

HARLEY — DAVIDSON®



**HARLEY-DAVIDSON, INC.
2019 THIRD QUARTER UPDATE**

OCTOBER 22, 2019



2019 THIRD QUARTER UPDATE

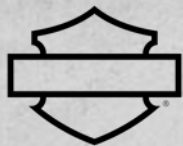
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THIS PRESENTATION SUPPORTS THE AUDIO CONFERENCE CALL

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.



BUILDING THE NEXT GENERATION OF HARLEY-DAVIDSON RIDERS

WE FULFILL DREAMS OF PERSONAL FREEDOM

OBJECTIVES 2017-2022



Expand total Harley-Davidson riders to 4 million in the U.S.



Grow international business to 50% of annual HDMC revenue



Launch 100 new high-impact Harley-Davidson® motorcycles

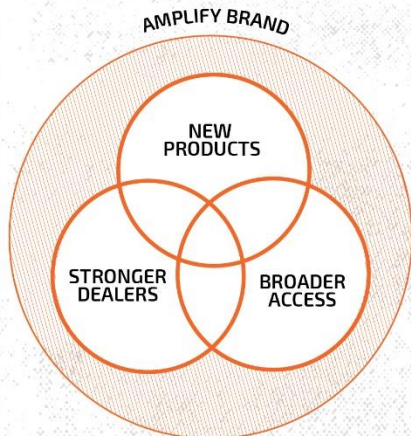


Deliver superior return on invested capital for HDMC (Top 25% S&P 500)



Grow our business without growing our environmental impact

MORE ROADS TO HARLEY-DAVIDSON PLAN 2018-2022



AMPLIFY BRAND

Enhancing the Harley-Davidson experience to inspire interest in riding, foster moto culture and build an even bigger, more passionate community of H-D riders.

NEW PRODUCTS

Keeping riders inspired by extending our leadership in the market segments we've shaped and defined while unlocking new market opportunities.

BROADER ACCESS

Creating new pathways to Harley-Davidson, expanding access and appeal to more people around the world.

STRONGER DEALERS

Working side-by-side with our global dealers to build stronger capabilities that lead to improved channel performance, greater profitability and a Harley-Davidson experience that exceeds riders' expectations.

HOW WE OPERATE

NAIL THE FUNDAMENTALS



HOW WE LIVE, WORK & RIDE

CODE OF MILWAUKEE IRON

- 1 We walk in the boots of those we serve.
- 2 We rebel for what we believe in.
- 3 We shoot straight and live true.
- 4 We welcome all to come as they are.
- 5 We fight the good fight, always!



BUSINESS PERSPECTIVES

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



2019 Q3 SNAPSHOT

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Highlights VS. Prior year

- Delivered GAAP diluted EPS of \$0.55
- Repurchased \$112.5 million of shares; paid dividends of \$0.375 per share
- Improved worldwide year-over-year retail sales rate
- Launched new model year 2020 motorcycles, including Low Rider® S, CVO™ Tri Glide® and LiveWire™ – the company's first electric motorcycle
- Introduced the Harley-Davidson IRONe™ electric-powered two-wheelers for kids
- Realized significant savings from manufacturing optimization initiative
- Progressed More Roads to Harley-Davidson accelerated plan for growth
- Activated Amplify Brand as fourth More Roads growth catalyst to build committed riders



BUILD COMMITTED RIDERS

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To address U.S. rider trends, H-D will focus on:



ATTRACTING NEW RIDERS

MORE YOUNG RIDERS &
NEW-TO-SPORT RIDERS



KEEPING ALL RIDERS RIDING

IMPROVE RIDER RETENTION & COMMITMENT



LONG-TERM OBJECTIVES

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Based on enhanced insight into rider behavioral trends,
2017-2027 U.S. and international objectives were sharpened

U.S. Objective

Expand to 4 million total H-D
riders in the U.S.



International Objective

Grow international business to
50% of annual HDMC revenue



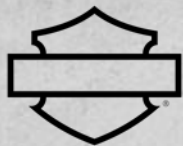


AMPLIFY THE BRAND

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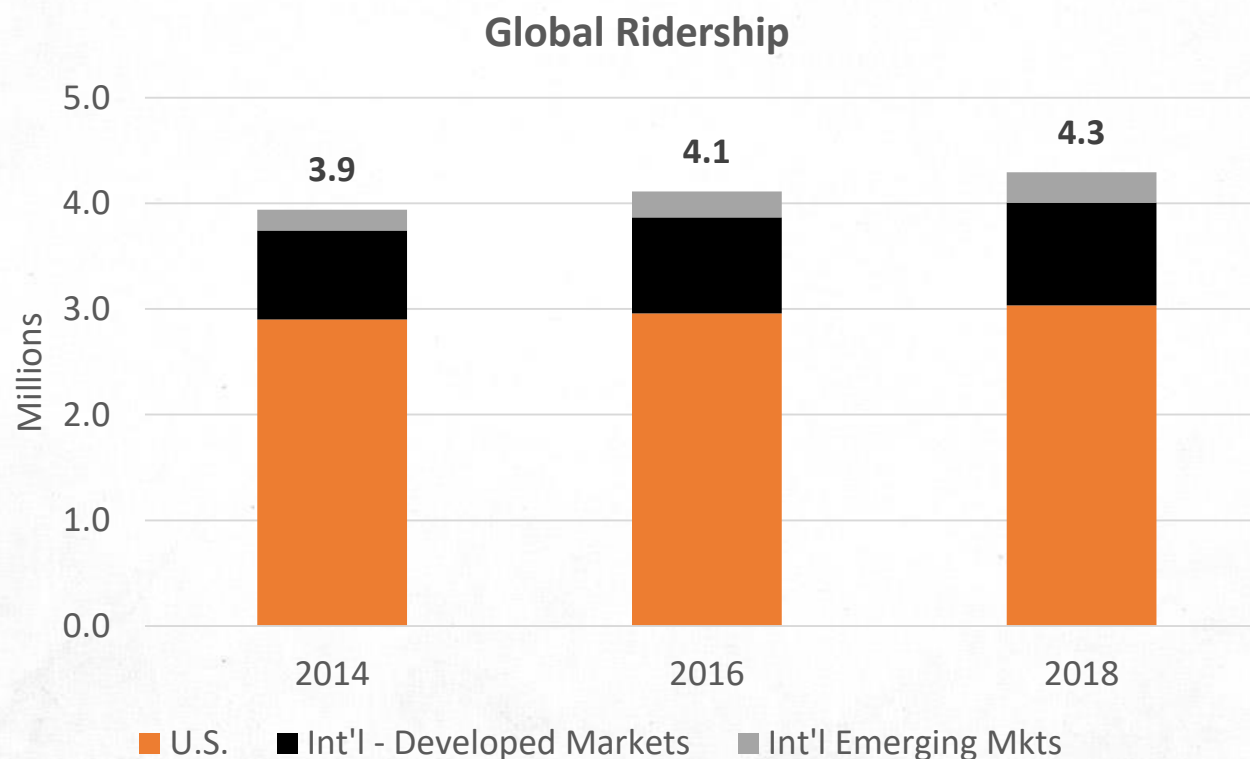
Invigorate the Harley-Davidson brand and experience to spark passion that deepens rider commitment





