HARMAN INTERNATIONAL INDUSTRIES INC /DE/
Form 10-Q
May 02, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

For the Transition Period from ______ to ______

Commission File Number: 1-9764

Harman International Industries, Incorporated

(Exact name of registrant as specified in its charter)

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

(203) 328-3500

(Registrant s telephone number, including area code)

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

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

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

(Check one):

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

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

As of April 26, 2013, 67,952,547 shares of common stock, par value $.01, were outstanding.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

Form 10-Q

March 31, 2013

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The page numbers in this Table of Contents reflect actual page numbers, not EDGAR page tag numbers.

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

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

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Forward-Looking Statements

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

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

- our ability to maintain profitability in our infotainment segment if there are delays in our product launches which may give rise to significant penalties and increased engineering expense;
- the loss of one or more significant customers, or the loss of a significant platform with an automotive customer;
- fluctuations in currency exchange rates, particularly with respect to the value of the U.S. Dollar and the Euro;
- our ability to successfully implement our global footprint initiative, including achieving cost reductions and other benefits in connection with the restructuring of our manufacturing, engineering, procurement and administrative organizations;
- fluctuations in the price and supply of raw materials including, without limitation, petroleum, copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the inability of our suppliers to deliver products at the scheduled rate and disruptions arising in connection therewith;
- our ability to attract and retain qualified senior management and to prepare and implement an appropriate succession plan for our critical organizational positions;
- our failure to implement and maintain a comprehensive disaster recovery program;
- our failure to comply with governmental rules and regulations, including the Foreign Corrupt Practices Act and U.S. export control laws, and the cost of complying with such laws;

- our ability to maintain a competitive technological advantage through innovation and leading product designs; and

- our failure to maintain the value of our brands and implementing a sufficient brand protection program.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. As a result, the foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with the Securities and Exchange Commission. For additional information regarding certain factors that may cause our actual results to differ from those expected or anticipated, see the information under the caption Risk Factors which is located in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012. We undertake no obligation to publicly update or revise any forward-looking statement (except as required by law). This report also makes reference to our awarded business, which represents the estimated future lifetime net sales for all customers. Our future awarded business does not represent firm customer orders. We calculate our awarded business using various assumptions including global vehicle production forecasts, customer take rates for our products, revisions to product life cycle estimates and the impact of annual price reductions, among other factors. These assumptions are updated on an annual basis. We update our estimates quarterly by adding the value of new awards received and subtracting sales recorded during the quarter.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)	March 31, 2013	June 30, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 422,240	$ 617,356
Short-term investments	10,000	203,014
Receivables, net	719,376	582,835
Inventories	598,608	427,597
Other current assets	321,364	285,443
Total current assets	2,071,588	2,116,245
Property, plant and equipment, net	418,043	430,234
Goodwill	237,236	180,811
Deferred tax assets, long-term, net	286,430	308,768
Other assets	205,744	133,406
Total assets	**$ 3,219,041**	**$ 3,169,464**
Liabilities and Shareholders Equity		
Current liabilities		
Current portion of long-term debt	$ 30,403	$ 395,409
Short-term debt	885	227
Accounts payable	494,131	505,694
Accrued liabilities	405,559	368,002
Accrued warranties	115,830	97,289
Income taxes payable	11,715	15,279
Total current liabilities	1,058,523	1,381,900
Long-term debt	262,566	0
Pension liability	168,947	168,099
Other non-current liabilities	89,056	89,854
Total liabilities	**1,579,092**	**1,639,853**
Commitments and contingencies		
Preferred stock	0	0
Common stock	969	961
Additional paid-in capital	962,402	943,971
Accumulated other comprehensive income	21,073	29,709
Retained earnings	1,832,419	1,726,486
Less: Common stock held in treasury	(1,176,914)	(1,171,516)

Total shareholders equity	**1,639,949**	**1,529,611**
Total liabilities and shareholders equity	**$ 3,219,041**	**$ 3,169,464**

See accompanying Notes to the Condensed Consolidated Financial Statements.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except earnings per share data)	**Three Months Ended March 31, 2013**	**Three Months Ended March 31, 2012**	**Nine Months Ended March 31, 2013**	**Nine Months Ended March 31, 2012**
Net sales	$ 1,061,772	$ 1,095,675	$ 3,115,607	$ 3,273,307
Cost of sales	792,577	803,045	2,296,372	2,387,496
Gross profit	269,195	292,630	819,235	885,811
Selling, general and administrative expenses	230,933	232,755	633,500	656,681
Sale of intellectual property	0	0	0	(301)
Operating income	38,262	59,875	185,735	229,431
Other expenses:				
Interest expense, net	1,614	5,394	11,296	14,729
Foreign exchange (gains) losses, net	(1,645)	109	(506)	11,706
Miscellaneous, net	1,174	841	3,783	4,240
Income before income taxes	37,119	53,531	171,162	198,756
Income tax expense (benefit), net	2,207	(119,125)	34,206	(81,522)
Equity in loss of unconsolidated subsidiaries	39	0	39	0
Net income	$ 34,873	$ 172,656	$ 136,917	$ 280,278
Earnings per share:				
Basic	$ 0.50	$ 2.41	$ 1.99	$ 3.93
Diluted	$ 0.50	$ 2.38	$ 1.97	$ 3.88
Weighted average shares outstanding:				
Basic	69,109	71,622	68,932	71,395
Diluted	69,892	72,604	69,676	72,263

