



2015 Harley-Davidson® CVO™ Street Glide® Motorcycle

Harley-Davidson, Inc.

2015 First Quarter Update

April 21, 2015



Harley-Davidson, Inc. 2015 First Quarter Update

This presentation supports the quarterly conference call

Conference call participants:

- | | |
|---------------------|---|
| ■ Introduction | <i>Amy Giuffre, Director, Investor Relations</i> |
| ■ Opening Remarks | <i>Keith Wandell, Chairman, President and CEO</i>
<i>Matt Levatich, Incoming President and CEO</i> |
| ■ Financial Results | <i>John Olin, Senior Vice President and CFO</i> |
| ■ Q&A | |

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 release 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.



2015 First Quarter Business Perspectives

Keith Wandell, Chairman, President & CEO



- Manage supply in line with demand
- Strong fundamentals and industry leadership



U.S. market leadership:
young adults, women,
African Americans,
Hispanics, Caucasian men
35+*

Strongest quarter to date:
India and China

**Street 750™ and Street
500™ success**



*Based on IHS Automotive, Polk U.S. new motorcycle registration data for CY2008-2014



- America's Best Employers 2015 – Top 10 Employer – Forbes survey
- 2015 Motorcycle Brand of the Year – Harris Poll EquiTrend®



We've accomplished great things...



and the best is yet to come

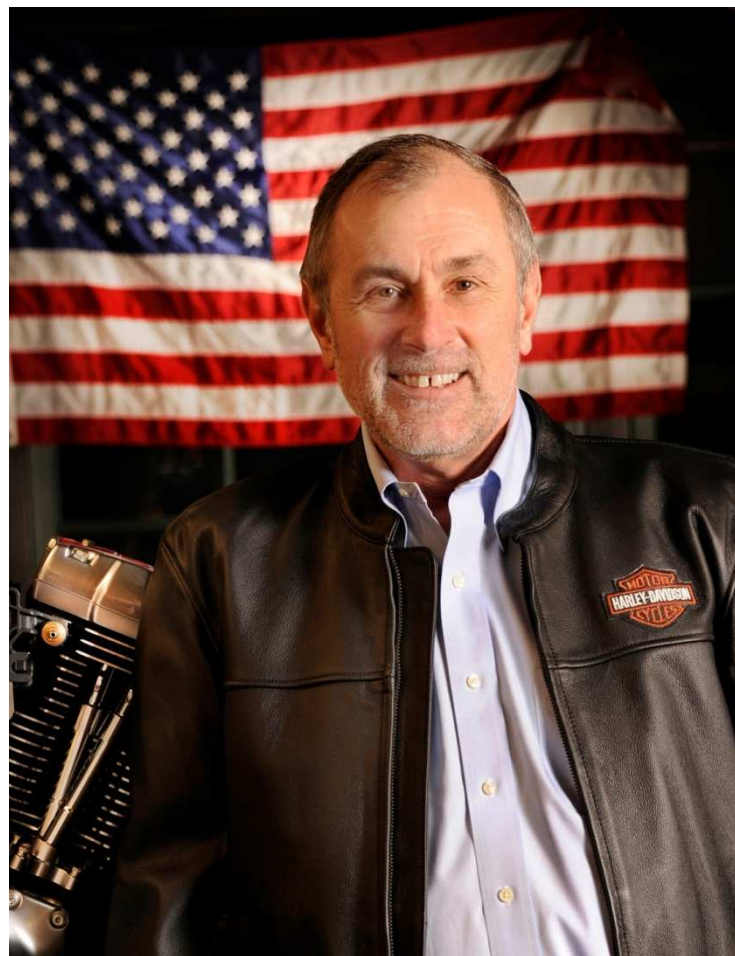


The Road Ahead

Matt Levatich, Incoming President & CEO



Thank You!





Harley-Davidson Strengths

- Talented, passionate employees
- Powerful, global dealer network
- Brand and industry leadership
- Manufacturing, product development and retail prowess
- Diverse customer base
- Unrivaled motorcycles



- Clear and compelling strategy
- Run the business for long-term performance
- Leverage product development and manufacturing capabilities
- Maximize potential at retail
- Grow internationally
- Further broaden reach with new U.S. customers



2015 First Quarter Financial Results

John Olin, Senior Vice President & CFO, Harley-Davidson, Inc.



