

Harley-Davidson Announces Third Quarter 2017 Results

U.S. Market Share Up, Improved U.S. Dealer Inventory

MILWAUKEE, Oct. 17, 2017 – Harley-Davidson, Inc. (NYSE:HOG) third quarter 2017 diluted EPS decreased to \$0.40 from \$0.64 in the third quarter of 2016. Third quarter net income was \$68.2 million on consolidated revenue of \$1.15 billion versus net income of \$114.1 million on consolidated revenue of \$1.27 billion in the third quarter of 2016.

“The continued weakness in the U.S. motorcycle industry only heightens our resolve and the intensity we are bringing to the quest to build the next generation of Harley-Davidson riders,” said Matt Levatich, president and CEO, Harley-Davidson, Inc. “Launching one hundred new high-impact motorcycles is a critical part of our 10-year journey, and the all new Softail line-up is a significant statement of our commitment.”

Harley-Davidson worldwide retail motorcycle sales were down 6.9 percent in the third quarter compared to the same period in 2016. Harley-Davidson U.S. retail motorcycle sales were down 8.1 percent compared to the year-ago quarter, with the overall U.S. industry down 9.2 percent for the same period. Harley-Davidson's U.S. market share for the quarter was 53.1 percent in the 601cc-plus segment, up compared to the same quarter in 2016. Harley-Davidson's international retail motorcycle sales decreased 4.6 percent compared to the third quarter in 2016.

“As the motorcycle industry leader – with dealer strength and rider passion and loyalty like no other – we believe we are uniquely positioned to build ridership and strengthen the sport of motorcycling. Not just in the U.S. but around the world. Our investments in new product and marketing are targeted to drive ridership growth. We have the strategies, plans and people to make it happen,” said Levatich.

Through nine months, Harley-Davidson 2017 diluted EPS was \$2.95, down 16.9 percent from \$3.55 in the year-ago period. Harley-Davidson 2017 net income was \$513.4 million on consolidated revenue of \$4.42 billion compared to nine-month 2016 net income of \$645.0 million on consolidated revenue of \$4.89 billion. For the first nine months, worldwide retail motorcycle sales were down 6.1 percent compared to the same period in 2016.

Harley-Davidson Retail Motorcycle Sales

<i>In units as reported by H-D dealers</i>	3 rd Quarter			Nine Months		
	2017	2016	Change	2017	2016	Change
U.S.	41,793	45,469	(8.1)%	124,777	135,581	(8.0)%
Canada	2,575	2,663	(3.3)%	8,763	8,946	(2.0)%
Latin America	2,306	2,605	(11.5)%	7,003	7,064	(0.9)%
EMEA	10,078	10,224	(1.4)%	37,475	37,947	(1.2)%
Asia Pacific	7,457	7,994	(6.7)%	22,628	24,141	(6.3)%
International Total	22,416	23,486	(4.6)%	75,869	78,098	(2.9)%
Worldwide Total	64,209	68,955	(6.9)%	200,646	213,679	(6.1)%

Harley-Davidson new retail motorcycle sales in the U.S. were down in the third quarter compared to the third quarter of 2016, primarily driven by weak industry conditions including the impacts of hurricanes in the southeast and Texas. International new retail motorcycle sales were also down in the quarter compared to the same period in 2016, driven by weak performance in Japan, Australia and Mexico.

Motorcycles and Related Products Segment Results

\$ in thousands	3 rd Quarter			Nine Months		
	2017	2016	Change	2017	2016	Change
Motorcycle Shipments (vehicles)	41,662	48,611	(14.3)%	194,300	219,807	(11.6)%
Revenue						
Motorcycles	653,345	788,856	(17.2)%	3,023,480	3,437,066	(12.0)%
Parts & Accessories	229,709	231,279	(0.7)%	636,232	673,192	(5.5)%
General Merchandise	72,687	65,289	11.3%	191,540	211,664	(9.5)%
Gross Margin	28.8%	33.6%	(4.8)pts	34.4%	36.1%	(1.7)pts
Operating Income	19,648	108,929	(82.0)%	578,137	764,135	(24.3)%
Operating Margin	2.0%	10.0%	(8.0)pts	14.9%	17.6%	(2.7)pts

Revenue from the Motorcycles and Related Products segment was down in the third quarter of 2017 versus prior year largely due to decreased motorcycle shipments. Operating margin was down in the quarter versus prior year due to lower shipments, unfavorable mix and higher manufacturing costs.