Globally, H-D ridership is at an all-time high

- Total H-D ridership across the world was 4.3M in 2018



U.S. Ridership data based on IHS Markit Motorcycles in Operation (MIO) data for On-Highway and Dual purpose bikes in the U.S. Snapshot based on data as of Dec. 31 of the year shown. Developed and Emerging Market Ridership are estimates based on internal analysis

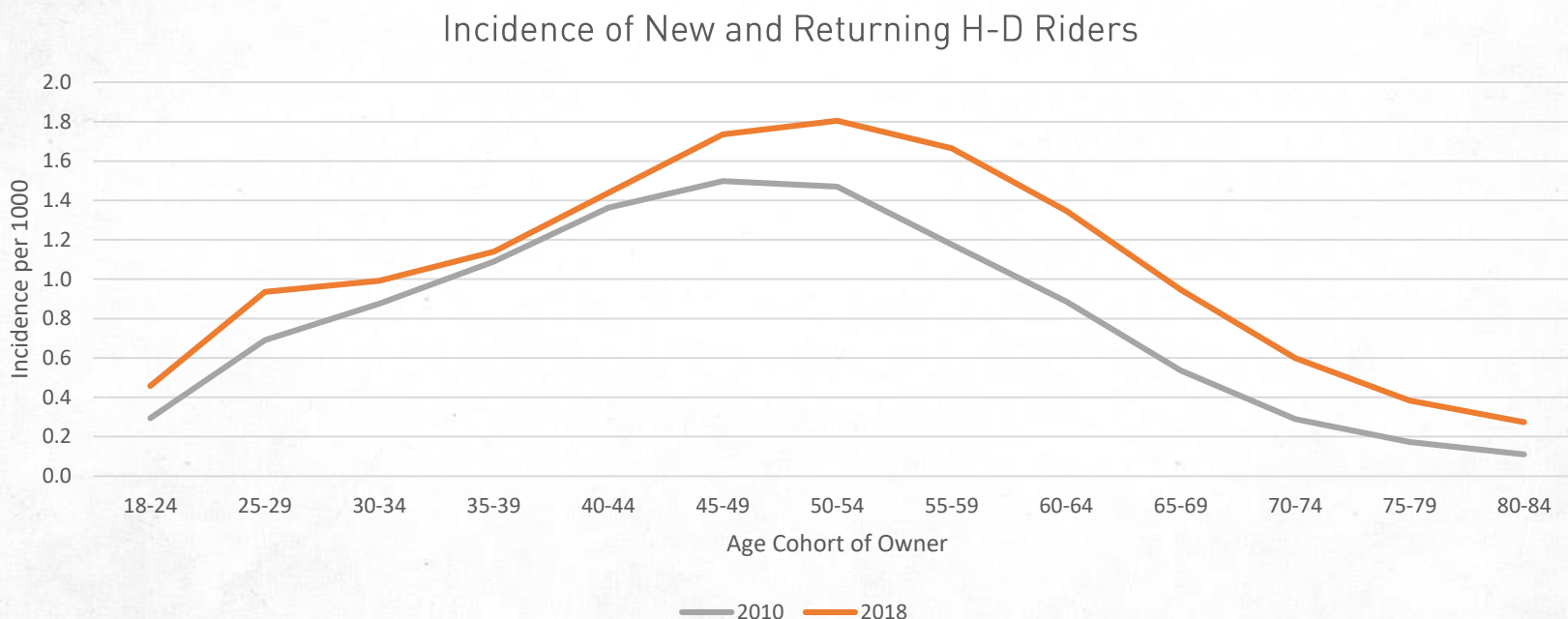


MORE RIDERS OF ALL AGES

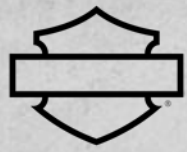
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In the U.S., riding a Harley matters to more people

- More than 1.5x incidence rate for 18- to 29-year-olds in 2018 vs. 2010



New and returning riders are defined as individuals who are either first-time motorcycle riders or an owner who previously owned a motorcycle, did not register a motorcycle in the previous year, and owns a different H-D motorcycle in the year shown. Data and analysis based on IHS Markit Motorcycles in Operation (MIO) data for On-Highway and Dual purpose bikes in the U.S. Snapshot based on data as of Dec. 31 of the year shown. Population Data Source: U.S. Census Bureau, Population 18+ yrs old.