See accompanying Notes to the Condensed Consolidated Financial Statements.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
Net income	$ 34,873	$ 172,656	$ 136,917	$ 280,278
Other comprehensive income (loss):				
Foreign currency translation (loss) gain	(21,677)	21,744	2,793	(88,650)
Unrealized gains (losses) on hedging derivatives	17,524	(21,377)	(21,154)	50,408
Pension liability adjustment	1,709	(2,569)	3,791	(3,053)
Unrealized gains (losses) on available for sale securities	149	145	500	(32)
Other comprehensive loss before taxes	(2,295)	(2,057)	(14,070)	(41,327)
Income tax expense (benefit)	5,074	(6,989)	(5,434)	12,957
Other comprehensive (loss) income, net of taxes	(7,369)	4,932	(8,636)	(54,284)
Comprehensive income, net of taxes	$ 27,504	$ 177,588	$ 128,281	$ 225,994

See accompanying Notes to the Condensed Consolidated Financial Statements

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Nine Months Ended March 31, 2013	2012
Cash flows from operating activities:		
Net income	$ 136,917	$ 280,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,994	90,197
Sale of intellectual property	(0)	(301)
Deferred income taxes	11,836	(84,053)
(Gain) loss on disposition of assets	(1,679)	845
Share-based compensation	12,302	13,437
Non-cash interest expense	7,954	14,462
Non-cash reduction in contingent liabilities	(12,500)	0
Changes in operating assets and liabilities, net of acquired businesses:		
Decrease (increase) in:		
Receivables, net	(109,331)	(137,916)
Inventories, net	(119,984)	(97,870)
Other current assets	(46,636)	(57,515)
Increase (decrease) in:		
Accounts payable	(25,663)	4,699
Accrued warranties	17,531	(20,012)
Accrued other liabilities	10,753	43,588
Income taxes payable	(4,720)	316
Other operating activities	(6,031)	(17,231)
Net cash (used in) provided by operating activities	(37,257)	32,924
Cash flows from investing activities:		
Purchases of short-term investments	(73,755)	(370,203)
Maturities of short-term investments	267,280	560,324
Acquisitions, net of cash received	(99,268)	(70,535)
Proceeds from asset dispositions	3,785	2,264
Capital expenditures	(66,171)	(77,765)
Other items, net	(1,683)	(3,537)
Net cash provided by investing activities	30,188	40,548
Cash flows from financing activities:		
Net decrease in short-term borrowings	(40,799)	(1,313)
Net increase in long term debt	300,000	0
Repayments of long-term debt	(416,558)	0
Debt issuance costs	(6,094)	0
Cash dividends to shareholders	(30,808)	(15,858)
Repurchase of common stock	(5,398)	0
Share-based compensation	10,322	8,843
Other items, net	(6,265)	(4,046)
Net cash used in financing activities	(195,600)	(12,374)
Effect of exchange rate changes on cash	7,553	(24,432)
Net (decrease) increase in cash and cash equivalents	(195,116)	36,666

Cash and cash equivalents at beginning of period		617,356		603,892
Cash and cash equivalents at end of period	$	422,240	$	640,558
Supplemental disclosure of cash flow information:				
Interest paid	$	5,263	$	1,275
Income taxes paid	$	17,896	$	12,482
Non-Cash Investing Activities:				
Accrued and contingent acquisition-related liabilities	$	288	$	28,017

See accompanying Notes to the Condensed Consolidated Financial Statements.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

Note 1 Basis of Presentation

Basis of Presentation

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

Our unaudited, condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). These unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies described in our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (our 2012 Annual Report) and do not include all information and footnote disclosures included in our audited financial statements. In the opinion of management, the accompanying unaudited, condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments and accruals, necessary to present fairly, in all material respects, the consolidated financial condition, results of operations and cash flows for the periods presented. Operating results for the three and nine months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2013 due to seasonal, economic and other factors. Where necessary, information for prior periods has been reclassified to conform to the consolidated financial statement presentation in the current fiscal year. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes included in our 2012 Annual Report.

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

Note 2 New Accounting Standards

Recently Adopted Accounting Standards

Comprehensive Income: In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05). The new guidance requires that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both cases, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. If presented in a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. If presented in the two-statement approach, the first statement, which is the statement of net income, should present components of net income and total net income followed consecutively by a second statement, which is the statement of other comprehensive income, that should present the components of other comprehensive income, total other comprehensive income and a total amount for comprehensive income. Regardless of the method used, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (ASU 2011-12). ASU 2011-12 temporarily deferred the requirement to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The guidance in ASU 2011-05, as amended, is effective retrospectively for fiscal years, and interim periods within those fiscal years beginning after December 15, 2011. We adopted the provisions of this new guidance on July 1, 2012. The adoption of the new provisions did not have a material impact on our financial condition or results of operations.

Recently Issued Accounting Standards

Comprehensive Income: In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which amends Accounting Standards Codification 220, Comprehensive Income. The new guidance requires the disclosure of amounts reclassified out of accumulated other comprehensive income by component and by net income line item. The disclosure may be provided either parenthetically on the face of the financial statements or in the notes. This new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2012. We will adopt the provisions of this new guidance on July 1, 2013. We do not expect the adoption of the new provisions to have a material impact on our financial condition or results of operations.

