

HARLEY-DAVIDSON, INC.
2018 THIRD QUARTER UPDATE

OCTOBER 23, 2018

2018 THIRD QUARTER UPDATE



THIS PRESENTATION SUPPORTS THE AUDIO CONFERENCE CALL

CONFERENCE CALL AGENDA

▪ **Introduction**	Amy Giuffre, Director, Investor Relations
▪ **Business Perspectives**	Matt Levatich, President and CEO
▪ **Financial Results**	John Olin, Senior Vice President and CFO
▪ **Q&A**	All

This presentation includes forward-looking statements that are subject to risks that could cause actual results to be materially different. Those risks include, among others, matters we have noted in our latest earnings presentation and filings with the SEC. Harley-Davidson disclaims any obligation to update information in this presentation. Additional information and risk factors are included at the end of this presentation.



BUSINESS PERSPECTIVES

MATT LEVATICH, PRESIDENT & CEO, HARLEY-DAVIDSON, INC.



Highlights

Performance in line with plans for the quarter

- More Roads to H-D accelerated plan for growth unveiled and progress made
- EPS of $0.68 ($0.78 excluding manufacturing optimization costs)
- HDFS earnings up year-over-year on improved loss performance
- Repurchased 1.9 million shares; paid $0.37 per share dividend, up 1.4%
- International retail sales growth accelerated
- Manufacturing optimization initiative on track, reduced cost estimate
- Confirmed full-year shipment and operating margin guidance
- 2019 motorcycle innovation enhances product leadership
- 115th anniversary celebrations demonstrated power of iconic global brand

OBJECTIVES & STRATEGY



BUILDING THE NEXT GENERATION OF HARLEY-DAVIDSON RIDERS GLOBALLY

OUR 2027 OBJECTIVES

1. 2M — Build 2 Million New Harley-Davidson Riders in the U.S.
2. 50% — Grow International Business to 50% of Annual Volume
3. 100 — Launch 100 New High Impact Harley-Davidson Motorcycles
4. TOP 25% S&P 500 — Deliver Superior Return on Invested Capital for HDMC
5. Grow our Business without Growing our Environmental Impact

MORE ROADS TO HARLEY-DAVIDSON

ACCELERATING OUR STRATEGY

New Products

Keep current riders engaged and inspire new riders by extending heavyweight leadership and unlocking new markets and segments

- Innovate Touring and Cruiser Products
- Lead in Electrification of Motorcycles
- Launch Middleweight Platform
- Launch Small Displacement Motorcycle for Emerging Markets

Broader Access

Meet customers where they are and how they want to engage with a multi-channel retail experience

- Integrated Retail Experience
- New Retail Formats
- Grow China

Stronger Dealers

Drive a performance framework to improve dealer financial strength and the Harley-Davidson customer experience

- Good-to-Great Dealers
- Expand International Dealer Network

NAIL THE FUNDAMENTALS TO COMPETE AND WIN

- Serve the Customer
- Maintain Premium Brand
- Improve Organizational Effectiveness
- Drive Cost Competitiveness

WE FULFILL DREAMS OF PERSONAL FREEDOM

FUNDING & FINANCIALS



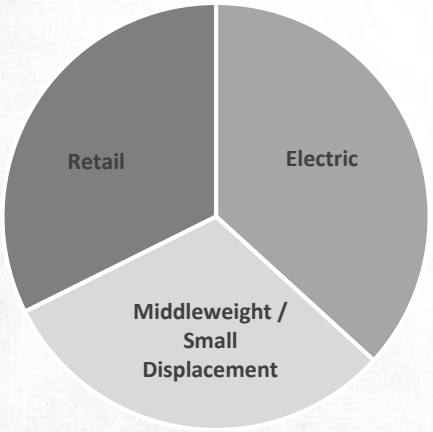
Our More Roads to Harley-Davidson plan will strengthen our existing business and enable sustainable growth. We expect growth opportunities will be funded internally while maintaining our current investment/return profile and capital allocation through 2022

Cumulative investments

expected through 2022

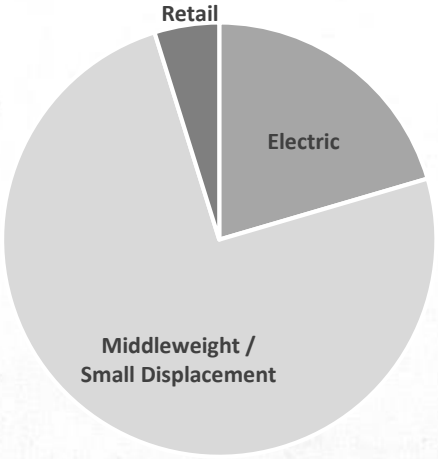
Operating

$450-$550 million



Capital*

$225-$275 million



*Annual capital investment expected to be between $200 million and $250 million per year 2019 through 2022

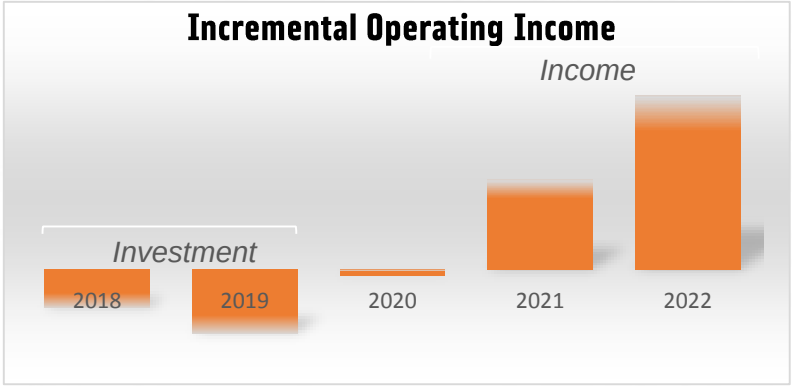
Growth objectives

	2017 vs. 2022
Revenue	+$1 to $1.5 billion 5 yr CAGR 3.8 to 5.5%
Operating income	+$200 to $250 million 5 yr. CAGR 5.9 to 7.1%
Operating margin %	+0.75 to 1.25 points

