HARMAN INTERNATIONAL INDUSTRIES INC /DE/
Form 10-Q
February 08, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number: 1-9764

Harman International Industries, Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**11-2534306**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
400 Atlantic Street, Suite 1500	
Stamford, CT	**06901**
(Address of principal executive offices)	**(Zip code)**

(203) 328-3500

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

As of January 31, 2010, 69,438,171 shares of common stock, par value $.01, were outstanding.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

Form 10-Q

December 31, 2009

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References to Harman International , the Company , we , us , and our in this Form 10-Q refer to Harman International Industries, Incorporated its subsidiaries unless the context requires otherwise.

Harman International, the Harman International logo, and the Harman International products and brand names referred to herein are either the trademarks or the registered trademarks of Harman International. All other trademarks are the property of their respective owners.

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Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. You should not place undue reliance on these statements. Forward-looking statements include information concerning possible or assumed future results of operations, capital expenditures, the outcome of pending legal proceedings and claims, goals and objectives for future operations, including descriptions of our business strategies and purchase commitments from customers. These statements are typically identified by words such as believe, anticipate, expect, plan, intend, estimate, should, will and simila 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 conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read and consider the information in this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. In light of these risks and uncertainties, we cannot assure you that the results and events contemplated by the forward-looking statements contained in, or incorporated by reference into, this report will in fact transpire.

You should carefully consider the risks described below and the other information in this report because they identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. Our operating results may fluctuate significantly and may not meet our expectations or those of securities analysts or investors. The price of our stock would likely decline if this occurs. Factors that may cause fluctuations in our operating results include, but are not limited to, the following:

- our ability to successfully implement our STEP Change cost reduction initiatives and to achieve the intended benefits and anticipated savings of those initiatives;
- our ability to achieve profitability in our automotive division;
- the loss of one or more significant customers, or the loss of a significant platform with an automotive customer;
- warranty obligations for defects in our products;
- our ability to successfully implement our global footprint initiative, including achieving cost reductions and other benefits in connection with the restructuring of our manufacturing, engineering, procurement and administrative organizations;
- the inability of our suppliers to deliver products at the scheduled rate and disruptions arising in connection therewith;
- our ability to attract and retain qualified senior management and to prepare and implement an appropriate succession plan for our critical organizational positions;
- our failure to implement a comprehensive disaster recovery program;
- our failure to comply with governmental rules and regulations, including FCPA and U.S. export control laws, and the cost of compliance with such laws;
- our ability to maintain a competitive technological advantage through innovation and leading product designs;

acceptance by OEMs and customers of our mid-platform infotainment system;

the outcome of pending or future litigation and other claims, including, but not limited to the current stockholder and ERISA lawsuits; and

our ability to enforce or defend our ownership and use of intellectual property.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. As a result, the foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with the Securities and Exchange Commission including the information in Item 1A, under the caption Risk Factors of Part I to our Annual Report on Form 10-K for the fiscal year ended June 30, 2009, Item 1A, Risk Factors of Part II to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and Item 1A of Part II of this report. We undertake no obligation to publicly update or revise any forward-looking statement (except as required by law).

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

(In thousands)

	December 31, 2009 (Unaudited)	June 30, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 474,908	$ 586,359
Short-term investments	154,927	
Receivables, net	503,297	415,837
Inventories, net	366,116	333,704
Other current assets	153,827	170,422
Total current assets	1,653,075	1,506,322
Property, plant and equipment, net	471,680	518,596
Goodwill	85,961	81,877
Deferred tax assets, long-term	272,033	274,312
Other assets	102,017	92,390
Total Assets	**$ 2,584,766**	**$ 2,473,497**
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 631	$ 605
Accounts payable	318,582	241,420
Accrued liabilities	371,550	362,781
Accrued warranties	89,452	116,673
Income taxes payable	6,009	22,051
Total current liabilities	786,224	743,530
Borrowings under revolving credit facility	222,535	227,319
Convertible senior notes	355,326	347,837
Other senior debt	1,230	1,535
Other non-current liabilities	172,454	145,358
Total Liabilities	**1,537,769**	**1,465,579**
Preferred stock		
Common stock	950	949
Additional paid-in capital	880,204	869,609
Accumulated other comprehensive income	79,841	57,198
Retained earnings	1,133,572	1,126,946
Less: Common stock held in treasury	(1,047,570)	(1,047,570)

Total Harman International Industries, Incorporated Shareholders Equity	**1,046,997**	**1,007,132**
Noncontrolling Interest		786
Total Equity	**1,046,997**	**1,007,918**
Total Liabilities and Equity	**$ 2,584,766**	**$ 2,473,497**

See accompanying Notes to the Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

(In thousands, except per share data)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Net sales	$ 937,489	$ 755,875	$ 1,694,857	$ 1,625,065
Cost of sales	678,594	579,018	1,236,420	1,206,278
Gross profit	258,895	176,857	458,437	418,787
Selling, general and administrative expenses	197,075	217,955	395,100	427,428
Loss on deconsolidation of variable interest entity	13,122		13,122	
Goodwill impairment	9,276	325,445	12,292	325,445
Operating income (loss)	39,422	(366,543)	37,923	(334,086)
Other expenses:				
Interest expense, net	8,608	2,740	18,165	6,142
Miscellaneous, net	921	39	2,240	1,028
Income (loss) before income taxes	29,893	(369,322)	17,518	(341,256)
Income tax expense (benefit), net	10,180	(50,191)	5,603	(43,079)
Net income (loss)	19,713	(319,131)	11,915	(298,177)
Less: Net income (loss) attributable to noncontrolling interest	3,614		5,289	(34)
Net income (loss) attributable to Harman International Industries, Incorporated	$ 16,099	$ (319,131)	$ 6,626	$ (298,143)
Earnings (loss) per share:				
Basic	$ 0.23	$ (5.45)	$ 0.09	$ (5.09)
Diluted	$ 0.23	$ (5.45)	$ 0.09	$ (5.09)
Weighted average shares outstanding:				
Basic	70,474	58,555	70,324	58,539
Diluted	71,015	58,555	70,729	58,539