Intangible Assets: In July 2012, the FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment, which allows companies to perform a qualitative assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary, similar in approach to the goodwill impairment test. The new guidance allows an entity the option to first assess qualitatively whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired, thus necessitating that it perform the quantitative impairment test. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not that the asset is impaired. The new guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted for annual and interim impairment tests performed as of a date before July 27, 2012, if the financial statements for the most recent annual or interim period have not yet been issued. We will adopt the provisions of this new guidance on July 1, 2013. We do not expect the adoption of the new provisions to have a material impact on our financial condition or results of operations.

Balance Sheet: In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities, which requires companies to disclose information about financial instruments that have been offset and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial condition. Companies will be required to provide both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. The new guidance is effective retrospectively for fiscal years and interim periods within those fiscal years beginning on or after January 1, 2013. We will adopt the provisions of this new guidance on July 1, 2013. We do not expect the adoption of the new provisions to have a material impact on our financial condition or results of operations.

Note 3 Allowance for Doubtful Accounts

We reserve an estimated amount for accounts receivable that may not be collected. Methodologies for estimating the allowance for doubtful accounts are based primarily on specific identification of uncollectible accounts. Historical collection rates and customer credit worthiness are considered in determining specific reserves. At March 31, 2013 and June 30, 2012, we had $14.1 million and $6.0 million, respectively, reserved for possible uncollectible accounts receivable.

Note 4 Inventories

Inventories, net consist of the following:

	March 31, 2013	June 30, 2012
Finished goods	$ 252,918	$ 161,124
Work in process	86,304	69,577
Raw materials	259,386	196,896
Inventories	$ 598,608	$ 427,597

At March 31, 2013 and June 30, 2012, our inventory reserves were $76.8 million and $61.9 million, respectively.

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Note 5 Property, Plant and Equipment, net

Property, plant and equipment, net consist of the following:

	Estimated Useful Lives (in Years)	March 31, 2013	June 30, 2012
Land		$ 7,406	$ 8,046
Buildings and improvements	1-50	249,303	254,563
Machinery and equipment	3-20	1,089,706	1,002,539
Furniture and fixtures	3-10	32,896	29,423
Property, plant and equipment, gross		1,379,311	1,294,571
Less accumulated depreciation and amortization		(961,268)	(864,337)
Property, plant and equipment, net		$ 418,043	$ 430,234

Depreciation expense for the three months ended March 31, 2013 and 2012 was $29.9 million and $26.9 million, respectively, and was $84.1 million and $81.1 million in the nine months ended March 31, 2013 and 2012.

Note 6 Accrued Warranties

Details of our accrued warranties are as follows:

	Nine Months Ended March 31,	
	2013	2012
Accrued warranties, June 30	$ 97,289	$ 122,396
Warranty expense	50,555	36,606
Warranty payments (cash or in-kind)	(35,127)	(47,276)
Other[1]	3,113	(9,342)
Accrued warranties, March 31	$ 115,830	$ 102,384

(1) Other primarily represents foreign currency translation and an adjustment for the addition of accrued warranties related to the acquisition of Martin Professional A/S (Martin).

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Note 7 Earnings Per Share

We apply the two-class method when computing earnings per share, which requires that net income per share for each class of shares entitled to dividends be calculated assuming all of our net income is distributed as dividends to these shareholders based on their contractual rights.

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

	Three Months Ended March 31,			
	2013		2012	
	Basic	Diluted	Basic	Diluted
Numerator for Basic and Diluted Earnings per Share:				
Net income	$ 34,873	$ 34,873	$ 172,656	$ 172,656
Denominator for Basic and Diluted Earnings per Share:				
Weighted average shares outstanding	69,109	69,109	71,622	71,622
Employee stock options	0	783	0	982
Total weighted average shares outstanding	69,109	69,892	71,622	72,604
Earnings per Share:				
Earnings per share	$ 0.50	$ 0.50	$ 2.41	$ 2.38

	Nine Months Ended March 31,			
	2013		2012	
	Basic	Diluted	Basic	Diluted
Numerator for Basic and Diluted Earnings per Share:				
Net income	$ 136,917	$ 136,917	$ 280,278	$ 280,278
Denominator for Basic and Diluted Earnings per Share:				
Weighted average shares outstanding	68,932	68,932	71,395	71,395
Employee stock options	0	744	0	868
Total weighted average shares outstanding	68,932	69,676	71,395	72,263
Earnings per Share:				
Earnings per share	$ 1.99	$ 1.97	$ 3.93	$ 3.88

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are considered participating securities, as defined under GAAP, and are included in the computation of earnings per share pursuant to the two-class method.

Certain options were outstanding and not included in the computation of diluted net earnings per share because the assumed exercise of these options would have been antidilutive. Options to purchase 1,245,003 and 981,637 shares of our common stock were outstanding for the three months ended March 31, 2013 and 2012, respectively, and were excluded from the computation of diluted earnings per share because they would have been antidilutive. In addition, no restricted shares and restricted stock units for the three months ended March 31, 2013 and 2012 were excluded from the computation of diluted earnings per share as they did not have an antidilutive impact.

Options to purchase 1,339,085 and 1,943,917 shares of our common stock were outstanding for the nine months ended March 31, 2013 and 2012, respectively, and excluded from the computation of diluted earnings per share because they would have been antidilutive. In addition, 59,161 and 5,000 restricted shares and restricted stock units were outstanding during the nine months ended March 31, 2013 and 2012, respectively, and were excluded from the computation of diluted earnings per share as they also would have been antidilutive.

