

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	\$ 1,525,121	\$ 1,123,945		
Gross profit	473,773	532,085	347,415		
Selling, administrative and engineering expense	254,093	276,309	266,921		
Restructuring expense	46,842	12,370	14,832		
Operating income from motorcycles & related products	172,838	243,406	65,662	-	-
Financial services revenue	178,174	188,102	191,724		
Financial services expense	114,595	107,561	107,970		
Operating income from financial services	63,579	80,541	83,754	-	-
Operating income	236,417	323,947	149,416		
Other income (expense), net	220	645	644		
Investment income	1,203	2,533	-1,106		
Interest expense	7,690	7,728	7,762		
Income before income taxes	230,150	319,397	141,192	-	
Provision for income taxes	55,387	77,059	27,337		
Net income	\$ 174,763	\$ 242,338	\$ 113,855	\$ -	\$ -
	174,763	242,338	113,855	-	-
Earnings per common share from continuing operations:					
Basic	\$ 1.04	\$ 1.45	\$ 0.69		
Diluted	\$ 1.03	\$ 1.45	\$ 0.68		
Weighted-average common shares:					
Basic	168,139	166,589	165,927		
Diluted	169,174	167,204	166,664		
Cash dividends per common share	\$ 0.370	\$ 0.370	\$ 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	\$ 242,338	113855		
Restructuring expense and cost of temporary inefficiencies	47,574	14,758	21038		
Tax effect of adjustments ⁽¹⁾	(11,537)	(3,579)	\$ (5,102.000)		
Adjustments net of tax	36,037	11,179	\$ 15,936.000		
Adjusted net income (Non-GAAP)	\$ 210,800	\$ 253,517	\$ 129,791.000		
<u>Diluted earnings per share excluding manufacturing optimization costs</u>					
Diluted earnings per share (GAAP)	\$ 1.03	\$ 1.45	\$ 0.680		
Adjustments net of tax, per share	0.21	0.07	\$ 0.096		
Adjusted diluted earnings per share (Non-GAAP)	\$ 1.24	\$ 1.52	\$ 0.776		
Weighted average diluted shares outstanding	169,174	167204	166,664		

⁽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.