See accompanying Notes to the Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

(In thousands)

(Unaudited)

	Six Months Ended December 31,	
	2009	**2008**
Cash flows from operating activities:		
Net income (loss) attributable to Harman International Industries, Incorporated	$ 6,626	$ (298,143)
Reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	67,971	75,835
Loss on deconsolidation of variable interest entity	13,122	
Goodwill impairment	12,292	325,445
Share-based compensation	10,482	60
Non-cash interest expense	8,786	6,994
Minority interest	5,289	(34)
Deferred income taxes	(384)	(40,469)
Loss on disposition of assets	79	246
Changes in operating assets and liabilities, net of deconsolidation of variable interest entity:		
(Increase) decrease in:		
Receivables	(89,702)	137,564
Inventories	(29,287)	(88,997)
Other current assets	5,473	33,033
Increase (decrease) in:		
Accounts payable	87,310	(88,632)
Accrued warranties	(27,221)	(10,760)
Accrued other liabilities	(3,644)	(24,606)
Income taxes payable	(1,208)	(16,438)
Other operating activities	(4,194)	1,891
Net cash provided by operating activities, net of deconsolidation of variable interest entity	61,790	12,989
Cash flows from investing activities:		
Purchases of short-term investments	(269,243)	
Maturities of short-term investments	114,316	
Contingent purchase price consideration		(6,172)
Proceeds from asset dispositions	1,479	100
Capital expenditures	(11,435)	(41,601)
Deconsolidation of variable interest entity	(11,347)	
Other items, net	765	5,656
Net cash used in investing activities	(175,465)	(42,017)
Cash flows from financing activities:		
Net (repayments) borrowings under revolving credit facility	(6,700)	17,500
Increase (decrease) in long-term borrowings	4,078	(496)
Dividends paid to shareholders		(1,464)
Share-based payment arrangements	472	101
Net cash (used in) provided by financing activities	(2,150)	15,641

Effect of exchange rate changes on cash	4,374	(27,706)
Net decrease in cash and cash equivalents	(111,451)	(41,093)
Cash and cash equivalents at beginning of period	586,359	223,109
Cash and cash equivalents at end of period	$ 474,908	$ 182,016
Supplemental disclosure of cash flow information:		
Interest paid (received)	$ 11,392	$ (1,365)
Income tax paid (received)	$ 1,328	$ (17,501)

See accompanying Notes to the Condensed Consolidated Financial Statements.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(in thousands, except per-share data and where otherwise noted)

(Unaudited)

Note 1 Basis of Presentation

Basis of Presentation

References to we, us, our, the Company and Harman refer to Harman International Industries, Incorporated and its consolidated subsidiaries unless the context specifically requires otherwise.

Our unaudited, condensed consolidated financial statements at December 31, 2009 and for the three and six months ended December 31, 2009 and 2008, have been prepared pursuant to rules and regulations of the Securities and Exchange Commission (SEC). These unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies described in our Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (Form 10-K) and do not include all information and footnote disclosures included in our audited financial statements. In the opinion of management, the accompanying unaudited, condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments and accruals, necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows for the periods presented. Operating results for the three and six months ended December 31, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2010 due to seasonal, economic and other factors. Where necessary, information for prior periods has been reclassified to conform to the consolidated financial statement presentation for the corresponding periods in the current fiscal year.

The methods, estimates and judgments we use in applying our accounting policies, in conformity with generally accepted accounting principles in the United States (GAAP), have a significant impact on the results we report in our financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The estimates affect the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes included in our Form 10-K.

Revenue Recognition

Revenue is generally recognized at the time of product shipment or delivery, depending on when the passage of title to goods transfers to unaffiliated customers, when all of the following have occurred: a firm sales agreement is in place, pricing is fixed or determinable and collection is reasonably assured. Sales are reported net of estimated returns, discounts, rebates and incentives. Substantially all of our revenue transactions involve the delivery of a physical product.

We also record up-front incentive payments which relate to a specific program award as an asset and amortize these amounts as a reduction to revenue over the related program award term based on our estimated future volumes.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, including money-market funds, and investments with original maturities of three months or less.

Restricted Cash and Investments

We have a deferred compensation arrangement with certain foreign employees which requires us to maintain cash on hand. At December 31, 2009 and June 30, 2009, such restricted cash amounts were $5.7 million and $4.2 million, respectively, and were included in Other assets in our Condensed Consolidated Balance Sheets.

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Short Term Investments

Short Term Investments consist of investments in time deposits and treasury bills with maturities of greater than three months and less than six months.

Allowance for Doubtful Accounts

We reserve an estimated amount for accounts receivable that may not be collected. Methodologies for estimating the allowance for doubtful accounts are primarily based on specific identification of uncollectible accounts. Historical collection rates and customer credit worthiness are considered in determining specific reserves. At December 31, 2009 and June 30, 2009, we had $7.1 million and $11.7 million, respectively, reserved for possible uncollectible accounts receivable. Approximately $2.1 million of the decrease in the allowance for doubtful accounts was due to the deconsolidation of the Harman Navis, Inc. joint venture (Harman Navis) in December 2009. Refer to Note 19 *Investment in Joint Venture* for more information.

