



HARLEY-DAVIDSON, INC.
2018 SECOND QUARTER UPDATE

JULY 24, 2018



2018 SECOND 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.



Q2 2018 RESULTS



Highlights

Performance in line with plans for the quarter

- EPS of \$1.45 (\$1.52 excluding manufacturing optimization costs)
- HDFS lower year-over-year provision for credit losses; full-year outlook improved
- Dividend up versus prior year, repurchased 0.9 million shares
- Growth in international retail sales
- Manufacturing optimization initiative on-track
- Confirmed full-year shipment guidance



BUILDING THE NEXT GENERATION OF H-D RIDERS

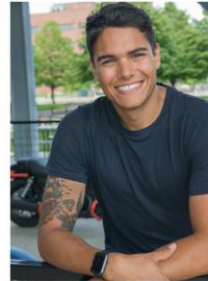


We build riders

Marketing investments drove...

- 4.5 million visits to HD.com – a 29% increase
- 36.7 million social media impressions from #MotorcycleMonday
- 9.8 million social media views of #FindYourFreedom interns content
- Improved rate of Riding Academy participants who purchased Harley-Davidson motorcycles
- Increased access through new international dealerships and apparel and lifestyle boutiques

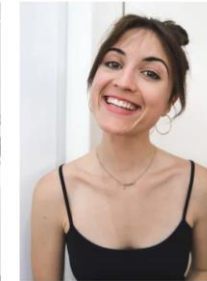
#FINDYOURFREEDOM INTERNS



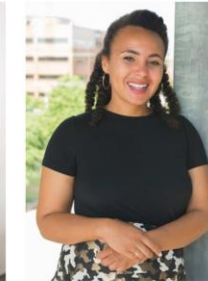
ALEJANDRO GARRIDO
Miami, Florida
@HDSPACECOWBOY



BROCK ST. CLAIR
Starkville, Mississippi
@DONT_BROCK_THE_BOAT



CHARLIE GRIMBLY
Cape Town, South Africa
@THECHARLIEBLOG



EMMA OGIENWANYE
Long Beach, California
@SOLAEXPLORA



MEGHAN GLOVA
Charlotte, North Carolina
@MEGSTERBEGSTE



TESSA OTTO
Kennan, Wisconsin
@TESSA_OTTO



TONY PERIES
London, England
@TONY_THE_BIKER



WEIDONG HAN
Wuhan, China
@ADVENTURER_HAN



STRATEGY



ACCELERATED STRATEGY ANNOUNCEMENT ON JULY 30, 2018

Information will be announced in a press release and additional materials will be posted on our website

Accelerated strategy to build the next generation of Harley-Davidson riders globally 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



FINANCIAL RESULTS

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



Q2 2018 VS. Q2 2017 RESULTS



REVENUE

\$1.71

Billion



(2.9)%

NET INCOME

\$242.3

Million



(6.4)%

EPS

\$1.45



(2.0)%

Earnings impacted by:

- **Motorcycles Segment operating income* down 23.3%**
 - Revenue down 3.3% despite 11.3% lower shipments
 - Gross margin 34.9%, down 1.4 pts.
 - SG&A up
 - Restructuring charge of \$12.4 million
 - Operating margin of 16.0%, down 4.1 pts.
- **Financial Services segment operating income down 1.7%**
- **Effective tax rate lower than last year due to 2017 tax law changes**

**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.*



WORLDWIDE RETAIL SALES



		<i>vs. prior year</i>	
	<u>Q2 Motorcycles</u>	<u>Q2</u>	<u>YTD</u>
Worldwide	78,428	(3.6)%	(5.1)%
U.S.	46,490	(6.4)%	(8.7)%
International	31,938	0.7%	0.5%

Source: Dealer reported data

- **Q2 Worldwide retail sales down 3.6%**
 - Sequential sales rate improved from Q1 2018
- **U.S. new retail sales down**
 - Ongoing industry new motorcycle sales weakness
 - Sequential sales rate improved from Q1 2018 for both H-D and industry
- **International new retail sales up**
 - Strength in Europe and emerging markets

