

HARLEY-DAVIDSON, INC.
2018 FOURTH QUARTER UPDATE

JANUARY 29, 2019

2018 FOURTH QUARTER UPDATE



THIS PRESENTATION SUPPORTS THE AUDIO CONFERENCE CALL

CONFERENCE CALL AGENDA

▪ **Introduction**	Shannon Burns, 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.

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



BUSINESS PERSPECTIVES

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

2018 SNAPSHOT



Decisive actions

- Disciplined supply management
  - Year-end retail inventory lower than planned
- Restructuring
  - Salaried workforce reorganization in Q4
  - Manufacturing optimization program costs lower than originally expected in 2018

Highlights vs. Prior year

- Diluted EPS up 5.6%
- Record Financial Services segment operating income
- Cash from operations up over $200 million, or 20%
- Motorcycles Segment revenue up 1.1%
- International retail sales up behind strong emerging market growth
- Repurchased $382M of shares; full-year dividends $1.48 per share, up 1.4%

Invested in our future and delivered strong cash to shareholders

MORE ROADS PLAN – Q4 PROGRESS



Accelerating our strategy to build the next generation of Harley-Davidson riders through:

New Products | **Broader Access** | **Stronger Dealers**

Key Initiatives - Q4 progress

- **Innovate Current Product**
  - Fat Bob 114 named Cycle World's Best Cruiser of 2018
- **Lead Electric**
  - Global media events at EICMA (Nov 2018) and CES (Jan 2019)
  - Advanced development of lightweight EV portfolio - prototypes on test
  - Advancing EV capabilities at LiveWire Labs
- **New Middleweight Platform**
  - Achieved major design milestones; 2020 launch on track
- **New Retail Formats**
  - 8 new urban apparel stores opened in Asia (23 FY)
- **Integrated Retail Experience**
  - Harley-Davidson branded Amazon storefront launched (U.S.)
- **Grow China**
  - Activated Tmall E-Commerce, Freedom on Tour events, demo fleet; media activations targets achieved
- **Good-to-Great Dealers**
  - Changes to allocation process improving flexibility in meeting customer demand
  - Replaced 4 underperforming U.S. dealers (12 FY)
  - Motorcycle sales to Riding Academy graduates up behind stronger conversion rate
- **Expand Intl. Dealer Network**
  - 28 new international dealers opened (56 FY)

MORE ROADS PLAN – 2018 MILESTONES



→ Met or exceeded <u>all</u> stated targets for the year

NEW PRODUCTS

MILESTONES:

- ✓ 2-6 new models per year
- ✓ Rider Confidence & Safety, Performance, Infotainment innovation

6 high-impact motorcycles launched in 2018.



BROADER ACCESS

MILESTONES:

- ✓ 4% GM Revenue via E-commerce
- ✓ E-Commerce Expansion in China
- ✓ Open 18 Urban Apparel Stores







21 apparel stores opened in Asia.

STRONGER DEALERS

MILESTONES:

- ✓ Improve Conversion to Sale
- ✓ Net Promoter Score between 75-85
- ✓ Add 40 New International Dealers
- ✓ Thailand Production for ASEAN

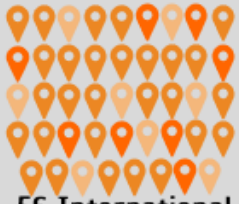
Graduate sales conversion up over **2.2 PTS.**

Customer Experience

Net Promoter Score (dealership - service) **75**

Net Promoter Score (dealership – purchase) **85**

** On scores up to 100*



56 International Dealers added.



2018 RIDERSHIP



We Build Riders

Finished 2018 with over 52,000[1] more Harley-Davidson riders in the U.S. than one year ago

Increased reach, relevance and sales through a wide range of activities including:

- **Harley-Davidson Riding Academy**
  - Sales to graduates up behind stronger conversion rate
- **LiveWire debuted at the EICMA show in Milan**
  - Thousands of global leads captured, positive social media conversation
  - LiveWire Video 2nd most commented-on ever on H-D's Instagram
  - News coverage spanned tech, innovation, motorcycle and lifestyle
- **Freedom Promise**
  - Created 17,000 opportunities for customers to trade-up to a new motorcycle
- **Influencer and Entertainment Integrations**
  - Increased total estimated media value over 80% compared to 2017
  - Delivered 3X number of product placements in movies and television including substantial placements in "A Star is Born" and "Mayans" TV series

[1] IHS Markit Motorcycles in Operation (MIO) data for On-Highway and Dual purpose bikes in the U.S. as of Jan 1, 2019 compared to previous years of MIO back to 2002.



