

HARMAN INTERNATIONAL INDUSTRIES INC /DE/
Form 10-K405
September 14, 2001

Securities and Exchange Commission
Washington, D.C. 20549
Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended June 30, 2001

Commission file number 1-9764

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-2534306 (I.R.S. Employer Identification No.)
1101 Pennsylvania Ave., N.W., Ste. 1010, Washington, D.C.	20004 (Zip Code)

Registrant's telephone number, including area code: (202) 393-1101

Securities registered pursuant to section 12(b) of the Act:	Name of each Exchange on which registered:
Common Stock, par value \$.01 per share (Title of class)	New York Stock Exchange, Inc.

Securities registered pursuant to section 12(g) of the Act: None

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.

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of August 31, 2001, was \$1,231,621,301.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 32,083,847 shares of Common Stock, par value \$.01 per share, as of August 31, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 2001, are incorporated by reference in Part I, Item 1, and Part II, Items 5, 7 and 8.

Portions of the Registrant's definitive Proxy Statement relating to the 2001 Annual Meeting of Stockholders are incorporated by reference in Part III, Items 10 (as related to Directors), 11, 12, and 13.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

in Part III of this Form 10-K or any amendment to this Form 10-K. X

Page 1 of 167

THIS PAGE LEFT BLANK INTENTIONALLY

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

TABLE OF CONTENTS

	Page
PART I	
Item 1. Business.....	5
Item 2. Properties.....	23
Item 3. Legal Proceedings.....	24
Item 4. Submission of Matters to a Vote of Security Holders.....	24
Executive Officers of the Registrant...	25
PART II	
Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	27
Item 6. Selected Financial Data.....	27
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	28
Item 7A. Quantitative and Qualitative Disclosures about Market Risk.....	28
Item 8. Consolidated Financial Statements and Supplementary Data.....	29
Item 9. Disagreements on Accounting and Financial Disclosure.....	29
PART III	
Item 10. Directors and Executive Officers of the Registrant.....	25
Item 11. Executive Compensation.....	29
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	29
Item 13. Certain Relationships and Related Transactions.....	29
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	29
List of Financial Statements and Financial Statement Schedules.....	33
Independent Auditor's Report.....	35
Index to Exhibits.....	39

4

PART I

ITEM 1. BUSINESS

General Business

Harman International Industries, Incorporated (together with its subsidiaries, "Harman" or the "Company"), a Delaware corporation formed in 1980, is a worldwide leader in the manufacture of high-quality high-fidelity audio products targeted at the consumer and professional audio markets. For almost 50 years, the Company and its predecessors have been leaders and innovators in creating loudspeakers and electronic audio products that deliver superior sound. Harman is also a global leader in the development and application of infotainment systems for the automotive industry. The Company believes that its JBL, Infinity, Harman Kardon, Mark Levinson, and Becker brand names are well-known worldwide for premium quality and performance.

The Company has developed, both internally and through a series of strategic acquisitions, a broad range of product offerings sold under renowned brand names in its principal markets. The objective of the Company's development efforts has been to secure engineering, manufacturing and marketing leadership and to strengthen the Company's ability to provide total audio system solutions to its customers.

The Company's businesses are organized by the end-user markets they serve. The Consumer Systems Group manufactures loudspeakers and electronics for high fidelity audio reproduction in the home, in vehicles and with computers. The Professional Group manufactures loudspeakers and electronics used by audio professionals in concert hall, recording, broadcast and cinema applications.

Harman's primary manufacturing facilities are located in California, Indiana, Utah, Kentucky, Germany, the United Kingdom, Denmark, Mexico, France, Austria, and Hungary.

5

Consumer Systems Group

The Consumer Systems Group manufactures loudspeakers and electronics for high fidelity audio reproduction in the home, in vehicles and with

computers. These products are marketed under brand names including JBL, Infinity, Harman Kardon, Lexicon, Becker, Mark Levinson, Proceed, Revel and AudioAccess. The Company believes that it has the preeminent portfolio of brand names and range of product offerings in the consumer audio market, and that the JBL, Infinity and Harman Kardon brands are recognized throughout the world for superior sound quality and good value. High-end products bearing the Lexicon, Mark Levinson, Proceed and Revel brands are acclaimed for their superior build quality and state-of-the-art sound reproduction.

The Consumer Systems Group offers premium, branded audio systems to retail automobile purchasers through OEM supply agreements with DaimlerChrysler, BMW, Toyota, Lexus, Mitsubishi, Porsche, Land Rover, Saab, Peugeot and Ferrari, complemented by non-branded loudspeaker supply agreements with other automakers including Audi, Volvo, VW, Ford, Renault and Fiat.

The Consumer Systems Group primarily supplies car audio, video and navigation systems products separately. However, the Company has received purchase commitments for integrated systems to be installed in 2002 and 2003 model year vehicles from Mercedes-Benz, Audi, BMW, and Porsche in Europe. These integrated systems manage functions like car audio, video and navigation, which are provided by the Company and manage functions like climate control, telecommunications, and internet access, which will be provided by third parties. DaimlerChrysler, the Company's largest automotive OEM customer, offers Infinity branded car audio systems in the majority of its, Chrysler, Dodge, and Jeep lines. Mitsubishi also offers Infinity branded car audio systems. Harman/Becker head units and navigation systems, and non-branded loudspeaker systems manufactured by Harman/Becker Automotive Electronic Systems GmbH, are installed in a substantial number of DaimlerChrysler's Mercedes-Benz automobiles. Becker also supplies head units, navigation systems and other electronics to BMW and Porsche. Toyota, Peugeot and Hyundai offer JBL branded audio systems. BMW and Saab offer Harman Kardon systems. High-end Mark Levinson audio systems are offered by Lexus.

The loss of, or a material decrease or delay in purchasing the Company's products by, any of the Company's significant customers could have a

6

material adverse effect on the results of operations of the Company. Sales of the Company's audio products through automakers are dependent on automobile industry sales and automobile purchasers' willingness to pay for the option of a premium branded automotive audio system.

The Consumer Systems Group offers branded audio systems to personal computer users through OEM supply agreements with Dell, Compaq, Apple, and IBM. Beginning in October 2002 the Company will also offer branded audio systems to Legend, a computer manufacturer in China. These audio systems provide high-quality sound and thus enhance the appeal and capability of the personal computer as an entertainment device. The JBL, Infinity and Harman Kardon brand names are all employed in this market. The Company participates in a variety of ways including design, manufacture, brand name licensing, and direct sourcing.

The Company believes the maturation and broadened acceptance of DVD and digital television will provide growth opportunities for its consumer brands. In addition to the contribution of its Proceed and Harman Kardon DVD machines, the Company expects DVD and digital television to stimulate loudspeaker sales due to increased customer traffic in

audio/video dealers' stores and the improved audio quality potential of DVD and digital television compared to the current analog audio/video and digital audio technologies. Sales expectations are dependent, to a substantial extent, on discretionary spending by consumers, which may be affected by general economic conditions.

The Company believes excellent growth opportunities are available in the automotive OEM channel through increases in per-vehicle content through the provision of integrated infotainment systems, higher penetration levels within existing models, increases in the number of models offering the Company's audio systems, supply agreements with additional automakers and with new hardware and software licensing agreements. The Company has recently received major new business from DaimlerChrysler AG's Mercedes-Benz for integrated infotainment systems for 2002 and 2003 model year vehicles.

Professional Group

The Company's Professional Group designs, manufactures and markets products in all significant segments of the professional audio market, offering complete systems solutions to professional installations and users around the world. The Professional Group includes JBL Professional, Soundcraft, Crown, DOD, Digitech, dbx, AKG, BSS, and Studer.