In October 2012, we repaid our $400 million of 1.25 percent convertible senior notes due October 15, 2012 (the Convertible Senior Notes), and therefore the Convertible Senior Notes had no impact on our calculation of earnings per share for the three and nine months ended March 31, 2013. For the three and nine months ended March 31, 2012, the conversion terms of the Convertible Senior Notes would have affected the calculation of diluted earnings per share if the price of our common stock exceeded the conversion price of the Convertible Senior Notes. The initial conversion price of the Convertible Senior Notes was approximately $104 per share, subject to adjustment in specified circumstances as described in the indenture governing the Convertible Senior Notes, as amended (the Indenture). Upon conversion, a holder of the Convertible Senior Notes would have received an amount per $1,000 principal

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amount of Convertible Senior Notes in cash equal to the lesser of $1,000 or the conversion value of the Convertible Senior Notes, determined in the manner set forth in the Indenture. If the conversion value exceeded $1,000, we would have delivered $1,000 in cash and, at our option, cash or common stock or a combination of cash and common stock for the conversion price in excess of $1,000. The conversion option was indexed to our common stock and was therefore classified as equity in our Condensed Consolidated Balance Sheet at June 30, 2012. The conversion option would not have resulted in an adjustment to net income in calculating diluted earnings per share. The dilutive effect of the conversion option was calculated using the treasury stock method. Therefore, conversion settlement shares would have been included in diluted shares outstanding if the price of our common stock exceeded the conversion price of the Convertible Senior Notes. Refer to Note 9 *Debt* for more information.

Note 8 Goodwill

During the three months ended March 31, 2013, we recorded $57.7 million of goodwill in our Professional segment associated with the acquisition of Martin. During the nine months ended March 31, 2013, we recorded $57.7 million of goodwill in our Professional segment associated with the acquisition of Martin and $0.6 million of goodwill in our Infotainment segment associated with the acquisition of substantially all the assets of Interchain Solutions Private Limited (Interchain). During the three and nine months ended March 31, 2012, we recorded $0 and $79.8 million, respectively, of goodwill in our Lifestyle segment, associated with the acquisition of MWM Acoustics, LLC and certain related entities (MWM Acoustics). Refer to Note 22 *Acquisitions* for more information.

We did not recognize any impairment charges in our Condensed Consolidated Statements of Income in the three and nine months ended March 31, 2013 and 2012.

Note 9 Debt

Short Term Borrowings

At March 31, 2013 and June 30, 2012, we had $0.9 and $0.2 million of short-term borrowings outstanding, respectively. At March 31, 2013, we maintained lines of credit of $46.5 million in the aggregate, primarily in Denmark, Hungary, China and India. At June 30, 2012, we maintained lines of credit of $17.8 million in the aggregate, in China, Hungary, the U.S., Austria and Brazil.

We classify our debt based on the contractual maturity dates of the underlying debt instruments. We defer costs associated with debt issuance over the applicable term of the debt. These costs are amortized to Interest expense, net in our Condensed Consolidated Statements of Income.

New Credit Agreement

On October 10, 2012, we and Harman Holding GmbH & Co. KG (Harman KG), entered into a Multi-Currency Credit Agreement (the New Credit Agreement) with a group of banks. The New Credit Agreement provides for (i) a five-year unsecured multi-currency revolving credit facility (the New Revolving Credit Facility) in the amount of $750 million (the Aggregate Revolving Commitment) with availability in currencies other than the United States Dollar of up to $550 million and (ii) a five-year unsecured United States Dollar term loan facility (the Term Facility and collectively with the New Revolving Credit Facility, the Facilities) in the amount of $300 million (the Aggregate Term Commitment and collectively with the Aggregate Revolving Commitment, the Aggregate Commitment). Up to $60 million of the Aggregate Revolving Commitment will be available for letters of credit. Subject to certain conditions set forth in the New Credit Agreement, the Aggregate Commitment may be increased by up to $250 million. We may select interest rates for the Facilities equal to (i) LIBOR plus an applicable margin or (ii) a base rate plus an applicable margin, which in each case is determined based on our credit rating. We are obligated to pay a facility fee on the Aggregate Revolving Commitment, whether drawn or undrawn, which is determined based on our credit rating. Any proceeds from borrowings under the Facilities may be used for general corporate purposes.

The New Credit Agreement includes certain financial condition covenants, including covenants that do not permit us to allow (i) our ratio of consolidated EBITDA to consolidated cash interest expense to be less than 3.5:1.0 or (ii) our ratio of consolidated total debt to consolidated EBITDA to exceed 3.5:1.0, or following certain acquisitions, 4.0:1.0, each calculated as of the end of the applicable fiscal quarter on a rolling four-quarter basis. The terms consolidated EBITDA, consolidated cash interest expense, and consolidated total debt are defined in the New Credit Agreement.

The New Credit Agreement also contains certain negative covenants that limit, among other things, our ability to pay dividends, permit certain of our subsidiaries to incur debt, incur liens, make fundamental changes, sell assets, undertake transactions with affiliates and undertake sale and leaseback transactions. The Facilities are subject to acceleration upon certain specified events of default, including failure to make timely payments, breaches of representations or covenants, or a change of control, as such term is defined in the New Credit Agreement.

On October 10, 2012, in connection with the execution of the New Credit Agreement, we, Harman KG, and certain of our subsidiaries, entered into a guarantee agreement (the New Guarantee Agreement), that provides, among other things, that the obligations under the New Credit Agreement are guaranteed by us and each of the subsidiary guarantors named therein.

