

HARLEY-DAVIDSON, INC.
2019 FIRST QUARTER UPDATE

APRIL 23, 2019

2019 FIRST 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, SVP 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

2019 Q1 SNAPSHOT



Highlights VS. Prior year

- GAAP diluted EPS of $0.80 per share, ahead of company expectations
- Encouraged by U.S. retail sales performance; Harley-Davidson U.S. market share up
- Global dealer inventory down, well positioned for spring selling season
- Intensified brand focus; hired President, Harley-Davidson Brand
- Acquired StaCyc, a producer of electric-powered two-wheelers for kids
- Broadened reach with new Electra Glide® Standard at $18,999 U.S. MSRP
- Manufacturing optimization remained on-track
- Thailand manufacturing strategy accelerated retail sales growth in ASEAN emerging markets
- Increased dividend 1.4 percent, repurchased $52.6 million of shares



BUSINESS PERSPECTIVES

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

BUILDING RIDERS



- 2018
  - 278,000 new riders joined Harley-Davidson in 2018 in the U.S. This group is the most diverse across age, ethnicity and gender in all of the years Harley-Davidson has tracked this data*
  - Of the total mix of new riders, 18-34 year-olds, women and/or ethnically diverse riders comprise over 50 percent of the 2018 total and each segment's participation is up compared to five years ago*
- Q1 2019
  - U.S. new retail sales to 18-34 year-old purchasers were up 2.6 pts.







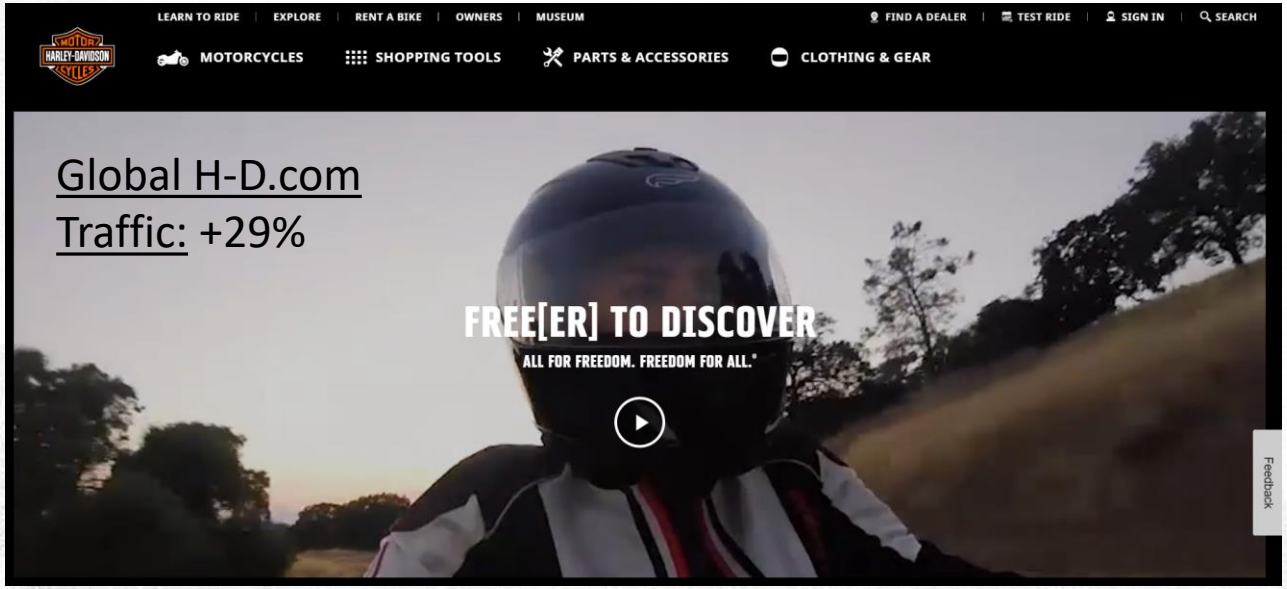


* Data and analysis based on IHS Markit Motorcycles in Operation (MIO) data for all CC's, On-Highway and Dual purpose motorcycles in the U.S. as of December 31st of each year from 2001 through 2018. Rider demographics based on 3rd-party data for adults age 18 and above.

