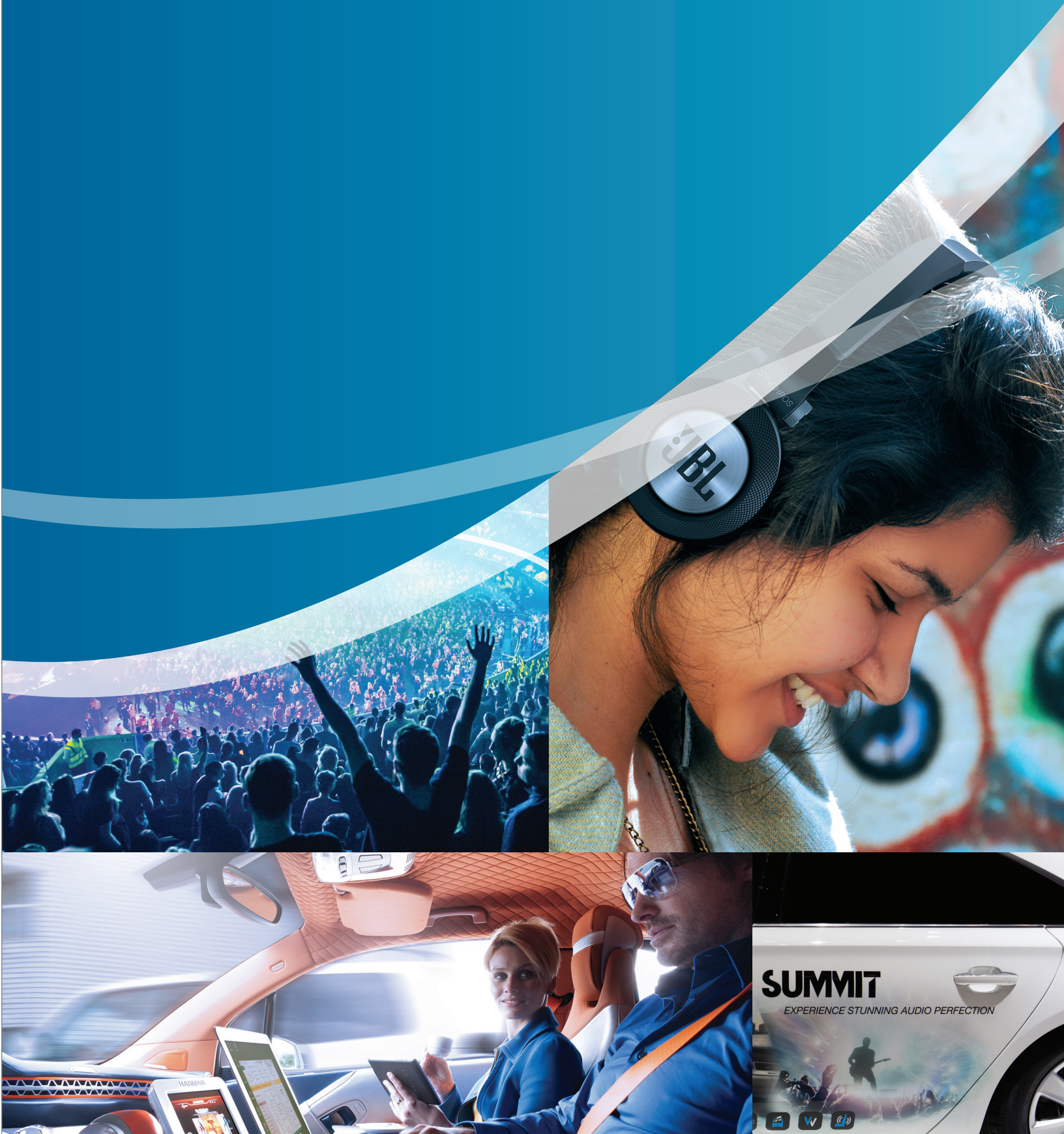




ANNUAL REPORT 2016



TO OUR SHAREHOLDERS

Fiscal year 2016 was a year of records for HARMAN® as we began to see our transformation into a connected technologies company take flight with strong results:



Revenue reached a record high of \$6.91 billion, an **increase of 12%** over the prior year

GAAP EBITDA **increased 26%** to \$804 million; operational EBITDA **increased 20%*** to \$836* million

GAAP operating income **increased 24%** to \$580 million compared to \$470 million in FY2015; operational operating income **increased 22%*** to \$677* million compared to \$554* million in FY2015

GAAP Earnings Per Share (EPS) **increased 3%** to \$4.99; operational EPS **increased 9%*** to \$6.24*

Automotive backlog of awarded business hit a **record high of \$24.1 billion**

* Non-GAAP financial measure. See page 3 for reconciliation of non-GAAP measures.