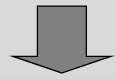
Harley-Davidson, Inc. Results



Q1 2015 Vs. Q1 2014 Results

Revenue

\$1.67
Billion



3.1%

Net Income

\$269.9
Million



1.5%

EPS

\$1.27



5.0%

Earnings impacted by:

- Motorcycles Segment operating income decreased 0.6%
 - Revenue down on unfavorable foreign currency exchange and 1.4% lower shipments
 - Higher gross margin percent, up 1.4 pts.
 - Flat yr./yr. SG&A spending
 - Higher operating margin percent, up 0.8 pts.
- Financial Services Segment operating income up 2.3% yr./yr.
- Lower effective tax rate



Motorcycle Retail Sales - Worldwide



Worldwide Harley-Davidson Retail Sales

	Vs. PY Q1 '15
Worldwide	(1.3)%
U.S.	(0.7)%
International	(2.4)%

- Q1 worldwide retail sales of 56,661
 - Strong sales of new models – *Road Glide, Ultra Low/ Ultra Ltd. Low, CVO Street Glide, Freewheeler and Street*
 - Q1 U.S. retail sales down modestly – *242 motorcycles*
 - Q1 international sales down in EMEA and Japan
- Brand fundamentals remain intact. Increased, very aggressive competitive discounting drives full-year shipment guidance adjustment
 - Now expect to ship 276,000 to 281,000 motorcycles, up approximately 2% to 4% compared to previous guidance of up 4% to 6%



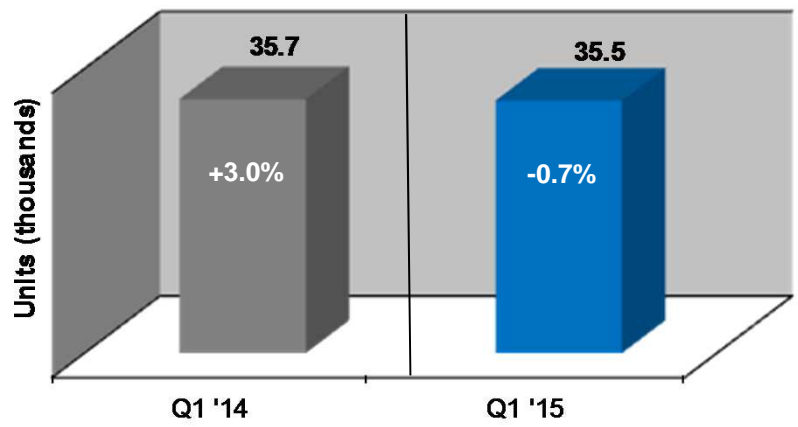
Motorcycle Retail Sales



U.S. Harley-Davidson

SALES

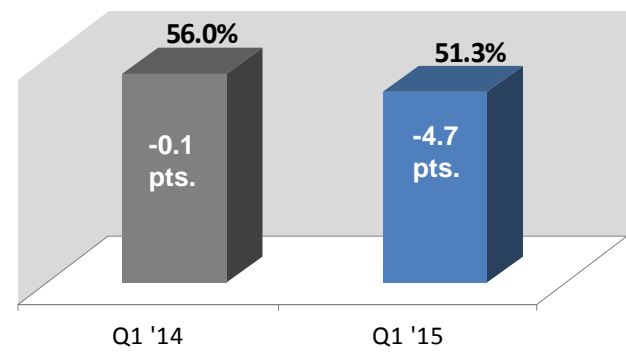
H-D U.S. New Retail Motorcycle Sales



- Q1 retail sales impacted by:
 - Lapping initial enthusiasm of Rushmore launch last year
 - Adverse weather conditions
 - Increased, aggressive competitive price discounting
 - Strong new model sales -- including Road Glide and double-digit growth in combined Street/Sportster® retail sales

SHARE

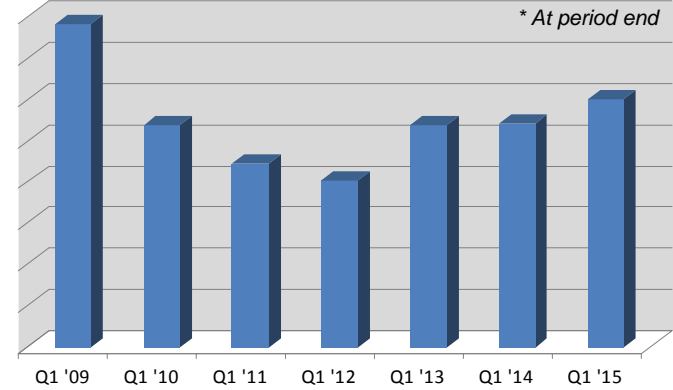
H-D U.S. New 601+CC Retail Market Share



- Increased, aggressive competitive price discounting, driven by:
 - Excessive retail inventory with some competitors
 - Very favorable foreign currency exchange