FINANCIAL RESULTS

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

Q4 2018 VS. Q4 2017 RESULTS



REVENUE	NET INCOME	EPS
$1.15 Billion	$0.5 Million	$0.00
⇩	⇩	⇩
(6.8)%	$(7.8) million	$(0.05)

Earnings impacted by:

- **Motorcycles Segment operating income* down $95.1 million**
  - Revenue down 8.7% on 7.9% lower shipments
  - Gross margin of 27.6%, down 3.0 pts.
  - SG&A up, higher as a percent of revenue due to recalls
  - Restructuring charge of $19.4 million
  - Operating margin of (6.2)%, down 9.6 pts.
- **Financial Services segment operating income down 0.6%**
- **Lower effective taxes**

**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



	Q4 '18 Motorcycles	vs. PY	FY '18 Motorcycles	vs. PY
Worldwide	39,311	(6.7)%	228,051	(6.1)%
U.S.	20,849	(10.1)%	132,868	(10.2)%
International	18,462	(2.6)%	95,183	0.4%

Source: Dealer reported data

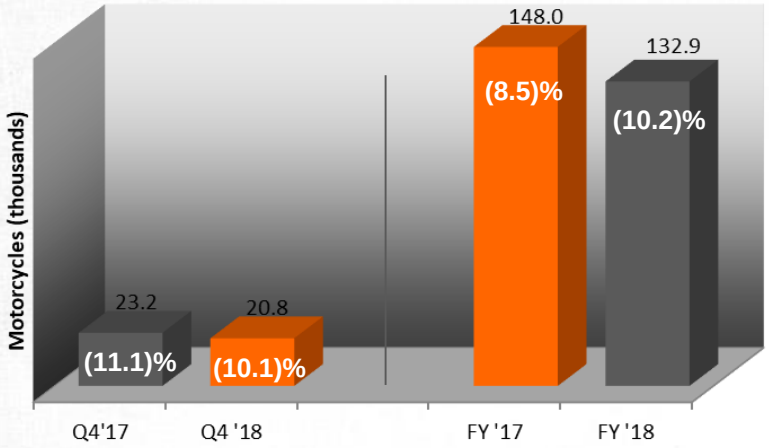
- **Q4 worldwide retail sales down 6.7%**
- **U.S. retail sales down**
  - Ongoing industry new motorcycle sales weakness
- **International retail sales down modestly in Q4**
  - Strength in emerging markets
- **Investing in More Roads to Harley-Davidson to return to growth**

Motorcycles and Related Products Segment

U.S. RETAIL SALES

RETAIL SALES

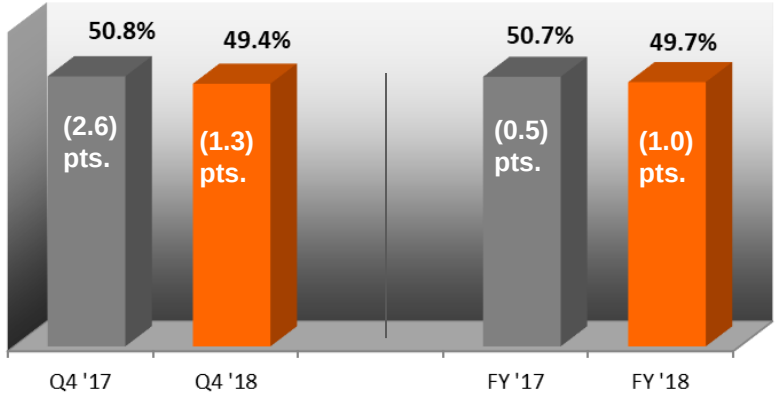
H-D U.S. NEW RETAIL MOTORCYCLE SALES



- **Q4 retail sales impacted by:**
  - Weak industry sales behind:
    - Soft used motorcycle prices (used H-D pricing up yr./yr.)
    - Shift in consumer preference to smaller motorcycles
  - Highly competitive marketplace
- **Addressing soft industry**
  - Great product, aggressive supply management and increased marketing
  - More Roads to Harley-Davidson plan

SHARE

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



- 2018 market share down vs. prior year due to relative stronger performance of non-H-D segments. H-D FY share up in segments in which we compete