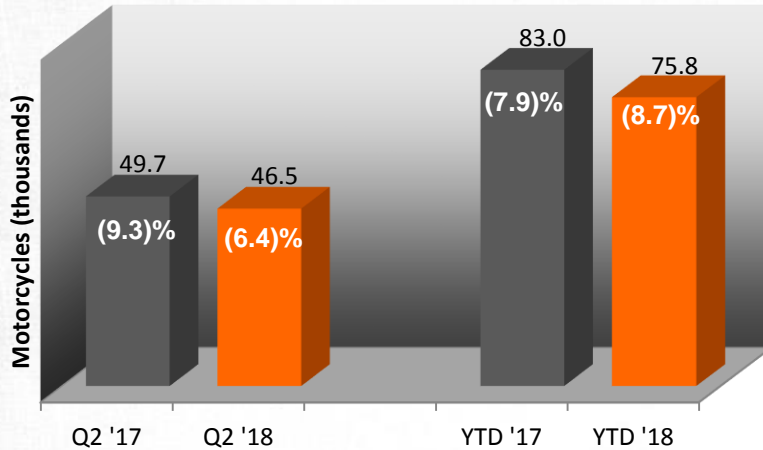


U.S. RETAIL SALES



RETAIL SALES

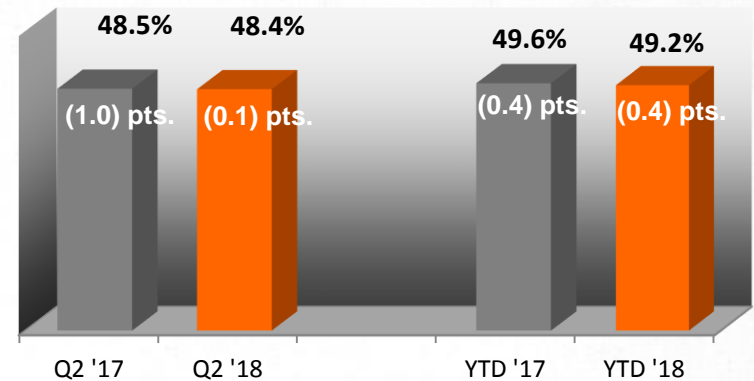
H-D U.S. NEW RETAIL MOTORCYCLE SALES



- **Q2 retail sales impacted by:**
 - Weak industry sales behind soft used bike prices
 - Used H-D pricing up yr./yr.
 - Highly competitive marketplace

SHARE

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



- Q2 market share flat to prior year

INVENTORY

H-D U.S. NEW RETAIL MOTORCYCLE INVENTORY

- Committed to aggressively manage supply in line with demand
 - Dealer inventory down ~14,100 motorcycles vs. Q2'17
 - 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



INTERNATIONAL RETAIL SALES



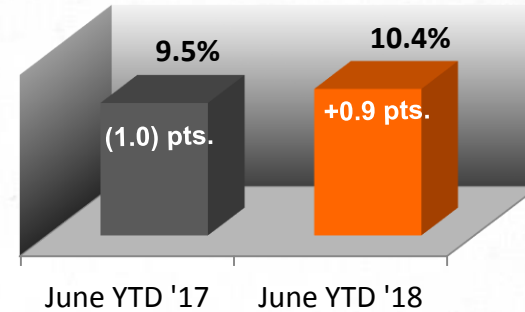
H-D INTERNATIONAL NEW RETAIL MOTORCYCLE SALES

Vs. prior year

	<u>Q2</u>	<u>YTD</u>
International	0.7%	0.5%
- EMEA	3.6%	4.8%
<i>Strong results across western Europe</i>		
- Asia Pacific	(7.1)%	(7.4)%
<i>Continued softness in Japan and Australia</i>		
- Latin America	9.1%	8.0%
<i>Brazil and Mexico up</i>		
- Canada	(0.5)%	(4.9)%

RETAIL SALES

H-D EUROPE NEW 601+cc MARKET SHARE*



SHARE

- Market share gain behind strong Softail sales

INTERNATIONAL GROWTH

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

Strategy: Grow reach and impact

- Expand dealer network - Plan to add 150 to 200 new dealerships between 2016-2020
 - **12 opened in Q2, 19 YTD**
- Target competitive riders; focus on conversion
- Brand awareness through apparel
- Thailand operations to lower pricing in certain markets