7

The Professional Group is uniquely equipped to provide turnkey systems solutions for professional audio applications that offer the customer improved performance, ease of installation and reduced cost. Professional installations of Harman products include stadiums, opera houses, concert halls, recording studios, broadcast studios, theaters, houses of worship, cinemas and touring performing artists. Sound systems incorporating components manufactured by JBL, Crown, Lexicon, AKG, Studer and Soundcraft are in use around the world in such places as the Experience Music Project in Seattle, the Great Hall of the People in Beijing, China, the Royal Danish Theater in Copenhagen and Abbey Road Studio and the Millennium Dome in England. The Company's professional equipment is used on tour by performing artists throughout the world. The principal market segments served by the Professional Group are sound reinforcement, musical instrument support, and recording and broadcast.

JBL Professional is a leader in the sound reinforcement and cinema markets. JBL serves customers such as Cineplex Odeon and United Artist Theaters in the cinema market. Stadiums, concert halls, houses of worship and major concert tours rely on sound reinforcement products from the Professional Group, such as JBL loudspeakers, JBL, Crown and BSS amplifiers, BSS loudspeaker system management products, AKG microphones, DOD and dbx signal processing equipment, and Soundcraft mixing consoles, to produce high quality sound.

AKG is a renowned manufacturer of high-quality microphones and headphones. AKG serves certain OEM markets in addition to its professional audio activities. AKG's expertise in the design and manufacture of miniature transducers for special microphone applications has led to market opportunities in the mobile telecommunications equipment and hands-free automotive communications markets. AKG manufactures the earpiece and mouthpiece transducer capsules for mobile telephone manufacturers including Nokia, Kyocera, Ericsson and Sony. AKG also manufactures miniature transducers for hands-free communications applications in Mercedes-Benz automobiles and General Motors' automobiles which are equipped with the OnStar

system.

Professional customers in the recording and broadcast market include radio and television stations, recording studios, postproduction houses, digital edit suites, and home studios. Customers in these markets, including AMS Westfunk Radio, Abbey Road Studios and The Hit Factory, are primarily served by Studer, JBL, Crown, Lexicon, Soundcraft and AKG.

8

JBL, Crown, DOD, Lexicon and Digitech serve the music instrument support segment of the professional audio market. JBL manufactures and markets loudspeakers, monitors and amplifiers. Crown manufactures professional amplifiers. DOD and Digitech sell sound effects and other signal processors, portable mixing consoles and guitar amplifiers. Music instrument support products are sold through music retail stores such as Guitar Center and Sam Ash.

Operating and Geographic Segment Information

Financial information about operating and geographic segments required to be included hereunder is incorporated by reference to Note 9 of Notes to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for the fiscal year ended June 30, 2001.

Description of Business

The Company's business is conducted through its wholly owned subsidiaries which include:

Name	Principal products
AKG Acoustics GmbH	Professional electronics
Harman Becker Automotive Systems S.A. de C.V.	Automotive OEM loudspeakers
Crown Audio, Inc.	Professional electronics
Harman Becker Automotive Systems GmbH	Automotive OEM and automotive aftermarket electronics
Harman Becker Automotive Systems KFT	Automotive OEM loudspeakers
Harman Becker Automotive Systems, Inc.	OEM loudspeakers and aftermarket electronics
Harman Consumer International, SNC	Consumer home and automotive electronics
Harman Consumer Manufacturing A/S	Components, cabinets and loudspeaker systems
Harman Music Group, Incorporated	Professional electronics

9

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

Name	Principal products
Harman Audio de Mexico, S.A. de C.V.	Consumer loudspeakers
Harman International Industries, Limited	Automotive OEM loudspeakers and electronics and professional audio products
Harman Kardon, Incorporated	Consumer home and automotive electronics
Infinity Systems, Inc.	Consumer home and automotive loudspeakers and electronics
JBL Incorporated	Consumer, professional and automotive loudspeakers and electronics
Lexicon, Incorporated	Consumer and professional electronics
Madrigal Audio Laboratories, Inc.	Consumer electronics
Studer Professional Audio AG	Professional audio equipment

Markets for Products

Based on its knowledge of the audio industry, the Company believes that retail sales of consumer and professional products will show modest growth in fiscal 2002. The transition from analog to digital audio technology has changed music recording and reproduction and has led to the development of a new generation of consumer and professional audio products, including software-driven audio systems with integrated digital architecture that permits communication among all components. This transition has unsettled markets due to customer confusion and hesitancy, causing modest sales growth in both markets. Management believes that the new digital technologies and standards will continue to stabilize and Harman's market position will help the Company to capitalize on the release of pent-up demand as confusion and hesitancy abate.

Until recently, Multimedia audio systems has been a growth market for Harman. The global PC market has been characterized by robust growth averaging 15 percent on an annualized basis. However, the domestic PC market declined 3.5 percent in the fourth quarter of last year, and PC sales remain soft. The Company has developed branded audio systems for

10

personal computers marketed by Apple, Dell, Compaq and IBM. The Company also produces branded aftermarket audio systems for multimedia applications. The Company believes that sales of personal computers equipped with multimedia capabilities will continue to be soft.

The Company believes excellent growth opportunities exist within the automotive audio market to increase sales by increasing per-vehicle content through the sale of integrated infotainment systems, increasing product penetration in platforms currently supplied on an OEM basis, expanding the number of automobile models offering our systems, adding

new OEM partners and the licensing of our automotive multimedia hardware and software products. Harman/Becker's radio and navigation system products complement the Company's JBL, Infinity, Mark Levinson, and Harman Kardon automotive audio programs and enable the Company to offer fully-integrated multimedia systems through its automobile manufacturing partners. The Company has received commitments for integrated infotainment systems from Mercedes-Benz, BMW, Audi, and Porsche. These integrated systems manage functions including car audio, video and navigation, which are provided by the Company and manage functions like climate control, telecommunications, and internet access, which would be provided by third parties. The Company believes that it may receive additional commitments from other leading automaker manufacturers.

The professional audio markets served by the Company include sound reinforcement, music instrument support and broadcast and recording. The sound reinforcement market includes theaters (cinema and live performance), stadiums, concert halls, and houses of worship. The music instrument support market provides portable digital signal processing components, guitar amplifiers and portable loudspeaker systems used by touring performers. The broadcast and recording market includes radio and television stations and recording studios. Much of the professional audio market is undergoing a transition from analog to digital audio technology, and the Company is well-equipped for this evolutionary period with the engineering and marketing expertise of JBL, Crown, Lexicon, Soundcraft, Studer, Harman Music Group and AKG.

Products

The Company designs, manufactures and markets worldwide a broad range of high-quality, high-fidelity audio loudspeakers and electronics for the consumer audio market (in the home, in vehicles and with computers)

11

and the professional audio market (sound reinforcement, broadcast and recording, and musical instrument support).

CONSUMER PRODUCTS. The Company manufactures loudspeakers under the JBL, Infinity and Revel brand names for the consumer market. These loudspeaker lines include models designed for two-channel stereo and multi-channel surround sound applications in the home in a wide range of choices, including floorstanding, bookshelf, powered, low frequency, in-wall, wireless and all-weather, in styles and finishes ranging from high gloss lacquers to genuine wood veneers. The JBL and Infinity product lines also include car loudspeakers, amplifiers and crossovers sold in the aftermarket.

The Company manufactures a broad range of consumer audio electronics. The Company's Harman Kardon home electronics line includes audio-video receivers featuring Dolby Digital and DTS surround sound processing capabilities and multi-channel amplifiers, multi-disc DVD players and CD recorders.