INVENTORY

H-D U.S. NEW RETAIL MOTORCYCLE INVENTORY

- Committed to aggressively manage supply in line with demand
  - Dealer inventory down approximately 350 motorcycles vs. prior year-end
  - Lower inventory delivering intended results

* *Source: Motorcycle Industry Council*

Motorcycles and Related Products Segment

INTERNATIONAL RETAIL SALES



RETAIL SALES

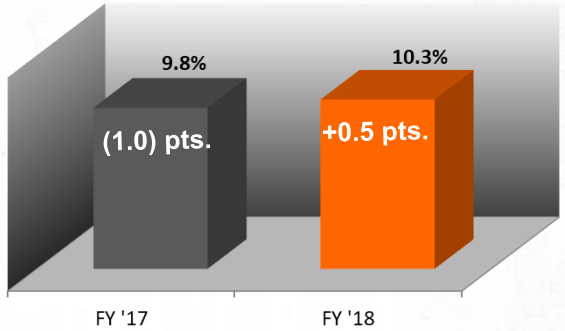
H-D INTERNATIONAL NEW RETAIL MOTORCYCLE SALES

	Vs. prior year Q4	FY
International	**(2.6)%**	**0.4%**
- EMEA	(1.4)%	3.7%
Lapping initial MY2018 Softail success; weak consumer confidence in France and U.K.		
- Asia Pacific	(6.2)%	(5.4)%
Continued softness in Japan and Australia		
- Latin America	2.7%	7.6%
Brazil up		
- Canada	2.4%	(3.9)%

Q4 Emerging markets + 18.7%

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
  - **56 new dealers were opened in 2018**
- Focus on demo rides and conversion; target competitive riders
- Brand awareness through apparel
- Thailand operations to lower pricing in certain international markets

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

Motorcycles and Related Products Segment

SHIPMENTS & MIX



SHIPMENTS
MOTORCYCLES SEGMENT

	Q4 '18	vs. PY	FY '18	vs. PY
Total	**43,489**	**(7.9)%**	**228,665**	**(5.3)%**
Touring	41.0%	- pts.	44.6%	3.3 pts.
Cruiser*	38.1%	(3.5) pts.	34.3%	(1.9) pts.
Street / Sportster®	20.9%	3.5 pts.	21.1%	(1.4) pts.
	100.0%		100.0%	

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

- Q4 shipments down 3,709 motorcycles yr./yr.
- Street / Sportster shipments as a percent of total were up, offset by lower Cruiser mix in the quarter



REVENUE*

MOTORCYCLES SEGMENT

($ millions)

	Q4 '18	vs. PY	FY '18	vs. PY
Motorcycle	$738.2	(6.6)%	$3,883.0	3.1%
P&A	142.2	(15.0)	754.7	(5.7)
General Merchandise	58.4	(18.0)	242.0	(7.9)
Licensing	9.2	(7.2)	38.7	(1.3)
Other	7.6	(12.6)	50.2	7.8
Total Revenue	**$955.6**	**(8.7)%**	**$4,968.6**	**1.1%**

- Q4 Motorcycles segment revenue down 8.7% on 7.9% lower shipments
- Average motorcycle revenue per unit increased yr./yr. in Q4 behind higher pricing and favorable mix, partially offset by unfavorable foreign currency exchange

** 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)

	Q4	FY
2017 Gross Margin	**$320.6**	**$1,642.7**
% of revenue	30.6%	33.4%
- Volume	(45.5)	(122.3)
- Pricing net of cost	12.0	53.5
- Mix	(3.7)	93.3
- Currency	4.0	12.3
- Raw materials	(4.5)	(17.7)
- Manufacturing /other*	(19.3)	(44.9)
2018 Gross Margin	**$263.6**	**$1,616.9**
% of revenue	27.6%	32.5%

** Includes $3.6M Q4/$12.9M FY of temporary inefficiencies related to manufacturing optimization and $13.4 Q4/$23.7 FY incremental Tariff impact*

- **Q4 Motorcycles segment gross margin % of revenue impacted by:**
  - Mix – unfavorable Parts & Accessories mix
  - Currency – foreign currency exchange gains, partially offset by lower revenues
  - Raw materials – higher steel and aluminum costs
  - Manufacturing expense – higher tariffs, lower absorption and temporary inefficiencies