OPPORTUNITY

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



SHIPMENTS & MIX



SHIPMENTS MOTORCYCLES SEGMENT

	<u>Q2 '18</u>	<u>vs. PY</u>	<u>YTD '18</u>	<u>vs. PY</u>
Total	72,593	(11.3)%	136,537	(10.5)%
Touring	42.8%	(2.0) pts.	45.4%	2.3 pts.
Cruiser*	33.5%	2.6 pts.	33.6%	0.6 pts.
Street / Sportster®	<u>23.7%</u>	(0.6) pts.	<u>21.0%</u>	(2.9) pts.
	100.0%		100.0%	

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

- Q2 shipments down 9,214 motorcycles yr./yr. - at high end of guidance
- Cruiser mix up behind strong demand for new Softail motorcycles



REVENUE



REVENUE*

MOTORCYCLES SEGMENT

(\$ millions)

	<u>Q2 '18</u>	<u>vs. PY</u>	<u>YTD '18</u>	<u>vs. PY</u>
Motorcycle	\$1,201.5	(4.0)%	\$2,323.1	(0.5)%
P&A	231.0	(2.3)	400.1	(1.1)
General Merchandise	68.7	8.9	125.3	5.4
Licensing	10.4	3.5	18.8	(2.9)
Other	<u>13.5</u>	(11.6)	<u>21.8</u>	(20.1)
Total Revenue	\$1,525.1	(3.3)%	\$2,889.1	(0.6)%

- Motorcycles Segment revenue down 3.3% despite 11.3% lower shipments
- Average motorcycle revenue per unit yr./yr. increased behind favorable mix, higher pricing and favorable 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)

	Q2	YTD
2017 Gross Margin	\$573.0	\$1,047.8
% of revenue	36.3%	36.1%
- Volume	(61.5)	(105.0)
- Pricing net of cost	11.9	20.7
- Mix	26.5	62.9
- Currency	0.2	15.7
- Raw materials	(5.2)	(9.4)
- Manufacturing /other*	<u>(12.8)</u>	<u>(26.8)</u>
2018 Gross Margin	\$532.1	\$1,005.9
% of revenue	34.9%	34.8%

* Includes \$2.4M Q2/\$3.1M YTD of temporary inefficiencies related to the manufacturing optimization initiative

- **Q2 Motorcycles segment gross margin % of revenue impacted by:**
 - Mix – favorable motorcycle model mix
 - Currency – higher revenue offset by balance sheet re-measurement loss
 - Raw materials – higher steel and aluminum costs
 - Manufacturing expense – up behind lower absorption and higher depreciation



OPERATING MARGIN



OPERATING MARGIN MOTORCYCLES SEGMENT (\$ millions)

	Q2	YTD
2017 Operating Income	\$317.4	\$553.9
% of revenue	20.1%	19.1%
- Gross Margin	(40.9)	(42.0)
- SG&A	(20.7)	(36.5)
- Restructuring	<u>(12.4)</u>	<u>(59.2)</u>
2018 Operating Income	\$243.4	\$416.2
% of revenue	16.0%	14.4%

- **Q2 Motorcycles segment operating margin lower compared to prior year**
 - SG&A up behind higher marketing and product development investments
 - Restructuring charge driven by accelerated depreciation



OPERATING INCOME FINANCIAL SERVICES SEGMENT (\$ millions)

	<u>Q2</u>	<u>YTD</u>
2017 Operating Income	\$81.9	\$134.6
- Net interest income	(6.3)	(8.2)
- Provision for retail motorcycle loan losses	5.9	20.1
- Provision for wholesale loan losses	1.4	0.9
- Operating expenses	(1.3)	(3.6)
- All other	<u>(1.1)</u>	<u>0.3</u>
2018 Operating Income	\$80.5	\$144.1

- **Q2 financial services operating income slightly lower compared to prior year**
 - Lower net interest income, offset by a decrease in the provision for loan losses



2018 FINANCIAL SERVICES SEGMENT

OPERATIONS

Originations

New and used H-D retail motorcycle loans

Q2	\$1.06B	7.2% vs. Q2 '17
YTD	\$1.71B	0.7% vs. YTD '17

YTD approximately 80%-85% prime

Market share

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

Q2	64.0%	1.6 pts. vs. Q2 '17
YTD	62.0%	(0.7) pts. vs. YTD '17

Finance receivables outstanding

End of Q2 2018

Retail	\$ 6.37B	
Wholesale	<u>1.13B</u>	
Total	\$ 7.50B	(0.3)% vs. Q2 '17

LIQUIDITY

*(Millions)
End of Q2 2018*

Cash & equivalents \$351.0

Availability

Bank Credit Facilities	\$217.7
Asset-Backed Conduits	<u>\$600.0</u>
Total Availability	\$817.7