Upon the signing of the New Credit Agreement, we voluntarily terminated the Multi-Currency Credit Agreement, entered into on December 1, 2010, as amended on December 15, 2011 and July 2, 2012 (the Credit Agreement), as well as the guarantee and collateral agreement entered into in connection with the Credit Agreement. There were no outstanding borrowings under the Credit Agreement as of October 10, 2012, and no early termination penalties were incurred by us as a result of the termination of the Credit Agreement and all of the approximately $8.7 million of letters of credit that were previously outstanding under the Credit Agreement were deemed to be issued and outstanding under the New Credit Agreement.

On October 10, 2012, we borrowed $300 million under the Term Facility to finance, in part, the repayment of all the outstanding $400 million principal amount of Convertible Senior Notes and accrued and unpaid interest thereon. See Convertible Senior Notes below for additional information.

At March 31, 2013, there were no outstanding borrowings and approximately $6.8 million of outstanding letters of credit under the New Revolving Credit Facility and $292.5 million of outstanding borrowings under the Term Facility, of which $30.0 million is included in our Condensed Consolidated Balance Sheet as Current portion of long-term debt and $262.5 million is classified as Long-term debt. At March 31, 2013, unused available credit under the New Revolving Credit Facility was $743.2 million. In connection with the New Credit Agreement, we incurred $6.1 million of fees and other expenses which are included within Other assets in our Condensed Consolidated Balance Sheet at March 31, 2013. These costs will be amortized over the term of the New Credit Agreement to Interest expense, net in our Condensed Consolidated Statement of Income on a straight-line basis. In addition, during the three and nine months ended March 31, 2013, we wrote off $0 and $1.1 million of debt issuance costs, respectively, to Interest expense, net, associated with the Credit Agreement, which represented the portion of these costs that were attributed to the Credit Agreement.

At March 31, 2013, long-term debt maturing in each of the next five fiscal years and thereafter is as follows:

2013	$ 7,500
2014	30,469
2015	35,625
2016	43,125
2017	135,000
Thereafter	41,250
Total	$ 292,969

If we do not meet the forecast in our budgets, we could violate our debt covenants and, absent a waiver from our lenders or an amendment to the New Credit Agreement, we could be in default under the New Credit Agreement. As a result, our debt under the New Credit Agreement could become due, which would have a material adverse effect on our financial condition and results of operations. As of March 31, 2013, we were in compliance with all the financial covenants of the New Credit Agreement.

Convertible Senior Notes

At March 31, 2013 and June 30, 2012, we had $0 and $400 million of Convertible Senior Notes outstanding, which were originally issued on October 23, 2007 (the Issuance Date) and were due on October 15, 2012. The Convertible Senior Notes were issued at par and we paid interest at a rate of 1.25 percent per annum on a semiannual basis. On October 15, 2012, the maturity date for the Convertible Senior Notes, we repaid all of the outstanding $400 million principal amount of Convertible Senior Notes and accrued and unpaid interest thereon held by affiliates of Kohlberg Kravis Roberts & Co. (KKR) and Goldman Sachs Capital Partners (GSCP) and other investors. The repayment of principal was funded by $300 million of borrowings under the Term Facility and $100 million of cash on hand.

There was no interest expense associated with the Convertible Senior Notes in the three months ended March 31, 2013, as they were no longer outstanding. Total interest expense related to the Convertible Senior Notes for the three months ended March 31, 2012 includes $1.3 million of contractual cash interest expense, an additional $4.1 million of noncash interest expense, related to the amortization of the discount and $0.2 million related to the amortization of debt issuance costs. Total interest expense related to the Convertible Senior Notes for the nine months ended March 31, 2013 and 2012 includes $1.5 million and $3.8 million, respectively, of contractual cash interest expense, an additional $5.0 million and $12.5 million of noncash interest expense, respectively, related to the amortization of the discount, and $0.3 million and $0.6 million, respectively, related to the amortization of debt issuance costs.

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Registration Rights Agreement

On October 23, 2007, we entered into a registration rights agreement (the Registration Rights Agreement) requiring us to register the Convertible Senior Notes and the shares contingently issuable upon conversion of the Convertible Senior Notes. On October 23, 2008, we filed an automatically effective registration statement with the SEC to meet this requirement. We were required to keep the registration statement effective until the earlier of (a) such time as the Convertible Senior Notes and the shares contingently issuable under the Convertible Senior Notes (1) were sold under an effective registration statement or pursuant to Rule 144 of the Securities Act of 1933, (2) were freely transferable under Rule 144 more than one year following October 23, 2007, or (3) cease to be outstanding, and (b) five years and three months following October 23, 2007.

On October 21, 2011, we entered into an Amendment to the Registration Rights Agreement with the holders of the Convertible Senior Notes, which provided for the postponement of our obligation to file a new registration statement covering the Convertible Senior Notes until such time as one of the holders of the Convertible Senior Notes demanded that we file a registration statement. Upon the receipt of such a demand, we would have seven business days to file a registration statement with the SEC covering the Convertible Senior Notes. On October 15, 2012, the Registration Rights Agreement was terminated in accordance with its terms upon the repayment of all outstanding principal and interest related to the Convertible Senior Notes.