Motorcycles and Related Products Segment

OPERATING MARGIN



OPERATING MARGIN
MOTORCYCLES SEGMENT
($ millions)

	Q4	FY
2017 Operating Income	**$35.5**	**$606.8**
% of revenue	3.4%	12.3%
- Gross Margin	(56.9)	(25.8)
- SG&A	(18.7)	(65.2)
- Restructuring	(19.4)	(93.4)
2018 Operating Income	**($59.5)**	**$422.4**
% of revenue	(6.2)%	8.5%

- **Q4 Motorcycles segment operating margin was lower compared to prior year**
  - SG&A up, higher as a percent of revenue due to recalls
  - Restructuring charge for manufacturing optimization and a workforce reorganization

Motorcycles and Related Products Segment

FINANCIAL SERVICES



OPERATING INCOME
FINANCIAL SERVICES SEGMENT
($ millions)

	Q4	FY
2017 Operating Income	**$63.7**	**$275.3**
- Net interest income	4.4	(0.1)
- Provision for retail motorcycle loan losses	(0.3)	27.1
- Provision for wholesale loan losses	(1.2)	(1.9)
- Operating expenses	(5.9)	(12.8)
- All other	2.6	3.6
2018 Operating Income	**$63.3**	**$291.2**

- **Q4 Financial Services operating income was slightly lower compared to prior year**
  - Higher operating expenses, partially offset by higher net interest income