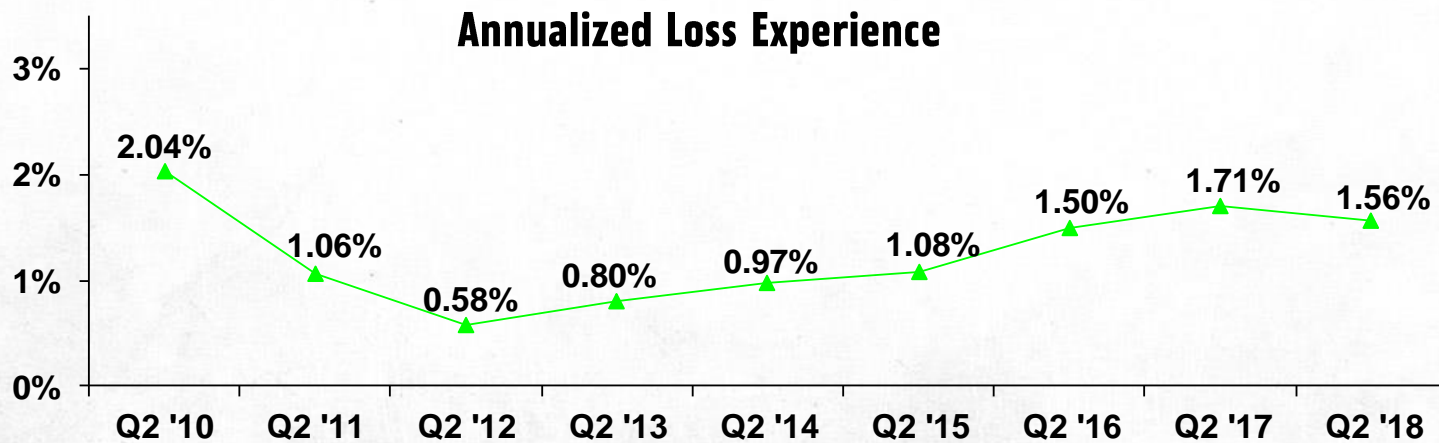
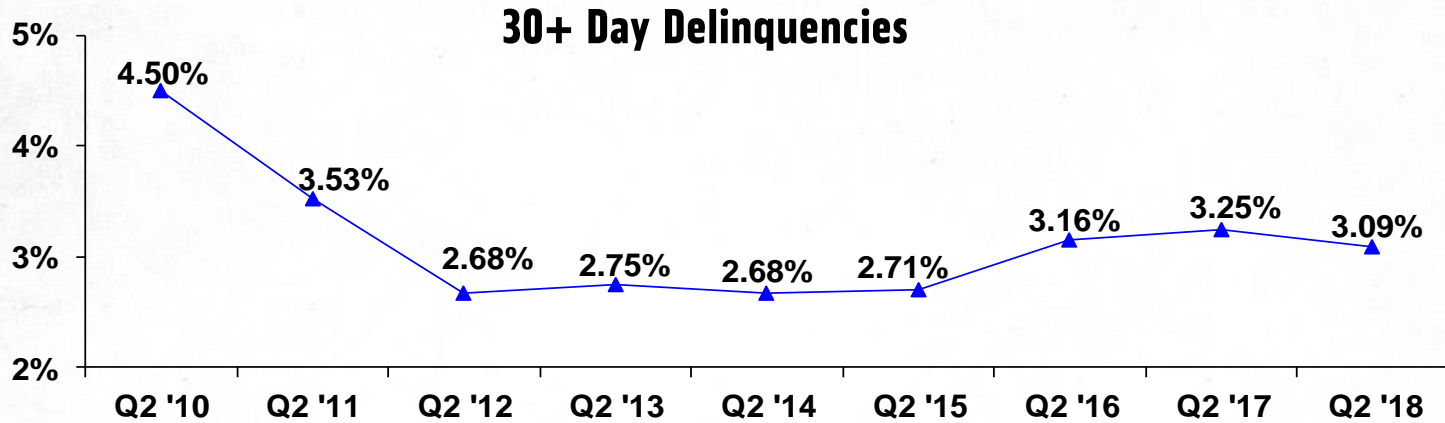
Other

HDFS issued:

- \$350M 3 yr. MTN
- \$450M 2 yr. MTN



RETAIL MOTORCYCLE LOAN PERFORMANCE





HARLEY-DAVIDSON, INC.