NEW PRODUCTS

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2020 Low Rider® S



2020 LiveWire™



IRONe12™ & IRONe16™



FINANCIAL RESULTS

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



Q3 2019 VS. Q3 2018 RESULTS

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REVENUE

\$1.27

Billion



(3.3)%

NET INCOME

\$86.6

Million



(24.0)%

EPS

\$0.55

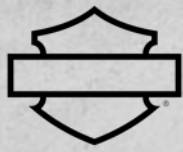


(19.1)%

Earnings impacted by:

- **Motorcycles segment operating income down 28.5%**
 - Revenue down 4.9% on 5.8% lower shipments
 - Gross margin of 29.9%, down 1.0 pts.
 - SG&A lower
 - Restructuring costs down \$7.2 million
 - Operating margin of 4.4%, down 1.4 pts.
- **Financial Services segment operating income down 13.0%**

Consolidated – Motorcycles and Related Products and Financial Services Segments



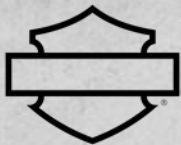
WORLDWIDE RETAIL SALES

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<i>(Motorcycles)</i>	<u>Q3 '19</u>	<u>vs. PY</u>	<u>YTD '19</u>	<u>vs. PY</u>
Worldwide	58,522	(1.2)%	179,519	(4.9)%
U.S.	34,903	(3.6)%	105,756	(5.6)%
International	23,619	2.7%	73,763	(3.9)%

Source: Dealer reported data

- **U.S. retail sales down**
 - U.S. industry rate of decline tempered in Q3
 - H-D YTD retail sales are in line with company expectations
- **International retail sales up**
 - Developed market sales rebounded in Q3 from first half run rates
 - H-D YTD retail sales remain behind company expectations

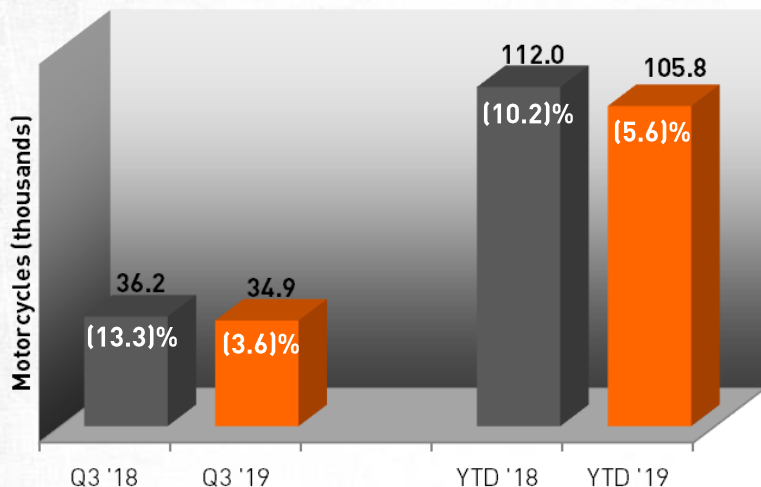


U.S. RETAIL SALES

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RETAIL SALES

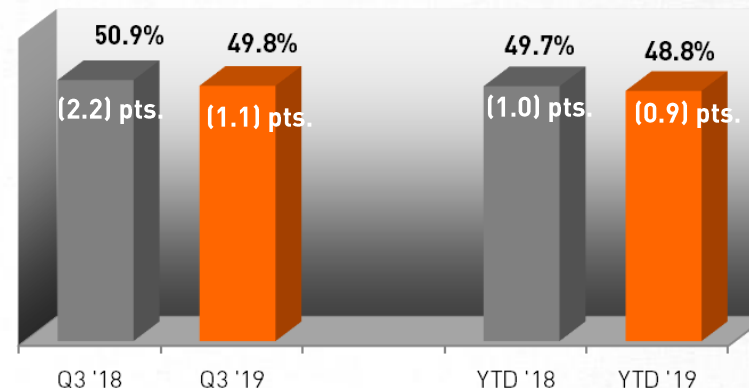
H-D U.S. NEW RETAIL MOTORCYCLE SALES



- **Q3 2019 retail sales impacted by:**
 - Weak, but improved, industry sales rate
 - Soft used motorcycle prices
 - Lower H-D market share
 - Highly competitive marketplace
- **Addressing soft industry**
 - Great product, including MY20 new models
 - Aggressive supply management and increased marketing investments
 - More Roads Stronger Dealer initiatives

SHARE

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



- **Q3 2019 market share down vs. prior year**
 - Mix shifted to segments in which H-D does not currently compete
 - H-D gained 2.2 pts. of share within the Touring and Cruiser segments

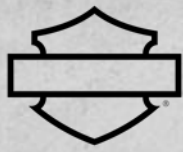
INVENTORY

H-D U.S. NEW RETAIL MOTORCYCLE INVENTORY

- **Committed to aggressively manage supply in line with demand**
 - Dealer inventory down approximately 550 motorcycles vs. prior year
 - Lower inventory delivering intended results

* Source: Motorcycle Industry Council

Motorcycles and Related Products Segment



INTERNATIONAL RETAIL SALES

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RETAIL SALES

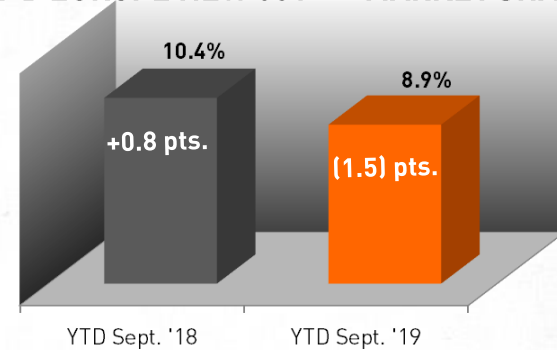
H-D INTERNATIONAL NEW RETAIL MOTORCYCLE SALES

vs. prior year

	<u>Q3</u>	<u>YTD</u>
International	2.7%	(3.9)%
- EMEA	(0.6)%	(6.0)%
<i>Q3 declines in France and Italy mostly offset by gains in UK</i>		
- Asia Pacific	8.7%	1.6%
<i>Q3 growth in Japan, Australia and ASEAN*</i>		
- Latin America	(3.1)%	(5.2)%
<i>Q3 declines in Mexico partially offset by gains in Brazil</i>		
- Canada	4.4%	(6.6)%
	<u>Q3</u>	<u>YTD</u>
Emerging markets	4.7%	5.9%
Developed markets	1.8%	(7.1)%

