

COMPLETED ACQUISITION BY HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED OF THE BANG & OLUFSEN A/S ASSETS ASSOCIATED WITH ITS AUTOMOTIVE BUSINESS

Initial Enforcement Order made by the Competition and Markets Authority pursuant to section 72(2) of the Enterprise Act 2002 (the Act)

Whereas:

- (a) the Competition and Markets Authority (**CMA**) has reasonable grounds for suspecting that it is or may be the case that Harman International Industries, Incorporated and the assets and business information of Bang & Olufsen A/S associated with the development, production, assembly, sales and supply of original equipment manufacturer fitted audio systems have ceased to be distinct;
- (b) the CMA is considering, pursuant to section 22 of the Act, whether it is or may be the case that a relevant merger situation has been created and whether the creation of that situation has resulted or may be expected to result in a substantial lessening of competition in any market or markets in the United Kingdom (**UK**);
- (c) the CMA wishes to ensure that no action is taken pending final determination of any reference under section 22 of the Act which might prejudice that reference or impede the taking of any action by the CMA under Part 3 of the Act which might be justified by the CMA's decisions on the reference; and
- (d) the circumstances set out in section 72(6) of the Act do not apply and the reference has not been finally determined in accordance with section 79(1) of the Act.

Now for the purposes of preventing pre-emptive action in accordance with section 72(2) of the Act the CMA makes the following order addressed to Harman International Industries, Incorporated (**Harman International**), Harman International Industries Limited (UK) (**Harman UK**) and Harman Becker Automotive Systems Manufacturing Kft (**Harman Becker**) (**Order**).

Commencement, application and scope

1. This Order commences on the commencement date: 1 June 2015.
2. This Order applies to Harman International, Harman UK and Harman Becker.
3. Notwithstanding any other provision of this Order, no act or omission shall constitute a breach of this Order, and nothing in this Order shall oblige Harman International or Harman UK to reverse any act or omission, in each case to the extent that it occurred or was completed prior to the commencement date.

Management of the Harman International and B&O businesses until determination of proceedings

4. Except with the prior written consent of the CMA, Harman International, Harman UK and Harman Becker shall not, during the specified period, take any action which might prejudice a reference of the transaction under section 22 of the Act or impede the taking of any action under the Act by the CMA which may be justified by the CMA's decisions on such a reference, including any action which might:
 - (a) lead to the integration of the B&O business with the Harman business;
 - (b) transfer the ownership or control of the Harman International business or the B&O business or any of their subsidiaries; or
 - (c) otherwise impair the ability of the B&O business or the Harman International business to compete independently in any of the markets affected by the transaction.
5. Further and without prejudice to the generality of paragraph 4 and subject to paragraph 3, Harman International, Harman UK and Harman Becker shall at all times during the specified period procure that, except with the prior written consent of the CMA:
 - (a) the B&O business is carried on separately from the Harman International business and the B&O business' separate sales or brand identity is maintained;
 - (b) the B&O business and the Harman International business are maintained as a going concern and sufficient resources are made available for the development of the B&O business and the Harman International business, on the basis of their respective pre-merger business plans;

- (c) except in the ordinary course of business, no substantive changes are made to the organisational structure of, or the management responsibilities within, the B&O business or the Harman International business;
- (d) the nature, description, range and quality of goods and/or services supplied in the UK by each of the two businesses are maintained and preserved;
- (e) except in the ordinary course of business for the separate operation of the two businesses:
 - (i) all of the assets of the B&O business and the Harman International business are maintained and preserved, including facilities and goodwill;
 - (ii) none of the assets of the B&O business or the Harman International business are disposed of; and
 - (iii) no interest in the assets of the B&O business or the Harman International business is created or disposed of;
- (f) there is no integration of the information technology of the B&O business or Harman International business, and the software and hardware platforms of the B&O business shall remain essentially unchanged, except for routine changes and maintenance;
- (g) the customer and supplier lists of the two businesses shall be operated and updated separately and any negotiations with any existing or potential [customers and suppliers] in relation to the B&O business will be carried out by the B&O business alone and for the avoidance of doubt the Harman International business will not negotiate on behalf of the B&O business (and vice versa) or enter into any joint agreements with the B&O business (and vice versa);
- (h) all existing contracts of the B&O business and the Harman International business continue to be serviced by the business to which they were awarded;
- (i) no changes are made to key staff of the B&O business or Harman International business;
- (j) no key staff are transferred between the B&O business and the Harman International business;

- (k) all reasonable steps are taken to encourage all key staff to remain with the B&O business and the Harman International business; and
- (l) no business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature relating to either of the two businesses shall pass, directly or indirectly, from the B&O business (or any of its employees, directors, agents or affiliates) to the Harman International business (or any of its employees, directors, agents or affiliates), or vice versa, except where strictly necessary in the ordinary course of business (for example, where required for compliance with external regulatory and/or accounting obligations) and on the basis that, should the transaction be prohibited, any records or copies (electronic or otherwise) of such information that have passed, wherever they may be held, will be returned to the business to which they relate and any copies destroyed.