Q1 MARKETING HIGHLIGHTS







Global H-D.com
Traffic: +29%



Riding Academy participants skewed younger

NEW PRODUCTS



Launched Electra Glide® Standard



Acquired StaCyc



Adventure Touring planned to launch in 2020*

Future Electric Concepts*







**Art depicting future product concepts shown. Production model features may vary. Not yet available for sale. All future models shown may not be available in all markets.*

MORE ROADS PLAN – Q1 PROGRESS



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

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

Q1 Progress

- **Innovate Current Product**
  - New Electra Glide® Standard, $18,999 U.S. MSRP
- **Lead Electric**
  - LiveWire™ U.S. pre-orders
  - DC fast charge installations
  - LiveWire, future electric concepts at CES, X-Games, Geneva Auto Show
  - H-D LiveWire Labs driving EV system development
  - Acquired StaCyc, electric-powered two-wheelers for kids
- **New Middleweight Motorcycles**
  - On-track to launch Adventure Touring and Streetfighter models next year
- **New Retail Formats**
  - Four new urban apparel stores
- **Integrated Retail Experience**
  - Increased General Merchandise revenue via eCommerce
  - Expanded unique online apparel styles for U.S. eCommerce
- **Grow China**
  - Q1 retail motorcycle sales up >100% vs. prior year
  - Parts & Accessories, General Merchandise revenue exceeded expectations
- **Good-to-Great Dealers**
  - 50 dealer consulting engagements completed
  - Revised dealer ownership policy; growing solid pipeline of future dealers
  - Executed precision marketing campaigns
  - Exited 5 underperforming U.S. dealers



FINANCIAL RESULTS

JOHN OLIN, SVP & CFO, HARLEY-DAVIDSON, INC.

Q1 2019 VS. Q1 2018 RESULTS



REVENUE	NET INCOME	EPS
$1.38 Billion	$127.9 Million	$0.80
(10.2)%	(26.8)%	(22.3)%

Earnings impacted by:

- **Motorcycles segment operating income down $64.5 million**
  - Revenue down 12.3% on 7.9% lower shipments
  - Gross margin of 29.1%, down 5.6 pts.
  - SG&A lower by 11.3%
  - Restructuring charge down $33.2 million
  - Operating margin of 9.1%, down 3.6 pts.
- **Financial Services segment operating income down 7.6%**

Consolidated – Motorcycles and Related Products and Financial Services Segments

WORLDWIDE RETAIL SALES



	Q1 '19 Motorcycles	vs. PY
Worldwide	49,151	**(3.8)%**
U.S.	28,091	**(4.2)%**
International	21,060	**(3.3)%**

Source: Dealer reported data

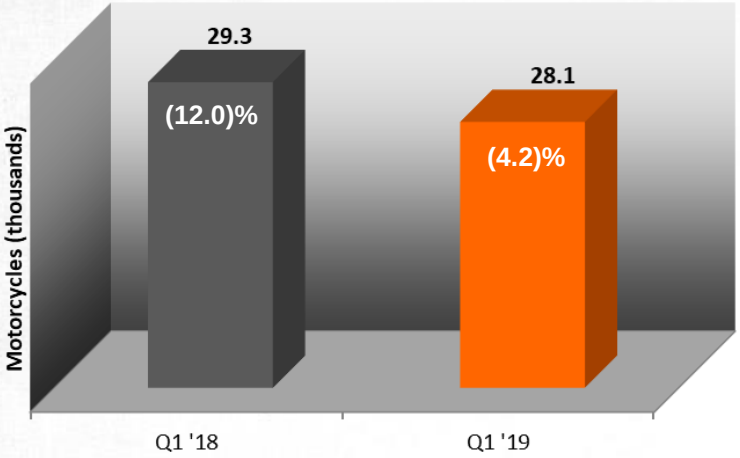
- **Q1 worldwide retail sales down**
  - Adversely impacted by limited availability of Street motorcycles
  - Q1 worldwide sales up 0.4% excluding Street motorcycles*
- **U.S. retail sales down**
  - Year-over-year industry decline tempered in Q1 versus recent quarterly declines
  - Harley-Davidson market share up 0.6 points despite highly competitive 601+cc marketplace
- **International retail sales down modestly in Q1**
  - Excluding Street motorcycles sales*, international retail sales were up 4.7%