Note 10 Income Taxes

Our provision for income taxes is based on an estimated annual tax rate for the year applied to federal, state and foreign income. Income tax expense (benefit) for the three months ended March 31, 2013 and 2012 was a $2.2 million expense and a $119.1 million benefit, respectively. The effective tax rate for the three months ended March 31, 2013 and 2012 was 5.9 percent and (222.5) percent, respectively. The change in the effective tax rate for the three months ended March 31, 2013 compared to same period in the prior year was primarily due to the release in the valuation allowance realized during the three months ended March 31, 2012, the retroactive reinstatement of the U.S. research and experimental tax credit that was signed into law on January 2, 2013 and the mix of income in certain key foreign jurisdictions.

Income tax expense (benefit) for the nine months ended March 31, 2013 and 2012 was a $34.2 million expense and an $81.5 million benefit, respectively. The effective tax rate for the nine months ended March 31, 2013 and 2012 was 20.0 percent and (41.0) percent, respectively. The change in the effective tax rate for the nine months ended March 31, 2013 compared to same period in the prior year was primarily due to the release in the valuation allowance realized during the nine months ended March 31, 2012, the retroactive reinstatement of the U.S. research and experimental tax credit that was signed into law on January 2, 2013 and the mix of income in certain key foreign jurisdictions.

As of March 31, 2013, unrecognized tax benefits and the related interest were $34.8 million and $1.7 million, respectively; all of which would affect the tax rate if recognized. During the three and nine months ended March 31, 2013 we recorded tax reserves on uncertain tax positions in the amount of $0.7 million and $2.3 million, respectively. During the three and nine months ended March 31, 2013 we settled an uncertain tax provision that resulted in a $1.7 million reduction in our tax reserves. This reduction had no impact on our effective tax rate. During the three and nine months ended March 31, 2013, we recorded additional interest expense on uncertain tax positions of $0.0 and $0.5 million, respectively.

Note 11 Shareholders Equity

Preferred Stock

As of March 31, 2013 and June 30, 2012, we had no shares of preferred stock outstanding. We are authorized to issue 5 million shares of preferred stock, $0.01 par value.

Common Stock

We have 200 million authorized shares of common stock, $0.01 par value. At March 31, 2013 and June 30, 2012, we had 96,949,433 and 96,132,542 shares issued; 28,992,092 and 28,846,226 shares in treasury stock and 67,957,341 and 67,286,316 shares outstanding (net of treasury stock), respectively.

Share Buy-Back Program

On October 26, 2011, we announced that our Board of Directors authorized the repurchase of up to $200 million of our common stock (the Buyback Program). The Buyback Program allows us to purchase shares of our common stock in accordance with applicable securities laws on the open market, or through privately negotiated transactions, through October 25, 2012. We entered into an agreement with an external broker, which provided the structure under which the program may be facilitated which expired on October 25, 2012. On October 23, 2012, the Board of Directors approved an extension of the Buyback Program through October 25, 2013. The Buyback Program may be suspended or discontinued at any time. We will determine the timing and the amount of any repurchases based on an evaluation of market conditions, share price and other factors. During the three months ended March 31, 2013, we did not repurchase any shares. During the nine months ended March 31, 2013, we repurchased 145,866 shares at a cost of $5.4 million under the Buyback Program for a total buyback of 3,392,275 shares at a cost of $129.3 million.

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Changes in Equity:

The following is a summary of the changes in Accumulated Other Comprehensive Income (AOCI) and changes in equity for the nine months ended March 31, 2013 and 2012:

	Preferred Stock	Common Stock	Additional Paid-in Capital	AOCI	Retained Earnings	Treasury Stock	Total Equity
Balance at June 30, 2012	$ 0	$ 961	$ 943,971	$ 29,709	$ 1,726,486	$ (1,171,516)	$ 1,529,611
Net income	0	0	0	0	136,917	0	136,917
Comprehensive loss, net	0	0	0	(8,636)	0	0	(8,636)
Treasury stock repurchases	0	0	0	0	0	(5,398)	(5,398)
Exercise of stock options, net of shares received	0	8	10,314	0	0	0	10,322
Share-based compensation, net of tax	0	0	8,117	0	0	0	8,117
Dividends ($0.60 per share)	0	0	0	0	(30,984)	0	(30,984)
Balance at March 31, 2013	$ 0	$ 969	$ 962,402	$ 21,073	$ 1,832,419	$ (1,176,914)	$ 1,639,949

	Preferred Stock	Common Stock	Additional Paid-in Capital	AOCI	Retained Earnings	Treasury Stock	Total Equity
Balance at June 30, 2011	$ 0	$ 956	$ 915,433	$ 136,733	$ 1,418,106	$ (1,047,570)	$ 1,423,658
Net income	0	0	0	0	280,278	0	280,278
Comprehensive loss, net	0	0	0	(54,284)	0	0	(54,284)
Exercise of stock options, net of shares received	0	5	8,838	0	0	0	8,843
Share-based compensation, net of taxes	0	0	13,080	0	0	0	13,080
Dividends ($0.30 per share)	0	0	0	0	(15,858)	0	(15,858)
Balance at March 31, 2012	$ 0	$ 961	$ 937,351	$ 82,449	$ 1,682,526	$ (1,047,570)	$ 1,655,717

At March 31, 2013 and June 30, 2012, AOCI consisted of the following:

Income/(Loss):	March 31, 2013	June 30, 2012
Cumulative translation adjustment	$ 48,687	$ 45,894
Pension liability adjustment	(35,157)	(38,447)
Unrealized gains on hedging derivatives	11,342	26,296
Unrealized losses on available-for-sale securities	(3,799)	(4,034)
Total AOCI	$ 21,073	$ 29,709

We have approximately $2.0 million and $1.8 million of investments at March 31, 2013 and June 30, 2012, respectively, included in Other current assets in our Condensed Consolidated Balance Sheets that have been classified as available-for-sale securities. These securities are recorded at fair value with realized gains and losses recorded in income and unrealized gains and losses recorded in AOCI, net of taxes.