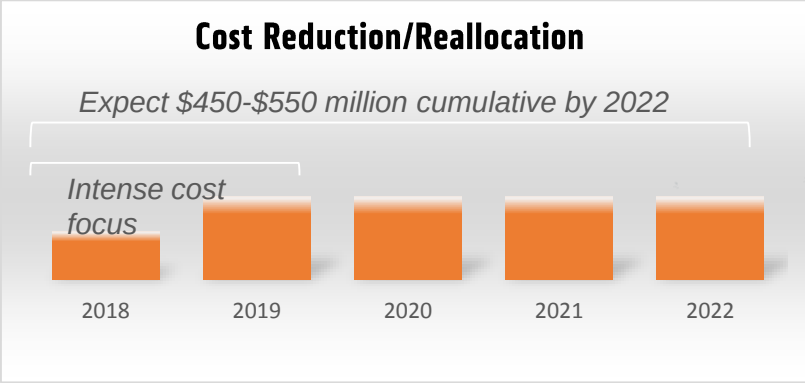
FUNDING & FINANCIALS

Our More Roads to Harley-Davidson plan investments are expected to be funded through both cost reduction and reallocation efforts

Objectives through 2022



Investments in growth opportunities will result in start-up losses through 2019



Investments are expected to be funded by cost reduction and reallocation concentrated in 2018 and 2019

INITIATIVES & PROGRESS

We are building more roads to Harley-Davidson for the next generation of riders through:

New Products

Keep current riders engaged and inspire new riders by extending heavyweight leadership and unlocking new markets and segments

Broader Access

Meet customers where they are and how they want to engage with a multi-channel retail experience

Stronger Dealers

Drive a performance framework to improve dealer financial strength and the Harley-Davidson customer experience

Q3 2018 progress against key initiatives

- **Innovate current product** - 2019 model year highlights:
  - Expanded Softail with new Power Cruiser model FXDR
  - More powerful Milwaukee-Eight 114
  - Evolved Boom! Box™ GTS infotainment
- **Lead Electric** – LiveWire™ launch underway
  - Dealer interest has exceeded expectations
  - Silicon Valley R&D facility to support future electric products

- **New retail formats** – 2 additional urban apparel stores opened in Asia; 15 YTD
- **Integrated retail experience**
  - Multi-channel retail strategy unveiled to dealers
  - Launched U.S. Harley-Davidson branded storefront on Amazon (Oct. 1)
- **Grow China**
  - Increased marketing investment
  - eCommerce launched

- **Good-to-Great Dealers**
  - Implemented:
    - Dealer performance incentives
    - New allocation system
    - Demo program
  - 3 underperforming U.S. dealers replaced; 8 YTD

- **Expand international dealer network** -Added 9 international dealers; 28 YTD

BUILDING THE NEXT GENERATION OF H-D RIDERS

We build riders

Marketing investments drove…

More Roads content

- Nearly 2 million views across our social media channels
- Over 1 million visits to h-d.com

#FindYourFreedom interns

- Over 200 million media impressions
- 43+ million social video views

115th Anniversary Celebrations

- 260,000 visitors
- Thousands of demo rides and sales leads







FINANCIAL RESULTS

JOHN OLIN, SENIOR VICE PRESIDENT & CFO, HARLEY-DAVIDSON, INC.

Q3 2018 VS. Q3 2017 RESULTS



REVENUE	NET INCOME	EPS
$1.32 Billion	$113.9 Million	$0.68
⇧ 14.3%	⇧ 66.9%	⇧ 70.0%

Earnings impacted by:

- **Motorcycles Segment operating income* up $48.3 million**
  - Revenue up 16.8% on 16.7% higher shipments
  - Gross margin 30.9%, up 2.4 pts.
  - SG&A up, down as a percent of revenue
  - Restructuring charge of $14.8 million
  - Operating margin of 5.8%, up 4.0 pts.
- **Financial Services segment operating income up 8.7%**
- **Lower effective tax rate**

**As of 1/1/18 Accounting Standards Update 2017-07 was adopted which resulted in the classification of certain retirement plan costs in non-operating income. Prior periods have been recast to reflect the new presentation.*

Consolidated – Motorcycles and Related Products and Financial Services Segments

WORLDWIDE RETAIL SALES



	Q3 Motorcycles	vs. prior year Q3	vs. prior year YTD
Worldwide	**59,226**	**(7.8)%**	**(5.9)%**
U.S.	36,220	(13.3)%	(10.2)%
International	23,006	2.6%	1.1%

Source: Dealer reported data

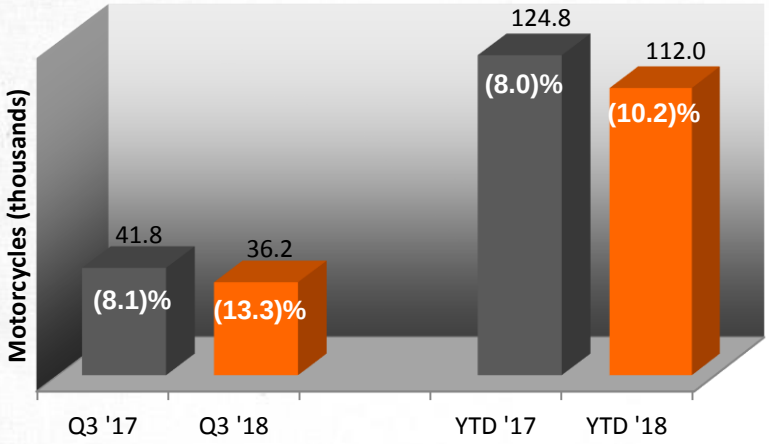
- **Q3 Worldwide retail sales down 7.8%**
- **U.S. retail sales down**
  - Ongoing industry new motorcycle sales weakness
- **International retail sales up**
  - Strength in Europe and emerging markets
  - Sales growth rate improved for last 3 consecutive quarters