INVENTORY

H-D U.S. New Retail Motorcycle Inventory* (Units)



- Up 6,600 motorcycles yr./yr. driven by Street fill



Motorcycle Retail Sales



International Harley-Davidson

SALES

Vs. PY
Q1 '15

International	(2.4)%
- EMEA Region	(5.6)%
- Asia Pacific Region	(1.1)%
- Latin America Region	0.3%
- Canada	5.7%

■ **EMEA**

- Lapping year-ago favorable weather
- Soft economic conditions
- Currency-driven volume declines in some markets (e.g. Russia)

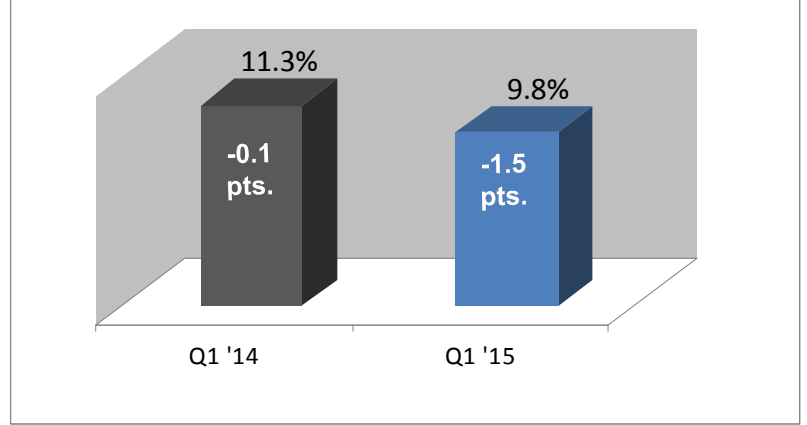
■ **AP** - Strong growth (+19.6% ex-Japan), offset by lapping year-ago sales pull-forward in Japan

■ **Latin America** – Strong Mexico; soft Brazil

■ **Canada** – Lapping year-ago currency-driven price increases

SHARE

H-D Europe 601+CC retail market share



- Q1 share down behind the introduction of low-priced models by the competition

OPPORTUNITY

International Growth

We expect to grow international retail sales at a faster rate than domestic over time

- Focus on dealer profitability and delivery of Harley-Davidson Customer Experience (HDCX)
- Add new dealers; primarily in emerging markets
- Invest in product development

Motorcycles and Related Products Segment



Shipment & Mix



Harley-Davidson Motorcycle Shipments

	<u>Q1 2015</u>	<u>Vs. PY</u>
Total	79,589	(1.4)%
Touring	38,797	3.9 <i>pts.</i>
Custom	23,396	(6.7) <i>pts.</i>
Street/Sportster®	17,396	2.8 <i>pts.</i>

- Shipments in Q1 2015 were down 1,093 motorcycles yr./yr.
 - Within guidance range of 79,000 to 84,000 motorcycles
 - Strong Touring mix to meet ongoing Rushmore demand
 - Street/Sportster mix up behind Street
- In Q1 2015, 28.8% of motorcycle shipments were international



Revenue



Revenue Motorcycle Segment (*\$ Millions*)

	<u>Q1 2015</u>	<u>% change</u>
Motorcycle	\$1,255.1	(3.8)%
P&A	183.9	(7.2)%
General Merchandise	66.4	3.6%
Other	<u>5.2</u>	17.0%
Total Revenue	\$1,510.6	(3.9)%

- Motorcycle segment revenue was down \$61 million in Q1 2015 compared to Q1 2014 driven by unfavorable currency exchange and lower motorcycle shipments
- Average motorcycle revenue per unit year/year decreased \$405 behind unfavorable currency exchange, partially off-set by higher pricing



Gross Margin



Gross Margin Motorcycle Segment (\$ Millions)

	<u>Q1</u>
2014 Gross Margin	\$592.1
<i>% of revenue</i>	<i>37.7%</i>
- Volume	(8.3)
- Pricing net of cost	16.0
- Mix	9.1
- Currency	(39.5)
- Raw materials	2.1
- Manufacturing	<u>18.8</u>
2015 Gross Margin	\$590.3
<i>% of revenue</i>	<i>39.1%</i>

