financial Data
Reconciliation of GAAP to Non-GAAP Results

| (In thousands except earnings per share data; unaudited) | Six Months Ended December 31, 2015 | | |
|---|---------------------------------------|-----------------------|-----------------------------------|
| | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> |
| Net sales | \$3,403,045 | \$0 | \$3,403,045 |
| Cost of sales | 2,370,555 | (3,001) ^a | 2,367,554 |
| Gross profit | 1,032,490 | 3,001 | 1,035,491 |
| Selling, general and administrative expenses | 741,870 | (50,296) ^b | 691,574 |
| Operating income | 290,620 | 53,297 | 343,917 |
| Other expenses: | | | |
| Interest expense, net | 15,925 | - | 15,925 |
| Foreign exchange losses (gains), net | (958) | - | (958) |
| Miscellaneous, net | 8,350 | (3,137) | 5,213 |
| Income before income taxes | 267,303 | 56,434 | 323,737 |
| Income tax expense, net | 66,600 | 15,186 ^c | 81,786 |
| Net income | 200,703 | 41,248 | 241,951 |
| Net income attributable to non-controlling interest | 707 | - | 707 |
| Net income attributable to HARMAN International Industries, Incorporated | <u>\$199,996</u> | <u>\$41,248</u> | <u>\$241,244</u> |
| Earnings per share: | | | |
| Basic | \$2.78 | \$0.57 | \$3.35 |
| Diluted | \$2.76 | \$0.57 | \$3.33 |
| Weighted average shares outstanding: | | | |
| Basic | 72,060 | | 72,060 |
| Diluted | 72,549 | | 72,549 |
| | | | |

- a) Restructuring expense in Cost of Sales was \$3.0 million for projects to increase manufacturing productivity.
- b) Restructuring expense in SG&A was \$3.1 million primarily due to projects to increase productivity in engineering, manufacturing and administrative functions; other non-recurring expense included in SG&A was \$6.4 million. Acquisition-related expenses were \$40.8 million, including \$33.2 million of intangible amortization expenses.
- c) The tax benefits are calculated by multiplying the actual restructuring / non-recurring charge in each individual country by the discrete tax rate within that specific country.

HARMAN International Industries, Incorporated
Selected Financial Data
Reconciliation of Non-GAAP Results
Foreign Currency Translation Impact

| (In thousands; unaudited) | Three Months Ended December 31, | | Increase / (Decrease) |
|---|------------------------------------|-----------------|--------------------------|
| | <u>2016</u> | <u>2015</u> | |
| Net sales - nominal currency | \$1,947,474 | \$1,772,157 | 10% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(12,346)</u> | |
| Net sales - local currency | \$1,947,474 | \$1,759,811 | 11% |
| Gross profit - nominal currency | \$607,961 | \$545,092 | 12% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(4,844)</u> | |
| Gross profit - local currency | \$607,961 | \$540,248 | 13% |
| SG&A - nominal currency | \$433,947 | \$385,939 | 12% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(2,156)</u> | |
| SG&A - local currency | \$433,947 | \$383,783 | 13% |
| Operating income - nominal currency | \$174,014 | \$159,153 | 9% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(2,688)</u> | |
| Operating income - local currency | \$174,014 | \$156,465 | 11% |
| Net income attributable to HARMAN International Industries, Incorporated - nominal currency | \$99,449 | \$112,898 | (12%) |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(946)</u> | |
| Net income attributable to HARMAN International Industries, Incorporated - local currency | \$99,449 | \$111,952 | (11%) |
| (1) Impact of restating prior year results at current year foreign exchange rates. | | | |

HARMAN has provided a reconciliation of the non-GAAP measures in the table above to provide the users of the consolidated financial statements with a better understanding of the Company's performance. Because changes in currency exchange rates affect its reported financial results, the Company shows the rates of change both including and excluding the effect of these changes in exchange rates. The Company encourages readers of its financial statements to evaluate its financial performance excluding the impact of foreign currency translation. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. This measurement should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Selected Financial Data
Reconciliation of Non-GAAP Results
Foreign Currency Translation Impact