** Excludes retail sales volume of Street motorcycles from both current and prior year totals*

U.S. RETAIL SALES

RETAIL SALES

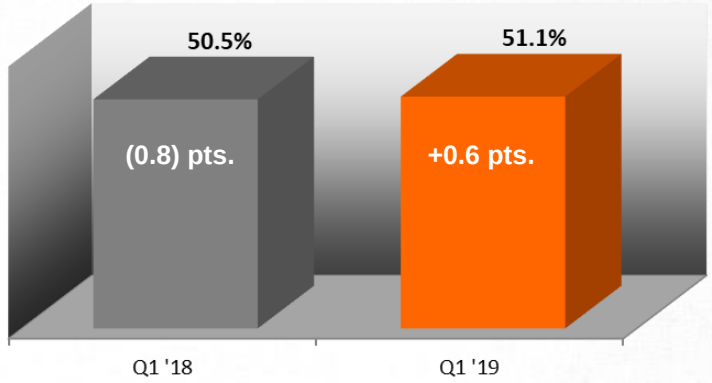
H-D U.S. NEW RETAIL MOTORCYCLE SALES



- **Q1 retail sales impacted by:**
  - Strong H-D market share
  - Weak industry sales
    - Rate of decline tempered, lowest rate of decline in 9 quarters
    - Soft used motorcycle prices
  - Highly competitive marketplace
- **Addressing soft industry**
  - Great product, aggressive supply management and increased marketing investments
  - More Roads to Harley-Davidson plan

SHARE

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



- **Q1 2019 market share up vs. prior year**
  - Execution of stronger dealers growth catalyst and increased marketing and sales support

INVENTORY

H-D U.S. NEW RETAIL MOTORCYCLE INVENTORY

- **Committed to aggressively manage supply in line with demand**
  - Dealer inventory down approximately 3,450 motorcycles vs. prior year
  - 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 Q1
International	**(3.3)%**
- EMEA	(0.6)%
Weak consumer confidence in U.K.	
- Asia Pacific	(4.0)%
Continued softness in Japan and Australia	
- Latin America	(10.6)%
Mexico down	
- Canada	(6.3)%

Q1 Emerging markets +5.2%

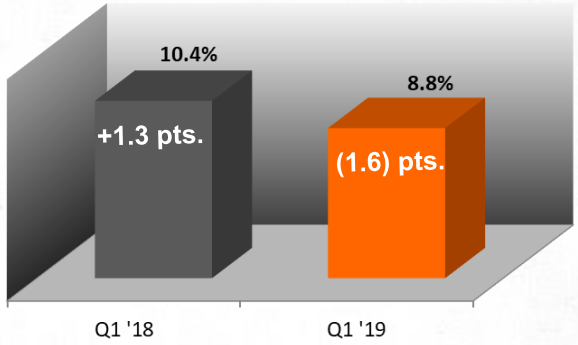
Q1 Developed markets (6.2)%

*Q1 sales impacted by limited availability of Street motorcycles. International sales up 4.7% excluding Street***

*** Excludes retail sales volume of Street motorcycles from both current and prior year totals*

SHARE

H-D EUROPE NEW 601+CC MARKET SHARE*



- International market share down in the quarter

OPPORTUNITY

INTERNATIONAL GROUPWTH

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

Broader Access and Stronger Dealers

- Focus on expanding dealer network
- Focus on demo rides and conversion; target competitive riders
- Brand awareness through apparel
- New Thailand manufacturing operations enabled lower pricing in ASEAN emerging markets

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

SHIPMENTS & MIX



SHIPMENTS
MOTORCYCLES SEGMENT

	Q1 '19	vs. PY
Total	**58,891**	**(7.9)%**
Touring	42.5%	(5.8) pts.
Cruiser*	34.7%	1.0 pts.
Street / Sportster®	22.8%	4.8 pts.
	100.0%	

** Includes Softail and CVO*

- **Q1 shipments down 5,053 motorcycles year-over-year**
- **Shipments finished slightly ahead of Q1 guidance**
  - US retail sales stronger than company planned
  - Began shipping Street motorcycles in late Q1, earlier than expected
- **Sportster shipments as a percent of total were up, offset by lower Touring shipments in the quarter**



REVENUE

MOTORCYCLES SEGMENT

($ millions)

	Q1 '19	vs. PY
Motorcycle	$964.6	(14.0)%
P&A	159.7	(5.5)
General Merchandise	55.4	(2.1)
Licensing	8.6	2.6
Other	7.3	(10.4)
Total Revenue	**$1,195.6**	**(12.3)%**