- Motorcycle segment gross margin was down \$1.9 million or 0.3% versus prior year



Operating Margin



Operating Margin Motorcycle Segment (\$ Millions)

	<u>Q1</u>
2014 Operating Income	\$347.7
<i>Operating Margin (% of revenue)</i>	22.1%
- Gross Margin	(1.9)
- SG&A	<u>(0.3)</u>
2015 Operating Income	\$345.5
<i>Operating Margin (% of revenue)</i>	22.9%

- Motorcycle segment operating income was down \$2.2 million or 0.6% compared to prior year



Operating Margin
Financial Services Segment
(\$ Millions)

	<u>Q1</u>
2014 Operating Income	\$63.2
- Net interest income	4.4
- Provision for retail motorcycle loan losses	(5.4)
- Provision for wholesale loan losses	(0.6)
- Operating expenses	(0.9)
- All other	<u>4.0</u>
2015 Operating Income	\$64.7

- Financial Services operating income was favorable on higher net interest income and non-lending income, partially offset by increased provision for credit losses.



HDFS



Q1 2015 HDFS

- Originated \$628.0 million in new & used retail motorcycle loans (+3.2% vs. Q1 2014)
 - YTD U.S. retail motorcycle originations approximately 80% prime

- 53.3% share of U.S. Harley-Davidson new retail motorcycle sales (+1.3 pts. vs. Q1 2014)

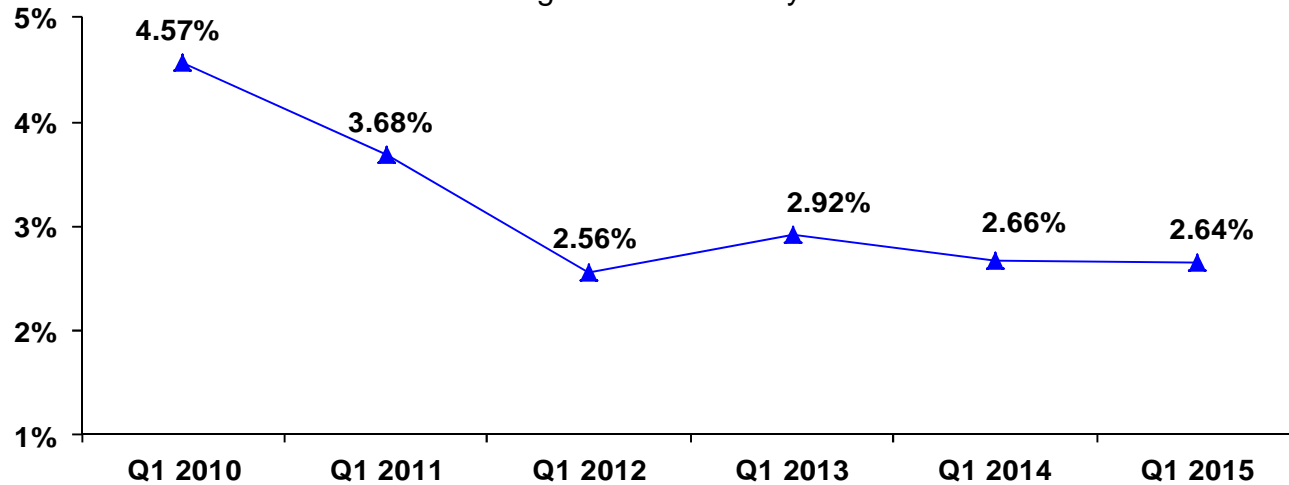
- \$6.98 billion in finance receivables outstanding (+6.6% vs. Q1 2014)
 - \$5.58 billion retail
 - \$1.40 billion wholesale