2018 HARLEY-DAVIDSON, INC. VS. PY

- **Cash & cash equivalents-** \$978.7 million vs. \$988.5 million Q2
- **Operating cash flow** - \$735.9 million vs. \$627.1 million YTD
- **Capital spending** - \$69.3 million vs. \$69.8 million YTD
- **Depreciation/amortization expense** - \$130.1 million vs. \$107.6 million YTD
- **Tax rate** – 24.1% vs. 34.4% YTD
 - Impact of 2017 tax legislation

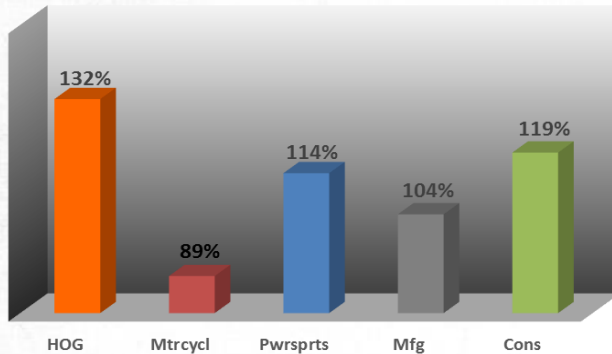


CASH GENERATION/RETURNS

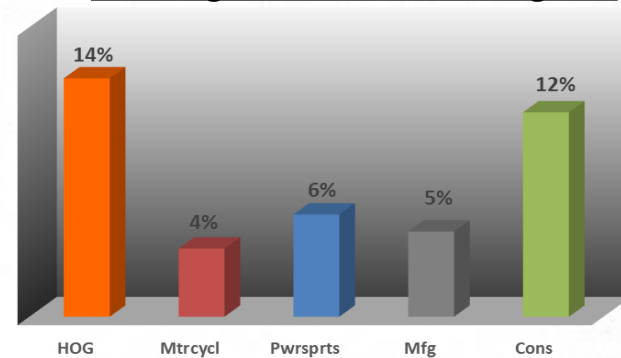


Harley-Davidson leads in cash generation and consistently returned cash to shareholders (2015-2017)

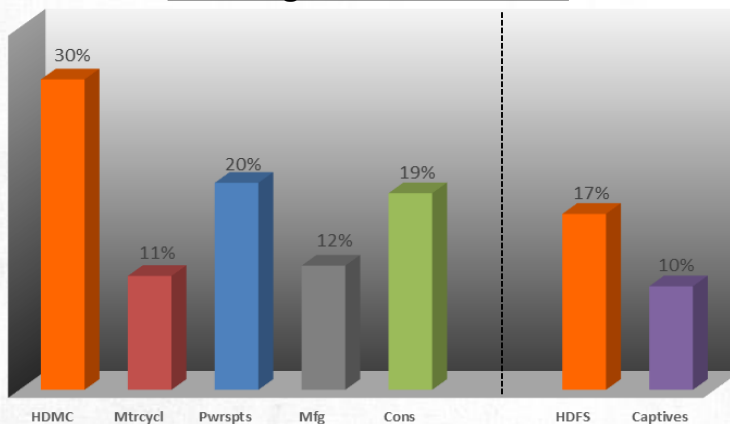
3-Yr. Avg. Free Cash Flow Conversion⁽¹⁾⁽²⁾



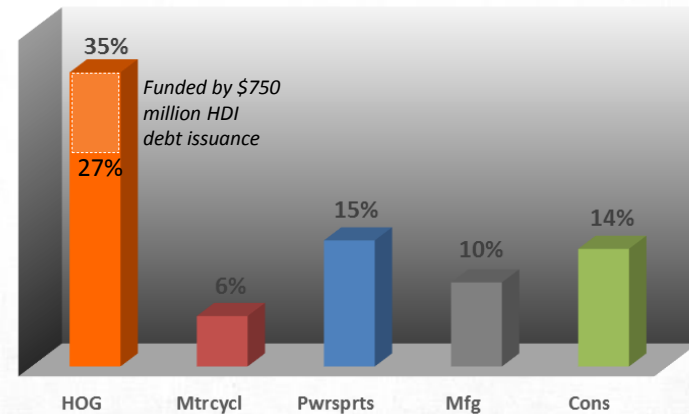
3-Yr. Avg. Free Cash Flow Margin⁽¹⁾⁽²⁾



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 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 25-28 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 HDF5 operating income after tax which is a non-GAAP measure. Calculations for all companies assume a tax rate of 35% for comparability. See slides 25-28 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.