- **Q1 Motorcycles segment revenue down 12.3% on 7.9% lower shipments**
- **Average motorcycle revenue per unit decreased year-over-year in Q1 behind unfavorable mix, unfavorable foreign currency exchange and increased sales support, partially offset by higher pricing**

Motorcycles and Related Products Segment



GROSS MARGIN
MOTORCYCLES SEGMENT
($ millions)

	Q1
2018 Gross Margin	**$473.8**
% of revenue	34.7%
- Volume	(41.4)
- Pricing net of cost	16.4
- Mix	(39.3)
- Currency	(15.1)
- Raw materials	(3.1)
- Manufacturing /other*	(43.9)
2019 Gross Margin	**$347.4**
% of revenue	29.1%

** Includes $3.6M temporary inefficiencies related to manufacturing optimization and $21.0M incremental tariff impact*

- **Q1 Motorcycles segment gross margin % of revenue impacted by:**
  - Mix – unfavorable motorcycle family mix
  - Currency – lower foreign currency revenues, partially offset by hedge gains
  - Raw materials – higher steel costs
  - Manufacturing expense – incremental tariffs, lower absorption and temporary inefficiencies

Motorcycles and Related Products Segment



OPERATING MARGIN
MOTORCYCLES SEGMENT
($ millions)

	Q1
2018 Operating Income	**$172.8**
% of revenue	12.7%
- Gross Margin	(126.3)
- SG&A	28.7
- Restructuring	33.2
2019 Operating Income	**$108.4**
% of revenue	9.1%

- **Q1 Motorcycles segment operating margin was lower compared to prior year**
  - Lower SG&A
  - Lower restructuring charge for manufacturing optimization

Motorcycles and Related Products Segment

FINANCIAL SERVICES SEGMENT



OPERATING INCOME
FINANCIAL SERVICES SEGMENT
($ millions)

	Q1
2018 Operating Income	**$63.6**
- Net interest income	1.9
- Provision for retail motorcycle loan losses	(4.9)
- Provision for wholesale loan losses	0.3
- Operating expenses	(7.1)
- All other	4.9
2019 Operating Income	**$58.7**

- **Q1 Financial Services segment operating income was lower compared to prior year**
  - Higher operating expenses and increased provision for retail loan losses

HDFS



2019 HDFS

OPERATIONS

Originations

New and used H-D retail motorcycle loans

Q1 $685.3M + 5.4% vs. Q1 ’18

Q1 ‘19 approximately 80%-85% prime

Market share

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

Q1 64.5% + 5.9 pts. vs. Q1 ’18

Finance receivables outstanding

End of Q1 2019

Retail	$6.29B	
Wholesale	1.34B	
Total	**$7.63B**	+ 4.3% vs. Q1 ’18

LIQUIDITY

($ millions)
End of Q1 2019

Cash & equivalents	**$365.2**

Availability

Bank Credit Facilities	$352.1
Asset-Backed Conduits	600.0
Total Availability	**$952.1**