Inventories, net: Inventories, net are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method. The valuation of inventory requires us to make judgments and estimates regarding obsolete, damaged or excess inventory, as well as current and future demand for our products. Estimation of inventory valuation reserves requires us to analyze the aging and future demand for inventories and to forecast future product pricing trends which has an effect on our results of operations. We calculate inventory reserves using a combination of lower of cost or market analysis, analysis of historical usage data, forecast demand data and historical disposal rates. Specific product valuation analysis is applied, if practicable, to those items of inventory representing a higher portion of the value of inventory on-hand. As changes in future economic or industry conditions occur, management revises its estimates used to calculate our inventory reserves. Although there was deterioration in economic conditions in fiscal year 2009 and the beginning of fiscal year 2010, we did not experience significant increases in our inventory write-downs, primarily due to a significant portion of our inventories being produced as a result of specific customer orders. After discussions with several of our significant customers, we concluded that the majority of orders would be postponed and not cancelled. We were able to proactively adjust our supply chain demand to match these new customer requirements, thereby reducing our exposure to inventory write-downs.

Change in Accounting

On July 1, 2009, we adopted the new accounting guidance issued by the Financial Accounting Standards Board (FASB) within Accounting Standards Codification (ASC) 810-10-65, Consolidation, relating to the presentation requirements for noncontrolling interests (formerly minority interests). We retrospectively applied the presentation of our prior year balances in our Condensed Consolidated Financial Statements. Refer to Note 2 *New Accounting Standards* for more information.

On July 1, 2009, we adopted the new accounting guidance issued by the FASB within ASC 470-20, Debt with Conversion and Other Options, which requires the issuer of convertible debt instruments with cash settlement features to account separately for the liability and equity components of the instrument. We retrospectively applied this guidance to all prior periods for which we had applicable outstanding convertible debt. Refer to Note 2 *New Accounting Standards* for more information.

Note 2 New Accounting Standards

Recently Adopted Accounting Standards

Codification: In June 2009, the FASB issued ASC 105, Generally Accepted Accounting Principles (ASC 105). The issuance of ASC 105 confirmed that the FASB ASC (the Codification) is the single official source of authoritative GAAP, other than guidance issued by the SEC, and supersedes existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature for nongovernmental entities. The Codification does not change GAAP. Instead, it introduces a new structure that is organized in an easily accessible, user-friendly online research system. The Codification, which changes the referencing of financial standards, is effective for interim and annual periods ending on or after September 15, 2009. Thereafter, only one level of authoritative GAAP exists. All other literature is considered nonauthoritative. We adopted the Codification on July 1, 2009 and updated all disclosures to reference the Codification in our Quarterly Reports on Form 10-Q for the quarterly periods ended September 30, 2009 and December 31, 2009. The adoption of the Codification did not have a significant impact on the reporting of our financial position, results of operations or cash flows.

Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASU) which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification.

Convertible Debt: On July 1, 2009, we adopted the new accounting guidance issued by the FASB within ASC 470-20, Debt with Conversion and Other Options regarding accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). The new guidance requires the issuer of convertible debt instruments with cash settlement features to account separately for the liability and equity components of the instrument. Under the new guidance, the debt should be recognized at the present value of its cash flows discounted using the issuer s nonconvertible debt borrowing rate at the time of issuance and the equity component should be recognized as the difference between the proceeds from the issuance of the note and the fair value of the liability, net of deferred taxes. The reduced carrying value on the convertible debt results in a debt discount that should be accreted back to the convertible debt s principal amount through the recognition of non-cash interest expense over the expected life of the debt, which

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results in recognizing interest expense on these borrowings at effective rates approximating what we would have incurred had non-convertible debt with otherwise similar terms been issued.

We had $400 million of 1.25 percent convertible senior notes (the Convertible Notes) outstanding at December 31, 2009 and June 30, 2009 which were issued on October 23, 2007 (the Issuance Date), that are within the scope of this new guidance. The Convertible Notes were issued at par and we pay interest semiannually at a rate of 1.25 percent per annum. The initial conversion rate on the Convertible Notes is 9.6154 shares of our common stock per $1,000 principal amount of the Convertible Notes (which is equal to an initial conversion price of approximately $104 per share). The conversion rate is subject to adjustment in specified circumstances described in the indenture governing the Convertible Notes (the Indenture).

In accordance with this new guidance, we measured the fair value of the debt components of the Convertible Notes at the Issuance Date using an effective interest rate of 5.6 percent. As a result, we attributed $75.7 million of the proceeds received to the conversion feature of the Convertible Notes at the Issuance Date, which is netted against the face value of the Convertible Notes as a debt discount. This amount represents the excess proceeds received over the fair value of the Convertible Notes at the Issuance Date and is included in additional paid-in capital in our Condensed Consolidated Balance Sheets for the periods presented. The discount is being accreted back to the principal amount of the Convertible Notes through the recognition of non-cash interest expense over the expected life of the Convertible Notes. In addition, we recorded $48.3 million within additional paid-in capital in our Condensed Consolidated Balance Sheets representing the equity component of the Convertible Notes, which is net of tax. The implementation of this new guidance has resulted in a decrease to net income and earnings per share for all periods presented; however, there is no effect on our cash interest payments.