Madrigal designs and manufactures high-end electronics, including amplifiers, pre-amplifiers, digital signal processors, compact disc players and transports, DVD transports, amplifiers and surround sound processors. Madrigal markets its products under the renowned Mark Levinson and Proceed brand names. AudioAccess, Madrigal Imaging and Revel are also part of the Madrigal Group. AudioAccess products provide in-home, multi-source, multi-zone sound system controls,

servicing home theater and multi-room applications. Revel loudspeaker systems are designed to complement the superior performance of Madrigal's electronic brands for both music and home theater applications. Madrigal Imaging completes the Group's home theater range, offering high-end video projection products.

Lexicon is a leader in the design and manufacture of high-quality home theater surround sound processors and amplifiers. Lexicon was a pioneer in the development of digital signal processors for the professional audio market and uses their professional audio expertise to enhance products sold to consumers.

JBL, Infinity and Harman Kardon branded premium audio systems are offered with personal computers manufactured by Compaq, IBM, Dell and Apple, respectively. Harman participates in this market through design and brand name licensing as well as direct sourcing. These audio systems

12

provide high-quality sound and thus enhance the appeal and capability of the personal computer as an entertainment device.

Harman is a leading global manufacturer of premium branded automotive audio systems offered by automakers as an option to their customers. In its offering of loudspeakers, head units, amplifiers and infotainment systems through automobile manufacturers, the Company leverages its expertise in the design and manufacture of high-quality loudspeakers, radios and other electronics, as well as the reputation for quality associated with its JBL, Infinity, Harman Kardon, Mark Levinson and Becker brand names. Harman engineers are engaged by the automobile manufacturers early in the vehicle cabin design process to develop systems that optimize acoustic performance and minimize weight and space requirements. Harman has developed the technical competencies to offer multimedia systems to automobile manufacturers incorporating audio, video, navigation, telematics, internet access, security and cabin quieting. The Company currently primarily supplies car audio, video and navigation systems products separately. However, the Company has received new commitments for integrated infotainment systems to be installed in 2002 and 2003 model year vehicles from Mercedes-Benz, BMW, Audi, and Porsche.

The Company's Infinity-branded car audio systems are offered by DaimlerChrysler's Chrysler, Dodge and Jeep lines as well as by Mitsubishi. Toyota, Peugeot and Hyundai offer JBL-branded audio systems. BMW, Jaguar and Saab offer Harman Kardon branded systems. Mark Levinson systems are offered by Lexus. Harman/Becker supplies head units, navigation systems and other electronics to DaimlerChrysler, BMW, Audi, Porsche and Renault.

PROFESSIONAL PRODUCTS. The Company designs, manufactures and markets products in all significant segments of the professional audio market, offering complete systems solutions to professional installations and users around the world.

The Professional Group includes many of the most respected names in the industry including JBL Professional, Soundcraft, Crown, Lexicon, DOD, Digitech, AKG, BSS, dbx, and Studer. Professional installations of Harman products include stadiums, opera houses, concert halls, recording studios, broadcast studios, theaters, houses of worship, cinemas and touring performing artists.

13

Sound systems incorporating components manufactured by JBL, Crown, AKG, Studer and Soundcraft are in use around the world in such places as the Experience Music Project in Seattle, the Great Hall of the People in Beijing, China, the Royal Danish Theater in Copenhagen and Abbey Road Studio and the Millennium Dome in England. Harman professional equipment is used on tour by performing artists throughout the world.

The professional market has advanced rapidly and is heavily involved in digital technology. Management believes that Harman's Professional Group is a leader in this market. The Professional Group derives value from its ability to share research and development, engineering talent and other digital resources among its divisions. Soundcraft, Studer, Crown, Lexicon and Harman Music Group each have substantial digital resources and work together to achieve common goals by sharing resources and technical expertise.

The Professional Group's loudspeaker products are well-known for high quality and superior sound. The JBL Professional portfolio of products includes studio monitors, loudspeaker systems, power amplifiers, sound reinforcement systems, bi-radial horns, theater systems, surround systems and industrial loudspeakers.

The Company is a leading manufacturer and marketer of audio electronics equipment for professional use. Such products are marketed on a worldwide basis under various trade names, including Soundcraft, Crown, Lexicon, DOD, DigiTech, AKG, BSS, dbx and Studer, and are often sold in conjunction with the Company's professional loudspeakers.

The Soundcraft lines of high-quality sound mixing consoles extend from automated multi-track consoles for master recording studios to compact professional mixers for personal recording and home studios. Soundcraft products span four main market areas: sound reinforcement, recording studios, broadcast studios and musical instrument dealers.

The Harman Music Group product line is marketed under the DOD, dbx, and DigiTech brand names, and is sold primarily to professional audio and musical instrument dealers. Harman Music Group products include signal processing equipment, equalizers, mixers and special effects devices.

AKG is a leading manufacturer of high-quality microphones and headphones. The AKG product line includes microphones, audio headphones, surround-sound headphones and other professional audio

14

products marketed under the AKG brand name. AKG has leveraged its engineering and manufacturing expertise to enter the telecommunications market, supplying miniature transducers to mobile phone makers Nokia, Ericsson, Kyocera and Sony, as well as the automotive hands-free communications market, supplying microphone arrays to Mercedes-Benz and General Motors.

Crown is a leading professional amplifier manufacturer based in Elkhart, Indiana. Crown enhances the Company's ability to provide complete systems solutions to the professional audio market.

Lexicon digital signal processing products are used in live sound

applications and in recording studios to produce sound effects and refine final mixes.

Studer Professional Audio is recognized for the high quality and reliability of its professional products, which include analog and digital tape recorders, mixing consoles, switching systems, digital audio workstations, professional compact disc players and recorders and turnkey broadcasting studio installations.

Manufacturing

The Company believes that its manufacturing capabilities are essential to maintaining and improving product quality and performance. The Company manufactures most of the products that it sells other than certain Harman Kardon electronic components. The Company also manufactures certain products for other loudspeaker companies on an OEM basis.

The Company's loudspeaker manufacturing capabilities include the production of its own high-gloss lacquer and wooden veneer loudspeaker enclosures, wire milling, voice coil winding and the use of computer controlled lathes and other machine tools to produce its many precision components. The Company's high degree of manufacturing integration enables it to maintain consistent quality levels, resulting in reliable, high-performance products. The Company capitalizes on opportunities to transfer technology and materials developments across product lines to maximize the utility of engineering, design, development and procurement resources.

The Company's principal domestic manufacturing facility in Northridge, California, manufactures JBL and Infinity loudspeakers and audio

15

electronics for home, car and professional applications. The Company manufactures loudspeakers and assembles sound systems for the OEM automotive market in Martinsville, Indiana. Harman Music Group manufactures professional electronics products at its facility in Salt Lake City, Utah. Lexicon manufactures consumer and professional electronics products at its Bedford, Massachusetts facility. Madrigal manufactures consumer electronics at its Middletown, Connecticut facility and Crown International manufactures professional amplifiers at its Elkhart, Indiana facility. The Company's newest manufacturing facilities are located in Franklin, Kentucky and Tijuana, Mexico. The Kentucky facility manufactures automotive audio systems for Toyota and the Tijuana, Mexico facility manufactures loudspeaker cabinets for JBL and Infinity.

The Company has a strong manufacturing presence in Europe. European automotive loudspeaker and electronics manufacturing includes the production of loudspeakers and amplifiers in the United Kingdom, Germany, Sweden, France and Hungary. Infotainment systems, car radios, navigation systems, amplifiers and other electronics are manufactured in Germany. The Company's Harman Consumer Manufacturing A/S subsidiary manufactures cabinet enclosures and assembles complete JBL and Infinity loudspeakers in Denmark. European professional electronics manufacturing includes Soundcraft in the United Kingdom (mixing consoles), Studer in Switzerland (professional recording and broadcast equipment) and AKG in Austria (microphones and headphones).