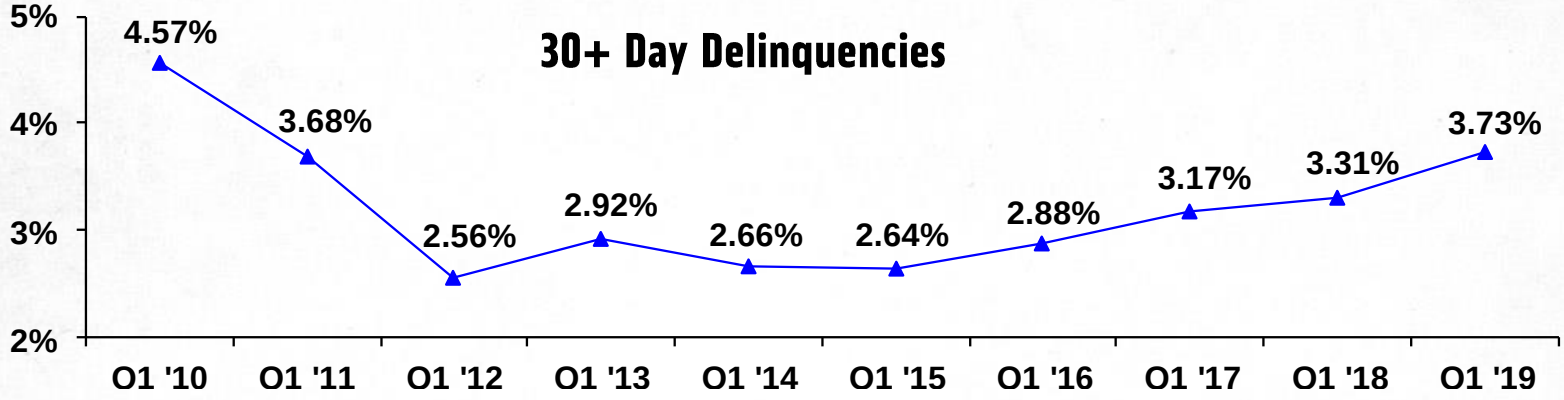
Other

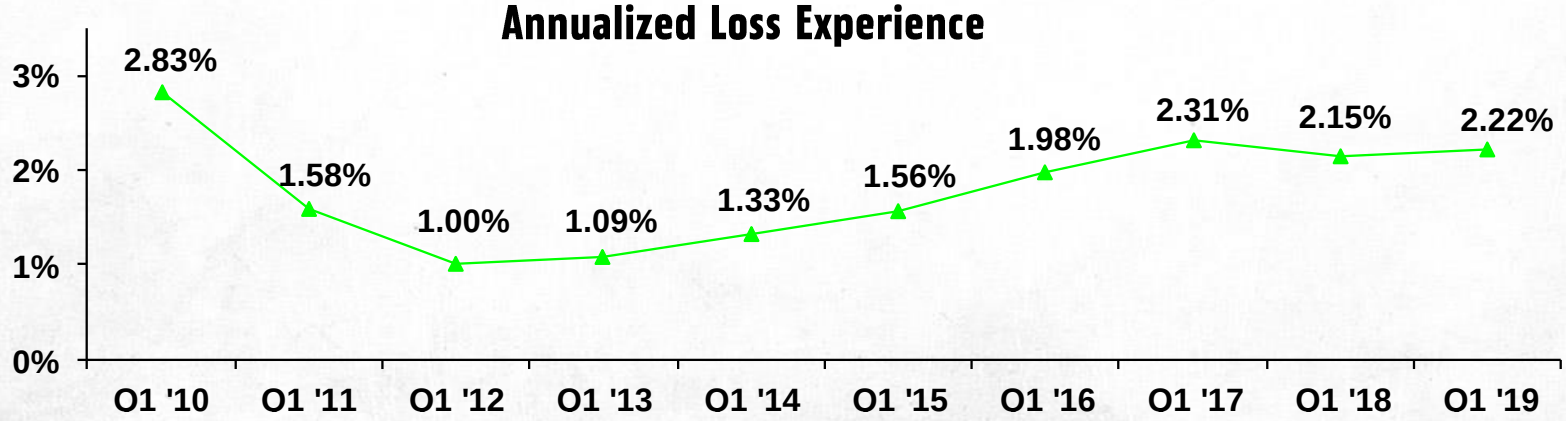
HDFS paid H-D, Inc. dividends of $45.0M

HDFS issued $550.0M 3-yr. MTN

HDFS

RETAIL MOTORCYCLE LOAN PERFORMANCE





Financial Services Segment



Q1 2019 HARLEY-DAVIDSON, INC.

VS. PY

- **Cash & marketable securities -** $759.6 million vs. $753.5 million
- **Operating cash flow -** $32.7 million vs. $191.6 million
- **Capital spending -** $35.3 million vs. $28.4 million
- **Depreciation/amortization expense -** $64.4 million vs. $62.5 million
- **Tax rate –** 24.9% vs. 24.1%