The following illustrates the impact of adopting this new accounting guidance in our Condensed Consolidated Statements of Operations for the three months ended December 31, 2009 and 2008:

	Three Months Ended December 31, 2009			Three Months Ended December 31, 2008		
	Excluding the Adoption of New Guidance	Additional Non-cash Interest Expense	As Adjusted	As Previously Reported	Additional Non-cash Interest Expense	As Adjusted
Operating income (loss)	$ 39,422	$	$ 39,422	$ (366,543)	$	$ (366,543)
Interest expense (income), net	4,863	3,745	8,608	(757)	3,497	2,740
Miscellaneous, net	921		921	39		39
Income (loss) before income taxes	33,638	(3,745)	29,893	(365,825)	(3,497)	(369,322)
Income tax expense (benefit), net	11,490	(1,310)	10,180	(48,951)	(1,240)	(50,191)
Net income (loss)	22,148	(2,435)	19,713	(316,874)	(2,257)	(319,131)
Less: Net income attributable to noncontrolling interest	3,614		3,614			
Net income (loss) attributable to Harman International Industries, Incorporated	$ 18,534	$ (2,435)	$ 16,099	$ (316,874)	$ (2,257)	$ (319,131)
Earnings (loss) per share:						
Basic	$ 0.26	$ (0.03)	$ 0.23	$ (5.41)	$ (0.04)	$ (5.45)
Diluted	$ 0.26	$ (0.03)	$ 0.23	$ (5.41)	$ (0.04)	$ (5.45)

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The following illustrates the impact of adopting this new accounting guidance in our Condensed Consolidated Statements of Operations for the six months ended December 31, 2009 and 2008:

	Six Months Ended December 31, 2009			Six Months Ended December 31, 2008		
	Excluding the Adoption of New Guidance	**Additional Non-cash Interest Expense**	**As Adjusted**	**As Previously Reported**	**Additional Non-cash Interest Expense**	**As Adjusted**
Operating income (loss)	$ 37,923	$	$ 37,923	$ (334,086)	$	$ (334,086)
Interest expense (income), net	10,721	7,444	18,165	(852)	6,994	6,142
Miscellaneous, net	2,240		2,240	1,028		1,028
Income (loss) before income taxes	24,962	(7,444)	17,518	(334,262)	(6,994)	(341,256)
Income tax expense (benefit), net	8,224	(2,621)	5,603	(40,600)	(2,479)	(43,079)
Net income (loss)	16,738	(4,823)	11,915	(293,662)	(4,515)	(298,177)
Less: Net income (loss) attributable to noncontrolling interest	5,289		5,289	(34)		(34)
Net income (loss) attributable to Harman International Industries, Incorporated	$ 11,449	$ (4,823)	$ 6,626	$ (293,628)	$ (4,515)	$ (298,143)
Earnings (loss) per share:						
Basic	$ 0.16	$ (0.07)	$ 0.09	$ (5.02)	$ (0.08)	$ (5.09)
Diluted	$ 0.16	$ (0.07)	$ 0.09	$ (5.02)	$ (0.08)	$ (5.09)

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The following illustrates the impact of adopting this new accounting guidance in our Condensed Consolidated Balance Sheets as of December 31, 2009 and June 30, 2009:

	December 31, 2009			June 30, 2009		
	Excluding the Adoption of New Guidance	Effect of New Guidance	As Adjusted	As Previously Reported	Effect of New Guidance	As Adjusted
Noncurrent assets:						
Deferred tax assets, long-term[1]	$ 287,669	$ (15,636)	$ 272,033	$ 292,568	$ (18,256)	$ 274,312
Other assets [2]	102,572	(555)	102,017	92,990	(600)	92,390
Noncurrent liabilities:						
Convertible senior notes [3]	400,000	(44,674)	355,326	400,000	(52,163)	347,837
Shareholders equity:						
Additional paid-in capital [4]	831,881	48,323	880,204	821,286	48,323	869,609
Retained earnings [5]	1,153,412	(19,840)	1,133,572	1,141,962	(15,016)	1,126,946

(1) Effect of new guidance reflects a deferred tax liability established in connection with the debt discount.
(2) Effect of new guidance reflects a reduction in debt issuance costs allocated to the equity component.
(3) Effect of new guidance reflects the unamortized debt discount.
(4) Effect of new guidance reflects the recognition of the equity component, net of tax.
(5) Effect of new guidance reflects the amortization of the debt discount, net of tax and the reduction in the amortization of debt issuance costs which were allocated to the equity component.

The principal amounts, unamortized discount and net carrying amounts of the liability components and the equity components for the Convertible Notes as of December 31, 2009 and June 30, 2009 are as follows:

	Principal Balance	Unamortized Discount	Net Carrying Amount	Equity Component
December 31, 2009	$ 400,000	$ (44,674)	$ 355,326	$ 48,323
June 30, 2009	400,000	(52,163)	347,837	48,323

At December 31, 2009, the unamortized discount is recognized as a reduction in the carrying value of the Convertible Notes in the Condensed Consolidated Balance Sheets and is being amortized over the expected term of the Convertible Notes of 36 months.

Interest expense related to the Convertible Notes for the three months ended December 31, 2009 and 2008 includes $1.3 million for both periods of contractual cash interest expense and an additional $3.7 million and $3.5 million of non-cash interest expense, respectively, related to the amortization of the discount.

Interest expense related to the Convertible Notes for the six months ended December 31, 2009 and 2008 includes $2.5 million for both periods of contractual cash interest expense and an additional $7.4 million and $7.0 million of noncash interest expense, respectively, related to the amortization of the discount.

We reclassified approximately $0.9 million of unamortized financing costs to shareholders equity as these costs were attributable to the issuance of the conversion feature associated with the Convertible Notes.

Business Combinations: On July 1, 2009 we adopted the updated provisions for Business Combinations, issued by the FASB within ASC 805, Business Combinations. The new guidance requires the acquired entity to recognize the full fair value of assets acquired, liabilities assumed and any noncontrolling interests in the transaction (whether a full or partial acquisition) at the acquisition date fair value with limited

exceptions. This will change the accounting treatment for certain specific items and include a substantial number of new disclosure requirements. These changes include: (a) the acquirer recording all assets and liabilities of the acquired business, including goodwill, generally at their fair values, (b) recording contingent consideration arrangements at fair value on the date of acquisition, with changes in fair value recognized in earnings until settled, and (c) expensing acquisition-related transaction and restructuring costs rather than treating as part of the cost of the acquisition and including in the amount recorded for assets acquired. The new guidance

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applies prospectively to business combinations which occur after July 1, 2009. The impact of these new provisions on our consolidated financial statements will depend upon the nature, terms and size of the acquisitions we consummate in the future.