Compliance

- 6. Harman International, Harman UK and Harman Becker shall procure that each of their subsidiaries complies with this Order as if the Order had been issued to each of them.
- 7. Harman International, Harman UK and Harman Becker shall provide to the CMA such information or statement of compliance as it may from time to time require for the purposes of monitoring compliance by Harman International Harman UK, Harman Becker and their subsidiaries with this Order. In particular, on 15 June 2015 and subsequently every two weeks (or, where this does not fall on a working day, the first working day thereafter) the Chief Executive Officers of Harman International, Harman UK, Harman Becker or other persons of Harman International, Harman UK and Harman Becker as agreed with the CMA shall, on behalf of Harman International and Harman UK, provide a statement to the CMA in the form set out in the Annex to this Order confirming compliance with this Order.
- 8. At all times, Harman International and Harman UK shall, or shall procure that B&O business shall, actively keep the CMA informed of any material developments relating to the B&O business or the Harman International business, which includes but is not limited to:
 - (a) details of key staff who leave or join the B&O business or the Harman International business;
 - (b) any interruption of the B&O business or Harman International business (including without limitation its procurement, production, logistics, sales

and employee relations arrangements) that has prevented it from operating in the ordinary course of business for more than 24 hours;

- (c) all substantial customer volumes won or lost or substantial changes to the customer contracts for the B&O business or Harman International business including any substantial changes in customers' demand; and
 - (d) substantial changes in the B&O business or Harman International business's contractual arrangements or relationships with key suppliers.
 - (e) If Harman International, Harman UK or Harman Becker has any reason to suspect that this Order might have been breached it shall immediately notify the CMA and any monitoring trustee that Harman International, Harman UK and/or Harman Becker may be directed to appoint under paragraph 9.
9. The CMA may give directions to a specified person or to a holder of a specified office in any body of persons (corporate or unincorporated) to take specified steps for the purpose of carrying out, or ensuring compliance with, this Order, or do or refrain from doing any specified action in order to ensure compliance with the Order. The CMA may vary or revoke any directions so given.
10. Harman International, Harman UK and Harman Becker shall comply in so far as they are able with such directions as the CMA may from time to time give to take such steps as may be specified or described in the directions for the purpose of carrying out or securing compliance with this Order.

Interpretation

11. The Interpretation Act 1978 shall apply to this Order as it does to Acts of Parliament.
12. For the purposes of this Order:

'the Act' means the Enterprise Act 2002;

'an affiliate' of a person is another person who satisfies the following condition, namely that any enterprise (which, in this context, has the meaning given in section 129(1) of the Act) that the first person carries on from time to time and any enterprise that the second person carries on from time to time would be regarded as being under common control for the purposes of section 26 of the Act;

'B&O' means Bang & Olufsen A/S.

'the B&O business' means the business and assets of B&O and its subsidiaries that were the subject of the transaction as at the commencement date.

'business' has the meaning given by section 129(1) and (3) of the Act;

'commencement date' means 1 June 2015;

'control' includes the ability directly or indirectly to control or materially to influence the policy of a body corporate or the policy of any person in carrying on an enterprise;

'the decisions' means the decisions of the CMA on the questions which it is required to answer by virtue of section 35 of the Act;

'Harman Becker' mean Harman Becker Automotive Systems Manufacturing Kft and its subsidiaries;

'Harman International' means Harman International Industries, Incorporated and its subsidiaries;

'the Harman International business' means the business of Harman International, including Harman UK and its other subsidiaries, as carried on as at the commencement date;

'Harman UK' means Harman International Industries Limited (UK) and its subsidiaries;

'key staff' means staff in positions of executive or managerial responsibility and/or whose performance affects the viability of the business;

'the ordinary course of business' means matters connected to the day-to-day supply of goods and/or services the by B&O business or the Harman International business and does not include matters involving significant changes to the organisational structure or related to the post-merger integration of the B&O business and by the Harman International business;

'specified period' means the period beginning on the commencement date and terminating in accordance with section 72(6) of the Act;

'subsidiary', unless otherwise stated, has the meaning given by section 1159 of the Companies Act 2006;

'the transaction' means the transaction by which Harman Internal and the B&O business have ceased to be distinct within the meaning of section 23 of the Act;

'the two businesses' means the Harman International business and the B&O business;

unless the context requires otherwise, the singular shall include the plural and vice versa.