Consolidated – Motorcycles and Related Products and Financial Services Segments

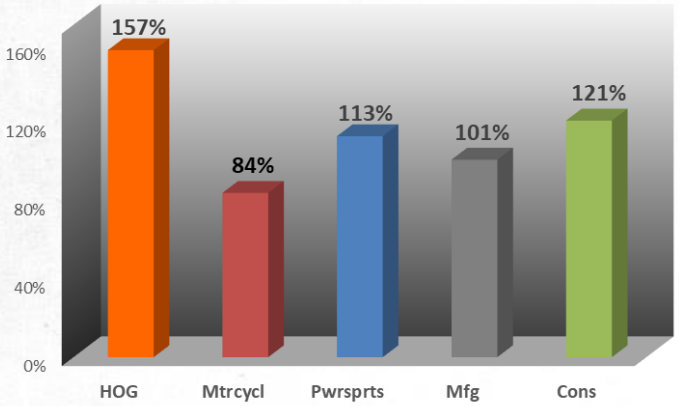
CASH GENERATION/RETURNS



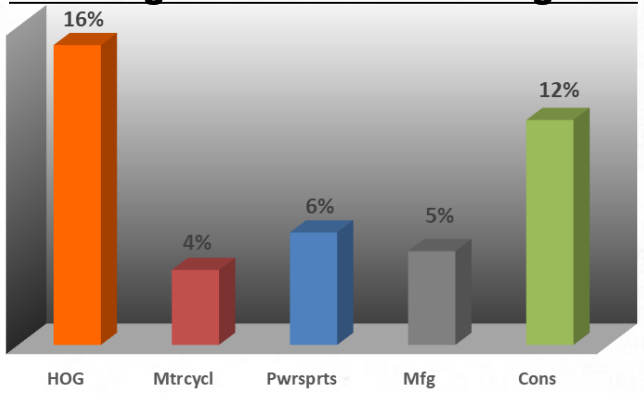
Harley-Davidson leads in cash generation and consistently returned cash to shareholders

(2016-2018)

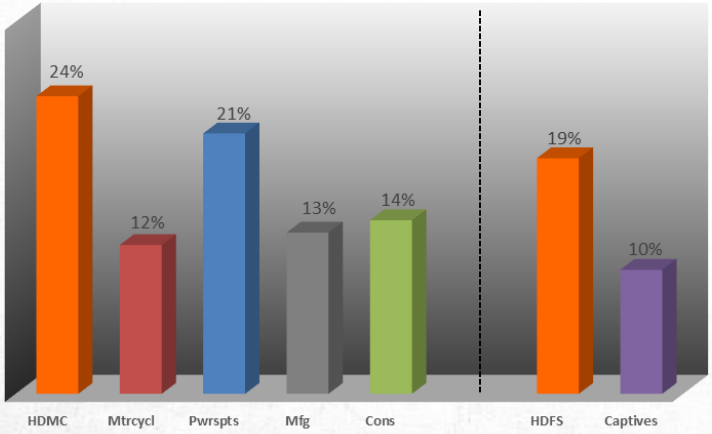
3-Yr. Avg. Free Cash Flow Conversion(1)(2)



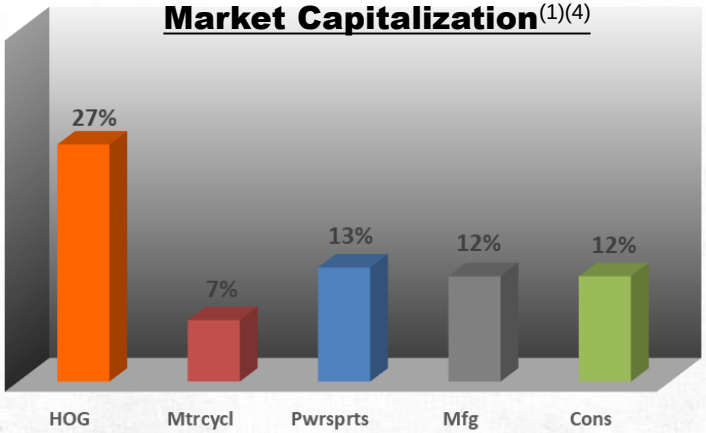
3-Yr. Avg. Free Cash Flow Margin(1)(2)



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



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



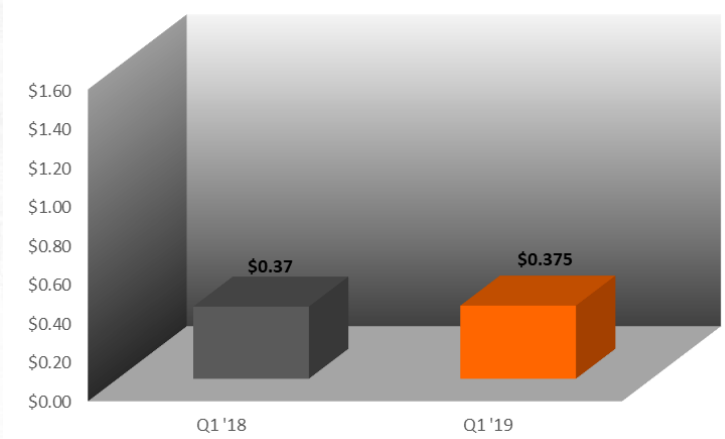
(1)Three year average is based on 2016-2018 calendar year information using the average for key companies in respective industries or segments. Source: Company filings, Bloomberg (benchmark companies' income adjusted as appropriate for comparability). (2) Free Cash Flow (FCF) is defined as net cash provided 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 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 21% for 2018, and 35% for 2017 and 2016, for comparability. See slides later in this presentation for information on Non-GAAP measures. (4) Calculated by adding 2016, 2017 and 2018 dividends plus repurchase, dividing that sum individually by 2016, 2017 and 2018 year-end market capitalizations resulting in three separate quotients, and then averaging the three quotients.