Note 12 Share-Based Compensation

On December 7, 2011 (the Effective Date), our shareholders approved the 2012 Stock Option and Incentive Plan (the 2012 Plan), which is effective through December 7, 2021. As of the Effective Date, no further grants may be granted under our former plan, the Amended and Restated 2002 Stock Option and Incentive Plan, as amended (the 2002 Plan and together with the 2012 Plan, the Plans). There were initially 4,400,000 shares available for grant under the 2012 Plan. The 2012 Plan provides for two types of awards: (1) a full value grant, as defined in the 2012 Plan, under which one award shall reduce the shares available for grant under the 2012 Plan by 1.71 shares, and (2) an option or stock appreciation right grant, under which one award shall reduce the shares available for grant under the 2012 Plan by one share. During the nine months ended March 31, 2013, 522,775 options to purchase shares of our

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common stock, 558,661 stock-settled restricted stock units, 970 cash-settled restricted stock units and 7,281 cash-settled stock appreciation rights were granted under the 2012 Plan. As of March 31, 2013, there were 3,191,713 shares available for grant under the 2012 Plan.

Prior to the Effective Date, we had one share-based compensation plan with shares available for grants, the 2002 Plan. On December 8, 2010, we amended the 2002 Plan to increase the number of shares available under the 2002 Plan for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units by 1,100,000 to an aggregate amount not to exceed 7,860,000 shares of our common stock. During the nine months ended March 31, 2013, there were no options to purchase shares of our common stock or restricted stock units granted under the 2002 Plan.

Share-based compensation expense, net was $2.1 million and $5.5 million for the three months ended March 31, 2013 and 2012, respectively, and was $12.3 million and $13.4 million for the nine months ended March 31, 2013 and 2012, respectively. The total income tax benefit recognized in the Condensed Consolidated Statements of Income for share-based compensation arrangements was $0.1 million and $1.3 million for the three months ended March 31, 2013 and 2012, respectively, and was $2.7 million and $3.5 million for the nine months ended March 31, 2013 and 2012, respectively.

Fair Value Determination

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model, which uses the assumptions noted in the following table.

	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
Expected volatility	41.8% - 59.3%	48.8% - 66.2%
Weighted-average volatility	49.9%	59.1%
Expected annual dividend	$ 0.60	$ 0.30
Expected term (in years)	2.32 - 4.49	1.70 - 5.54
Risk-free rate	0.2% - 0.7%	0.2% - 1.0%

Groups of option holders (directors, executives and non-executives) that have similar historical behavior are considered separately for valuation purposes. Expected volatilities are based on historical closing prices of our common stock over the expected option term.

We use historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is derived using the option valuation model and represents the estimated period of time from the date of grant that the option is expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock Option Activity

A summary of option activity under the Plans as of March 31, 2013 and changes during the nine months ended March 31, 2013 is presented below:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at June 30, 2012	2,410,718	$ 54.71	6.42	$ 9,359
Granted	522,775	47.20		
Exercised	(511,572)	32.90		
Forfeited or expired	(168,102)	69.73		
Outstanding at March 31, 2013	2,253,819	$ 56.80	6.53	$ 9,301

Exercisable at March 31, 2013	1,287,425	$ 68.11	4.81	$ 5,091

The weighted-average grant-date fair value of options granted for the three months ended March 31, 2013 and 2012 was $14.22 and $19.71, respectively, and for the nine months ended March 31, 2013 and 2012 was $15.80 and $14.30, respectively. The total intrinsic value of options exercised for the three months ended March 31, 2013 and 2012 was $1.1 million and $5.0 million, respectively, and for the nine months ended March 31, 2013 and 2012 was $7.3 million and $5.8 million, respectively.

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Modification of Certain Stock Option Awards

Prior to fiscal year 2011, certain of the award agreements under the 2002 Plan stated that vested options not exercised were forfeited upon termination of employment for any reason other than death or disability. However, such award agreements provided that the Compensation and Option Committee of our Board of Directors (the Compensation and Option Committee) could extend the time period to exercise vested options 90 days beyond the employment termination date for certain employees. During the three and nine months ended March 31, 2013 and 2012, the Compensation and Option Committee used this authority. This action represented a modification of the terms or conditions of an equity award and therefore was accounted for as an exchange of the original award for a new award. Incremental share-based compensation cost for the excess of the fair value of the new award over the fair value of the original award was immaterial.

Restricted Stock Awards

A summary of the status of our nonvested restricted stock as of March 31, 2013 and changes during the nine months ended March 31, 2013, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested at June 30, 2012	3,000	$ 116.65
Vested	(3,000)	116.65
Nonvested at March 31, 2013	0	$ 0.00

As of March 31, 2013, there was no unrecognized compensation cost related to nonvested restricted stock-based compensation arrangements granted under the 2002 Plan and no weighted average recognition period. At March 31, 2013, no shares of restricted stock were outstanding which were granted outside of the 2002 Plan.