SHARE

H-D EUROPE NEW 601+cc MARKET SHARE**



- Declines driven by lapping new Softail® models and lower sales due to the Q1 impact of the Street recall

OPPORTUNITY

INTERNATIONAL GROWTH

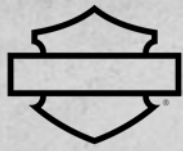
Objective: Grow international business to 50% of annual HDMC revenue by 2027

Broader Access and Stronger Dealers

- Focus on expanding dealer network
 - Added 8 dealers in Q3
- Focus on test rides and conversion; target competitive riders
- Brand awareness through apparel
- New Thailand manufacturing operations enabled lower pricing in ASEAN markets

* Association of Southeast Asian Nations

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

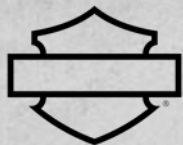


SHIPMENTS MOTORCYCLES SEGMENT

	<u>Q3 '19</u>	<u>vs. PY</u>	<u>YTD '19</u>	<u>vs. PY</u>
Total	45,837	(5.8)%	173,485	(6.3)%
Touring	43.4%	(2.3) pts.	43.7%	(1.7) pts.
Cruiser*	35.4%	2.4 pts.	34.2%	0.7 pts.
Street / Sportster®	<u>21.2%</u>	(0.1) pts.	<u>22.1%</u>	1.0 pts.
	100.0%		100.0%	

* Includes Softail®, CVO™ and LiveWire™

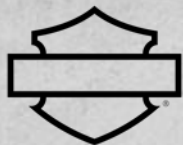
- Q3 shipments down 2,802 motorcycles year-over-year – at mid-point of guidance
- Q3 Cruiser shipments as a percent of total were up, offset by lower Touring shipments



REVENUE MOTORCYCLES SEGMENT (\$ millions)

	<u>Q3 '19</u>	<u>vs. PY</u>	<u>YTD '19</u>	<u>vs. PY</u>
Motorcycle	\$779.3	(5.2)%	\$2,872.0	(8.7)%
P&A	203.2	(4.3)%	584.1	(4.6)%
General Merchandise	60.3	3.5%	180.4	(1.7)%
Licensing	8.6	(19.4)%	27.1	(8.0)%
Other	<u>17.5</u>	(16.5)%	<u>35.0</u>	(18.2)%
Total Revenue	\$1,068.9	(4.9)%	\$3,698.6	(7.8)%

- Q3 revenue down 4.9% on 5.8% lower shipments
- Q3 average motorcycle revenue per bike was flat. A less rich product mix and unfavorable foreign currency exchange were offset by higher year-over-year pricing and lower sales incentives
- Model year 2020 weighted average pricing up approximately 0.5%. Net of new content costs, up approximately 0.2 points expressed as a percent of revenue



GROSS MARGIN

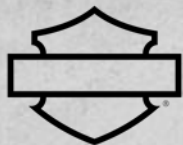
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GROSS MARGIN MOTORCYCLES SEGMENT (\$ millions)

	<u>Q3</u>	<u>YTD</u>
2018 Gross Margin	\$347.4	\$1,353.3
% of revenue	30.9%	33.7%
- Volume	(14.9)	(81.2)
- Pricing net of cost	1.9	32.4
- Mix	(18.5)	(71.9)
- Currency	(3.8)	(18.2)
- Raw materials	0.8	(1.1)
- Manufacturing / other	<u>7.2</u>	<u>(91.1)</u>
2019 Gross Margin	\$320.1	\$1,122.2
% of revenue	29.9%	30.3%

Gross margin includes year-over-year impacts of recent EU & China tariffs (\$11.3M Q3 increase / \$66.7M YTD increase) and year-over-year temporary inefficiencies related to manufacturing optimization (\$3.7M Q3 decrease / \$0.7M YTD increase).

- **Q3 gross margin % of revenue impacted by:**
 - Mix – unfavorable family, model and P&A/GM mix
 - Currency – revenue lower due to foreign currency exchange, partially offset by hedge gains
 - Manufacturing expense – manufacturing optimization savings, partially offset by higher tariffs and lower absorption



OPERATING MARGIN

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OPERATING MARGIN

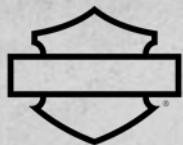
MOTORCYCLES SEGMENT

(\$ millions)

	<u>Q3</u>	<u>YTD</u>
2018 Operating Income	\$65.7	\$481.9
% of revenue	5.8%	12.0%
- Gross Margin	(27.4)	(231.0)
- SG&A	1.5	42.8
- Restructuring	<u>7.2</u>	<u>42.4</u>
2019 Operating Income	\$47.0	\$336.1
% of revenue	4.4%	9.1%

- Q3 operating margin was lower compared to prior year on lower gross margin, partially offset by lower SG&A and lower restructuring expense

Motorcycles and Related Products Segment



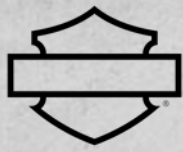
FINANCIAL SERVICES SEGMENT

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OPERATING INCOME FINANCIAL SERVICES SEGMENT (\$ millions)

	<u>Q3</u>	<u>YTD</u>
2018 Operating Income	\$83.8	\$227.9
- Net interest income	1.1	10.7
- Provision for retail motorcycle loan losses	(11.4)	(23.2)
- Provision for wholesale loan losses	1.2	0.9
- Operating expenses	(3.8)	(18.3)
- All other	<u>2.0</u>	<u>9.1</u>
2019 Operating Income	\$72.9	\$207.1

- Q3 operating income was lower compared to prior year due to an increase in the provision for loan losses and higher operating expenses