Marketing and Distribution

The Company's products are sold domestically and internationally in the consumer and professional audio markets. The consumer market for audio entertainment systems consists of home, car, and multimedia. The professional market includes a wide range of professional uses, including live music applications, recording facilities, entertainment venues such as concert halls, stadiums and movie theaters, broadcast facilities and music instrument support.

The Company primarily markets its home and automotive aftermarket audio products through audio and audio-video specialty stores and certain audio-video chain stores, such as Circuit City and Best Buy in North America and MediaMarkt in Europe. The Company enjoys broad distribution of its products and selects dealers who emphasize high-quality audio systems and who are knowledgeable about the features and capabilities of audio products. Sales and marketing activities for these

16

products include dealer education programs, point-of-sale displays, participation in consumer audio trade shows, comprehensive product literature and mass-media advertising.

The Company

markets its OEM audio products through automobile and personal computer manufacturers and dealers. Automobile manufacturers offering Harman systems include DaimlerChrysler, Toyota, Lexus, Peugeot, Hyundai, BMW, Mitsubishi, Volkswagen, Volvo, Audi, Jaguar, Porsche, Range Rover and Saab. Personal computer OEM customers include Apple, Dell, Compaq and IBM. Sales and marketing activities for these products include dealer education programs, point-of-sale displays, participation in consumer audio trade shows and mass-media advertising.

The Company's professional audio products are marketed worldwide through professional sound equipment dealers, including sound system contractors that directly assist major users. The Company's sales and marketing group for its professional products is separate and independent from its consumer product sales group. Professional audio sales and marketing activities include dealer education programs, point-of-sale displays, participation in professional audio trade shows and professional audio media advertising.

Suppliers

Products designed by Harman Kardon are manufactured by several suppliers. The loss of any one of these suppliers would not have a material impact on the consolidated earnings or consolidated financial position of the Company.

The Company utilizes certain third-party suppliers to manufacture personal computer audio systems sold to personal computer manufacturers. Production difficulties at these third-party suppliers could have a material impact on the consolidated earnings of the Company until an alternate supplier is found.

The Company uses externally-sourced microchips in many of its products. A significant disruption in our microchip supply chain and an inability to obtain alternative sources would have a material impact on the consolidated sales and earnings of the Company.

17

Trademarks and Patents

The Company markets its products under numerous trademarks and logos, including JBL, Infinity, Harman Kardon, Citation, Crown, Audax, Becker, Soundcraft, Spirit, DOD, DigiTech, Lexicon, AKG, Studer, BSS, Sound-Web, dbx, AudioAccess, Mark Levinson, Madrigal Imaging, Proceed, Revel, VMAx, EON, Harman, Control, Compositions, and C-Audio. These trademarks and logos are registered or otherwise protected in substantially all major industrialized countries.

The Company's registrations cover use of its trademarks and logos in connection with various applicable products, such as loudspeakers, speaker systems, speaker system components and other electrical and electronic devices. As of June 30, 2001, the Company held approximately 408 United States and foreign patents covering various products, product designs and circuits, and had approximately 362 patent applications pending around the world. The Company vigorously protects and enforces its trademark and patent rights.

Seasonality

The Company experiences seasonal fluctuations in sales and earnings. The first fiscal quarter is the weakest due to the automotive model changeovers and the July and August holidays in Europe. Variations in seasonal demands among end-user markets may cause operating results to vary from quarter to quarter.

Customers

Sales to DaimlerChrysler for fiscal year 2001 accounted for 20.5% of the Company's consolidated net sales. The loss of sales to DaimlerChrysler would have a material adverse effect on the consolidated sales, earnings and financial position of the Company.

Backlog Orders

Because the Company's practice is to maintain sufficient inventories of finished goods to fill orders promptly, the level of backlog is not considered to be an important index of future performance. The Company's backlog was approximately \$21.2 million at June 30, 2001.

18

Warranties

Harman warrants its home products to be free from defects in materials and workmanship for a period ranging from 90 days to five years from the date of purchase, depending on the product. The warranty is a limited warranty, and it imposes certain shipping costs on the customer and excludes deficiencies in appearance except for those evident when the product is delivered. Harman dealers normally perform warranty service for loudspeakers in the field, using parts supplied on an exchange basis by the Company. Warranties in international markets are generally similar to those in the domestic market, although claims arising under these warranties are the responsibility of the distributor.

Competition

In general, the audio industry is fragmented and competitive with many

manufacturers, large and small, domestic and international, offering audio products that vary widely in price and quality and are distributed through a variety of channels. Consumer products are offered through various channels including audio specialty stores, discount stores, department stores, mail order firms and internet merchants. Consumer products are also offered as OEM options on automobiles and personal computers through the automotive and computer dealer channels. Professional products are offered through music instrument retailers, professional audio dealers, contractors and installers and on a contract bid basis. The Company concentrates on the higher-quality, higher-priced segments of the audio market.

The Company believes that it currently has a significant share of the consumer market for loudspeakers (home, automotive and computer), primarily as a result of the strength of its brand names. JBL and Infinity are two of the most recognized loudspeaker brands in the world. The development of our high-end loudspeaker brand, Revel, over the past few years, has extended our market position and complemented our Mark Levinson and Proceed high-end electronics lines. The Company competes based upon its strong brand names, the breadth of its product lines, and its comprehensive marketing, engineering and manufacturing resources.

The Company's principal competitors in the consumer loudspeaker market include Bose, Boston Acoustics, B&W, KEF, Celestion, Paradigm, Klipsch, Cambridge SoundWorks and Polk Audio.

19

Competition in the consumer electronic components segment remains intense, with this market dominated by large Asian competitors. The short life cycle of products and a need for continuous design and development efforts characterize this segment. The Company's competitive strategy is to compete in the upper segments of this market and to continue to emphasize the Company's ability to provide systems solutions to customers, including a combination of loudspeakers and electronics products, providing integrated surround sound and home theater systems. Principal electronics competitors for Harman Kardon include Marantz, Kenwood, Sony, Denon, Onkyo, Nakamichi, Pioneer and Yamaha. The Company competes in the high-end consumer electronics market with the Mark Levinson, Lexicon and Proceed brands. Principal competitors include Krell, McIntosh, Audio Research, Meridian, Linn and Accuphase.

In the personal computer audio market, the Company's Harman Kardon, JBL and Infinity brand names are attached to the premium audio systems offered by Apple and Dell, Compaq and IBM, respectively. These audio systems are provided through licensing and sourcing arrangements. Principal competitors in this segment include Boston Acoustics, Creative Labs, Altec-Lansing and LabTec.

In OEM automotive audio, the Company's principal competitors include Bose, Pioneer and Foster Electric in the loudspeaker systems segment and Alpine, Bosch, Panasonic, Siemens, Delphi, Visteon and Mannesman in the electronics segment. The Company is the only supplier of branded loudspeaker systems for Chrysler, Jeep and Mitsubishi automobiles in the United States, and also supplies branded loudspeaker systems to Toyota, Lexus, BMW, Saab and Peugeot. The Company also supplies non-branded loudspeaker systems to Chrysler, Mercedes-Benz, Volkswagen, Audi, Volvo, Ford of Europe and Fiat. The Company is a primary supplier of radio head units to Mercedes-Benz, BMW and Porsche, and also supplies TV tuners, navigation systems and other electronics

to Mercedes-Benz, Porsche and Renault. The Company competes based upon the strength of its brand name recognition and the quality of its products together with its technical expertise in designing loudspeaker systems, electronics, navigation systems, man-machine interfaces and complete multimedia systems to fit the acoustic properties of each automobile model.

The market for professional sound systems is highly competitive. The Company has historically held a leading market position in the professional loudspeaker market and has complemented its professional

20

loudspeaker line by adding digital professional electronics products and broadcast and recording equipment. The Company competes using its ability to provide systems solutions to meet the complete audio requirements of its professional customers. Harman offers products for most professional audio applications.