Motorcycles and Related Products Segment

U.S. RETAIL SALES

RETAIL SALES

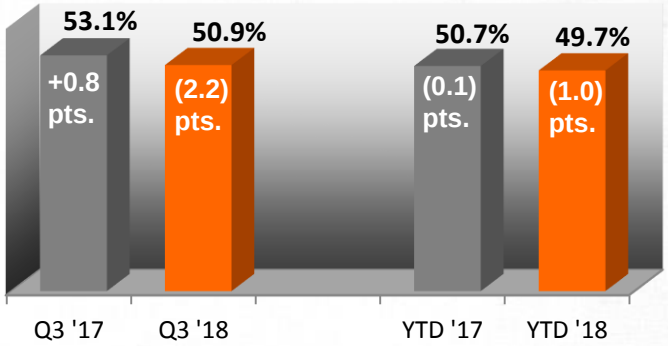
H-D U.S. NEW RETAIL MOTORCYCLE SALES



- **Q3 retail sales impacted by:**
  - Weak industry sales behind soft used bike prices
    - Used H-D pricing up yr./yr.
  - Less severe hurricane impact yr./yr.
  - Highly competitive marketplace
- **Addressing soft industry**
  - Great product, aggressive supply management and increased marketing
  - More Roads to H-D plan

SHARE

H-D U.S. NEW 601+cc RETAIL MARKET SHARE*



- Market share down vs. prior year due to growth outside H-D segments

INVENTORY

H-D U.S. NEW RETAIL MOTORCYCLE INVENTORY

- Committed to aggressively manage supply in line with demand
  - Dealer inventory down ~2,200 motorcycles vs. Q3'17
  - Lower inventory delivering intended results
  - Continue to expect 2018 year-end U.S. retail inventory will be flat to year-end 2017

* *Source: Motorcycle Industry Council*

Motorcycles and Related Products Segment

INTERNATIONAL RETAIL SALES



RETAIL SALES

H-D INTERNATIONAL NEW RETAIL MOTORCYCLE SALES

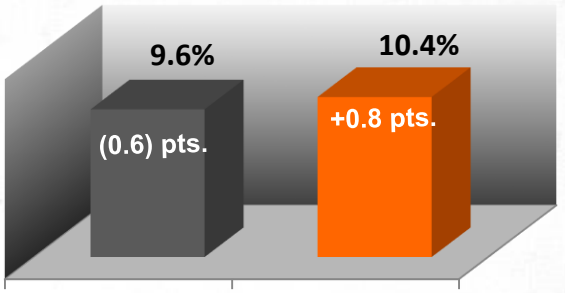
	Vs. prior year Q3	YTD
International	**2.6%**	**1.1%**
- EMEA	4.6%	4.7%
Strong results across western Europe		
- Asia Pacific	(0.3)%	(5.1)%
Continued softness in Japan and Australia		
- Latin America	11.8%	9.3%
Brazil and Mexico up		
- Canada	(4.7)%	(4.8)%

Q3 Emerging markets + 17.5%

Growth acceleration for third consecutive quarter

SHARE

H-D EUROPE NEW 601+cc MARKET SHARE*



- Market share gain behind strong Softail sales

OPPORTUNITY

INTERNATIONAL GROWTH

Objective: Grow international business to 50% of annual volume by 2027

Broader Access and Stronger Dealers

- Expand dealer network - Plan to open 25-35 new full-line dealerships per year through 2022
  - **9 opened in Q3, 28 YTD**
- Focus on demo rides and conversion; target competitive riders
- Brand awareness through apparel
- Thailand operations to lower pricing in certain markets

* *Source:* Association des Constructeurs Europeens de Motocycles (ACEM)

Motorcycles and Related Products Segment

SHIPMENTS & MIX



SHIPMENTS
MOTORCYCLES SEGMENT

	Q3 '18	vs. PY	YTD' 18	vs. PY
Total	**48,639**	**16.7%**	**185,176**	**(4.7)%**
Touring	45.7%	10.5 pts.	45.4%	4.0 pts.
Cruiser*	33.0%	(8.5) pts.	33.5%	(1.3) pts.
Street / Sportster®	21.3%	(2.0) pts.	21.1%	(2.7) pts.
	100.0%		100.0%	

** Includes Softail and CVO, PY includes Softail, Dyna, V-ROD and CVO*

- Q3 shipments up 6,977 motorcycles yr./yr. – near mid point of guidance
- Touring mix up – lapping last year's relatively low Touring shipments

Motorcycles and Related Products Segment

REVENUE



REVENUE*
MOTORCYCLES SEGMENT
($ millions)

	Q3 '18	vs. PY	YTD '18	vs. PY
Motorcycle	$821.7	28.4%	$3,144.8	5.7%
P&A	212.4	(7.2)	612.5	(3.3)
General Merchandise	58.3	(19.8)	183.5	(4.2)
Licensing	10.6	7.8	29.4	0.7
Other	20.9	95.5	42.8	12.5
Total Revenue	**$1,123.9**	**16.8%**	**$4,013.0**	**3.7%**

- Motorcycles Segment revenue up 16.8% on 16.7% higher shipments
- Average motorcycle revenue per unit yr./yr. increased behind favorable mix and higher pricing, partially offset by unfavorable foreign currency exchange
- 2019 model year weighted average pricing up ~2.5%. Net of new content costs, up ~1.5 pts expressed as a percent of revenue