Noncontrolling Interests: On July 1, 2009, we adopted the updated provisions issued by the FASB within ASC 810-10-65, Consolidation, relating to the presentation requirements for noncontrolling interests (formerly minority interests). The new guidance requires reporting entities to present noncontrolling (minority) interests as a component of equity (as opposed to as a liability) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. In addition, the new provisions also require companies to report a consolidated net income (loss) measure that includes the amount attributable to such noncontrolling interests. The adoption of the new provisions applies to noncontrolling interests prospectively from that date. However, the presentation and disclosure requirements were applied retrospectively for all periods presented. As a result of this adoption, we reclassified noncontrolling interests in the amount of $0.8 million from liabilities to equity in the June 30, 2009 Condensed Consolidated Balance Sheet and we included zero and less than $0.1 million of income from our noncontrolling interest within the caption Net income (loss) attributable to Harman International Industries, Incorporated in our Condensed Consolidated Statement of Operations for the three and six months ended December 31, 2008, respectively.

Earnings Per Share: On July 1, 2009, we adopted the updated provisions issued by the FASB within ASC 260-10-45-61A for earnings per share. The new guidance provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, a company is required to retrospectively adjust its earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform to the new provisions. The adoption of the new provisions did not have a material impact on our financial position or results of operations.

Fair Value: On July 1, 2009, we adopted the updated provisions for determining fair value when the volume and level of activity for the asset or liability have significantly decreased and for identifying transactions that are not orderly, issued by the FASB within ASC 820-10-35-51. The new provisions provide additional guidance for estimating fair value, when the volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity for the asset or liability. The new approach is designed to address whether a market is inactive, and if so whether a market should be considered distressed. The objective of the new guidance is to remain consistent with the principles of fair value accounting, yet provide additional guidance on how fair value measurements might be determined in an inactive market. The new guidance also requires additional disclosures relating to an entity s valuation techniques and its major categories of investments in debt and equity securities. The adoption of the new provisions did not have any impact on our financial position or results of operations.

On July 1, 2009, we adopted the updated provisions relating to interim disclosures about fair value of financial instruments, issued by the FASB within ASC 825-10-65. The new provisions require disclosures about fair value of financial instruments for interim reporting periods of publicly-held companies, as well as in annual financial statements. The adoption of the new provisions did not have any impact on our financial position or results of operations.

In August 2009, FASB issued ASU No. 2009-05, Measuring Liabilities at Fair Value which provides updated guidance on the fair value measurement of liabilities. This update provides clarification for circumstances in which a quoted price in an active market for the identical liability is not available. In such instances, a reporting entity is required to measure fair value using one or more of the following techniques: 1) a valuation technique that uses either the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities when traded as an asset; or 2) another valuation technique that is consistent with the principles in ASC 820, Fair Value Measurements and Disclosures, such as the income and market approach to valuation. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This update further clarifies that if the fair value of a liability is determined by reference to a quoted price in an active market for an identical liability, that price would be considered a Level 1 measurement in the fair value hierarchy. Similarly, if the identical liability has a quoted price when traded as an asset in an active market, it is also a Level 1 fair value measurement if no adjustments to the quoted price of the asset are required. This update is effective for us on September 1, 2009. We adopted the updated provisions relating to fair value measurements and disclosures. The adoption of the new guidance did not have a material impact on our financial position or results of operations.

Impairment of Debt Securities: On July 1, 2009, we adopted the updated provisions relating to the recognition and presentation of other-than-temporary impairments, within ASC 820-10-35-51. The new guidance amends the other-than-temporary impairment guidance for certain debt securities and requires an investor to assess the likelihood of selling the

security, prior to recovering its cost basis. If an investor is able to meet the criteria to assert that it will not have to sell a security before recovery, impairment charges related to credit losses would be recognized in earnings, while impairment charges related to non-credit losses would be reflected in other comprehensive income. It also amends the disclosure requirements by requiring entities to disclose information that will help users understand the types of investments held, including information about investments in an unrealized loss position for which an impairment charge has not been recognized. The adoption of the new provisions did not have any impact on our financial position or results of operations.

Intangible Assets: On July 1, 2009, we adopted the updated provisions relating to the determination of the useful life of intangible assets, issued in ASC 350-30-65. The new guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of the provisions is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. The adoption of the new provisions did not have a material impact on our financial position or results of operations.

Consolidation: In January 2010, FASB issued ASU No. 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary, which clarifies that accounting guidance relating to noncontrolling interests and changes in ownership of a subsidiary, also applies to the disposal of business that are not subsidiaries, clarifies certain implementation issues and also amends the disclosure requirements. The new guidance is effective on a retrospective basis for interim periods ended after December 15, 2009. We adopted the provisions of this new guidance on October 1, 2009. The adoption of the new provisions did not have any impact on our financial position or results of operations.

Recently Issued Accounting Standards

Variable Interest Entities: In June 2009, the FASB amended certain provisions relating to the consolidation of variable interest entities, issued in ASC 810, Consolidation. The amendments primarily include (i) amending the guidance for determining whether an entity is a variable interest entity (VIE) and (ii) amending the criteria for identification of the primary beneficiary of a VIE. The new provisions also require a company to continually reassess whether the company is the primary beneficiary of a VIE and requires enhanced disclosures in the financial statements about the company s relationship with VIEs. The amended provisions are effective for us on July 1, 2010. We do not expect the adoption of the new guidance to have a material impact on our financial position or results of operations.