| EXCLUDING restructuring and non-recurring charges (In thousands; unaudited) | Three Months Ended December 31, | | Increase / (Decrease) |
|--|------------------------------------|-----------------|--------------------------|
| | <u>2016</u> | <u>2015</u> | |
| Net sales - nominal currency | \$1,947,474 | \$1,772,157 | 10% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(12,346)</u> | |
| Net sales - local currency | \$1,947,474 | \$1,759,811 | 11% |
| Gross profit - nominal currency | \$608,703 | \$546,414 | 11% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(4,860)</u> | |
| Gross profit - local currency | \$608,703 | \$541,554 | 12% |
| SG&A - nominal currency | \$380,874 | \$360,417 | 6% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(1,918)</u> | |
| SG&A - local currency | \$380,874 | \$358,499 | 6% |
| Operating income - nominal currency | \$227,829 | \$185,997 | 22% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(2,947)</u> | |
| Operating income - local currency | \$227,829 | \$183,050 | 24% |
| Net income attributable to HARMAN International Industries, Incorporated - nominal currency | \$159,247 | \$134,230 | 19% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(1,200)</u> | |
| Net income attributable to HARMAN International Industries, Incorporated - local currency | \$159,247 | \$133,030 | 20% |
| (1) Impact of restating prior year results at current year foreign exchange rates. | | | |

HARMAN has provided a reconciliation of the non-GAAP measures in the table above to provide the users of the consolidated financial statements with a better understanding of the Company's performance. Because changes in currency exchange rates affect its reported financial results, the Company shows the rates of change both including and excluding the effect of these changes in exchange rates. The Company encourages readers of its financial statements to evaluate its financial performance excluding the impact of foreign currency translation. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. This measurement should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Selected Financial Data
Reconciliation of GAAP to Non-GAAP Results
Foreign Currency Translation Impact

| (In thousands; unaudited) | Six Months Ended December 31, | | Increase / (Decrease) |
|---|----------------------------------|-----------------|--------------------------|
| | <u>2016</u> | <u>2015</u> | |
| Net sales - nominal currency | \$3,706,996 | \$3,403,045 | 9% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(13,051)</u> | |
| Net sales - local currency | \$3,706,996 | \$3,389,994 | 9% |
| Gross profit - nominal currency | \$1,149,232 | \$1,032,490 | 11% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(6,127)</u> | |
| Gross profit - local currency | \$1,149,232 | \$1,026,363 | 12% |
| SG&A - nominal currency | \$824,407 | \$741,870 | 11% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(2,215)</u> | |
| SG&A - local currency | \$824,407 | \$739,655 | 11% |
| Operating income - nominal currency | \$324,825 | \$290,620 | 12% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(3,912)</u> | |
| Operating income - local currency | \$324,825 | \$286,708 | 13% |
| Net income attributable to HARMAN International Industries, Incorporated - nominal currency | \$202,566 | \$199,996 | 1% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(2,173)</u> | |
| Net income attributable to HARMAN International Industries, Incorporated - local currency | \$202,566 | \$197,823 | 2% |
| (1) Impact of restating prior year results at current year foreign exchange rates. | | | |

HARMAN has provided a reconciliation of the non-GAAP measures in the table above to provide the users of the consolidated financial statements with a better understanding of the Company's performance. Because changes in currency exchange rates affect its reported financial results, the Company shows the rates of change both including and excluding the effect of these changes in exchange rates. The Company encourages readers of its financial statements to evaluate its financial performance excluding the impact of foreign currency translation. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. This measurement should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Selected Financial Data
Reconciliation of GAAP to Non-GAAP Results
Foreign Currency Translation Impact

| EXCLUDING restructuring and non-recurring charges (In thousands; unaudited) | Six Months Ended December 31, | | Increase / (Decrease) |
|--|----------------------------------|-----------------|--------------------------|
| | 2016 | 2015 | |
| Net sales - nominal currency | \$3,706,996 | \$3,403,045 | 9% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(13,051)</u> | |
| Net sales - local currency | \$3,706,996 | \$3,389,994 | 9% |
| Gross profit - nominal currency | \$1,150,662 | \$1,035,491 | 11% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(6,139)</u> | |
| Gross profit - local currency | \$1,150,662 | \$1,029,352 | 12% |
| SG&A - nominal currency | \$735,336 | \$691,574 | 6% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(1,960)</u> | |
| SG&A - local currency | \$735,336 | \$689,614 | 7% |
| Operating income - nominal currency | \$415,326 | \$343,917 | 21% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(4,178)</u> | |
| Operating income - local currency | \$415,326 | \$339,739 | 22% |
| Net income attributable to HARMAN International Industries, Incorporated - nominal currency | \$292,839 | \$241,244 | 21% |
| Effects of foreign currency translation ⁽¹⁾ | | <u>(2,429)</u> | |
| Net income attributable to HARMAN International Industries, Incorporated - local currency | \$292,839 | \$238,815 | 23% |
| (1) Impact of restating prior year results at current year foreign exchange rates. | | | |