** As of 1/1/2018 Accounting Standards Update 2014-09 was adopted which has shifted some revenue between line items and licensing is now a separate line item. Prior year has been recast for comparative purposes.*

GROSS MARGIN



GROSS MARGIN
MOTORCYCLES SEGMENT
($ millions)

	Q3	YTD
2017 Gross Margin	**$274.3**	**$1,322.1**
% of revenue	28.5%	34.2%
- Volume	28.2	(76.8)
- Pricing net of cost	20.8	41.5
- Mix	34.1	97.0
- Currency	(7.4)	8.3
- Raw materials	(3.8)	(13.2)
- Manufacturing /other*	1.2	(25.6)
2018 Gross Margin	**$347.4**	**$1,353.3**
% of revenue	30.9%	33.7%

** Includes $6.2M Q3/$9.3M YTD of temporary inefficiencies related to manufacturing optimization and $9.9 Q3/YTD EU Tariff impact*

- **Q3 Motorcycles segment gross margin % of revenue impacted by:**
  - Mix – favorable motorcycle family mix
  - Currency – lower revenue partially offset by foreign currency exchange gains
  - Raw materials – higher steel and aluminum costs
  - Manufacturing expense – increased absorption offset by higher tariffs and temporary inefficiencies

OPERATING MARGIN



OPERATING MARGIN
MOTORCYCLES SEGMENT
($ millions)

	Q3	YTD
2017 Operating Income	**$17.4**	**$571.3**
% of revenue	1.8%	14.8%
- Gross Margin	73.1	31.1
- SG&A	(10.0)	(46.5)
- Restructuring	(14.8)	(74.0)
2018 Operating Income	**$65.7**	**$481.9**
% of revenue	5.8%	12.0%

- **Q3 Motorcycles segment operating margin higher compared to prior year**
  - SG&A up, down as a percent of revenue
  - Restructuring charge for manufacturing optimization

Motorcycles and Related Products Segment



OPERATING INCOME

FINANCIAL SERVICES SEGMENT

($ millions)

	Q3	YTD
2017 Operating Income	**$77.1**	**$211.6**
- Net interest income	3.7	(4.5)
- Provision for retail motorcycle loan losses	7.3	27.3
- Provision for wholesale loan losses	(1.6)	(0.7)
- Operating expenses	(3.2)	(6.8)
- All other	0.5	1.0
2018 Operating Income	**$83.8**	**$227.9**

- **Q3 financial services operating income was higher compared to prior year**
  - Higher net interest income and a decrease in the provision for loan losses, partially offset by higher operating expenses



2018 FINANCIAL SERVICES SEGMENT

OPERATIONS

Originations

New and used H-D retail motorcycle loans

Q3	**$893.4M**	9.3% vs. Q3 ’17
YTD	**$2.60B**	3.5% vs. YTD ’17

YTD approximately 80%-85% prime

Market share

U.S. H-D new retail motorcycle sales financed

Q3	**67.9%**	9.3 pts. vs. Q3 ’17
YTD	**64.0%**	2.6 pts. vs. YTD ’17

Finance receivables outstanding

End of Q3 2018

Retail	$6.51B	
Wholesale	0.99B	
Total	**$7.50B**	2.7% vs. Q3 ’17

LIQUIDITY

(Millions)
End of Q3 2018

Cash & equivalents	**$350.3**

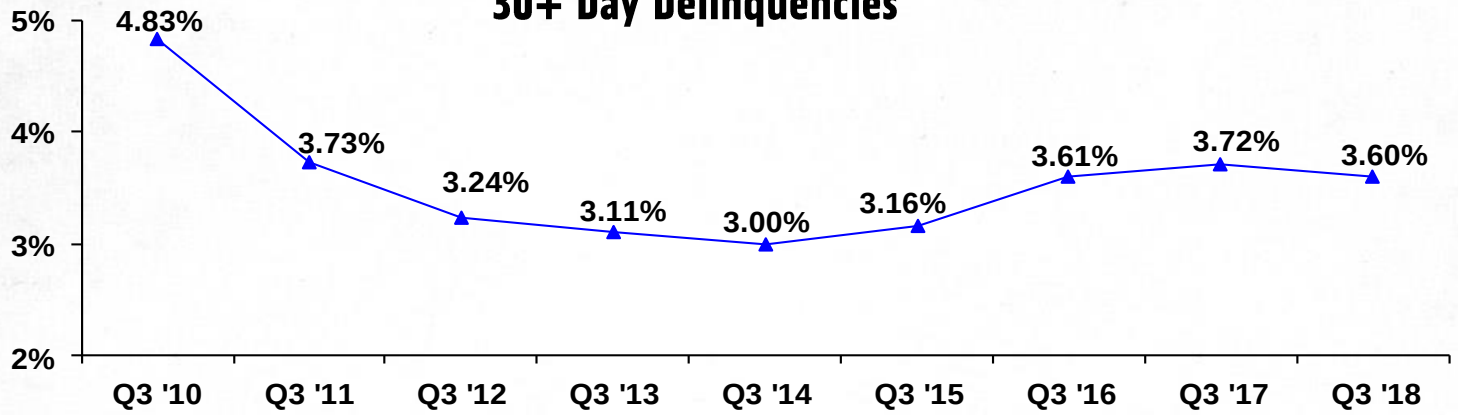
Availability

Bank Credit Facilities	$171.1
Asset-Backed Conduits	$635.0
Total Availability	**$806.1**