The Company competes in the sound reinforcement market with many of its brand names, including JBL Professional, AKG, Crown, Soundcraft, and BSS. Principal competitors in sound reinforcement include the Electro Voice division of Telex, Eastern Acoustic Works/Mackie, QSC, Sennheiser, Tannoy, Peavey, Shure, Audio Technica, Fender, Sony and Yamaha. The Professional Group competes in the broadcast and recording areas with its Studer, AKG, Soundcraft, and Lexicon brands. Principal recording and broadcast competitors include Sony, Yamaha, Neve, Sennheiser, Denon, SSL, Shure, Tascam, Alesis and Audio Technica. In the Music Instrument area, competitors for the Company's JBL, DOD, Digitech, dbx, Lexicon, and Spirit products include Yamaha, Peavey, Rane, Roland, Alesis, Marshall, Fender, Sony, Mackie and T.C. Electronics.

The Professional Group also competes in the industrial and architectural sound market. Competitors within this market include Siemens, Peavey, and Tannoy.

Environmental Matters

The Company is subject to various federal, state, local and international environmental laws and regulations, including those governing the use, discharge and disposal of hazardous materials. The Company's manufacturing facilities are believed to be in substantial compliance with current laws and regulations. The cost of compliance with current laws and regulations has not been, and is not expected to be, material.

The Company has been named as a "potentially responsible party" with respect to the disposal of hazardous wastes at four hazardous waste sites. In addition, there are other sites to which the Company has sent hazardous wastes which the Company believes are currently under regulatory scrutiny. It is possible that additional environmental issues may arise in the future which the Company cannot now predict. Although ultimate liability cannot be determined with respect to the sites mentioned above, and applicable law provides that a potentially responsible party at any site may be held jointly and severally liable for the total cost of remediation,

21

the Company believes, based upon internal investigations and information made available to the Company with regard to its potential liability at these sites, that its proportionate share of the costs related to the investigation and remedial work at these sites will not exceed \$100,000.

Research and Development

The Company's expenditures for research and development were \$88.7 million, \$76.2 million and \$76.0 million for the fiscal years ending June 30, 2001, 2000 and 1999, respectively.

Number of Employees

As of June 30, 2001, the Company had 10,676 full-time employees, including 3,671 domestic employees and 7,005 international employees, compared to 9,807 total employees at June 30, 2000. The increase in headcount from June 30, 2000, to June 30, 2001, was primarily due to the construction of two new manufacturing facilities in Kentucky and Tijuana, Mexico and increased manufacturing staffing in our European automotive electronics operations.

Disclosures about Segments and Related Information

Disclosures about segments and related information to be filed hereunder is incorporated by reference to Note 9 of Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (Effects of Inflation and Exchange Rates) on pages 35 and 36 and 17 through 21, respectively, in the Company's Annual Report to Shareholders for the fiscal year ended June 30, 2001.

Forward-Looking Statements

Except for the historical information contained herein, the matters discussed herein contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those suggested in the forward-looking statements, including, without limitation, the effect of economic conditions, product demand, currency exchange rates, labor disputes, competitive products and other risks detailed herein and in the Company's other filings with the Securities and Exchange Commission.

ITEM 2. PROPERTIES

The Company's principal activities are conducted at the facilities described in the following table.

Location	Square Footage	Owned or Leased	Percentage Utilization	Division
Northridge, California	596,000	Leased	94%	JBL, Infinity, Harman Kardon, JBL Professional, Harman Becker & Multimedia
Ittersbach, Germany	550,000 17,000	Owned Leased	80% 100%	Harman/Becker
Worth-Schaitt, Germany	377,500	Owned	80%	Harman Becker

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

Martinsville, Indiana	206,000	Owned	100%	Harman Becker
	40,000	Leased		
Ringkobing, Denmark	228,000	Owned	90%	Harman Consumer Manufacturing A/S
	16,000	Leased	90%	
Straubing, Germany	230,000	Owned	95%	Harman/Becker
Elkhart, Indiana	222,700	Owned	100%	Crown Intl.
	7,000	Leased	100%	
Tijuana, Mexico	194,000	Leased	100%	JBL, Infinity
Potters Bar, UK	160,000	Leased	100%	Soundcraft, Dar, BSS And C-Audio
Chateau du Loir, France	151,000	Owned	100%	Harman/Becker, JBL, Infinity, Harman Kardon
Vienna, Austria	129,000	Leased	100%	AKG
Juarez, Mexico	125,000	Leased	70%	Audio Latina
Sandy, Utah	122,000	Leased	100%	Digitech, DOD, dbx
Franklin, KY	110,000	Leased	100%	Harman/Becker

23

The company considers its properties to be suitable and adequate for its present needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in a lawsuit entitled Bose Corporation v. JBL, Inc., and Infinity Systems, Inc., United States District Court, District of Massachusetts. In this case, Bose sued JBL and Infinity for infringement of a U.S. patent owned by Bose relating to the use of elliptical ports in loudspeaker cabinets

On September 1, 2000, the trial court issued a judgment in favor of Bose in the amount of \$5.7 million. In addition, the court initially issued a permanent injunction prohibiting JBL and Infinity from the manufacture and sale of loudspeakers in the United States utilizing elliptical ports. The judgment was increased to \$7.2 million, plus interest, to account for sales for the five months preceding the trial court's judgment and for sales made from JBL and Infinity inventory between September 27, 2000 and November 26, 2000 as permitted by the trial court's September 27, 2000 modification of its permanent injunction. Management believes the trial court erred in its ruling and is appealing the decision, and that the Company should be successful in its appeal. However, if the Company is unsuccessful in its appeal and must pay \$7.2 million plus interest in accordance with the trial court's judgment, this would have a material adverse effect on the results of operations in the period in which the award would be required to be paid.

There are various other legal claims pending against the Company, but in

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

the opinion of management, liabilities, if any, arising from such claims will not have a material effect upon the consolidated financial condition or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

24

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age at August 1, 2001	Position
Sidney Harman	82	Executive Chairman and Chairman of the Board of Directors
Bernard A. Girod	59	Vice Chairman of the Board of Directors and Chief Executive Officer
Gregory P. Stapleton	54	President, Chief Operating Officer and Director of the Company
Frank Meredith	44	Executive Vice President and Chief Financial Officer
William S. Palin	58	Vice President - Controller
Sandra B. Robinson	42	Vice President - Financial Operations
Edwin C. Summers	54	Vice President and General Counsel
Floyd E. Toole	55	Vice President - Acoustics

Officers are elected annually by the Board of Directors and hold office at the pleasure of the Board of Directors until the next annual selection of officers or until their successors are elected and qualified.

Sidney Harman, Ph.D., the Company's founder, was named Executive Chairman in July 2000. Dr. Harman has been Chairman of the Board, Chief Executive Officer and a Director of the Company since the Company's founding in 1980. From 1977 to 1979, Dr. Harman was the Under Secretary of Commerce of the United States. From 1962 to 1977, Dr. Harman was an officer and director of the predecessor of the Company.

Bernard A. Girod was named Vice Chairman and Chief Executive Officer in July 2000. Mr. Girod has been Chief Executive Officer since November

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

1998 and a Director of the Company since 1993. From March 1994 to November 1998, Mr. Girod served as President of the Company. From November 1992 to November 1998, Mr. Girod served as Secretary of the Company. From March 1993 to November 1998 Mr. Girod served as Chief Operating Officer of the Company. From September 1986 to

25

August 1995, Mr. Girod served as Chief Financial Officer of the Company. From September 1979 to September 1986, Mr. Girod was the Vice President and General Manager of Permacel, a subsidiary of Avery Dennison and Vice President of Planning and Business Development for Avery Dennison. From 1977 to 1979, Mr. Girod was the Chief Financial Officer of the predecessor of the Company.