FINANCIAL SERVICES SEGMENT

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HDFS OPERATIONS AND LIQUIDITY

OPERATIONS

Originations

New and used H-D retail motorcycle loans

Q3 \$900.3M 0.8% vs. Q3 '18
YTD \$2.63B 0.9% vs. YTD '18

YTD approximately 80%-85% prime

Market share

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

Q3 67.6% (0.3) pts. vs. Q3 '18
YTD 66.3% 2.3 pts. vs. YTD '18

Finance receivables outstanding

End of Q3 2019

Retail \$6.64B

Wholesale 1.07B

Total \$7.71B 2.9% vs. Q3 '18

LIQUIDITY

*(\$ millions)
End of Q3 2019*

Cash & equivalents \$380.3

Availability

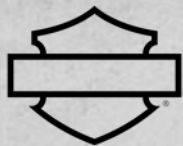
Bank Credit Facilities \$726.9

Asset-Backed Conduit 600.0

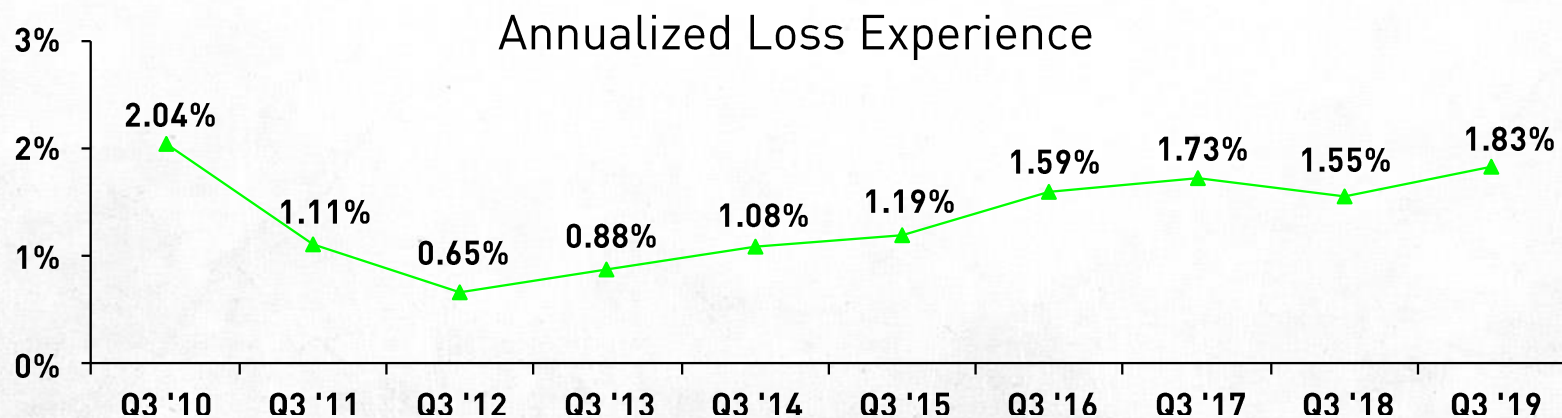
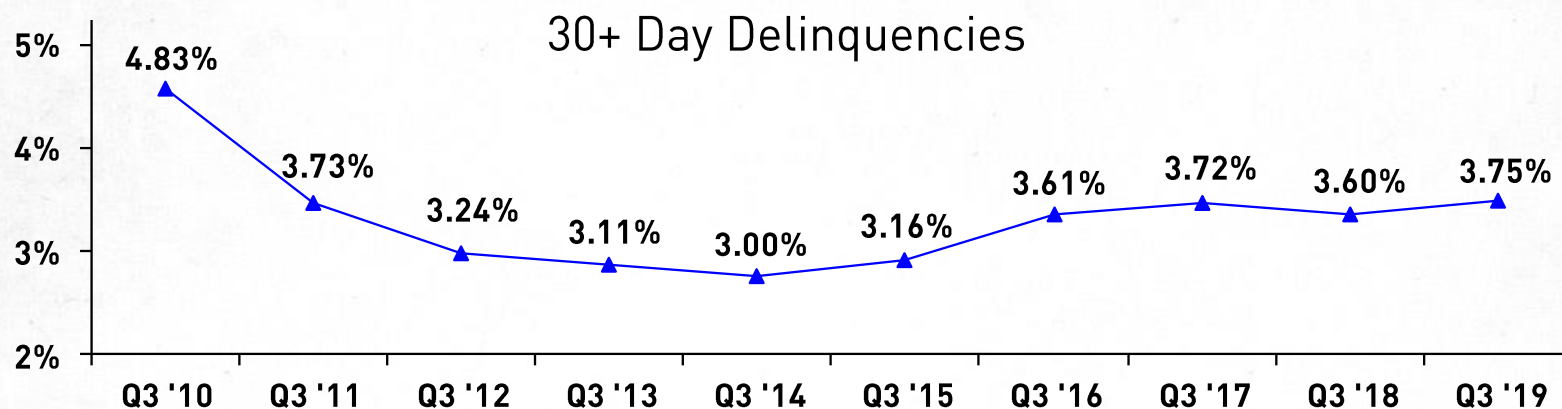
Total Availability \$1,326.9

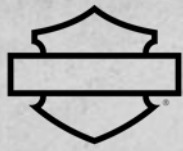
Other

- HDFS paid H-D, Inc. dividend of \$50M in Q3



HDFS RETAIL MOTORCYCLE LOAN PERFORMANCE

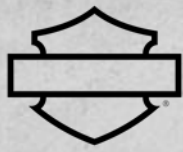




2019 HARLEY-DAVIDSON, INC.

vs. PY

- **Cash & marketable securities** - \$862.4 million vs. \$937.0 million Q3
- **Operating cash flow** - \$848.6 million vs. \$1.12 billion YTD
- **Capital spending** - \$121.2 million vs. \$119.8 million YTD
- **Depreciation & amortization expense** - \$174.6 million vs. \$196.5 million YTD
- **Tax rate** – 24.6% vs. 23.1% YTD