Restricted Stock Units

In the nine months ended March 31, 2013, we granted 97,733 restricted stock units with earnings per share (EPS) performance conditions, 97,733 restricted stock units with return on invested capital (ROIC) performance conditions and 97,733 restricted stock units with market conditions, under the 2012 Plan. The restricted stock units with EPS performance conditions cliff vest three years from the date of grant based on the achievement of certain cumulative EPS levels from fiscal years 2013 through 2015. The restricted stock units with ROIC conditions cliff vest three years from the date of grant based on the achievement of a certain average ROIC level over fiscal years 2013 through 2015. The restricted stock units with market conditions cliff vest three years from the date of grant based on a comparison of our total shareholder return (TSR) to the TSR of a selected peer group of publicly listed multinational companies. The grant date fair value of the restricted stock units with market conditions of $3.7 million was calculated using a Monte Carlo simulation model. Compensation expense, for both the restricted stock units with performance conditions and the restricted stock units with market conditions, is recognized ratably over the three-year vesting period based on the grant date fair value and our assessment of the probability that the applicable targets will be met for awards with performance conditions, which is reassessed each reporting period.

In the nine months ended March 31, 2012, we granted 118,546 restricted stock units with EPS performance conditions, 118,546 restricted stock units with ROIC performance conditions and 118,546 restricted stock units with market conditions, under the 2002 Plan. The restricted stock units with EPS performance conditions cliff vest three years from the date of grant based on the achievement of certain cumulative EPS levels from fiscal years 2012 through 2014. The restricted stock units with ROIC conditions cliff vest three years from the date of grant based on the achievement of a certain ROIC level in fiscal year 2014. The restricted stock units with market conditions cliff vest three years from the date of grant based on a comparison of our TSR to the TSR of a selected peer group of publicly listed multinational companies. The grant date fair value of the restricted stock units with market conditions of $3.3 million was calculated using a Monte Carlo simulation model. Compensation expense, for both the restricted stock units with performance conditions and the restricted stock units with market conditions, is recognized ratably over the three-year vesting period based on the grant date fair value and our assessment of the probability that the applicable targets will be met for awards with performance conditions, which is reassessed each reporting period.

In the nine months ended March 31, 2011, we granted 191,721 restricted stock units with EPS performance conditions and 191,715 restricted stock units with market conditions, under the 2002 Plan. The restricted stock units with EPS performance conditions cliff vest three years from the date of grant based on the attainment of a certain EPS level in fiscal year 2013. The restricted stock units with market conditions cliff vest three years from the date of grant based on a comparison of our TSR to the TSR of a selected peer group of publicly listed multinational companies. The grant date fair value of the restricted stock units with market conditions of $5.2 million was calculated using a Monte Carlo simulation model. Compensation expense, for both the restricted stock units with performance conditions and the restricted stock units with market conditions, is recognized ratably over the three-year vesting period based on the grant date fair value and our assessment of the probability that the applicable targets will be met for awards with performance conditions, which is reassessed each reporting period.

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We granted 380,400 restricted stock units with performance conditions in the fiscal year ended June 30, 2010 under the 2002 Plan. These restricted stock units cliff vested in September 2012. Compensation expense was recognized ratably over the three-year vesting period based on grant date fair value and our assessment of the probability that the performance targets would be met. Approximately 39.8 percent of the restricted stock units vested based on the actual attainment of certain targets.

In the nine months ended March 31, 2013 and 2012, we also granted 243,622 and 281,303 time vested restricted stock units, without performance or market conditions, respectively, under the Plans that vest three years from the date of grant and 21,840 and 24,400 time vested restricted stock units that vest ratably over the three-year vesting period.

In the nine months ended March 31, 2013 and in the fiscal year ended June 30, 2012, we granted 970 and 1,150 cash-settled restricted stock units, respectively, under the 2012 Plan. These restricted stock units are accounted for as liability awards and are recorded at the fair value at the end of the reporting period in accordance with their vesting schedules. During the nine months ended March 31, 2013, none of these restricted stock units were settled. At March 31, 2013 and June 30, 2012, 2,120 and 1,150 cash-settled restricted stock units were outstanding, respectively.

In January and September 2008, we granted 34,608 and 28,344 cash-settled restricted stock units, respectively, outside the 2002 Plan. These restricted stock units are accounted for as liability awards and are recorded at the fair value at the end of the reporting period in accordance with their vesting schedules. During the nine months ended March 31, 2013 and 2012, 1,608 of these restricted stock units were settled in each period, at a cost of $0.1 million in each period. At March 31, 2013, and June 30, 2012, 0 and 1,608 cash-settled restricted stock units were outstanding, respectively.

A summary of equity classified restricted stock unit activity as of March 31, 2013 and changes during the nine months ended March 31, 2013 is presented below:

	Shares
Nonvested at June 30, 2012	1,939,364
Granted	558,661
Vested	(445,050)
Forfeited	(297,762)
Nonvested at March 31, 2013	1,755,213

At March 31, 2013, the aggregate intrinsic value of equity classified restricted stock units was $78.3 million and there was $26.5 million of total unrecognized compensation cost related to restricted stock unit compensation arrangements. The weighted average recognition period was 1.4 years.

Stock Appreciation Rights

A summary of cash-settled stock appreciation rights as of March 31, 2013 and changes during the nine months ended March 31, 2013 is presented below:

	Shares
Nonvested at June 30, 2012	10,807
Granted	7,281
Vested	(3,332)
Forfeited	(2,090)
Nonvested at March 31, 2013	12,666

Exercisable