Greg Bonné
Assistant Director, Mergers

Compliance statement for Harman International, Harman UK and Harman Becker

I [insert name] confirm on behalf of Harman International and Harman UK that:

Compliance in the Relevant Period

1. In the period from [insert date] to [insert date] (the Relevant Period):
 - (a) Harman International, Harman UK and Harman Becker have complied with the Order made by the CMA in relation to the transaction on 1 June 2015 (the Order).
 - (b) Harman International's, Harman UK's and Harman Becker's subsidiaries have also complied with this Order.
2. Subject to paragraph 3 of the Order, and except with the prior written consent of the CMA:
 - (a) No action has been taken by Harman International, Harman UK or Harman Becker that might prejudice a reference of the transaction under section 22 of the Act or impede the taking of any action by the CMA which may be justified by its decision on such a reference, including any action which might:
 - (i) lead to the integration of the B&O business with the Harman International business;
 - (ii) transfer the ownership or control of the Harman International business or the B&O business or any of their subsidiaries; or
 - (iii) otherwise impair the ability of the B&O business or the Harman International business to compete independently in any of the markets affected by the transaction.
 - (b) The B&O business has been carried on separately from the Harman International business and the B&O business's separate sales or brand identity has been maintained.
 - (c) The B&O business and the Harman International business have been maintained as a going concern and sufficient resources have been made available for the development of the B&O business and the Harman

International business, on the basis of their respective pre-merger business plans.

- (d) No substantive changes have been made to the organisational structure of, or the management responsibilities within, the B&O business or the Harman International business, except in the ordinary course of business.
- (e) The nature, description, range and quality of goods and/or services supplied in the UK by the B&O business and the Harman International business have been maintained and preserved.
- (f) Except in the ordinary course of business for the separate operation of the two businesses:
 - (i) all of the assets of the B&O business and the Harman International business, including facilities and goodwill, have been maintained and preserved as at the start of the Relevant Period;
 - (ii) none of the assets of the B&O business or the Harman International business have been disposed of; and
 - (iii) no interest in the assets of the B&O business or the Harman International business has been created or disposed of.
- (g) There has been no integration of the information technology of the B&O business or Harman International businesses, and the software and hardware platforms of the B&O business have remained essentially unchanged, except for routine changes and maintenance.
- (h) Subject to integration which had occurred prior to the commencement date, the customer and supplier lists of the two businesses have been operated and updated separately and any negotiations with any existing or potential customers and suppliers in relation to the B&O business have been carried out by the B&O business alone and, for the avoidance of doubt, the Harman International business has not negotiated on behalf of the B&O business (and vice versa) or entered into any joint agreements with the B&O business (and vice versa).
- (i) All existing contracts of the B&O business and the Harman International business have been serviced by the business to which they were awarded, except to the extent novated, assigned or subcontracted prior to the commencement date.
- (j) No changes have been made to key staff of the B&O business or the Harman International business.

- (k) No key staff have been transferred between the B&O business and the Harman International business.
- (l) All reasonable steps have been taken to encourage all key staff to remain with the B&O business and the Harman International business.
- (m) Except as permitted by the Order, no business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature relating to either of the two businesses, has passed, directly or indirectly, from the B&O business (or any of its employees, directors, agents or affiliates) to the Harman International business (or any of its employees, directors, agents or affiliates), or vice versa.
- (n) Except as listed in paragraph (o) below, there have been no:
 - (i) key staff that have left or joined the B&O business or the Harman International business;
 - (ii) interruptions of the B&O business or the Harman International business (including without limitation procurement, production, logistics, sales and employee relations arrangements) that have prevented it from operating in the ordinary course of business for more than 24 hours;
 - (iii) substantial customer volumes won or lost or substantial changes to the customer contracts for the B&O business or the Harman International business; or
 - (iv) substantial changes in the B&O business or Harman International business's contractual arrangements or relationships with key suppliers.

(o) *[list of material developments]*

3. Harman International, Harman UK, Harman Becker and their subsidiaries remain in full compliance with the Order and will, or will procure that B&O business, continue actively to keep the CMA informed of any material developments relating to the B&O business or the Harman International business in accordance with paragraph 8 of the Order.

Interpretation

4. Terms defined in the Order have the same meaning in this compliance statement.

FOR AND ON BEHALF OF HARMAN INTERNATIONAL, HARMAN UK AND
HARMAN BECKER

Signature

Name

Title

Date