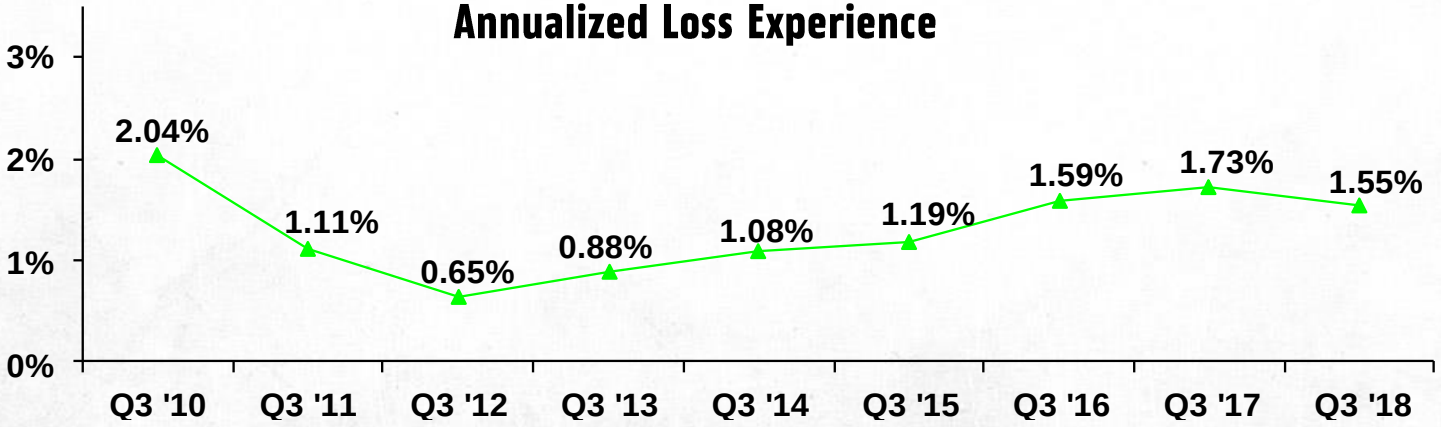
Financial Services Segment

RETAIL MOTORCYCLE LOAN PERFORMANCE

30+ Day Delinquencies



Annualized Loss Experience



Financial Services Segment



2018 HARLEY-DAVIDSON, INC.
VS. PY

- **Cash & marketable securities -** $937.0 million vs. $683.1 million Q3
- **Operating cash flow -** $1.12 billion vs. $949.1 million YTD
- **Capital spending -** $119.8 million vs. $114.0 million YTD
- **Depreciation/amortization expense -** $196.5 million vs. $164.0 million YTD
- **Tax rate –** 23.1% vs. 33.2% YTD

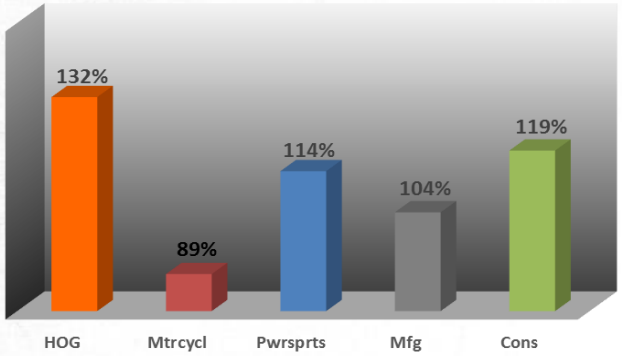
Consolidated – Motorcycles and Related Products and Financial Services Segments

CASH GENERATION/RETURNS

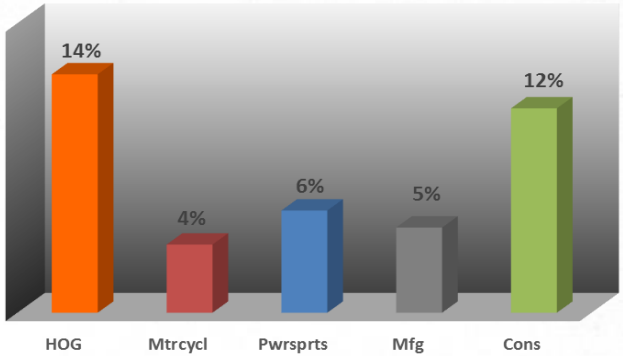
Harley-Davidson leads in cash generation and consistently returned cash to shareholders

(2015-2017)

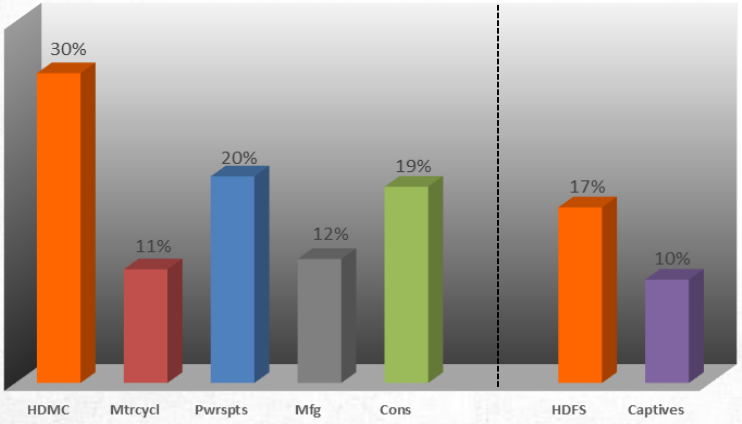
3-Yr. Avg. Free Cash Flow Conversion(1)(2)