Gregory P. Stapleton was named President and Chief Operating Officer in July 2000. Mr. Stapleton has been a Director of the Company since November 1997 and the Chief Operating Officer since November 1998. From October 1997 to November 1998, Mr. Stapleton served as President of the Harman OEM Group. Prior to his association with the Company, Mr. Stapleton was Senior Vice President of General Electric Venture Capital Corporation from January 1986 to September 1987, and was General Manager, Industrial Products Section, Factory Automation Products Division, of General Electric Corporation from October 1982 through December 1985.

Frank Meredith was named Executive Vice President and Chief Financial Officer in July 2000. Mr. Meredith has been the Chief Financial Officer of the Company since February 1997 and Secretary of the Company since November 1998. Mr. Meredith served as Vice President, General Counsel and Assistant Secretary of the Company from July 1992 to June 1998. Prior to that time, Mr. Meredith held other positions within the Company since May 1985. Prior to joining the Company, Mr. Meredith was employed by the accounting firm Touche Ross & Co.

William S. Palin has been Vice President - Controller of the Company since March 1994. Prior to joining the Company, Mr. Palin was a partner of MacHardy Palin & Co. from January 1982 to March 1994. From July 1978 to January 1982, Mr. Palin served as an officer of two of the Company's international subsidiaries.

Sandra B. Robinson has been Vice President - Financial Operations since November 1992. Prior to that time, Ms. Robinson was Director of Corporate Accounting and has been employed by the Company since December 1984.

Edwin C. Summers has been Vice President and General Counsel of the Company since July 1998. Prior to that time, Mr. Summers was Vice President, General Counsel and Secretary of First Alliance Corporation from 1996. From 1991 to 1995, Mr. Summers was Senior Vice President, General Counsel and Secretary of Transamerica Finance Group.

26

Floyd E. Toole, Ph.D., joined the Company as Vice President - Acoustics in November 1991. Prior to joining the Company, Dr. Toole spent 25 years, most recently as Senior Research Officer, with the National Research Council of Canada's Acoustics and Signal Processing Group, where he developed psychoacoustic-optimized techniques for improving loudspeaker performance.

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by Part II, Item 5 is incorporated by reference to the Company's Annual Report to Shareholders for the fiscal year ended June 30, 2001 (Shareholder Information on page 40).

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary

(in thousands, except per share data, for the fiscal years ended June 30)

	2001	2000	1999	1998	1997
	-----	-----	-----	-----	-----
Net sales	\$ 1,716,547	\$ 1,677,939	\$ 1,500,135	\$ 1,513,255	\$ 1,474,094
Operating income	71,228	121,722	38,663	100,325	101,973
Income before taxes	45,099	102,829	14,447	75,707	77,901
Net income	32,364	72,838	11,723	50,243	54,832
Diluted EPS	0.96	2.06	0.32	1.33	1.45
Total assets	1,162,385	1,137,505	1,065,755	1,130,684	1,014,254
Total debt	368,760	277,324	311,575	333,640	306,150
Shareholders' equity	422,942	486,333	468,187	511,899	466,762
Dividends per share	0.10	0.10	0.10	0.10	0.10

Per-share data has been restated to reflect the two-for-one stock split effective August 2000.

27

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by Part II, Item 7 is incorporated by reference to the Company's Annual Report to Shareholders for the fiscal year ended June 30, 2001 (Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 17 through 21).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Securities and Exchange Commission requires that registrants include information about potential effects of changes in interest rates and currency exchange rates in their financial statements. The qualitative information required by Part II, Item 7A is incorporated by reference to pages 21 and 13 of the Company's Annual Report to Shareholders for the fiscal year ended June 30, 2001 (Effects of Inflation and Currency Exchange Rates and Footnote 13, Derivatives, respectively).

The Company's exposure to interest rate changes is primarily related to its variable rate debt. To assess exposure to interest rate changes, the Company has performed a sensitivity analysis assuming a hypothetical 100 basis point increase in interest rates across all maturities. This analysis indicates that such market movements would reduce fiscal 2002 net income, based on June 2001 positions, by approximately \$1.4 million. Based on June 2000 positions, the effect on fiscal 2001 net income of such an increase in interest rates was estimated to be \$0.7 million.

The Company and its subsidiaries' net unhedged exposure in assets and liabilities denominated in currencies other than their relevant functional currencies as of June 30, 2001 and 2000 was not material to the consolidated financial position of the Company.

Actual gains and losses in the future may differ materially from the hypothetical gains and losses discussed above based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and the Company's actual exposure and hedges.

28

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Part II, Item 8 is incorporated by reference to the Company's Annual Report to Shareholders for the fiscal year ended June 30, 2001 (Consolidated Financial Statements on pages 24 through 39).

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

With the exception of information relating to the executive officers of the Company which is provided in Part I hereof, all information required by Part III (Items 10, 11, 12, and 13) of Form 10-K, including the information required by Items 404 and 405 of Regulation S-K, is incorporated by reference to the Company's definitive Proxy Statement relating to the 2001 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- a) 1. Financial statements required to be filed hereunder are indexed on page 33 hereof.
2. Financial statement schedules required to be filed hereunder are indexed on page 33 hereof.
3. The exhibits required to be filed hereunder are indexed on pages 39 through 47 hereof.

29

THIS PAGE LEFT BLANK INTENTIONALLY

30

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED

By: (Signature and Title) /s/ Bernard A. Girdod

Bernard A. Girod, Vice Chairman and
Chief Executive Officer

Date: September 14, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Sidney Harman ----- Sidney Harman	Executive Chairman and Chairman of the Board of Directors	September 14, 2001 -----

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

/s/ Bernard A. Girod ----- Bernard A. Girod	Vice Chairman, Chief Executive Officer and Director	September 14, 2001 -----
/s/ Gregory P. Stapleton ----- Gregory P. Stapleton	President, Chief Operating Officer and Director	September 14, 2001 -----
/s/ Frank Meredith ----- Frank Meredith	Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	September 14, 2001 -----
/s/ Shirley M. Hufstedler ----- Shirley M. Hufstedler	Director	September 14, 2001 -----
/s/ Ann McLaughlin Korologos ----- Ann McLaughlin Korologos	Director	September 14, 2001 -----
/s/ Edward H. Meyer ----- Edward H. Meyer	Director	September 14, 2001 -----
/s/ Stanley A. Weiss ----- Stanley A. Weiss	Director	September 14, 2001 -----

31

THIS PAGE LEFT BLANK INTENTIONALLY

32

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

LIST OF FINANCIAL STATEMENTS AND
 FINANCIAL STATEMENT SCHEDULES
 Index to Item 14(a)

	Page Reference	
	Form 10-K	Annual Report to Shareholders

Consolidated Financial Data (pages 24 through 40 of the 2001 Annual Report to Shareholders herein incorporated by reference as Exhibit 13.1):		
Financial Table of Contents		16
Independent Auditor's Reports	35	23
Consolidated Balance Sheets as of June 30, 2001 and 2000		24
Consolidated Statements of Operations for the years ended June 30, 2001, 2000 and 1999		25
Consolidated Statements of Cash Flows for the years ended June 30, 2001, 2000 and 1999		26
Consolidated Statements of Shareholders' Equity for the years ended June 30, 2001, 2000 and 1999		27
Notes to Consolidated Financial Statements		28
Schedules for the years ended June 30, 2001, 2000 and 1999:		
II Valuation and Qualifying Accounts and Reserves		37

All other schedules have been omitted because they are not applicable,
 not required, or the information has been otherwise supplied in the
 financial statements or notes to the financial statements.