HDFS



2018 FINANCIAL SERVICES SEGMENT

OPERATIONS

Originations

New and used H-D retail motorcycle loans

Q4	**$535.0M**	+ 8.0% vs. Q4 ’17
FY	**$3.14B**	+ 4.3% vs. FY ’17

FY approximately 80%-85% prime

Market share

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

Q4	**69.5%**	+ 9.6 pts. vs. Q4 ’17
FY	**64.9%**	+ 3.7 pts. vs. FY ’17

Finance receivables outstanding

End of Year

Retail	$6.33B	
Wholesale	1.08B	
Total	**$7.41B**	+ 3.6% vs. FY ’17

LIQUIDITY

(Millions)
Year End

Cash & equivalents	**$659.2**

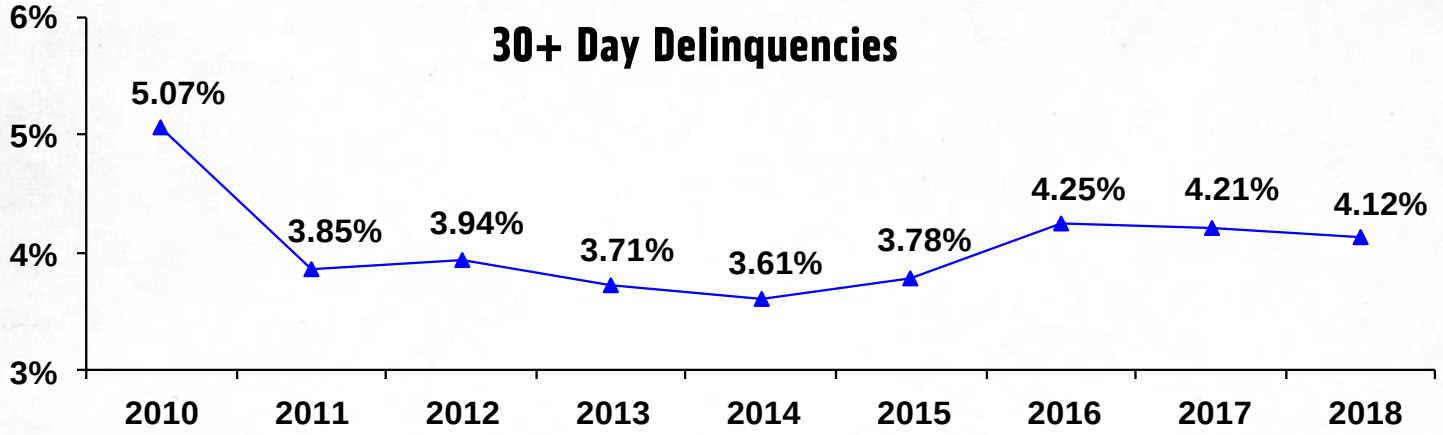
Availability

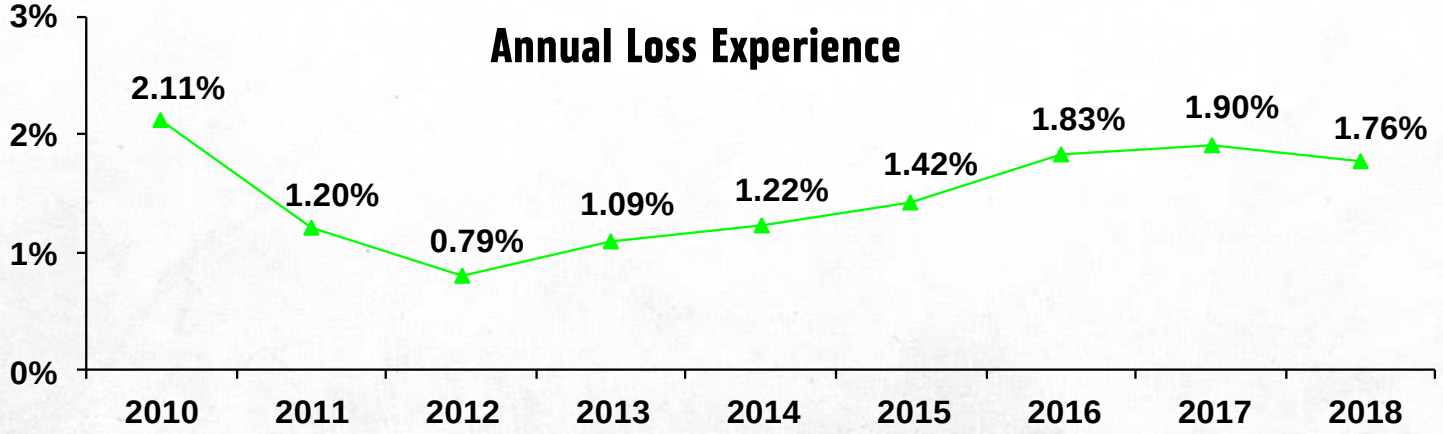
Bank Credit Facilities	$409.2
Asset-Backed Conduits	$600.0
Total Availability	**$1,009.2**

Other

HDFS paid H-D, Inc. dividends of $235 million in 2018

RETAIL MOTORCYCLE LOAN PERFORMANCE





Financial Services Segment



2018 HARLEY-DAVIDSON, INC.

VS. PY

- **Cash & marketable securities -** $1.21 billion vs. $687.5 million (Q4 quarter end)
- **Operating cash flow -** $1.21 billion vs. $1.01 billion (FY)
- **Capital spending -** $213.5 million vs. $206.3 million (FY)
- **Depreciation/amortization expense -** $264.9 million vs. $222.2 million (FY)
- **Tax rate -** 22.6% vs. 39.6% (FY)

Consolidated – Motorcycles and Related Products and Financial Services Segments

FY 2018 VS. FY 2017 RESULTS



REVENUE	NET INCOME	EPS
$5.72 Billion	$531.5 Million	$3.19
⇧ 1.2%	⇧ 1.9%	⇧ 5.6%

Earnings impacted by:

- **Motorcycles Segment operating income* down $184.4 million**
  - Revenue up 1.1% on 5.3% lower shipments
  - Gross margin of 32.5%, down 0.9 pts.
  - SG&A up, higher as a percent of revenue due to recalls
  - Restructuring charge of $93.4 million
  - Operating margin of 8.5%, down 3.8 pts.
- **Financial Services segment operating income up 5.8 percent**
- **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.*

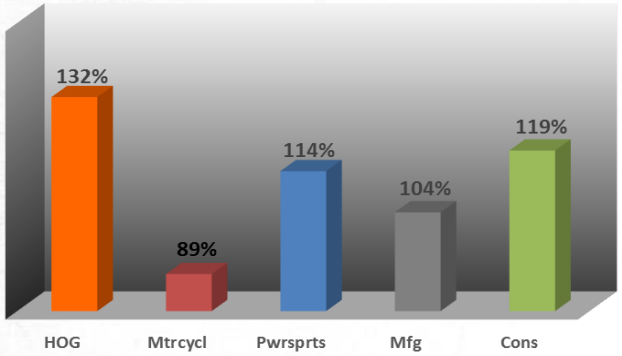
Consolidated – Motorcycles and Related Products and Financial Services Segments