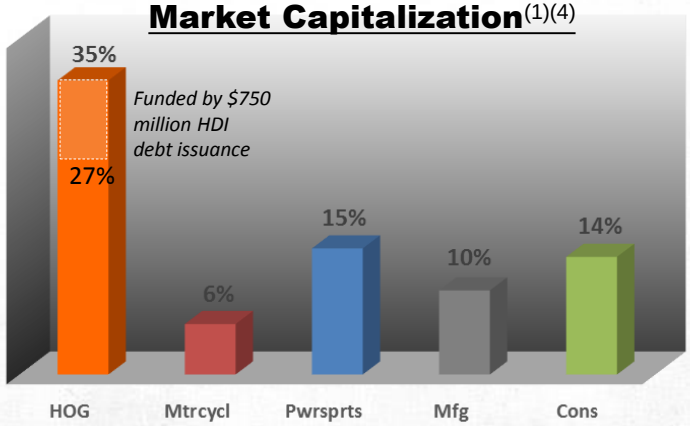
3-Yr. Avg. Free Cash Flow Margin(1)(2)



3-Yr. Avg. ROIC and ROE(1)(3)



3-Yr. Avg. Cumulative Capital Return / Market Capitalization(1)(4)



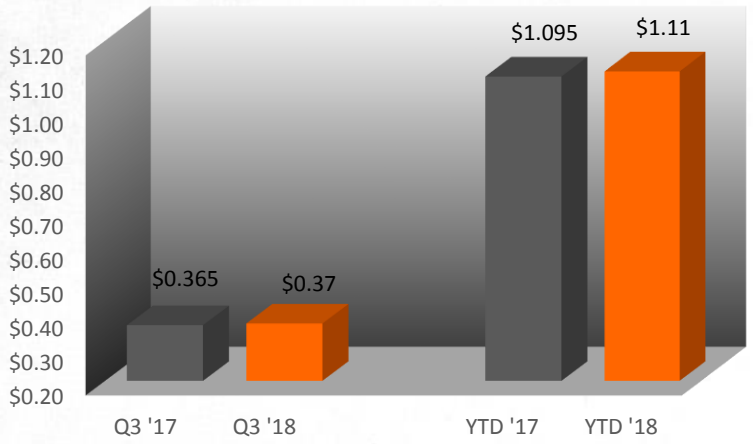
(1)Three year average is based on 2015-2017 calendar year information using the average for key companies in respective industries or segments . Source: Company filings, Bloomberg (benchmark companies' income adjusted as appropriate for comparability). (2) Free Cash Flow (FCF) is defined as net cash provided by operating activities less capital expenditures. Free Cash Flow Margin defined as FCF divided by revenue. Free Cash Flow Conversion defined as FCF divided by net income. Free Cash Flow is a non-GAAP measure. See slides later in this presentation for information on Non-GAAP measures. (3)Return on invested capital (ROIC) is defined as earnings before interest and taxes (EBIT) after tax divided by (debt plus book value of equity). EBIT after tax for HDMC is equivalent to HDMC operating income after tax which is a non-GAAP measure. Return on equity (ROE) is defined as FinCo operating income after tax divided by book value of equity. FinCo operating income after tax is equivalent to HDFS operating income after tax which is a non-GAAP measure. Calculations for all companies assume a tax rate of 35% for comparability. See slides later in this presentation for information on Non-GAAP measures. (4) Calculated by adding 2015, 2016 and 2017 dividends plus repurchase, dividing that sum individually by 2015, 2016 and 2017 year-end market capitalizations resulting in three separate quotients, and then averaging the three quotients.

SHAREHOLDER RETURNS

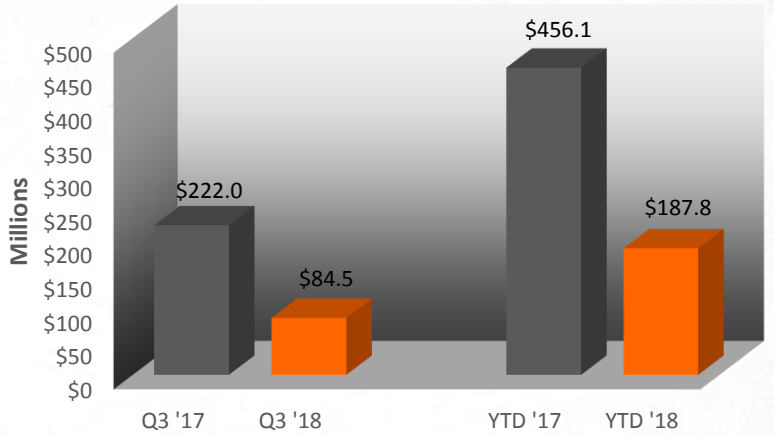
Harley-Davidson has consistently returned cash to shareholders