34

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE

The Board of Directors
Harman International Industries, Incorporated

Under the date of August 10, 2001, we reported on the consolidated balance sheets of Harman International Industries, Incorporated and subsidiaries as of June 30, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three year period ended June 30, 2001, as contained in the 2001 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year ended June 30, 2001. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed in the accompanying index. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Los Angeles, California
August 10, 2001

35

THIS PAGE LEFT BLANK INTENTIONALLY

36

Schedule II

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED
Valuation and Qualifying Accounts and Reserves
Years Ended June 30, 2001, 2000 and 1999
(\$000's omitted)

Classification	Balance at Beginning of Period	Charged to Costs and Expenses	Charged To Other Accounts Describe	Deductions Describe	Balance at End of Period
Year Ended June 30, 1999					
Allowance for doubtful accounts	\$ 10,072	\$ 2,662	\$ (129) (1)	\$ 3,873 (2)	\$ 8,732
Inventory reserves	\$ 38,575	\$ 28,023 (4)	\$(1,167) (1)	\$ 25,315 (3)	\$ 40,116
Year Ended June 30, 2000					
Allowance for doubtful accounts	\$ 8,732	\$ 6,902	\$ (394) (1)	\$ 3,480 (2)	\$ 11,760
Inventory reserves	\$ 40,116	\$ 32,611 (4)	\$ 775 (1)	\$ 33,278 (3)	\$ 40,224
Year Ended June 30, 2001					
Allowance for doubtful accounts	\$ 11,760	\$ 2,721	\$ (824) (1)	\$ 2,200 (2)	\$ 11,457
Inventory reserves	\$ 40,224	\$ 18,416 (4)	\$(2,268) (1)	\$ 17,737 (3)	\$ 38,635

(1) Net effect of acquisitions, dispositions and foreign currency translation.

(2) Deductions for accounts receivable written off net of recoveries.

(3) Deductions for scrapping and markdowns.

(4) Includes net change in intercompany profit elimination.

THIS PAGE LEFT BLANK INTENTIONALLY

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED
 INDEX TO EXHIBITS

The following exhibits are filed as part of this report. Where such filing is made by incorporation by reference to a previously filed statement or report, such statement or report is identified in parenthesis.

There are omitted from the exhibits filed with this Annual Report on Form 10-K certain promissory notes and other instruments and agreements with respect to long-term debt of the Company, none of which authorizes securities in a total amount that exceeds 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the Company hereby agrees to file with the Securities and Exchange Commission copies of all such omitted promissory notes and other instruments and agreements as the Commission requests.

Exhibit No.	Description	Page No.
3.1, 4.1	Restated Certificate of Incorporation filed with the Delaware Secretary of State on October 7, 1986, as amended by the Certificates of Amendment filed with the Delaware Secretary of State on November 13, 1986, November 9, 1993 and on December 14, 2000	49
3.2,4.5	By-Laws of Harman International Industries, Incorporated, as amended December 13, 1999. (Filed as Exhibit 3.2,4.5 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
4.2	Rights Agreement (including a Form of Certificate of Designation of Series A Junior Participating Preferred Stock as Exhibit A thereto, a Form Right Certificate as Exhibit B thereto and a Summary of Rights to	

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

Purchase of Preferred Stock as Exhibit C thereto)
 (Incorporated by reference to the Form 8-A filed by
 the Company on December 16, 1999) IBR

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
4.3	Certificate of Designation of Series A Junior Participating Preferred Stock of Harman International Industries, Incorporated, dated January 11, 2000. (Filed as Exhibit 4.3 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.1	Lease dated as of June 18, 1987 between Harman International Industries Business Campus Joint Venture and JBL Inc., as amended. (Filed as Exhibit 10.1 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1987 (File No. 0-15147), and hereby incorporated by reference)	IBR
10.2	Guaranty dated as of June 18, 1987 by Harman International Industries, Inc. of Lease dated as of June 18, 1987 between Harman International Industries Business Campus Joint Venture and JBL Inc., as amended. (Filed as Exhibit 10.2 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1987 (File No. 0-15147), and hereby incorporated by reference)	IBR
10.18	Harman International Industries, Inc. 1987 Executive Incentive Plan (adopted December 8, 1987). (Filed as Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1988 (File No. 0-15147), and hereby incorporated by reference)	IBR
10.19	Form of Incentive Stock Option Agreement under the 1987 Executive Incentive Plan. (Filed as Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1988 (File No. 0-15147), and hereby incorporated by reference)	IBR

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
10.20	Form of Non-Qualified Stock Option Agreement under the 1987 Executive Incentive Plan. (Filed as	

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

	Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1988 (File No. 0-15147), and hereby incorporated by reference)	IBR
10.21	Form of Non-Qualified Stock Option Agreement with non-officer directors. (Filed as Exhibit 10.21 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1988 (File No. 0-15147), and hereby incorporated by reference)	IBR
10.23	Lease Agreement dated April 28, 1988, by and between Harman International Business Campus Joint Venture and Harman Electronics, Inc. (Filed as Exhibit 10.23 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1988 (File No. 0-15147), and hereby incorporated by reference)	IBR
10.26	Harman International Industries, Incorporated Retirement Savings Plan, Amended and Restated effective as of June 27, 2000	106
10.27	Amended and Restated Harman International Industries, Incorporated Supplemental Executive Retirement Plan dated October 1, 1999. (Filed as Exhibit 10.27 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.30	Form of Restricted Stock Agreement. (Filed as Exhibit 10.30 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1989 (File No. 0-15147), and hereby incorporated by reference)	IBR

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
10.40	Harman International Industries, Incorporated 1992 Incentive Plan, as amended. (Filed as Exhibit B to the Company's Definitive Proxy Statement filed on September 15, 1999 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.41	Form of Incentive Stock Option Agreement under the 1992 Incentive Plan. (Filed as Exhibit 10.41 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.42	Form of Non-Qualified Stock Option Agreement under the 1992 Incentive Plan. (Filed as Exhibit 10.42 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

10.43	Form of Restricted Stock Agreement under the 1992 Incentive Plan. (Filed as Exhibit 10.43 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.44	Form of Non-Qualified Stock Option Agreement for Non-Officer Directors under the 1992 Incentive Plan. (Filed as Exhibit 10.44 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.45	Harman International Industries, Inc. Deferred Compensation Plan, effective June 1, 1997. (Filed on Form S-8 Registration Statement on June 9, 1997 (Reg. No. 333-28793), and hereby incorporated by reference).	IBR

42

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
10.46	First Amendment to Harman International Industries, Inc. Deferred Compensation Plan dated October 1, 1999. (Filed as Exhibit 10.46 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.53	Multi-Currency, Multi-Option Credit Agreement dated September 30, 1994, among Harman International Industries, Incorporated, the Subsidiary Borrowers and Subsidiary Guarantors, and the Several Lenders named therein with Chemical Securities, Inc., as Arranger, NationsBank of North Carolina, N.A., as Co-Agent and Chemical Bank, as Administrative Agent. (Filed as Exhibit 10.53 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1994 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.54	First Amendment dated February 15, 1995, to the Multi-Currency, Multi-Option Credit Agreement dated September 30, 1994. (Filed as Exhibit 10.54 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.55	Second Amendment dated November 9, 1995, to the Multi-Currency, Multi-Option Credit Agreement dated September 30, 1994. (Filed as Exhibit 10.55 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (File No. 1-9764), and hereby incorporated by reference)	IBR

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
10.57	First Amendment to the Lease Agreement by and between Harman International Business Campus Joint Venture and Harman Electronics, Inc. dated October 1995. (Filed as Exhibit 10.57 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1996 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.58	First Amendment to the Lease Agreement by and between Harman International Business Campus Joint Venture and JBL, Inc. dated October 1995. (Filed as Exhibit 10.58 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1996 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.59	Fourth Amendment dated June 6, 1997, to the Multi-Currency, Multi-Option Credit Agreement dated September 30, 1994. (Filed as Exhibit 10.59 to the Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.61	Amended and Restated Credit Agreement, dated July 5, 2000, among Harman International Industries, Incorporated, Becker Holding GmbH, The Several Lenders from Time to Time Party Thereto and Commerzbank Aktiengesellschaft. (Filed As Exhibit 10.61 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.65	Employment Agreement between the Company and William Palin dated April 4, 2001. (Filed as Exhibit 10.69 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (File No. 1-9764), and hereby incorporated by reference)	IBR

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
10.66	Form of Non-Qualified Stock Option Agreement between the Company and certain executive officers of the Company dated August 11, 1998. (Filed as Exhibit 10.66 to the Annual Report on Form 10-K for the year ended June 30, 1999 (File No.	