I am extremely proud of these results and even more proud of the innovation, collaboration and discipline that our workforce of approximately 29,000 demonstrated to achieve them. Amidst rapid, disruptive changes in the markets we serve, HARMAN's business strategies, investments and relentless attention to execution and cost leadership propelled us to another impressive year and a stronger position to accelerate our growth. We forged valuable partnerships, secured substantial customer wins and continued to introduce new products, solutions and services that enable and enhance the connected lifestyle.

CONNECTED CAR

The dramatic transformation of the automotive landscape continued to dominate the headlines in fiscal year 2016. HARMAN is at the center of this revolution, providing the critical building blocks to intelligent cars and autonomous driving.

Reflecting increased demand for a robust connected car experience for all vehicle classes, HARMAN secured a significant global contract with a U.S. automaker in the display audio segment. This was a milestone for HARMAN that expands our addressable market and underscores our continued leadership in embedded infotainment and display-driven integration from luxury to entry-level vehicles.

We also won a follow-on award for a next generation system with another North American OEM and secured extensions with BMW, Daimler, GAC, Geely, Harley-Davidson, MAN SE, Subaru, Suzuki, and Toyota.

HARMAN's ability to successfully deploy intelligently connected solutions for the car that are safe and secure is being noticed by our customers and industry observers. At the Consumer Electronics Show (CES) in January 2016, we introduced our next-generation scalable and holistic infotainment platform called Life-Enhancing Intelligent Vehicle Solution ("LIVS"). We believe LIVS is the industry's most complete end-to-end system to provide drivers with intelligent, adaptable and personal solutions in the car. This complements our entry-level and mid-range connected car systems that we believe deliver industry-leading performance and feature flexibility to address a wide range of vehicle classes.

In sum, for HARMAN's Connected Car Division, our powerful compute platform is taking hold, our acquisitions and innovations are paying off and automakers are rewarding us with expanded business, new contracts and strong endorsements.

LIFESTYLE AUDIO

HARMAN's Lifestyle Audio Division continues to capitalize on a diverse brand portfolio, superior technology capabilities and strong global scale to address the needs of today's customers. In car audio, we achieved an all-time high \$6.6 billion backlog. Among our many significant customer wins, we secured the first award for the B&O PLAY brand with Ford and won new business awards with Audi, Hyundai/Kia, Lexus, Subaru, SGM Wuling in China, and Toyota.

We also secured the first award for our premium Summit audio platform with an emerging innovative electric vehicle company. The Summit Car Audio system addresses the growing demand for personalization and adaptability through flexible software solutions. It integrates the best of our sound processing and management technologies, such as Quantum Logic® Surround Sound,™ Individual Sound Zones ("ISZ"), HALOsonic® and Clari-Fi,™ with new features like Connected Jukebox and Virtual Venues to create a highly personalized in-car audio experience for drivers.

Our consumer audio business also elevated its profile with new partnerships, new product introductions and industry endorsements for design and sound. One of our highlights was the announcement of HARMAN's strategic partnership with Under Armour to bring connected health and fitness technology to consumers. Earlier in the year, HARMAN was selected by Lufthansa to provide our AKG® noise cancelling headphones across their fleet. In addition, our embedded audio team continues the crusade to bring audio to the level of video, particularly in mobile devices and consumer electronics. We were excited that Lenovo selected JBL® for its first modular phone introduction of the Moto Z.

HARMAN continues to win accolades from our customers and peers—a reflection of our success in the marketplace. This year, Lincoln awarded HARMAN a quality excellence award for our Revel® sound system. From the industry, we took home an impressive 56 design and innovation awards for our headphones, portables and speakers.

HARMAN's Lifestyle Audio Division is leveraging our professional audio heritage, iconic brands and automotive expertise to bring cutting-edge audio solutions to home and work, in the car and on the go that bring greater personalization, productivity and power to people's lives.