CASH GENERATION/RETURNS

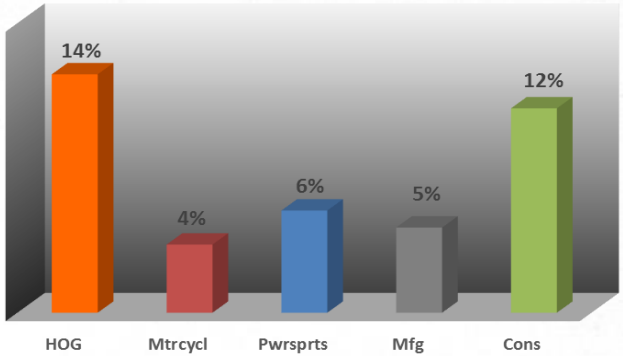
Harley-Davidson leads in cash generation and consistently returned cash to shareholders

(2015-2017)

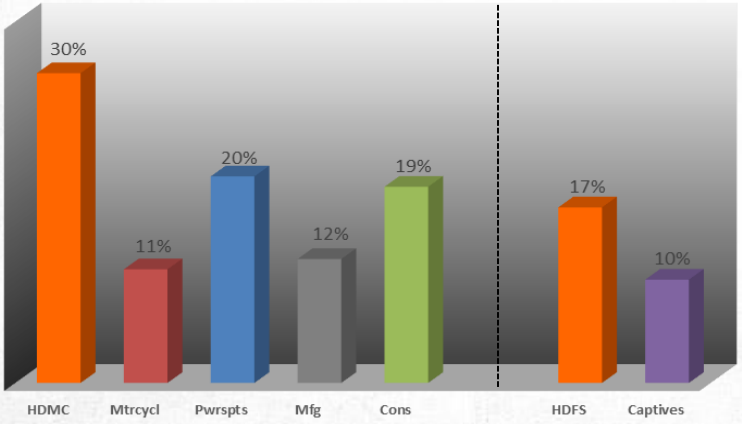
3-Yr. Avg. Free Cash Flow Conversion[1][2]



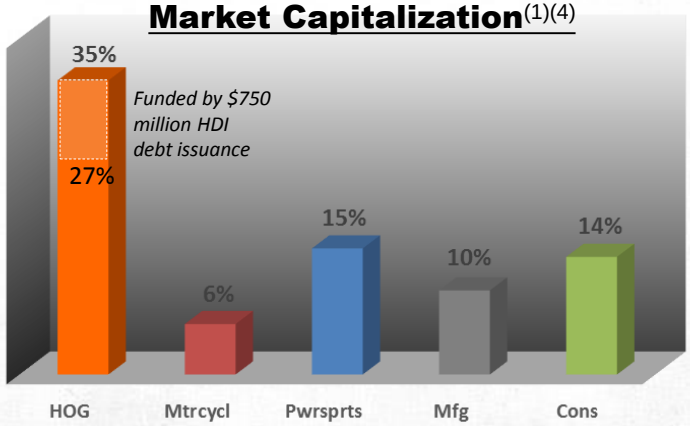
3-Yr. Avg. Free Cash Flow Margin[1][2]



3-Yr. Avg. ROIC and ROE[1][3]



3-Yr. Avg. Cumulative Capital Return / Market Capitalization[1][4]



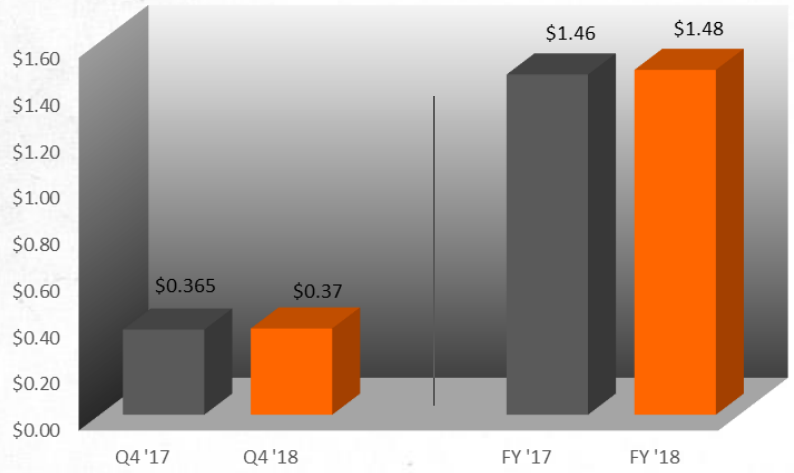
[1]Three year average is based on 2015-2017 calendar year information using the average for key companies in respective industries or segments . Source: Company filings, Bloomberg (benchmark companies' income adjusted as appropriate for comparability). [2] Free Cash Flow (FCF) is defined as net cash 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