SHAREHOLDER RETURNS

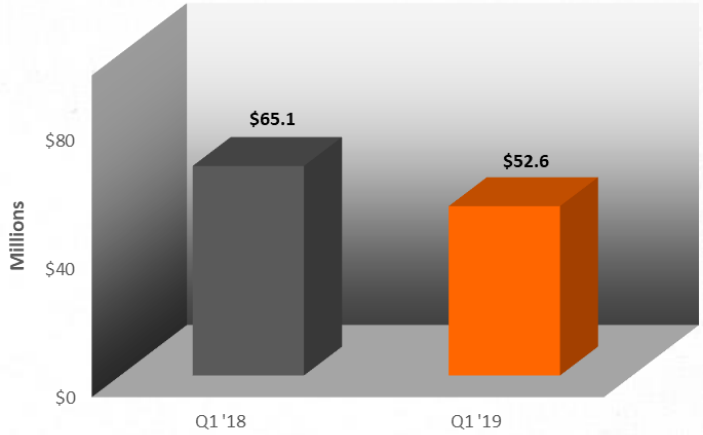
Harley-Davidson has consistently returned cash to shareholders

Dividends Per Share

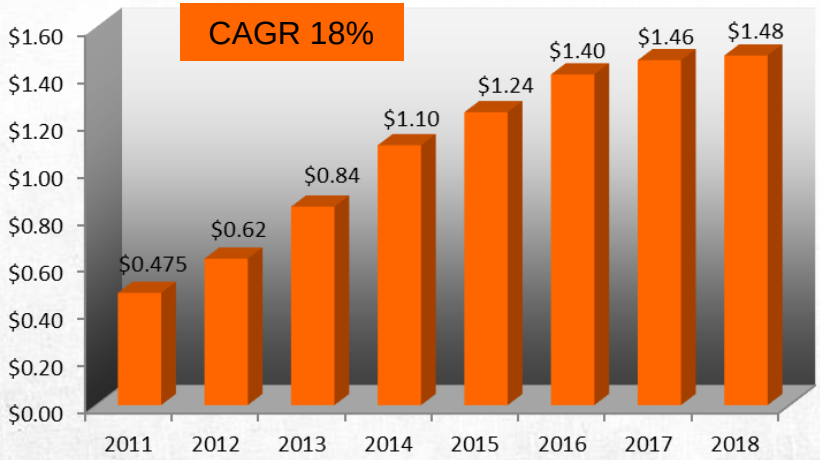
Year-over-year

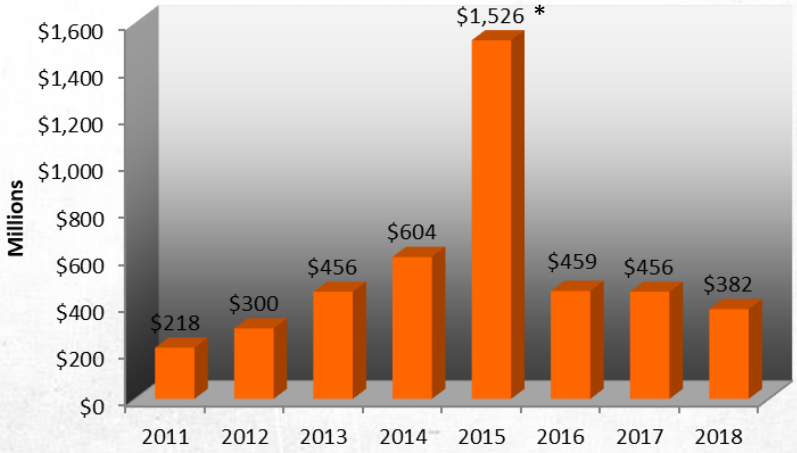


Discretionary Share Repurchases



Multi-Year





*Funded by $750 million HDI debt issuance

Consolidated – Motorcycles and Related Products and Financial Services Segments

MANUFACTURING OPTIMIZATION



Manufacturing Optimization Summary

as of April 23, 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 *% cash*	**$102.4** *~70%*	**$50-$60** *~70%*	**-** *NA*	**$152-$162** *~70%*