Dividends Per Share

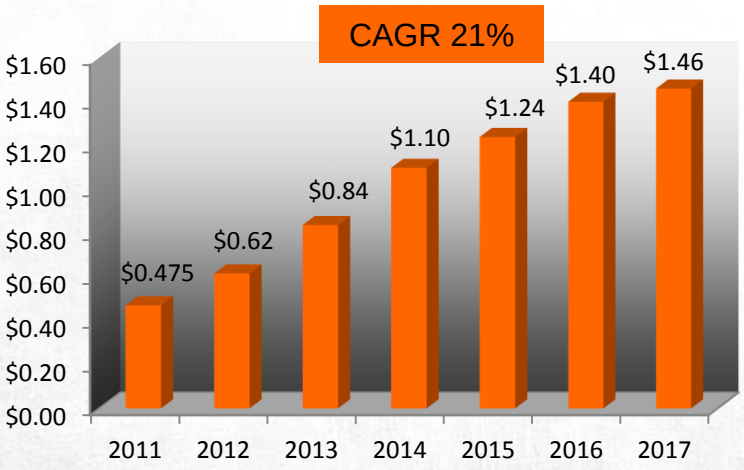
Year-over-year

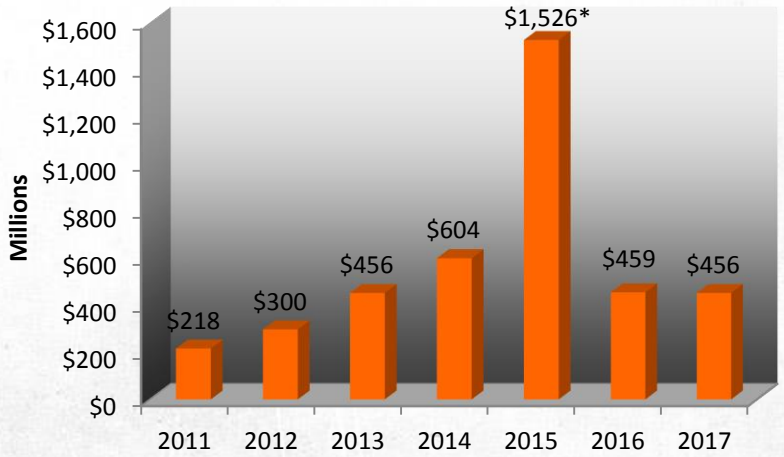


Discretionary Share Repurchases



Multi-Year





*Funded by $750 million HDI debt issuance

MANUFACTURING OPTIMIZATION



Manufacturing Optimization Summary

as of Oct. 23,2018

$ Millions (Estimated)

	2018	2019	2020	Total
Temporary Inefficiencies	**$15-$20**	**$15-$20**	**-**	**$30-$40**
Restructuring	**$85-$95**	**$40-$50**	**-**	**$125-$145**
Total Costs *% cash*	**$100-$115** *~70%*	**$55-$70** *~70%*	**-** *NA*	**$155-$185** *~70%*

2018 Actual Results

	Restructuring	Temp. Inefficiencies
Q1	$46.8	$0.7
Q2	$12.4	$2.4
Q3	$14.8	$6.2

	2018	2019	2020	Annual Ongoing
Annual Cash Savings	**-**	**$25-$30**	**$45-$50**	**$65-$75**

Motorcycle and Related Products Segment

GUIDANCE



2018 EXPECTATIONS

as of October 23,2018

Motorcycles and Related Products segment	Motorcycle shipments	*231,000 to 236,000* *Q4: 45,800 to 50,800*
	Gross margin %	*Down yr./yr.* *(~flat excluding mfg. optimization and tariff impact)*[1]
	SG&A	*Up yr./yr.* *(~flat as a percent of revenue)*
	Operating margin %	*9% to 10%* *(~flat excluding mfg. optimization and tariff impact)*[1]
Financial Services segment	HDFS operating income	*Up yr./yr.*
Harley-Davidson, Inc.	Capital expenditures	*$230 million - $250 million* *(Including $50 million of mfg. optimization)*
	Effective tax rate	*22.5% to 24.0%*

[1]This is a non-GAAP measure. Refer to the slides relating to non-GAAP measures and reconciliations included later in this presentation.



BUILDING THE NEXT GENERATION OF HARLEY-DAVIDSON RIDERS GLOBALLY

Focused investments,

strong returns

to grow the company for the long-term

NON-GAAP MEASURES



This presentation includes financial measures that have not been calculated in accordance with U.S. generally accepted accounting principles (GAAP), and are therefore referred to as non-GAAP financial measures. The non-GAAP measures listed below are intended to be considered by users as supplemental information to their equivalent GAAP measures, to aid investors in better understanding the company's financial results. The company believes that these non-GAAP measures provide useful perspective on underlying business results and trends, and a means to assess period-over-period results. These non-GAAP measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. These non-GAAP measures may not be the same as similarly titled measures used by other companies due to possible differences in method and in items or events being adjusted.

The non-GAAP measures are as follows:

- Net income excluding manufacturing optimization costs
- Diluted EPS excluding manufacturing optimization costs
- Motorcycles gross margin percent guidance excluding manufacturing optimization costs and the impact of tariffs
- Motorcycles operating margin percent guidance excluding manufacturing optimization costs and the impact of tariffs
- HDI free cash flow
- HDMC operating income after tax
- HDFS operating income after tax

Manufacturing optimization costs include restructuring expenses and costs associated with temporary inefficiencies incurred in connection with the manufacturing optimization initiative. The impact of tariffs includes the incremental cost of recent tariffs imposed in the U.S., the European Union and China. Refer to the non-GAAP reconciliations included in this presentation.

We have not provided a reconciliation of non-GAAP margin percent guidance to GAAP margin guidance on the basis that doing so would involve unreasonable efforts. Our GAAP and non-GAAP Motorcycles gross and operating margin percent guidance is based on ranges of possible outcomes including and excluding manufacturing optimization plan costs and the impact of tariffs. Given that we have used ranges of outcomes to determine our margin percent guidance, both in the aggregate and separately for manufacturing optimization costs and tariff impacts, it is not possible to sum the ranges for these components to perform a quantified reconciliation of the non-GAAP margin percent guidance to the GAAP margin percent guidance. The Company has separately disclosed the ranges of dollar amounts expected for manufacturing optimization costs and tariff impacts.

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RECONCILIATION OF GAAP TO NON-GAAP AMOUNTS



This presentation contains non-GAAP measures related to net income and diluted earnings per share that exclude manufacturing optimization costs. Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

In thousands, except per share amounts	Three months ended 9/30/2018	Nine months ended 9/30/2018
Net income excluding manufacturing optimization costs		
Net income (GAAP)	$ 113,855	$ 530,956
Manufacturing optimization costs	21,038	83,370
Tax effect of adjustments [1]	(5,102)	(20,218)
Adjustments net of tax	15,936	63,152
Adjusted net income (Non-GAAP)	$ 129,791	$ 594,108
Diluted earnings per share excluding manufacturing optimization costs		
Diluted earnings per share (GAAP)	$ 0.68	$ 3.17
Adjustments net of tax, per share	0.10	0.38
Adjusted diluted earnings per share (Non - GAAP)	$ 0.78	$ 3.55

[1] The income tax effect of restructuring costs is computed using the Company's effective income tax rate excluding discrete items.