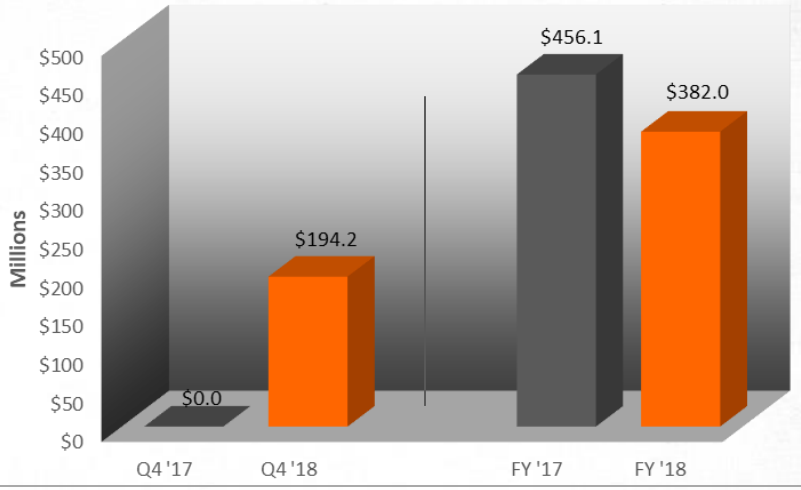
Harley-Davidson has consistently returned cash to shareholders

Dividends Per Share

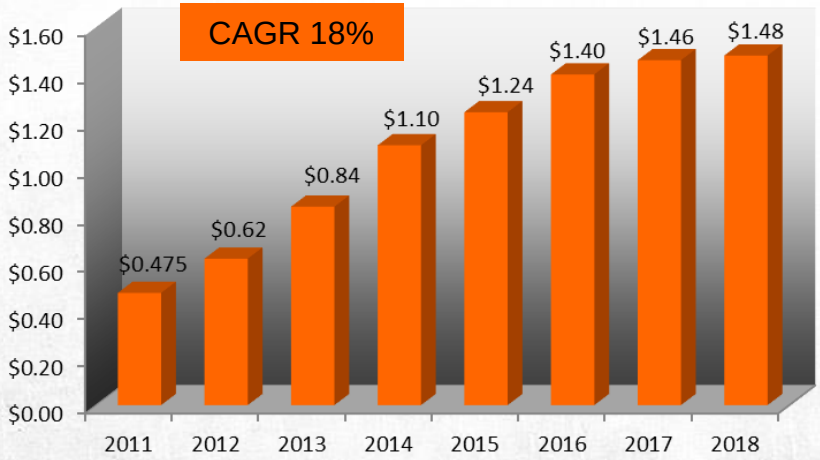
Year-over-year

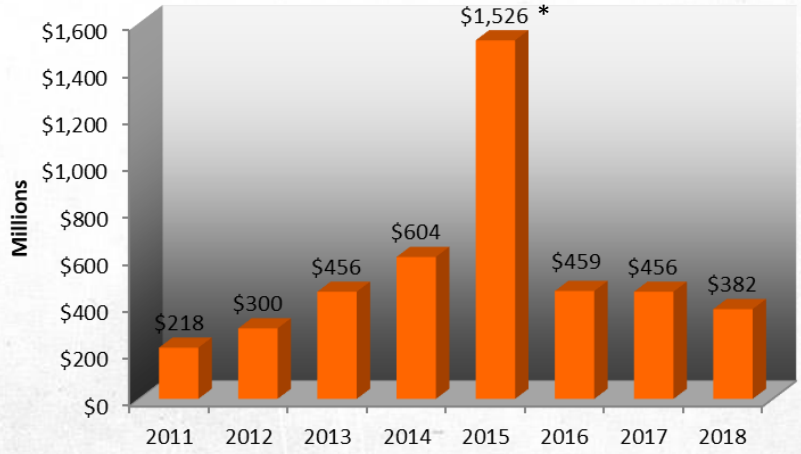


Discretionary Share Repurchases



Multi-Year





*Funded by $750 million HDI debt issuance

MANUFACTURING OPTIMIZATION



Manufacturing Optimization Summary

as of January 29, 2019

$ Millions

	2018 Actual	2019 Estimate	2020 Estimate	Total
Temporary Inefficiencies	**$12.9**	**$10-$15**	**-**	**$23-$28**
Restructuring	**$89.5**	**$40-$45**	**-**	**$129-$134**
Total Costs	**$102.4**	**$50-$60**	**-**	**$152-$162**
% cash	*~70%*	*~70%*	*NA*	*~70%*