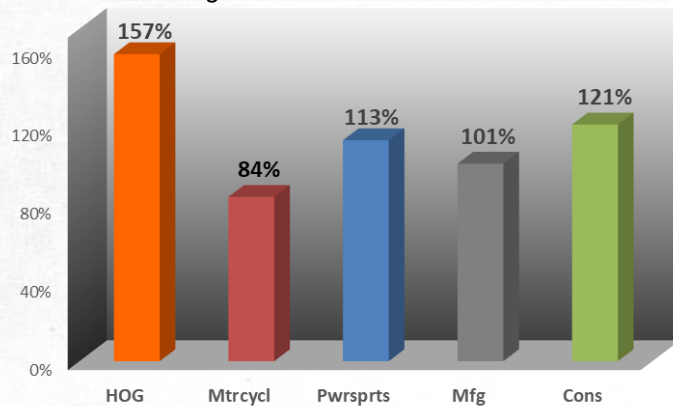
CASH GENERATION/RETURNS

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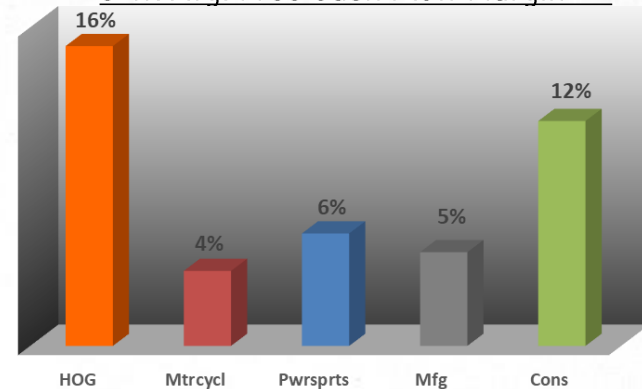
Harley-Davidson leads in cash generation and consistently returned cash to shareholders

[2016-2018]

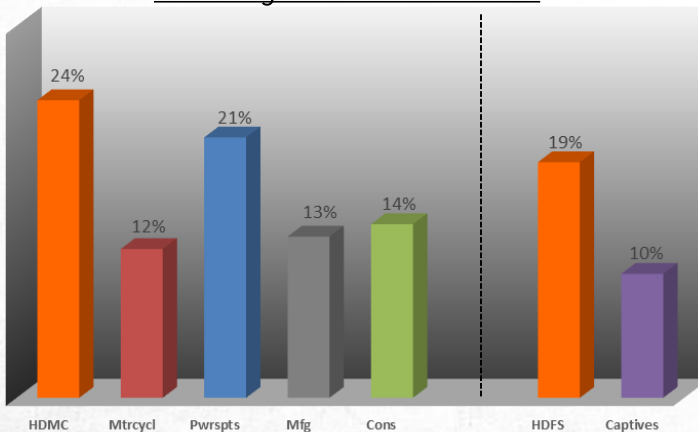
3-Yr. Avg. Free Cash Flow Conversion⁽¹⁾⁽²⁾



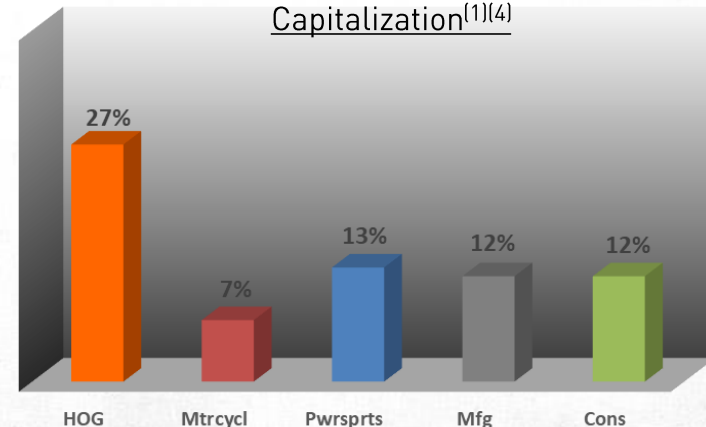
3-Yr. Avg. Free Cash Flow Margin⁽¹⁾⁽²⁾



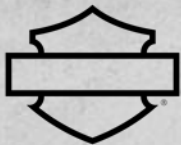
3-Yr. Avg. ROIC and ROE⁽¹⁾⁽³⁾



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 is defined as FCF divided by revenue. Free Cash Flow Conversion is 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 repurchases, dividing that sum individually by 2016, 2017 and 2018 year-end market capitalizations resulting in three separate quotients, and then averaging the three quotients.



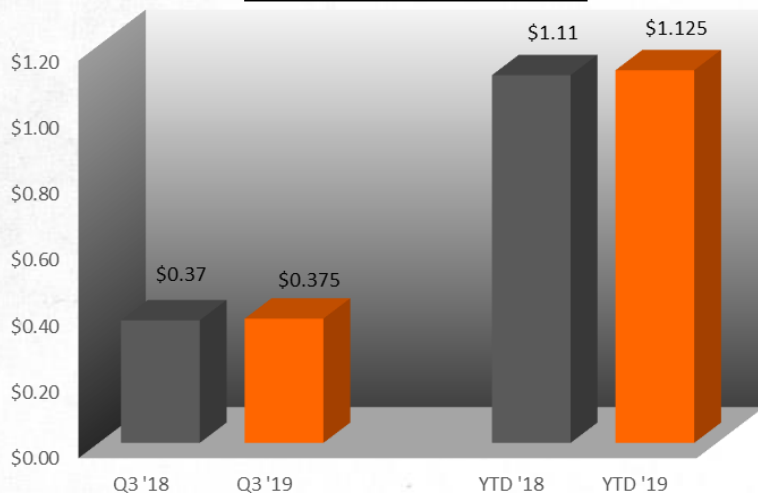
SHAREHOLDER RETURNS

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Harley-Davidson has consistently returned cash to shareholders