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

- 1-9764), and hereby incorporated by reference) IBR
- 10.67 Equipment Financing Agreement between the Company and State Street Bank and Trust dated September 30, 1999. (Filed as Exhibit 10.67 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 (File No. 1-9764), and hereby incorporated by reference) IBR
- 10.68 Participation Agreement among the Company, State Street Bank and Trust, Four Winds Funding Corporation, Commerzbank, Bank of Tokyo - Mitsubishi Trust Company and BTM Capital dated September 30, 1999. (Filed as Exhibit 10.68 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 (File No. 1-9764), and hereby incorporated by reference) IBR
- 10.69 Harman International Industries, Incorporated, Key Executive Officers Incentive Plan. (Filed as Exhibit A to the Definitive Proxy Statement on Form 14-A for the year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference) IBR
- 10.70 Fifth Amendment dated July 17, 2000 to the Multi-Currency, Multi-Option Credit Agreement dated September 30, 1994. (Filed as Exhibit 10.70 to the Annual Report on Form 10-K for the year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference) IBR

45

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
10.71	Form of Severance Agreement between the Company and each of Sidney Harman, Bernard Girod, Gregory Stapleton and Frank Meredith. (Filed as Exhibit 10.71 to the Annual Report on Form 10-K for the year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.72	Benefit Agreement under the Supplemental Executive Retirement Plan between Bernard A. Girod and Harman International Industries, Inc., dated June 22, 2001. (Filed as Exhibit 10.72 to the Annual Report on Form 10-K for the year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
10.73	Benefit Agreement under the Supplemental Executive Retirement Plan between Gregory Stapleton and Harman International Industries, Inc., dated June 20, 2001. (Filed as Exhibit 10.73 to the Annual Report on Form 10-K for the year ended June 30, 2000 (File No. 1-9764),	

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

	and hereby incorporated by reference)	IBR
10.74	Benefit Agreement under the Supplemental Executive Retirement Plan between Frank Meredith and Harman International Industries, Inc., dated June 21, 2000. (Filed as Exhibit 10.74 to the Annual Report on Form 10-K for the year ended June 30, 2000 (File No. 1-9764), and hereby incorporated by reference)	IBR
13.1	Pages 17 through inside back cover of Harman International Industries, Incorporated Annual Report to Shareholders for the fiscal year ended June 30, 2001	130

46

INDEX TO EXHIBITS (cont.)

Exhibit No.	Description	Page No.
21.1	Subsidiaries of the Company	158
23.1	Consent of Independent Auditors	164

47

THIS PAGE LEFT BLANK INTENTIONALLY

48

EXHIBIT 3.1, 4.1

49

THIS PAGE LEFT BLANK INTENTIONALLY

50

EXHIBIT 10.26

73

THIS PAGE LEFT BLANK INTENTIONALLY

74

EXHIBIT 13.1

130

THIS PAGE LEFT BLANK INTENTIONALLY

131

EXHIBIT 21.1

158

THIS PAGE LEFT BLANK INTENTIONALLY

159

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED
LIST OF SUBSIDIARIES

Subsidiary	Jurisdiction
-----	-----
AKG Acoustics GmbH	Republic of Austria
Audax Industries SNC	France
Becker of North America, Inc.	Delaware
Becker Service und Verwaltungs GmbH	Germany
BSS Audio	United Kingdom
Crown Audio, Inc.	Delaware
Becker Automotive (Pty) Ltd.	South Africa
Harman Audio de Mexico S.A. de C.V.	Mexico
Harman de Mexico S.A. de C.V.	Mexico
Harman Audio Outlet, Inc.	Delaware
Harman Becker Automotive Systems (Becker Division) GmbH	Germany
Harman Becker Automotive Systems Holding GmbH	Germany
Harman Becker Automotive Systems (Kentucky), Inc.	Delaware
Harman Becker Automotive Systems (Wisconsin), Inc.	Delaware
Harman Becker Automotive Systems (Straubing Division) GmbH	Germany

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

Harman Becker Automotive Systems, Inc. Delaware

160

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED
LIST OF SUBSIDIARIES

Subsidiary	Jurisdiction
Harman Becker Automotive Systems KFT	Hungary
Harman Becker Automotive Systems S.A. de C.V.	Mexico
Harman Belgium N.V.	Kingdom of Belgium
Harman Consumer Manufacturing A/S	Denmark
Harman Consumer Nederland B.V.	Netherlands
Harman Consumer International SNC	France
Harman Enterprises, Inc.	Delaware
Harman France SNC	France
Harman Holding A/S	Denmark
Harman Industries SNC	France
Harman International Industries Limited	United Kingdom
Harman International Singapore Pte. Ltd.	Singapore
Harman Investment Company, Inc.	Delaware
Harman-Kardon, Incorporated	Delaware
Harman Music Group, Incorporated	Delaware
Harman Pro GmbH	Germany
Harman Pro North America, Inc.	Delaware
Harman (Suzhou) Electronics Co. Ltd.	China

161

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED
LIST OF SUBSIDIARIES

Subsidiary	Jurisdiction
Harman UK Limited	United Kingdom

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form 10-K405

Infinity Systems, Inc.	California
Innovative Systems GmbH Navigation-Multimedia	Germany
JBL Incorporated	Delaware
Lexicon, Incorporated	Massachusetts
Madrigal Audio Laboratories, Inc.	Delaware
Soundcraft Electronics	United Kingdom
Studer Austria GmbH	Austria
Studer USA, Inc.	Delaware
Studer Canada Limited	Canada
Studer Deutschland GmbH	Germany
Studer Digitec S.A.	France
Studer Japan Ltd.	Japan
Studer Professional Audio AG	Switzerland
Studer U.K.	United Kingdom

162

THIS PAGE LEFT BLANK INTENTIONALLY

163

EXHIBIT 23.1

164

THIS PAGE LEFT BLANK INTENTIONALLY

165

CONSENT OF INDEPENDENT AUDITOR

The Board of Directors
Harman International Industries, Incorporated:

We consent to incorporation by reference in the Registration Statements Nos. 33-20559, 33-28973, 33-36388, 33-60234, 33-60236, 33-59605, 333-02197, 333-28793 and 333-32673 on Form S-8 and 333-21021 on Form S-3 of Harman International Industries, Incorporated of our reports dated August 10, 2001, relating to the consolidated balance sheets of Harman International Industries, Incorporated and subsidiaries as of June 30, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareholders' equity and related schedule for each of the years in the three year period ended June 30, 2001, which reports appear in the June 30, 2001 annual report on Form 10-K of Harman International Industries, Incorporated.

/s/ KPMG LLP

Los Angeles, California
September 14, 2001

166

THIS PAGE LEFT BLANK INTENTIONALLY