	2018 Actual Results		2019 Actual Results	
	Restructuring	Temp. Ineffic.	Restructuring	Temp. Ineffic.
Q1	$46.8	$0.7	$14.0	$3.6
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**

Motorcycle and Related Products Segment

GUIDANCE



2019 EXPECTATIONS

as of April 23, 2019

Motorcycles and Related Products segment	Motorcycle shipments	*217,000 to 222,000* *(Q2: 65,500 to 70,500)*
	Gross margin %	*Down year-over-year*
	SG&A	*Lower year-over-year* *(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 year-over-year*
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 as presented in the consolidated statements of income and costs associated with temporary inefficiencies incurred in connection with the manufacturing optimization plan included in Motorcycles and related products cost of goods sold. The impact of tariffs include incremental European Union and China tariffs imposed on the Company's products shipped from the U.S., as well as incremental U.S. tariffs on certain items imported from certain international markets. Incremental tariff costs exclude incremental metals cost resulting from the U.S. steel and aluminum tariffs. 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 incremental tariffs. Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

In thousands, except per share amounts	Three months ended	
	3/31/2019	4/1/2018
Net income excluding restructuring plan costs and the impact of incremental tariffs		
Net income (GAAP)	$ 127,945	$ 174,763
Restructuring plan costs	17,210	47,574
Impact of incremental tariffs	20,977	-
Tax effect of adjustments [1]	(9,260)	(11,537)
Adjustments net of tax	28,927	36,037
Adjusted net income (Non-GAAP)	$ 156,872	$ 210,800
Diluted earnings per share excluding restructuring plan costs and the impact of tariffs		
Diluted earnings per share (GAAP)	$ 0.80	$ 1.03
Adjustments net of tax, per share	$ 0.18	$ 0.21
Adjusted diluted earnings per share (Non-GAAP)	$ 0.98	$ 1.24

[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 incremental tariffs. Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

In thousands	Twelve months ended 12/31/2018	%
Motorcycles segment operating margin excluding restructuring plan costs and the impact of incremental tariffs		
Motorcycles segment operating margin (GAAP)	$ 422,363	8.5%
Restructuring plan costs	106,314	2.1%
Impact of incremental 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.

In thousands	Twelve months ended		
	12/31/2018	12/31/2017	12/31/2016
HDI Free cash flow (FCF)			
Net cash provided by operating activities (GAAP)	$ 1,205,921	$ 1,005,061	$ 1,174,339
Less: Capital expenditures (GAAP)	206,294	206,294	256,263
FCF (Non-GAAP)	$ 999,627	$ 798,767	$ 918,076
HDMC earnings before interest and taxes (EBIT) after tax			
HDMC operating income (GAAP)	$ 430,687	$ 615,144	$ 778,983
HDMC other income (expense)	3,039	9,182	2,642
Less: Income taxes[(1)]	91,082	218,514	273,569
HDMC EBIT after tax (Non-GAAP)	$ 342,644	$ 405,812	$ 508,056
HDFS operating income after tax			
HDFS operating income (GAAP)	$ 282,752	$ 267,139	$ 267,206
Less: Income taxes[(1)]	59,378	93,499	93,522
HDFS operating income after tax (Non-GAAP)	$ 223,374	$ 173,640	$ 173,684

[(1)] Income taxes calculated using a 21% tax rate for 2018 and a 35% rate for 2017 and 2016, 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 and predict the impact that new or adjusted tariffs may have on our ability to sell product internationally, and the cost of raw materials and components, (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, (xxix), conduct its operations in Thailand in a manner that sufficiently mitigates certain international tariffs and lowers prices of its motorcycles in certain markets, (xxx) accurately and successfully determine, implement, and maintain a manner in which to sell motorcycles in the E.U., China, and ASEAN countries that is not subject to tariffs; (xxxi) have its application to mitigate E.U. tariffs approved, or the appeal of a denied application acted on in a manner favorable to the company, and (xxxii) accurately predict the margins of its Motorcycles & Related Products segment in light of, among other things, tariffs, the cost associated with the More Roads to Harley-Davidson plan, the company’s manufacturing optimization plan, and our complex global supply chain.

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, 2018 for a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.