HARMAN has provided a reconciliation of the non-GAAP measures in the table above to provide the users of the consolidated financial statements with a better understanding of the Company's performance. Because changes in currency exchange rates affect its reported financial results, the Company shows the rates of change both including and excluding the effect of these changes in exchange rates. The Company encourages readers of its financial statements to evaluate its financial performance excluding the impact of foreign currency translation. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. This measurement should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Selected Financial Data
Reconciliation of GAAP to Non-GAAP Results

| (In thousands, except earnings per share data; unaudited) | Three Months Ended December 31, 2016 | | | Three Months Ended December 31, 2015 | | |
|---|---|--------------------|-----------------------------------|---|--------------------|-----------------------------------|
| | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> |
| HARMAN | | | | | | |
| Operating income | 174,014 | 53,815 | 227,829 | 159,153 | 26,844 | 185,997 |
| Depreciation & Amortization | 52,592 | (12,312) | 40,280 | 57,997 | (18,904) | 39,093 |
| EBITDA | 226,606 | 41,503 | 268,109 | 217,150 | 7,940 | 225,090 |
| CONNECTED CAR | | | | | | |
| Operating income | 76,958 | 20,997 | 97,955 | 84,266 | 3,733 | 87,999 |
| Depreciation & Amortization | 20,515 | (856) | 19,659 | 19,016 | (1,807) | 17,209 |
| EBITDA | 97,473 | 20,141 | 117,614 | 103,282 | 1,926 | 105,208 |
| LIFESTYLE AUDIO | | | | | | |
| Operating income | 125,798 | 5,460 | 131,258 | 83,018 | 7,481 | 90,499 |
| Depreciation & Amortization | 14,614 | (4,839) | 9,775 | 13,595 | (5,003) | 8,592 |
| EBITDA | 140,412 | 621 | 141,033 | 96,613 | 2,478 | 99,091 |
| PROFESSIONAL SOLUTIONS | | | | | | |
| Operating income | 10,228 | 5,509 | 15,737 | 23,952 | 4,632 | 28,584 |
| Depreciation & Amortization | 8,000 | (1,162) | 6,838 | 8,854 | (620) | 8,234 |
| EBITDA | 18,228 | 4,347 | 22,575 | 32,806 | 4,012 | 36,818 |
| CONNECTED SERVICES | | | | | | |
| Operating income | 19,629 | 6,726 | 26,355 | 4,865 | 13,880 | 18,745 |
| Depreciation & Amortization | 7,495 | (5,456) | 2,039 | 14,515 | (11,475) | 3,040 |
| EBITDA | 27,124 | 1,270 | 28,394 | 19,380 | 2,405 | 21,785 |

HARMAN has provided a reconciliation of non-GAAP measures in order to provide the users of these consolidated financial statements with a better understanding of its non-recurring charges. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. These measurements should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

HARMAN International Industries, Incorporated
Selected Financial Data
Reconciliation of GAAP to Non-GAAP Results

| (In thousands, except earnings per share data; unaudited) | Six Months Ended December 31, 2016 | | | Six Months Ended December 31, 2015 | | |
|---|---------------------------------------|--------------------|-----------------------------------|---------------------------------------|--------------------|-----------------------------------|
| | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> | <u>GAAP</u> | <u>Adjustments</u> | <u>Non-GAAP - Operational</u> |
| HARMAN | | | | | | |
| Operating income | 324,825 | 90,501 | 415,326 | 290,620 | 53,297 | 343,917 |
| Depreciation & Amortization | 103,780 | (24,199) | 79,581 | 114,837 | (37,145) | 77,692 |
| EBITDA | 428,605 | 66,302 | 494,907 | 405,457 | 16,152 | 421,609 |
| CONNECTED CAR | | | | | | |
| Operating income | 171,876 | 23,700 | 195,576 | 171,485 | 4,779 | 176,264 |
| Depreciation & Amortization | 40,961 | (1,734) | 39,227 | 37,419 | (3,643) | 33,776 |
| EBITDA | 212,837 | 21,966 | 234,803 | 208,904 | 1,136 | 210,040 |
| LIFESTYLE AUDIO | | | | | | |
| Operating income | 204,480 | 13,192 | 217,672 | 130,271 | 15,023 | 145,294 |
| Depreciation & Amortization | 28,568 | (9,816) | 18,752 | 27,430 | (10,131) | 17,299 |
| EBITDA | 233,048 | 3,376 | 236,424 | 157,701 | 4,892 | 162,593 |
| PROFESSIONAL SOLUTIONS | | | | | | |
| Operating income | 21,910 | 14,803 | 36,713 | 49,637 | 6,816 | 56,453 |
| Depreciation & Amortization | 15,256 | (1,746) | 13,510 | 17,359 | (1,258) | 16,101 |
| EBITDA | 37,166 | 13,057 | 50,223 | 66,996 | 5,558 | 72,554 |
| CONNECTED SERVICES | | | | | | |
| Operating income | 21,192 | 24,745 | 45,937 | 10,496 | 28,353 | 38,849 |
| Depreciation & Amortization | 15,049 | (10,904) | 4,145 | 28,146 | (22,113) | 6,033 |
| EBITDA | 36,241 | 13,841 | 50,082 | 38,642 | 6,240 | 44,882 |