2018 Actual Results

	Restructuring	Temp. Inefficiencies
Q1	$46.8	$0.7
Q2	$12.4	$2.4
Q3	$14.8	$6.2
Q4	$15.5	$3.6
	$89.5	**$12.9**

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

Note: *In addition to our ongoing restructuring charges for our Manufacturing Optimization program, in Q4 we booked an additional $3.9M restructuring charge primarily for a workforce reorganization.*

GUIDANCE



2019 EXPECTATIONS

as of January 29, 2019

Motorcycles and Related Products segment	Motorcycle shipments	*217,000 to 222,000* *(Q1: 53,000 to 58,000)*
	Gross margin %	*Down yr./yr.*
	SG&A	*Lower yr./yr.* *(Lower as a percent of revenue)*
	Operating margin %	*8.0% to 9.0%* *(~flat versus 2018 excluding restructuring plan costs and incremental tariff impact)*[1]
Financial Services segment	HDFS operating income	*Down yr./yr.*
Harley-Davidson, Inc.	Capital expenditures	*$225 million - $245 million* *(Including $20 million of mfg. optimization)*
	Effective tax rate	*24.0% to 25.0%*

[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 restructuring plan costs and the impact of tariffs
- Diluted EPS excluding restructuring plan costs and the impact of tariffs
- Motorcycles segment operating margin percent excluding restructuring plan costs and the impact of tariffs
- HDI free cash flow
- HDMC operating income after tax
- HDFS operating income after tax

Restructuring plan costs include restructuring expenses and also costs associated with temporary inefficiencies incurred in connection with the manufacturing optimization plan. The impact of tariffs includes the incremental cost of recent tariffs imposed by the European Union and China. These adjustments are consistent with adjustments used to determine financial objectives under the company's incentive compensation plans.

Refer to the non-GAAP reconciliations included in this presentation.

We have not provided a reconciliation of our 2019 non-GAAP operating margin percent guidance to our 2019 GAAP margin percent guidance on the basis that doing so would involve unreasonable efforts. Our GAAP and non-GAAP Motorcycles operating margin percent guidance is based on ranges of possible outcomes including and excluding restructuring 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 restructuring plan 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 restructuring plan 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 restructuring plan costs and the impact of tariffs. Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

In thousands, except per share amounts	Three months ended 12/31/2018	Twelve months ended 12/31/2018
Net income excluding restructuring plan costs and the impact of tariffs		
Net income (GAAP)	$ 495	$ 531,451
Restructuring plan costs	22,944	106,314
Impact of tariffs	13,363	23,675
Tax effect of adjustments [1]	(8,804)	(31,522)
Adjustments net of tax	27,503	98,467
Adjusted net income (Non-GAAP)	$ 27,998	$ 629,918
Diluted earnings per share excluding restructuring plan costs and the impact of tariffs		
Diluted earnings per share (GAAP)	$ 0.00	$ 3.19
Adjustments net of tax, per share	$ 0.17	$ 0.59
Adjusted diluted earnings per share (Non - GAAP)	$ 0.17	$ 3.78

[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 non-GAAP measures related to Motorcycles segment operating margin that exclude restructuring plan costs and the impact of tariffs. Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

In thousands	Twelve months ended 12/31/2018	% of Revenue
Motorcycles segment operating margin excluding restructuring plan costs and the impact of tariffs		
Motorcycles segment operating margin (GAAP)	$ 422,363	8.5%
Restructuring plan costs	106,314	2.1%
Impact of tariffs	23,675	0.5%
Adjusted Motorcycles segment operating margin (Non-GAAP)	$ 552,352	11.1%

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", “strategy”, “future”, “may”, “goals”, 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, (xxviii) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the company and within its expectations, and (xxix) lower prices of its motorcycles in certain markets by manufacturing motorcycles in the company’s Thailand facility.

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.