

HARLEY-DAVIDSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME ⁽¹⁾

Unaudited

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>TOTAL</u>
Motorcycles and related products revenue	\$ 1,363,947	\$ 1,525,121	\$ 1,123,945	\$ 955,633	\$ 4,968,646
Gross profit	473,773	532,085	347,415	263,577	1,616,850
Selling, administrative and engineering expense	254,093	276,309	266,921	303,763	1,101,086
Restructuring expense	46,842	12,370	14,832	19,357	93,401
Operating income from motorcycles & related products	<u>172,838</u>	<u>243,406</u>	<u>65,662</u>	<u>-59,543</u>	<u>422,363</u>
Financial services revenue	178,174	188,102	191,724	190,229	748,229
Financial services expense	114,595	107,561	107,970	126,943	457,069
Operating income from financial services	<u>63,579</u>	<u>80,541</u>	<u>83,754</u>	<u>63,286</u>	<u>291,160</u>
Operating income	236,417	323,947	149,416	3,743	713,523
Other income (expense), net	220	645	644	1,530	3,039
Investment (loss) income	1,203	2,533	-1,106	-1,679	951
Interest expense	7,690	7,728	7,762	7,704	30,884
(Loss) income before income taxes	230,150	319,397	141,192	-4,110	686,629
Income tax (benefit) expense	55,387	77,059	27,337	-4,605	155,178
Net income	<u>\$ 174,763</u>	<u>\$ 242,338</u>	<u>\$ 113,855</u>	<u>\$ 495</u>	<u>\$ 531,451</u>
	174,763	242,338	113,855	495	531,451
Earnings per common share from continuing operations:					
Basic	\$ 1.04	\$ 1.45	\$ 0.69	\$ 0.00	\$ 3.21
Diluted	\$ 1.03	\$ 1.45	\$ 0.68	\$ 0.00	\$ 3.19
Weighted-average common shares:					
Basic	168,139	166,589	165,927	162,073	165,672
Diluted	169,174	167,204	166,664	163,014	166,504
Cash dividends per common share	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370	\$ 1.480

⁽¹⁾ See note regarding the adoption of new accounting standards below.

Harley-Davidson, Inc.
Reconciliation of GAAP amounts to Non-GAAP amounts
(In thousands, except per share amounts)

(Unaudited)

	Q1	Q2	Q3	Q4	TOTAL
<u>Net income excluding manufacturing optimization costs</u>					
Net income (GAAP)	\$ 174,763	\$ 242,338	\$ 113,855	\$ 495	\$ 531,451
Restructuring expense and cost of temporary inefficiencies	47,574	14,758	21,038	22,944	106,314
Impact of tariffs				13,363	23,675
Tax effect of adjustments ⁽¹⁾	(11,537)	(3,579)	(5,102)	(8,804)	(31,522)
Adjustments net of tax	36,037	11,179	15,936	27,503	98,467
Adjusted net income (Non-GAAP)	<u>\$ 210,800</u>	<u>\$ 253,517</u>	<u>\$ 129,791</u>	<u>\$ 27,998</u>	<u>\$ 629,918</u>
<u>Diluted earnings per share excluding manufacturing optimization costs</u>					
Diluted earnings per share (GAAP)	\$ 1.03	\$ 1.45	\$ 0.68	\$ 0.00	\$ 3.19
Adjustments net of tax, per share	0.21	0.07	0.10	0.17	0.59
Adjusted diluted earnings per share (Non-GAAP)	<u>\$ 1.24</u>	<u>\$ 1.52</u>	<u>\$ 0.78</u>	<u>\$ 0.17</u>	<u>\$ 3.78</u>
Weighted average diluted shares outstanding	169,174	167,204	166,664	163,014	166,504

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

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted the following new accounting standards updates (ASUs).

ASU 2014-09 Revenue from Contracts with Customers was adopted using the modified retrospective method. As a result, the Company recorded a \$6.0 million increase to the opening balance of retained earnings as of January 1, 2018.

ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash was adopted on a retrospective basis. As a result, the change in restricted cash has been excluded from financing activities and included in the change in cash, cash equivalents and restricted cash and the prior period has been recast to reflect the new presentation.

ASU 2017-07 Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost was adopted on a retrospective basis. As a result, the non-service cost components of net periodic benefit cost have been presented in Other income (expense), net and the prior period has been recast to reflect the new presentation.