Transfers of Financial Assets: In June 2009, the FASB amended certain provisions relating to the accounting for transfers of financial assets. The new guidance also requires additional disclosures to address concerns regarding the transparency of transfers of financial assets. The amended provisions are effective for us on July 1, 2010. We do not expect the adoption of this new guidance to have a material impact on our financial position or results of operations.

Multiple Element Revenue Arrangements: In October 2009, the FASB issued the following ASUs: (1) ASU No. 2009-13, Revenue Recognition (ASC Topic 605) - Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force (ASU No. 2009-13) and (2) ASU No. 2009-14, Software (ASC Topic 985) - Certain Revenue Arrangements That Include Software Elements, a consensus of the FASB Emerging Issues Task Force (ASU No. 2009-14). The new guidance requires a vendor to allocate revenue to each standalone deliverable in arrangements involving multiple deliverables based on the relative selling price of each deliverable. It also changes the level of evidence of standalone selling price required to separate deliverables by allowing a vendor to make its best estimate of the standalone selling price of deliverables when more objective evidence of selling price is not available. The new guidance also excludes sales of tangible products that contain essential software elements from the scope of revenue recognition for software arrangements. Because of these changes, revenue will be recognized earlier for many revenue transactions involving multiple deliverables and sales of software enabled devices. We will be required to provide additional disclosures relating to qualitative and quantitative information about a vendor s revenue arrangements and about the significant judgments made about the application of the new guidance and any changes in those judgments or the application that may significantly affect the timing or amount of revenue recognition. The new guidance can be adopted on a prospective basis or in certain circumstances on a retrospective basis. Early adoption is permitted. If prospective application is elected, it is to be applied to arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The amended provisions are effective for us on July 1, 2010. We do not expect the adoption of this new guidance to have a material impact on our financial position or results of operations.

Fair Value: In January 2010, the FASB issued ASU 2010-6, Improving Disclosures About Fair Value Measurements. The new guidance requires the gross presentation of activity within the Level 3 fair value measurement roll forward and requires disclosure of the details of transfers in and out of Level 1 and Level 2 fair value measurements. It also clarifies two existing disclosure requirements on the level of disaggregation of fair value measurements and disclosure on inputs and valuation techniques. The new guidance is effective for us on January 1, 2010. We do not expect the adoption of this new guidance to have a material impact on our financial position or results of operations.

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Other ASUs: During 2009 and 2010, the FASB has issued several ASUs ASU No. 2009-02 through ASU No. 2009-16 and ASU 2010-01 through ASU 2010-05. Except for ASUs No. 2009-05, 2009-13 and 2009-14 discussed above, the ASUs entail technical corrections to existing guidance or affect guidance related to specialized industries or entities or were not applicable to us and therefore have minimal, if any, impact on our consolidated financial statements.

Note 3 Inventories, net

Inventories consist of the following:

	December 31, 2009	June 30, 2009
Finished goods	$ 156,834	$ 147,002
Work in process	59,808	51,215
Raw materials	149,474	135,487
Inventories, net	$ 366,116	$ 333,704

Inventories are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method. The valuation of inventory requires us to make judgments and estimates regarding obsolete, damaged or excess inventory as well as current and future demand for our products. The estimates of future demand and product pricing that we use in the valuation of inventory are the basis for our inventory reserves and have an effect on our results of operations. We calculate inventory reserves using a combination of lower of cost or market analysis, analysis of historical usage data, forecast demand data and historical disposal rates. Specific product valuation analysis is applied, if practicable, to those items of inventory representing a higher portion of the value of inventory on-hand. At December 31, 2009 and June 30, 2009 our inventory reserves were $91.1 million and $91.5 million, respectively.

Note 4 Property, Plant and Equipment, net

Property, plant and equipment consist of the following:

	Estimated Useful Lives (in Years)	December 31, 2009	June 30, 2009
Land		$ 12,871	$ 13,506
Buildings and improvements	1-50	284,825	291,831
Machinery and equipment	3-20	947,368	948,123
Furniture and fixtures	3-10	33,585	40,069
Property, plant and equipment, gross		1,278,649	1,293,529
Less accumulated depreciation and amortization		(806,969)	(774,933)
Property, plant and equipment, net		$ 471,680	$ 518,596

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Note 5 Accrued Warranties

We warrant our products to be free from defects in materials and workmanship for periods ranging from six months to six years from the date of purchase, depending on the business segment and product. Our dealers and warranty service providers normally perform warranty service in field locations and regional service centers, using parts and replacement finished goods we supply on an exchange basis. Our dealers and warranty service providers also install updates we provide to correct defects covered by our warranties. Estimated warranty liabilities are based upon past experience with similar types of products, the technological complexity of certain products, replacement cost and other factors. If estimates of warranty provisions are no longer adequate based on our analysis of current activity, incremental provisions are recorded as warranty expense in our Condensed Consolidated Statement of Operations. We take these factors into consideration when assessing the adequacy of our warranty provision for periods still open to claim.

Details of our accrued warranties are as follows:

	Six Months Ended December 31,	
	2009	2008
Accrued warranties, June 30,	$ 116,673	$ 126,977
Warranty provisions	21,697	36,268
Warranty payments (cash or in-kind)	(50,616)	(34,107)
Other[1]	1,698	(12,920)
Accrued warranties, December 31,	$ 89,452	$ 116,217

[1] Other primarily represents foreign currency translation.