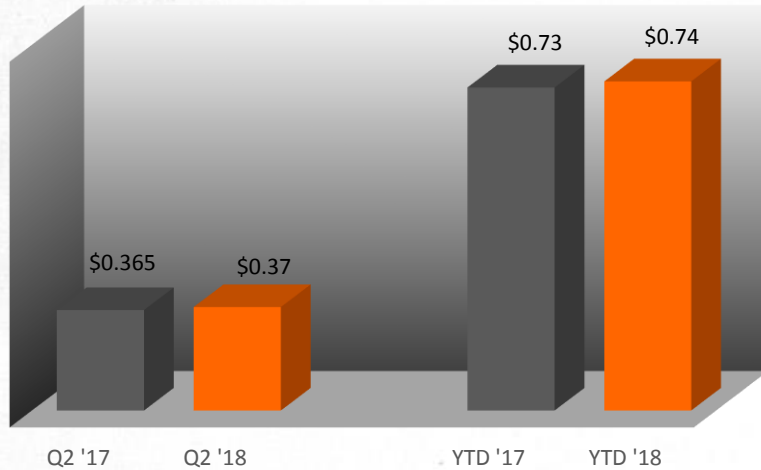
SHAREHOLDER RETURNS



Harley-Davidson has consistently returned cash to shareholders

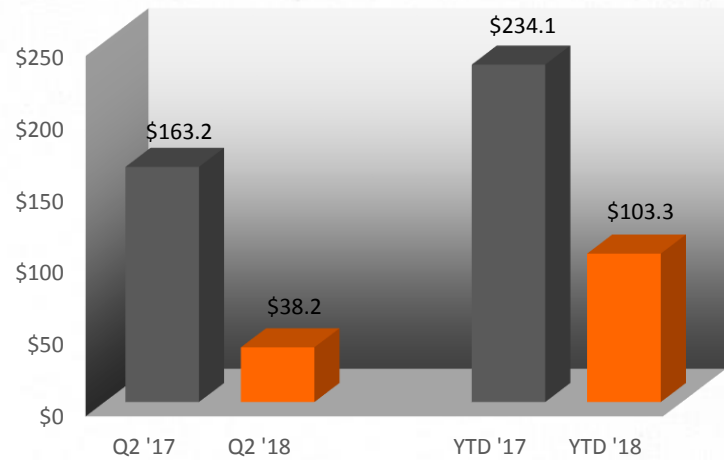
Dividends Per Share

Year-over-year

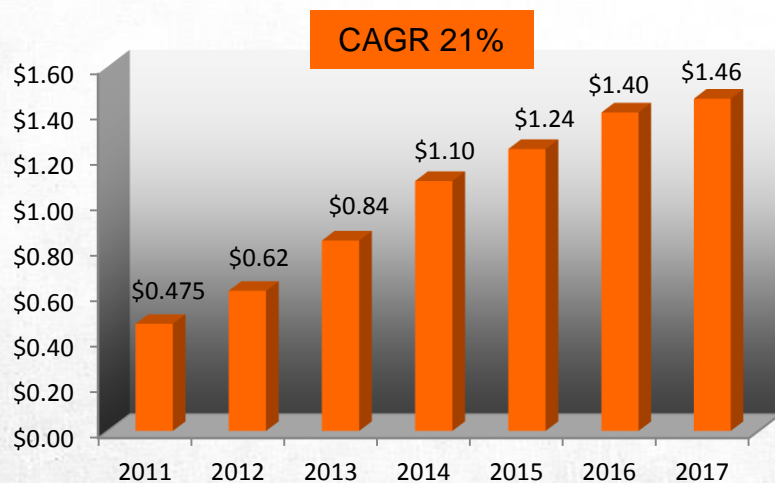


Discretionary Share Repurchases

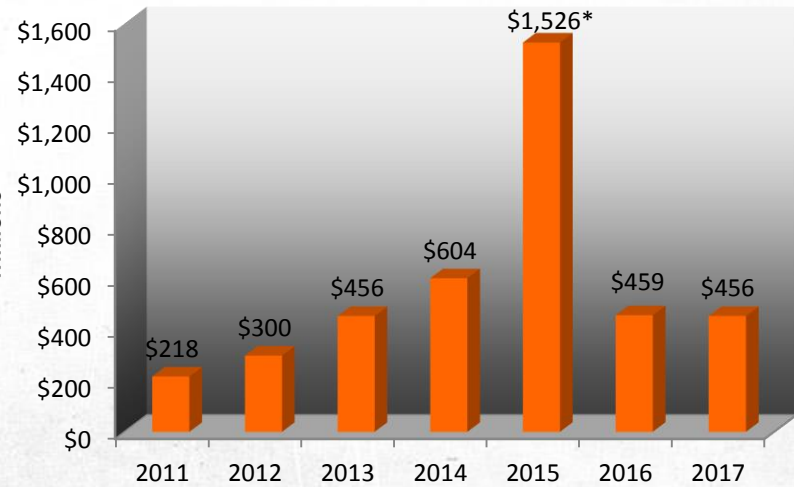
Millions



Multi-Year



Millions



*Funded by \$750 million HDI debt issuance



MANUFACTURING OPTIMIZATION



Manufacturing Optimization Summary as of July 24, 2018

\$ Millions (Estimated)

	2018	2019	2020	Total
<i>Temporary Inefficiencies</i>	\$20-\$25	\$15-\$20	-	\$35-\$45
<i>Restructuring</i>	\$100-\$115	\$35-\$40	-	\$135-\$155
Total Costs	\$120-\$140	\$50-\$60	-	\$170-\$200
<i>% cash</i>	<i>~70%</i>	<i>~75%</i>	NA	<i>~70%</i>

▲

2018 Actual Results		
	<u>Restructuring</u>	<u>Temporary Inefficiencies</u>
Q1	\$46.8	\$0.7
Q2	\$12.4	\$2.4

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



2018 EXPECTATIONS

as of July 24, 2018

Motorcycles and Related Products segment	Motorcycle shipments	<i>231,000 to 236,000</i> <i>Q3: 45,500 to 50,500</i>
	Gross margin %	<i>Down yr./yr.</i> <i>(~flat excluding mfg. optimization and tariff impact)⁽¹⁾</i>
	SG&A	<i>Up yr./yr.</i> <i>(~flat as a percent of revenue)</i>
	Operating margin %	<i>9% to 10%</i> <i>(~flat excluding mfg. optimization and tariff impact)⁽¹⁾</i>
Financial Services segment	HDFS operating income	<i>Flat to up slightly yr./yr.</i>
Harley-Davidson, Inc.	Capital expenditures	<i>\$250 million - \$270 million</i> <i>(Including \$50 million of mfg. optimization)</i>
	Effective tax rate	<i>23.5% to 25.0%</i>

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



HARLEY-DAVIDSON, INC.



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 following non-GAAP measures related to reported actual earnings exclude restructuring expense and the cost of temporary inefficiencies incurred in connection with the company's manufacturing optimization plan:

- Net income excluding manufacturing optimization costs
- Diluted earnings per share excluding manufacturing optimization costs

The following non-GAAP measures related to 2018 margin guidance exclude restructuring expense and the cost of temporary inefficiencies incurred in connection with the company's manufacturing optimization plan and the impact of tariffs:

- Motorcycles gross margin percent excluding manufacturing optimization costs and the impact of tariffs
- Motorcycles operating margin percent excluding manufacturing optimization costs and the impact of tariffs

The following non-GAAP measures are used as inputs into performance measures that allow for a comparison to the performance of industry competitors:

- HDI free cash flow
- HDMC operating income after tax
- HDFS operating income after tax

Refer to the slides relating to non-GAAP measures and reconciliations included later in this presentation.



