

HARLEY-DAVIDSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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				
Gross profit	473,773				
Selling, administrative and engineering expense	254,093				
Restructuring expense	46,842				
Operating income from motorcycles & related products	172,838	-	-	-	-
Financial services revenue	178,174				
Financial services expense	114,595				
Operating income from financial services	63,579	-	-	-	-
Operating income	236,417				
Other income (expense), net	220				
Investment income	1,203				
Interest expense	7,690				
Income before income taxes	230,150	-	-	-	
Provision for income taxes	55,387				
Net income	\$ 174,763	\$ -	\$ -	\$ -	\$ -
	174,763	-	-	-	-
Earnings per common share from continuing operations:					
Basic	\$ 1.04				
Diluted	\$ 1.03				
Weighted-average common shares:					
Basic	168,139				
Diluted	169,174				
Cash dividends per common share	\$ 0.370				

⁽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)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>TOTAL</u>
<u>Net income excluding manufacturing optimization costs</u>					
Net income (GAAP)	\$ 174,763				
Restructuring expense and cost of temporary inefficiencies	47,574				
Tax effect of adjustments ⁽¹⁾	(11,537)				
Adjustments net of tax	36,037				
Adjusted net income (Non-GAAP)	\$ 210,800				
<u>Diluted earnings per share excluding manufacturing optimization costs</u>					
Diluted earnings per share (GAAP)	\$ 1.03				
Restructuring expense and cost of temporary inefficiencies, per share	0.21				
Adjusted diluted earnings per share (Non-GAAP)	\$ 1.24				
Weighted average diluted shares outstanding	169,174				

⁽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.