Note 6 Earnings (Loss) Per Share

The following table presents the calculation of basic and diluted earnings (loss) per share of common stock outstanding:

	Three Months Ended December 31,			
	2009		2008	
	Basic	Diluted	Basic	Diluted
Net income (loss)	$ 16,099	$ 16,099	$ (319,131)	$ (319,131)
Weighted average shares outstanding	70,474	70,474	58,555	58,555
Employee stock options		541		
Total weighted average shares outstanding	70,474	71,015	58,555	58,555
Earnings (loss) per share	$ 0.23	$ 0.23	$ (5.45)	$ (5.45)

	Six Months Ended December 31,			
	2009		2008	
	Basic	Diluted	Basic	Diluted
Net income (loss)	$ 6,626	$ 6,626	$ (298,143)	$ (298,143)
Weighted average shares outstanding	70,324	70,324	58,539	58,539
Employee stock options		405		

Total weighted average shares outstanding	70,324	70,729	58,539	58,539
Earnings (loss) per share	$ 0.09	$ 0.09	$ (5.09)	$ (5.09)

On July 1, 2009, we adopted new accounting guidance issued by the FASB. The new guidance provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, a company is required to retrospectively adjust its earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform to the new provisions. The adoption of the new provisions did not have a material impact on our financial position or results of operations.

Certain options were outstanding and not included in the computation of diluted earnings per share because the assumed exercise of these options would have been antidilutive. Options to purchase 2,512,811 and 2,828,419 shares of our common stock with exercise prices ranging from $28.51 to $126.94 and $11.00 to $126.94 per share during the three months ended December 31, 2009 and 2008, respectively, were outstanding and excluded from the computation of diluted earnings per share because they would have been antidilutive. In addition, zero and 478,354 restricted shares and restricted share units for the three months ended December 31, 2009 and 2008, respectively, were excluded from the computation of diluted earnings per share as they also would have been antidilutive.

Certain options were outstanding and not included in the computation of diluted earnings per share because the assumed exercise of these options would have been antidilutive. Options to purchase 2,639,805 and 2,720,520 shares of our common stock with exercise prices ranging from $26.64 to $126.94 and $11.00 to $126.94 per share during the six months ended December 31, 2009 and 2008, respectively, were outstanding and excluded from the computation of diluted earnings per share because they would have been antidilutive. In addition, 4,363 and 321,617 restricted shares and restricted share units for the six months ended December 31, 2009 and 2008, respectively, were excluded from the computation of diluted earnings per share as they also would have been antidilutive.

The conversion terms of the Convertible Notes will affect the calculation of diluted earnings per share if the price of our common stock exceeds the conversion price of the Convertible Notes. The initial conversion price of the Convertible Notes is approximately $104 per share, subject to adjustment in specified circumstances as described in the Indenture. Upon conversion, a holder of Convertible Notes will receive an amount per Convertible Note in cash equal to the lesser of $1,000 or the conversion value of the Convertible Notes, determined in the manner set forth in the Indenture. If the conversion value exceeds $1,000, we will deliver $1,000 in cash and, at our option, cash or common stock or a combination of cash and common stock for the conversion price in excess of $1,000. The conversion option is indexed to our common stock and therefore is classified as equity. The conversion option will not result in an adjustment to net income in calculating diluted earnings per share. The dilutive effect of the conversion option will be calculated using the treasury stock method. Therefore, conversion settlement shares will be included in diluted shares outstanding if the price of our common stock exceeds the conversion price of the Convertible Notes.

Note 7 Goodwill

During the three and six months ended December 31, 2009, we recognized $4.2 million and $7.2 million, respectively, of goodwill associated with a prior year acquisition of Innovative Systems GmbH. This contingent purchase price consideration was recorded in our Automotive segment. The annual goodwill impairment test conducted in April 2009 indicated that no goodwill was supportable at present in our Automotive segment and, as a result, we recorded goodwill impairment charges of $4.2 million and $7.2 million in the three and six months ended December 31, 2009, respectively, which is recorded as a goodwill impairment in our Condensed Consolidated Statement of Operations. The contingent purchase price consideration associated with the acquisition of Innovative Systems GmbH continues unless a buyout option is exercised by either the buyer or the seller in September 2010.

In November 2009, we also recognized $9.5 million of goodwill associated with a prior year acquisition of QNX Software Systems Co. (QNX) which was recorded as contingent purchase price consideration when the contingency lapsed. The funds to pay this consideration had been placed in escrow and therefore were included in current assets in our Condensed Consolidated Balance Sheets and as a result, the payment had no effect on our cash balance. In fiscal year 2009, we reclassified the QNX business to our Other segment. We performed a fair value analysis to allocate the goodwill between the Automotive and Other segments and therefore have similarly allocated this additional purchase price consideration goodwill between the Automotive and Other segments. As a result, $5.1 million of this goodwill was allocated to our Automotive segment. As discussed above, our annual goodwill impairment test conducted in April 2009 indicated that no goodwill was supportable at present in our Automotive segment and, as a result, we recorded additional goodwill impairment charges of $5.1 million in both the three and six months ended December 31, 2009.

Note 8 Debt

Amended Credit Agreement

We are party to a second amended and restated multi-currency, multi-option revolving credit facility with a group of banks (the Amended Credit Agreement), which is more fully described in our Form 10-K. We repaid $6.7 million of borrowings under the Amended Credit Agreement during the six months ended December 31, 2009. At December 31, 2009, we had no available borrowing capacity under the Amended Credit Agreement and outstanding borrowings of

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$228.8 million, consisting of $222.5 million under the revolving credit facility and outstanding letters of credit of $6.3 million. Our total borrowings did not exceed our borrowing capacity. The Amended Credit Agreement contains a provision that allows our total outstanding borrowings to exceed the borrowing capacity by 5 percent for foreign currency translation, which is equal to $243.6 million. At December 31, 2009, we had not exceeded this amount. Refer to Note 20 - *Subsequent Events* for information relating to repayments under the Amended Credit Agreement.

In accordance with the Amended Credit Agreement, we are required to maintain funds on deposit in a separate bank account in an aggregate amount equal to the outstanding letters of credit which are undrawn and unexpired. At December 31, 2009, we had $8.0 million on deposit in a separate bank account to satisfy this requirement.