RECONCILIATION OF GAAP TO NON-GAAP AMOUNTS



This presentation contains non-GAAP measures related to earnings that exclude the restructuring expenses and the cost of temporary inefficiencies incurred in connection with the company's manufacturing optimization plan. Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

<i>In thousands, except per share amounts</i>	Three months ended 7/1/2018	Six months ended 7/1/2018
<u>Net income excluding manufacturing optimization costs</u>		
Net income (GAAP)	\$ 242,338	\$ 417,101
Restructuring expense and cost of temporary inefficiencies	14,758	62,332
Tax effect of adjustments ⁽¹⁾	<u>(3,579)</u>	<u>(15,116)</u>
Adjustments net of tax	<u>11,179</u>	<u>47,216</u>
Adjusted net income (Non-GAAP)	<u>\$ 253,517</u>	<u>\$ 464,317</u>
<u>Diluted earnings per share excluding manufacturing optimization costs</u>		
Diluted earnings per share (GAAP)	\$ 1.45	\$ 2.48
Adjustments net of tax, per share	<u>\$ 0.07</u>	<u>\$ 0.28</u>
Diluted earnings per share (Non - GAAP)	<u>\$ 1.52</u>	<u>\$ 2.76</u>
Weighted average diluted shares outstanding	167,204	168,189

⁽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 guidance for our 2018 Motorcycles gross margin percent and operating margin percent that excludes (i) restructuring expense and the cost of temporary inefficiencies incurred in connection with the company's manufacturing optimization plan and (ii) the impact of recent tariffs imposed in the U.S. and the European Union. We have not provided a reconciliation of non-GAAP margin percent guidance to GAAP margin percent guidance on the basis that doing so would involve unreasonable efforts. Our GAAP and non-GAAP Motorcycles 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.



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 <u>12/31/2017</u>	Twelve-months Ended <u>12/31/2016</u>	Twelve-months Ended <u>12/31/2015</u>
<u>HDI Free cash flow (FCF)</u>			
Net cash provided by operating activities (GAAP)	\$ 1,005,061	\$ 1,174,339	\$ 1,100,118
Less: Capital expenditures (GAAP)	<u>206,294</u>	<u>256,263</u>	<u>259,974</u>
FCF (Non-GAAP)	\$ 798,767	\$ 918,076	\$ 840,144
 <u>HDMC operating income after tax</u>			
HDMC operating income (GAAP)	\$ 624,326	\$ 781,625	\$ 884,041
Less: Income taxes ⁽¹⁾	<u>218,514</u>	<u>273,569</u>	<u>309,414</u>
HDMC Operating income after tax (Non-GAAP)	\$ 405,812	\$ 508,056	\$ 574,627
 <u>HDFS operating income after tax</u>			
HDFS operating income (GAAP)	\$ 267,139	\$ 267,206	\$ 271,654
Less: Income taxes ⁽¹⁾	<u>93,499</u>	<u>93,522</u>	<u>95,079</u>
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 depends upon, among other factors, the company's ability to (i) execute its business strategies, including the elements of the strategy for growth that the company will disclose on July 30, 2018, (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, (v) successfully adjust to shifting global consumer needs and interests, (vi) develop and introduce products, services and experiences that are successful in the marketplace, (vii) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles, (viii) balance production volumes for its new motorcycles with consumer demand, (ix) manage risks that arise through expanding international manufacturing, operations and sales, (x) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment, (xi) prevent and detect any issues with its motorcycles or any 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, (xii) continue to manage the relationships and agreements that the company has with its labor unions to help drive long-term competitiveness, (xiii) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices, (xvi) continue to develop the capabilities of its distributors and dealers and manage the risks that its independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand, (xvii) retain and attract talented employees, (xviii) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or company data and respond to evolving regulatory requirements regarding data security, (xix) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio, (xx) 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, (xxi) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles, (xxii) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters, (xxiii) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities, (xxiv) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations, (xxv) manage its exposure to product liability claims and commercial or contractual disputes, and (xxvi) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the company and within its expectations.

Cont.



FORWARD-LOOKING STATEMENTS



In addition, the company could experience delays or disruptions in its operations as a result of work stoppages, strikes, natural causes, terrorism or other factors. Other factors are described in risk factors that the company has disclosed in documents previously filed with the Securities and Exchange Commission.

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 and distributors 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.

The statements in this presentation relating to the strategy for growth that the company will disclose on July 30, 2018 generally represent only the company's goals, aims and objectives regarding the strategy and potential results from the strategy. By their nature, the risk and uncertainty associated with these goals, aims, and objectives are greater than those associated with near-term guidance.