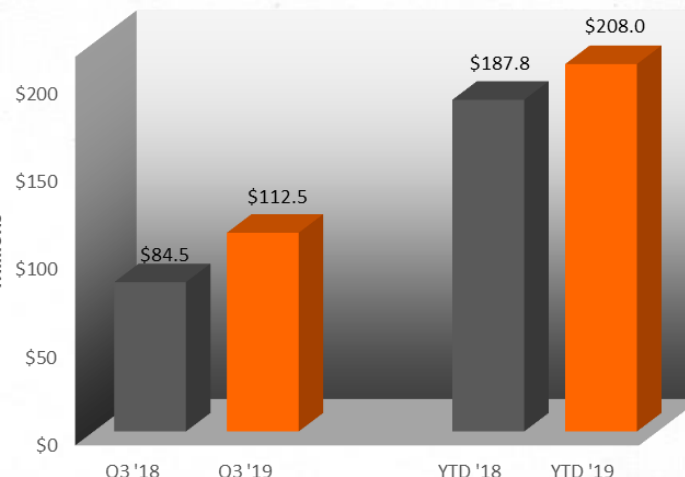
Dividends Per Share

Year-over-year

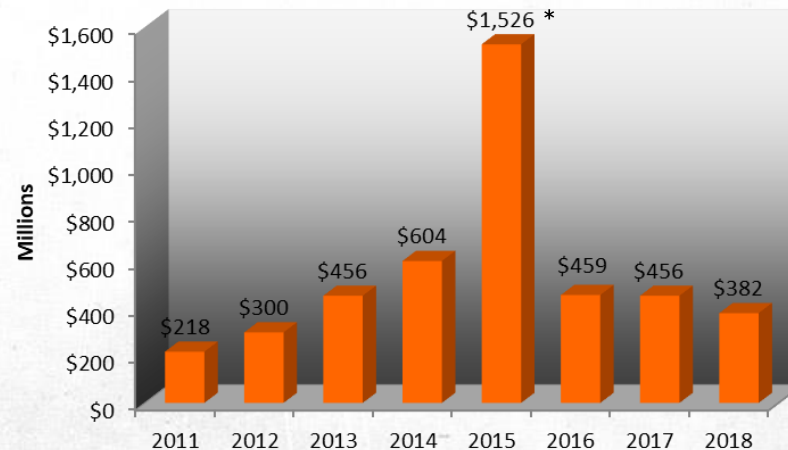
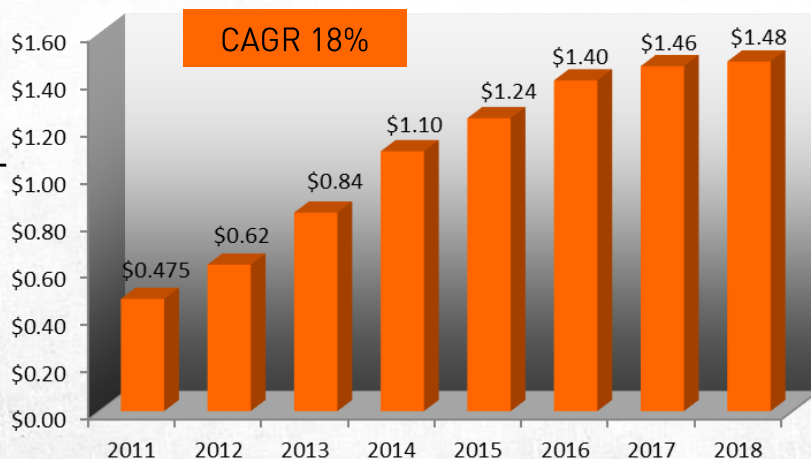


Discretionary Share Repurchases

Millions

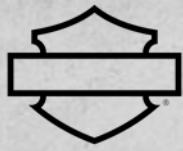


Multi-Year



*Funded by \$750 million HDI debt issuance

Consolidated – Motorcycles and Related Products and Financial Services Segments



MANUFACTURING OPTIMIZATION

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Manufacturing Optimization Summary *as of October 22, 2019*

(\$ millions)

	2018 Actual	2019 Estimate	2020 Estimate	Total
<i>Temporary Inefficiencies</i>	\$12.9	\$10-\$15	-	\$23-\$28
<i>Restructuring</i>	\$89.5	\$30-\$35	-	\$119-\$124
Total Costs <i>% cash</i>	\$102.4 <i>~70%</i>	\$40-\$50 <i>~70%</i>	- <i>NA</i>	\$142-\$152 <i>~70%</i>

	2018 Actual Results		2019 Actual Results	
	<u>Restructuring</u>	<u>Temp. Ineffic.</u>	<u>Restructuring</u>	<u>Temp. Ineffic.</u>
Q1	\$46.8	\$ 0.7	\$14.0	\$3.6
Q3	\$12.4	\$ 2.4	\$10.4	\$4.0
Q3	\$14.8	\$ 6.2	\$ 7.6	\$2.5
Q4	\$15.5	\$ 3.6		
	\$89.5	\$12.9		

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



2019 EXPECTATIONS

as of October 22, 2019

Motorcycles and Related Products segment	Motorcycle shipments	<i>212,000 to 217,000 (Q4: 38,500 to 43,500)</i>
	Gross margin %	<i>Down year-over-year</i>
	SG&A	<i>Lower year-over-year (Lower as a percent of revenue)</i>
	Operating margin %	<i>6% to 7%</i>
Financial Services segment	HDFS operating income	<i>Down year-over-year</i>
Harley-Davidson, Inc.	Capital expenditures	<i>\$205 million - \$225 million (Including \$20 million of mfg. optimization)</i>
	Effective tax rate	<i>24% to 25%</i>