HARMAN has provided a reconciliation of non-GAAP measures in order to provide the users of these consolidated financial statements with a better understanding of its non-recurring charges. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. These measurements should be considered in addition to, but not as a substitute for, the information contained in HARMAN's consolidated financial statements prepared in accordance with US GAAP.

Harman International Industries, Incorporated
Intercompany Revenue Reconciliation, 3 Months Ended December 31, 2016

| Three Months Ended December 31, 2016 <i>(In thousands; unaudited)</i> | Connected Car | Lifestyle Audio | Professional Solutions | Connected Services | Other & Eliminations | HARMAN |
|---|--------------------------|----------------------------|-----------------------------------|-------------------------------|-------------------------------------|---------------|
| Net Trade Sales | \$769,293 | \$764,260 | \$254,630 | \$159,291 | - | \$1,947,474 |
| Intercompany Sales | 6 | 762 | 1,020 | 14,017 | (15,805) | - |
| Net Sales | 769,299 | 765,022 | 255,650 | 173,308 | (15,805) | 1,947,474 |

Harman International Industries, Incorporated
Intercompany Revenue Reconciliation, 3 Months Ended December 31, 2015

| Three Months Ended December 31, 2015 <i>(In thousands; unaudited)</i> | Connected Car | Lifestyle Audio | Professional Solutions | Connected Services | Other & Eliminations | HARMAN |
|---|--------------------------|----------------------------|-----------------------------------|-------------------------------|-------------------------------------|---------------|
| Net Trade Sales | \$736,969 | \$640,573 | \$248,275 | \$146,340 | - | \$1,772,157 |
| Intercompany Sales | - | 736 | 596 | 7,200 | (8,532) | - |
| Net Sales | 736,969 | 641,309 | 248,871 | 153,540 | (8,532) | 1,772,157 |

Harman International Industries, Incorporated
Intercompany Revenue Reconciliation, 6 Months Ended December 31, 2016

| Six Months Ended December 31, 2016 <i>(In thousands; unaudited)</i> | Connected Car | Lifestyle Audio | Professional Solutions | Connected Services | Other & Eliminations | HARMAN |
|---|--------------------------|----------------------------|-----------------------------------|-------------------------------|-------------------------------------|---------------|
| Net Trade Sales | \$1,566,394 | \$1,331,952 | \$494,370 | \$314,280 | - | \$3,706,996 |
| Intercompany Sales | 22 | 1,452 | 1,503 | 25,699 | (28,676) | - |
| Net Sales | 1,566,416 | 1,333,404 | 495,873 | 339,979 | (28,676) | 3,706,996 |

Harman International Industries, Incorporated
Intercompany Revenue Reconciliation, 6 Months Ended December 31, 2015

| Six Months Ended December 31, 2015 <i>(In thousands; unaudited)</i> | Connected Car | Lifestyle Audio | Professional Solutions | Connected Services | Other & Eliminations | HARMAN |
|---|--------------------------|----------------------------|-----------------------------------|-------------------------------|-------------------------------------|---------------|
| Net Trade Sales | \$1,492,452 | \$1,116,110 | \$494,608 | \$299,836 | \$39 | \$3,403,045 |
| Intercompany Sales | - | 1,270 | 1,369 | 13,617 | (16,256) | - |
| Net Sales | 1,492,452 | 1,117,380 | 495,977 | 313,453 | (16,217) | 3,403,045 |

HARMAN International Industries, Incorporated
Total Liquidity Reconciliation

| Total Company Liquidity | December 31, |
|--|---------------------|
| <i>\$ millions</i> | 2016 |
| Cash & cash equivalents | \$683 |
| Available credit under Revolving Credit Facility | 683 |
| Total Liquidity | \$1,366 |