The Amended Credit Agreement contains financial and other covenants that are more fully described in our Form 10-K. If we do not meet the forecast in our budgets, we could violate our debt covenants and, absent a waiver from our lenders or an amendment to our Amended Credit Agreement, we could be in default under the Amended Credit Agreement and, as a result, our debt under the Amended Credit Agreement could become due which would have a material adverse effect on our financial condition and results of operations, and could also lead to an event of default under the Indenture and the acceleration of the Convertible Notes. As of December 31, 2009, we were in compliance with all the financial covenants of the Amended Credit Agreement. We believe we will be in compliance with these covenants for at least the next 12 months.

Guarantee and Collateral Agreement

In connection with the Amended Credit Agreement, we and certain of our subsidiaries entered into a guarantee and collateral agreement, (the Guarantee and Collateral Agreement) which provides, among other things, that the obligations under the Amended Credit Agreement are guaranteed by us and each of the subsidiary guarantors party thereto, and that the obligations generally are secured by liens on substantially all of our assets and certain of our subsidiary guarantors assets.

The term of the Guarantee and Collateral Agreement corresponds with the term of the Amended Credit Agreement, which matures on December 31, 2011. Under the terms of this Guarantee and Collateral Agreement, we have effectively guaranteed the payment of the full amount of borrowings under the Amended Credit Agreement, including outstanding letters of credit, upon maturity. The potential amount of future payments that we would be required to pay under the Guarantee and Collateral Agreement is the amount that we have borrowed under the Amended Credit Agreement, including outstanding letters of credit.

Convertible Senior Notes

On July 1, 2009, we adopted new accounting guidance relating to the Convertible Notes which is more fully described in Note 2 *New Accounting Standards* and in our Form 10-K.

The Indenture contains covenants, one of which requires us to calculate, each time we incur additional indebtedness, the ratio of Consolidated Total Debt to Consolidated EBITDA, as defined in the Indenture, for the most recently ended four quarter period. In April 2009, we exceeded the maximum ratio for this covenant and, as a result, for the period covered by this report, we were not able to incur additional indebtedness without obtaining a waiver from the holders of a majority in principal amount of the Convertible Notes. The covenant prohibiting the incurrence of additional debt expires on October 23, 2010. Refer to Note 20 - *Subsequent Events* for information relating to an amendment of this covenant. We believe that we will be in compliance with the covenants under the Indenture, as amended, for at least the next 12 months.

Note 9 Income Taxes

Our provision for income taxes is based on an estimated annual tax rate for the year applied to federal, state and foreign income. Income tax expense for the three months ended December 31, 2009 was $10.2 million, compared to an income tax benefit of $50.2 million for the same period in the prior year. The effective rate for the three months ended December 31, 2009 was 34.1 percent, compared to 13.6 percent in the same period in the prior year. For the six months ended December 31, 2009, the income tax expense was $5.6 million, compared to an income tax benefit of $43.1 million for the same period in the prior year. The effective tax rate for the six months ended December 31, 2009 was 32.0 percent, compared to an effective tax rate of 12.6 percent for the same period last year. The effective tax rate for the three and six months ended December 31, 2009 of 34.1 percent and 32.0 percent, respectively, includes the benefits of the US research and development credit and foreign tax benefits reduced by the tax effects of significant unusual or infrequent items that are recorded separately or recorded net of their related tax effects.

As of December 31, 2009, unrecognized tax benefits and the related interest were $14.2 million and $1.1 million, respectively, all of which would affect the tax rate if recognized. This amount of $15.3 million is included with noncurrent liabilities in our Condensed Consolidated Balance Sheet at December 31, 2009 as we do not expect settlement

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within the next twelve months. During the three and six months ended December 31, 2009, we recorded a benefit related to uncertain tax positions of $1.4 million and $0.9 million, respectively.

Note 10 Shareholders Equity

Preferred Stock

As of December 31, 2009 and June 30, 2009, we had no shares of preferred stock outstanding. We are authorized to issue 5 million shares of preferred stock, $0.01 par value.

Common Stock

We have 200 million authorized shares of common stock, $0.01 par value. At December 31 and June 30, 2009, we had 95,028,264 and 94,929,595 shares issued; 25,599,817 and 25,599,817 shares in treasury stock and 69,428,447 and 69,329,778 shares outstanding (net of treasury stock), respectively.

Changes in Equity:

The following is a summary of the changes in Accumulated Other Comprehensive Income (AOCI) for the three months ended December 31, 2009 and 2008:

	Three Months Ended	
	December 31, 2009	December 31, 2008
Net income (loss):	$ 16,099	$ (319,131)
Foreign currency translation	(7,607)	(22,019)
Unrealized gain on hedging	8,857	2,486
Changes in pension benefits	(85)	138
Unrealized gain (loss) on available-for-sale securities	141	(3,542)
Total accumulated other comprehensive income	$ 17,405	$ (342,068)

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The following is a summary of the changes in AOCI and changes in equity for the six months ended December 31, 2009 and 2008:

	Preferred Stock	Common Stock	Additional Paid-in Capital	AOCI	Retained Earnings	Treasury Stock	Harman Shareholders Equity	Non-controlling Interest	Total Equity
Balance at June 30, 2009	$	$ 949	$ 869,609	$ 57,198	$ 1,126,946	$ (1,047,570)	$ 1,007,132	$ 786	$ 1,007,918
Net income					6,626		6,626		6,626
Foreign currency translation				16,441			16,441		16,441
Unrealized gain on hedging				6,009			6,009		6,009
Changes in pension benefits				(18)			(18)		(18)
Unrealized gain on available-for-sale securities				211			211		211
Comprehensive income				22,643	6,626		29,269		29,269
Exercise of stock options, net of shares received			847				847		