Financial Services Segment Results

\$ in thousands	3 rd Quarter			Nine Months		
	2017	2016	Change	2017	2016	Change
Revenue	189,059	183,183	3.2%	550,314	547,505	0.5%
Operating Income	77,060	69,447	11.0%	211,631	215,391	(1.7)%

The Financial Services segment operating income was up 11 percent in the third quarter compared to the year ago period due to a lower provision for credit losses.

Income Tax Rate

For the first nine months of 2017, Harley-Davidson's effective tax rate was 33.2 percent compared to 32.9 percent in the prior year period. The company now expects its full-year 2017 effective tax rate to be approximately 33.4 percent.

Other Results

Cash and marketable securities totaled \$683.1 million at the end of the third quarter, compared to \$795.3 million a year ago. During the first nine months of 2017, Harley-Davidson generated \$949.1 million of cash from operating activities compared to \$927.8 million for the first nine months of 2016. The company paid a cash dividend of \$0.365 per share for the third quarter of 2017, and a cumulative total of \$1.095 per share for the first nine months of 2017. On a discretionary basis, the company repurchased 4.5 million shares of its common stock during the third quarter of 2017 for \$222 million. In the third quarter of 2017, there were 170.7 million weighted-average diluted common shares outstanding, compared to 179.3 million shares in the same period a year ago. At the end of the period, 10.6 million shares remained on a board-approved share repurchase authorization.

Guidance

Harley-Davidson continues to expect to ship 241,000 to 246,000 motorcycles to dealers worldwide in 2017, which is down approximately 6 percent to 8 percent from 2016. In the fourth quarter, the company expects to ship 46,700 to 51,700 motorcycles compared to 42,414 motorcycles shipped in the year-ago period. The company continues to expect full-year 2017 operating margin to be down approximately 1 percentage point compared to 2016. The company continues to expect 2017 capital expenditures to be \$200 million to \$220 million.

Company Background

Harley-Davidson, Inc. is the parent company of Harley-Davidson Motor Company and Harley-Davidson Financial Services. Since 1903, Harley-Davidson Motor Company has fulfilled dreams of personal freedom with custom, cruiser and touring motorcycles, riding experiences and events and a complete line of Harley-Davidson motorcycle parts, accessories, general merchandise, riding gear and apparel. Harley-Davidson Financial Services provides wholesale and retail financing, insurance, extended service and other protection plans and credit card programs to Harley-Davidson dealers and riders in the U.S., Canada and other select international markets. For more information, visit Harley-Davidson's Web site at www.harley-davidson.com.

Conference Call and Webcast Presentation

Harley-Davidson will discuss third quarter results on a Webcast at 8:00 a.m. CT today. The supporting slides will be posted prior to the call and can be accessed at <http://investor.harley-davidson.com> under the Events and Presentations section. The audio portion of today's call will also be posted approximately two hours after the call concludes.

Forward-Looking Statements

The company intends that certain matters discussed in this release 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, 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 release. 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 release are only made as of the date of this release, 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 strategy, (ii) drive demand by executing its marketing strategy of appealing to and growing sales to multi-generational and multi-cultural customers worldwide in an increasingly competitive marketplace, (iii) develop and introduce products, services and experiences that are successful in the marketplace, (iv) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles, (v) balance production volumes for its new motorcycles with consumer demand, including in circumstances where competitors may be supplying new motorcycles to the market in excess of demand at reduced prices, (vi) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment, (vii) manage risks that arise through expanding international manufacturing, operations and sales, (viii) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices, (ix) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio, (x) 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, (xi) retain and attract talented employees, (xii) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or company data and respond to evolving regulatory requirements regarding data security, (xiii)

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, (xiv) adjust to tax reform, healthcare inflation and reform and pension reform, (xv) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles, (xvi) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters, (xvii) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities, (xviii) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations, (xix) manage its exposure to product liability claims and commercial or contractual disputes, (xx) execute its flexible production strategy, (xxi) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the company and within its expectations, and (xxii) continue to manage the relationships and agreements that the company has with its labor unions to help drive long-term competitiveness.

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.

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