PROFESSIONAL SOLUTIONS

In fiscal year 2016, our Professional Solutions Division embarked on a significant transformation to increase our competitiveness and align our go-to-market strategy with the changing dynamics of the markets we serve. Rather than focus on products and services, we moved to solutions-based selling around two primary sectors—entertainment and enterprise—to leverage what we believe is the most comprehensive portfolio of audio, lighting, video, and control and automation solutions available in the marketplace. At the same time, we also are taking actions to improve our cost structure by shifting our manufacturing and engineering to best cost countries, as we did for our automotive business.

On the entertainment side, our audio and lighting solutions powered major festivals, tours and events, including the Yuma Tent at Coachella, Pitbull's "The Bad Man Tour" and Summerfest. HARMAN also has been named the official sound partner of The John F. Kennedy Center for the Performing Arts in Washington, D.C. as the iconic performing arts complex undergoes a significant expansion and renovation. In addition, we strengthened our position as the leader in cinemas, winning new business with Cinépolis in Mexico, Wanda Cinema Line in China and CGV in Korea. In the recording and portable PA markets, innovative new products like the JBL EON® ONE captured industry awards by delivering a complete performance solution that leverages multiple HARMAN technologies.

In the enterprise space, our new go-to-market strategy is also helping us secure significant wins in the corporate, government and education markets, as well as delivering installed systems in hospitality facilities and large venues. We won major integrated audio, video and lighting projects for premiere venues around the world, such as Heinz Field, home of the Pittsburgh Steelers, and for corporations such as Citibank, Raytheon and Unilever. Our focus in fiscal year 2017 will be on activating our new solutions-based strategy with expediency and continuing to streamline our footprint to achieve greater efficiencies in design and manufacturing.

CONNECTED SERVICES

Formed in fiscal year 2016, HARMAN's Connected Services Division has brought to our company complete end-to-end software and services at the convergence of mobility, cloud and analytics.

Our focus is on three strategic business segments: automotive, mobile and communications services, and software enabled businesses. We have assembled industry-leading competence in critical domains,

including embedded device engineering, remote/over-the-air (OTA) software management and updates, cloud enablement, analytics and user experience design.

In automotive, HARMAN introduced a cloud-based service delivery platform for the connected car. This service allows automakers and service providers to introduce and easily deploy new enterprise cloud services to connected vehicles. The new platform facilitates the integration of a variety of enterprises and vehicle-centric applications and services from leading providers. This enables new software features after vehicle sale, forecasting for preventative maintenance and analysis of warranty claims.

Our ongoing commitment to innovation and service has led to significant wins with Groupe PSA, Renault, Ford, Verizon, Samsung and many more. We also continued to capitalize on our industry-leading cloud-based OTA software update technology, winning six new awards from leading automakers such as FCA, Porsche and Subaru. Accelerating the proliferation of our offerings and platforms, we also have grown our relationships with Google, Microsoft, Amazon, Qualcomm and Intel, to name a few.

We continued to deliver against our five strategic pillars, which remain as relevant as ever in our drive to elevate the connected lifestyle.

EXPAND TECHNOLOGY LEADERSHIP

In fiscal year 2016, our patent count grew to 6,200, with a focus on the connected car, user interface and smart audio. Many of the industries we serve, especially automotive, are experiencing an unprecedented social and technological transformation. Fueled by increasingly intelligent connectivity and supported by autonomous vehicles, electrification and urban mobility, the car is getting an upgrade as never seen before. Cyber security is a critical part of this. In fiscal year 2016, HARMAN acquired TowerSec Ltd., a global automotive cyber security company specializing in network protection for connected vehicles. Complementing HARMAN's 5+1 security architecture, TowerSec's technology is aimed at protecting the critical points of vulnerability in the connected and autonomous car, including hardware, network and OTA updates.

We will continue to invest in our portfolio of integrated technologies, including cloud, data analytics, cyber security, sound management, user interface and artificial intelligence to capitalize on the megatrends. While focused on research and development that will grow our own business, we will also leverage our rich stable of patents to achieve high margin revenue from licensing the technologies we own.

CAPITALIZE ON ICONIC BRANDS

The power of our brands to define and differentiate experiences for people has never been stronger. Leveraging our brand ambassadors in music and sports, and building programs as the official sound of the National Basketball Association, we significantly increased our brand awareness. By connecting with consumers through culture, we believe that we expanded HARMAN's influence and position of authority in audio and design. In addition, our co-marketing efforts with customers, including six anchor programs across 11 major customers, were extremely successful, lifting sales in both car and consumer audio.