RECONCILIATION OF GAAP TO NON-GAAP AMOUNTS



This presentation contains performance measures calculated using non-GAAP amounts as inputs. These performance measures include: "3-yr. Avg. Free Cash Flow Conversion", "3-yr. Avg. Free Cash Flow Margin“, “3-Yr. Avg. ROIC and ROE”. Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

	Twelve-months Ended 12/31/2017	Twelve-months Ended 12/31/2016	Twelve-months Ended 12/31/2015
HDI Free cash flow (FCF)			
Net cash provided by operating activities (GAAP)	$ 1,005,061	$ 1,174,339	$ 1,100,118
Less: Capital expenditures (GAAP)	206,294	256,263	259,974
FCF (Non-GAAP)	$ 798,767	$ 918,076	$ 840,144
HDMC operating income after tax			
HDMC operating income (GAAP)	$ 624,326	$ 781,625	$ 884,041
Less: Income taxes[(1)]	218,514	273,569	309,414
HDMC Operating income after tax (Non-GAAP)	$ 405,812	$ 508,056	$ 574,627
HDFS operating income after tax			
HDFS operating income (GAAP)	$ 267,139	$ 267,206	$ 271,654
Less: Income taxes[(1)]	93,499	93,522	95,079
HDFS operating income after tax (Non-GAAP)	$ 173,640	$ 173,684	$ 176,575

[(1)] Income taxes calculated using a 35% rate, to be consistent with assumptions used to determine competitor measures.

FORWARD-LOOKING STATEMENTS



The company intends that certain matters discussed in this presentation are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the company "believes", "anticipates", "expects", "plans", or "estimates" or words of similar meaning. Similarly, statements that describe future plans, strategies, objectives, outlooks, targets, guidance or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially, unfavorably or favorably, from those anticipated as of the date of this presentation. Certain of such risks and uncertainties are described below. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this presentation are only made as of the date of this presentation, and the company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

The company's ability to meet the targets and expectations noted above depends upon, among other factors, the company's ability to (i) execute its business plans and strategies, including the elements of the More Roads to Harley-Davidson strategy for growth that the company disclosed on July 30, 2018, and strengthen its existing business while enabling growth, (ii) manage the impact that new or adjusted tariffs may have on the cost of raw materials and components and our ability to sell product internationally, (iii) execute its strategy of growing ridership, globally, (iv) effectively execute the company's manufacturing optimization initiative within expected costs and timing and successfully carry out its global manufacturing and assembly operations, (v) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests, (vi) negotiate and successfully implement a strategic alliance relationship with a local partner in Asia, (vii) develop and introduce products, services and experiences on a timely basis that the market accepts, that enable the company to generate desired sales levels and that provide the desired financial returns, (viii) perform in a manner that enables the company to benefit from market opportunities while competing against existing and new competitors, (ix) realize expectations concerning market demand for electric models, which may depend in part on the building of necessary infrastructure, (x) prevent, detect, and remediate any issues with its motorcycles or any issues associated manufacturing processes to avoid delays in new model launches, recall campaigns, regulatory agency investigations, increased warranty costs or litigation and adverse effects on its reputation and brand strength, and carry out any product programs or recalls within expected costs and timing, (xi) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters, (xii) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles, (xiii) reduce other costs to offset costs of the More Roads to Harley-Davidson plan and redirect capital without adversely affecting its existing business, (xiv) balance production volumes for its new motorcycles with consumer demand, (xv) manage risks that arise through expanding international manufacturing, operations and sales, (xvi) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment, (xvii) continue to manage the relationships and agreements that the company has with its labor unions to help drive long-term competitiveness, (xviii) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices, (xix) continue to develop the capabilities of its distributors and dealers, effectively implement changes relating to its dealers and distribution methods and manage the risks that its independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand, (xx) retain and attract talented employees, (xxi) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or company data and respond to evolving regulatory requirements regarding data security, (xxii) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio, (xxiii) adjust to tax reform, healthcare inflation and reform and pension reform, and successfully estimate the impact of any such reform on the company's business, (xxiv) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles, (xxv) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities, (xxvi) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations, (xxvii) manage its exposure to product liability claims and commercial or contractual disputes, and (xxviii) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the company and within its expectations.

The Company could experience delays or disruptions in its operations as a result of work stoppages, strikes, natural causes, terrorism or other factors. Further, actual foreign currency exchange rates may vary from underlying assumptions. Other factors are described in risk factors that the Company has disclosed in documents previously filed with the Securities and Exchange Commission. Many of these risk factors are impacted by the current changing capital, credit and retail markets and the Company's ability to manage through inconsistent economic conditions.

The Company's ability to sell its motorcycles and related products and services and to meet its financial expectations also depends on the ability of the Company's independent dealers to sell its motorcycles and related products and services to retail customers. The Company depends on the capability and financial capacity of its independent dealers to develop and implement effective retail sales plans to create demand for the motorcycles and related products and services they purchase from the Company. In addition, the Company's independent dealers and distributors may experience difficulties in operating their businesses and selling Harley-Davidson motorcycles and related products and services as a result of weather, economic conditions or other factors. In recent years, HDFS has experienced historically low levels of retail credit losses, but there is no assurance that this will continue. The Company believes that HDFS' retail credit losses may increase over time due to changing consumer credit behavior and HDFS' efforts to increase prudently structured loan approvals to sub-prime borrowers, as well as actions that the Company has taken and could take that impact motorcycle values. Refer to "Risk Factors" under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.