BUILDING THE NEXT GENERATION OF HARLEY-DAVIDSON RIDERS GLOBALLY

*Focused investments,
strong returns
to grow the company for the
long-term*



NON-GAAP MEASURES

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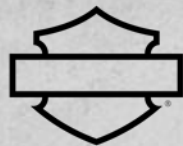
This presentation includes financial measures that have not been calculated in accordance with U.S. generally accepted accounting principles (GAAP), and are therefore referred to as non-GAAP financial measures. The non-GAAP measures listed below are intended to be considered by users as supplemental 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 recent EU and China tariffs
- Diluted EPS excluding restructuring plan costs and the impact of recent EU and China tariffs
- HDI free cash flow
- HDMC EBIT 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 initiative included in Motorcycles and Related Products cost of goods sold. The impact of recent EU and China tariffs includes incremental European Union and China tariffs imposed beginning in 2018 on the company's products shipped from the U.S., as well as incremental U.S. tariffs imposed beginning in 2018 on certain items imported from China. The impact of recent EU and China tariffs excludes higher metals cost resulting from the U.S. steel and aluminum tariffs. These adjustments are consistent with the approach used for 2018 to determine performance relative to financial objectives under the company's incentive compensation plans.

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



RECONCILIATION OF GAAP TO NON-GAAP AMOUNTS

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This presentation contains non-GAAP measures related to net income and diluted earnings per share that exclude restructuring plan costs and the impact of recent EU and China tariffs. Reconciliations of GAAP amounts to non-GAAP amounts are included below.

(\$ thousands, except per share amounts)

	Three months ended		Nine months ended	
	9/29/2019	9/30/2018	9/29/2019	9/30/2018
<u>Net income excluding restructuring plan costs and the impact of recent EU and China tariffs</u>				
Net income (GAAP)	\$ 86,563	\$ 113,855	\$ 410,139	\$ 530,956
Restructuring plan costs	10,091	21,038	41,715	83,370
Impact of recent EU and China tariffs	21,594	10,312	76,971	10,312
Tax effect of adjustments ⁽¹⁾	<u>(8,063)</u>	<u>(7,602)</u>	<u>(29,160)</u>	<u>(22,718)</u>
Adjustments net of tax	<u>23,622</u>	<u>23,748</u>	<u>89,526</u>	<u>70,964</u>
Adjusted net income (non-GAAP)	<u>\$ 110,185</u>	<u>\$ 137,603</u>	<u>\$ 499,665</u>	<u>\$ 601,920</u>
<u>Diluted EPS excluding restructuring plan costs and the impact of recent EU and China tariffs</u>				
Diluted earnings per share (GAAP)	\$ 0.55	\$ 0.68	\$ 2.58	\$ 3.17
Adjustments net of tax, per share	<u>0.15</u>	<u>0.14</u>	<u>0.56</u>	<u>0.42</u>
Adjusted diluted earnings per share (non-GAAP)	<u>\$ 0.70</u>	<u>\$ 0.82</u>	<u>\$ 3.14</u>	<u>\$ 3.59</u>

⁽¹⁾The income tax effect of adjustments has been computed using the company's effective income tax rate



RECONCILIATION OF GAAP TO NON-GAAP AMOUNTS

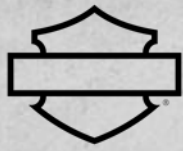
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This presentation contains performance measures calculated using non-GAAP amounts as inputs. These performance measures include: "3-yr. Avg. Free Cash Flow Conversion", "3-yr. Avg. Free Cash Flow Margin", "3-Yr. Avg. ROIC and ROE". Reconciliations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

(\$ thousands)

	Twelve months ended		
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
<u>HDI Free cash flow (FCF)</u>			
Net cash provided by operating activities (GAAP)	\$ 1,205,921	\$ 1,005,061	\$ 1,174,339
Less: Capital expenditures (GAAP)	<u>213,516</u>	<u>206,294</u>	<u>256,263</u>
FCF (non-GAAP)	<u>\$ 992,405</u>	<u>\$ 798,767</u>	<u>\$ 918,076</u>
 <u>HDMC earnings before interest and taxes (EBIT) after tax</u>			
HDMC operating income (GAAP)	\$ 430,687	\$ 615,144	\$ 778,983
HDMC other income (expense)	3,039	9,182	2,642
Less: Income taxes ⁽¹⁾	<u>91,082</u>	<u>218,514</u>	<u>273,569</u>
HDMC EBIT after tax (non-GAAP)	<u>\$ 342,644</u>	<u>\$ 405,812</u>	<u>\$ 508,056</u>
 <u>HDFS operating income after tax</u>			
HDFS operating income (GAAP)	\$ 282,752	\$ 267,139	\$ 267,206
Less: Income taxes ⁽¹⁾	<u>59,378</u>	<u>93,499</u>	<u>93,522</u>
HDFS operating income after tax (non-GAAP)	<u>\$ 223,374</u>	<u>\$ 173,640</u>	<u>\$ 173,684</u>

⁽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

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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," "may," "will," "estimates," or words of similar meaning. Similarly, statements that describe future plans, strategies, objectives, outlooks, targets, guidance, commitments, 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 accelerated plan for growth that the company disclosed on July 30, 2018 and updated September 24, 2019, and strengthen its existing business while enabling growth, (ii) manage and predict the impact that new or adjusted tariffs may have on the company's 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) successfully launch a smaller displacement motorcycle in India, (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 will depend in part on the building of necessary infrastructure, (x) prevent, detect, and remediate any issues with its motorcycles or any issues associated with the 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) successfully determine, implement on a timely basis, and maintain a manner in which to sell motorcycles in the European Union, China, and ASEAN countries that does not subject its motorcycles to incremental tariffs, (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) manage its Thailand corporate and manufacturing operation in a manner that allows the company to avail itself of preferential free trade agreements and duty rates, and sufficiently lower prices of its motorcycles in certain markets, (xxx) continue to manage the relationships and agreements that the company has with its labor unions to help drive long-term competitiveness, (xxxi) 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 the company's complex global supply chain, and (xxxii) develop and maintain a productive relationship with Zhejiang Qianjiang Motorcycle Co., Ltd. and launch related products in a timely manner.

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. 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.