Ultimately, we measure our marketing success in sales. We were excited to see that JBL was crowned the number one portable in Europe by independent firm GfK. This was an auspicious milestone for us in a highly competitive market. In addition, our e-commerce sales increased, and we continued to see rising take rates in car audio.

GROW EMERGING MARKETS

HARMAN's growth in emerging markets has been exceptional. China continues to be a breakout market for us. For fiscal year 2016, China sales were up nearly 20 percent year over year. Revenues on an end customer basis are now approximately \$800 million dollars, a new record for HARMAN within the region. HARMAN China now boasts more than 3,000 employees, four research and development facilities and two manufacturing locations.

We also expect to see continued growth in India where GDP grew 7.6 percent during the year. Opportunities around smart cities and smart transportation there continue to expand.

With more than 8,500 employees, India is home to HARMAN's largest employee base worldwide. We have large software development centers across seven cities in India, a Connected Car manufacturing facility and an acoustics lab. With a strong distribution, sales and service network and a robust roster of tier one clients, we have established a significant presence for all four businesses in the country.

OPTIMIZE COST AND CAPITAL MARKETS

Strategy and innovation are critical components of our success. However, execution and cost leadership enable us to keep our competitive edge. In the last six years, we have improved our global footprint by strategically moving certain manufacturing and engineering activities to best cost countries. Through diligent programs in design innovation, manufacturing and procurement, we have produced significant savings that go directly to the bottom line while improving our efficiencies and quality.

Our capital structure remains strong. We maintain a balanced capital allocation strategy for sustainable dividends, organic growth, strategic acquisitions and share buybacks. In fiscal year 2016, we repurchased 1.6 million shares of common stock at a cost of approximately \$140 million, a record high for HARMAN in any fiscal year. Combined with \$100 million in dividends, we returned a record \$240 million to our shareholders, more than half of our cash generated from operations.

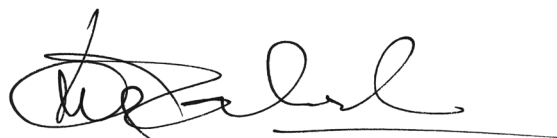
DIVERSITY MARKETS

Focusing on integrating and leveraging the strategic acquisitions we made over the last two years, as well as organic research and development, HARMAN further diversified our solutions and services offerings in fiscal year 2016.

At CES in January 2016, HARMAN announced a partnership with Microsoft. This partnership will introduce new mobile productivity services and integrate key elements of Microsoft Office 365 productivity suite capabilities into HARMAN infotainment systems. HARMAN also brought to market "smart apps" integrations such as Apple CarPlay, Android Auto and Baidu's CarLife, seamlessly blending with other rich feature functionality of embedded infotainment systems.

In August 2016, we also announced an important relationship with AT&T, which selected HARMAN's Telematics Control Unit (TCU) for its Mobile Broadband Accelerator program. In addition, we expanded our reach around cyber security, OTA and software development. We forged innovative partnerships, including a new relationship with NXP Semiconductors to jointly offer new software gateway solutions to the automotive market. We intend to continue our pursuit of new opportunities that advance autonomous driving and the connected lifestyle.

In summary, this was another banner year for HARMAN with revenue, operational EBITDA and operational EPS all reaching record highs. We are fulfilling our mission to elevate every experience wherever you are—in the car, at home, at work, on the go—and we are in the fast lane, delivering exceptional value to our customers and shareholders. On behalf of the Board and the Executive Committee, I am grateful for the efforts of our amazing people around the world and proud of the results that our divisions contributed over the last 12 months. I am even more optimistic about the coming year and the long-term outlook for HARMAN and the markets we serve.



Dinesh C. Paliwal
Chairman, President and Chief Executive Officer

Harman International Industries, Incorporated Reconciliation of GAAP to Non-GAAP Results

*In million, except earnings per share data
Twelve months ended June 30, 2016*

	GAAP	Adjustments	Non-GAAP, operational
Operating income	\$580	\$97 ¹	\$677
EBITDA	\$804	\$32 ²	\$836
Earnings per share	\$4.99	\$1.25	\$6.24

¹ Adjustments are primarily related to restructuring expense of \$24.9 million for projects to increase manufacturing, engineering, and administrative functions productivity; acquisition-related expenses of \$55.9 million, and other non-recurring expense of \$15.8 million, which primarily relates to incremental costs incurred related to productivity improvement initiatives.

² Adjustments include \$65.0 million of depreciation and amortization expense offset by adjustments described in 1) above.

To view the full 10-K report visit harman.com

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