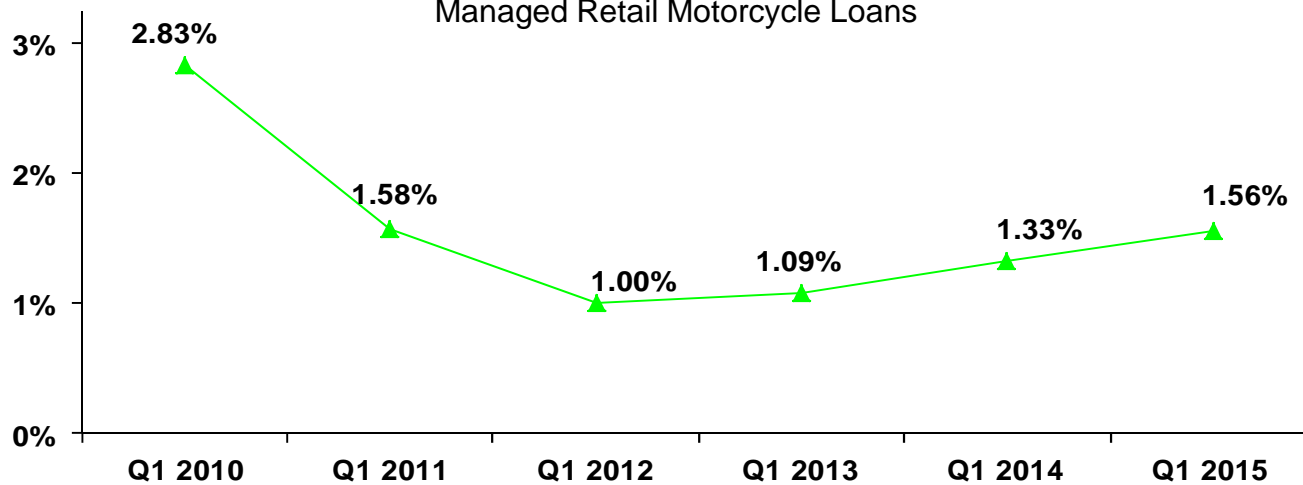
HDFS



Retail 30+ Day Delinquencies Managed Retail Motorcycle Loans



Annualized Loss Experience Managed Retail Motorcycle Loans





Cash/Liquidity Position

As of March 29, 2015 (\$ Billions)

Cash & Marketable Securities

H-D, Inc.	\$0.83
HDFS	0.40
Total	\$1.23

Availability

Bank Credit Facilities	\$1.28
Asset-Backed Conduit	0.60
Total Availability	\$1.88

Liquidity Strategy

- Maintain a minimum of 12 months projected liquidity in cash and/or committed credit facilities
- Obtain cost-effective funding through diversified sources
 - Balance long and short-term funding vehicles
 - Balance unsecured and secured funding
 - Extension of debt maturities (MTNs)

Q1 2015

- \$100 million dividend from HDFS to H-D, Inc.
- \$700 million asset-backed securitization transaction at an average rate of 1.19%
- \$600 million, 5-year medium term note offering at a coupon of 2.15%
- Repurchased 2.9 million shares for \$182.5 million



Harley-Davidson, Inc.



Q1 2015 Harley-Davidson, Inc.

- **Cash & Marketable Securities at 3/29/15** - \$1.23 billion vs. \$1.03 billion at 3/30/14
- **Operating cash flow** - \$174.7 million vs. \$203.6 million in Q1 2014
 - Higher working capital and higher wholesale finance originations
- **Capital spending** - \$38.1 million vs. \$25.9 million in Q1 2014
- **Depreciation expense** - \$46.0 million vs. \$43.4 million in Q1 2014
- **Tax rate** - 34.4% vs. 35.0% in Q1 2014



Guidance



2015 Expectations as of April 21, 2015

Motorcycles and related products segment	Motorcycle shipments	276,000 – 281,000 (Q2 83,000 – 88,000)
	Gross margin %	<i>Flat to up modestly year/year</i>
	SG&A	<i>Flat to down year/year, down as % of revenue</i>
	Operating margin %	18% – 19%
Financial services segment	HDFS operating income	<i>Down modestly year/year</i>
Harley-Davidson, Inc.	Capital expenditures	\$240 - \$260 million
	Effective tax rate	<i>Approximately 35.5%</i>



Harley-Davidson



Through focused investment in growth,

Products • Relevance • International

Harley-Davidson returns value to shareholders

Strong margins • Strong returns



Harley-Davidson® CVO™ Street Glide® Motorcycle



Forward-Looking Statements



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," 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 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 depends upon, among other factors, the company's ability to (i) execute its business strategy, (ii) manage through changes in general economic conditions, including changing capital, credit and retail markets, and political events, (iii) adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices, (iv) 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, (v) continue to develop the capabilities of its distributors and dealers and manage the risks that our independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand, (vi) manage risks that arise through expanding international manufacturing, operations and sales, (vii) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles, (viii) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations, (ix) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters, (x) detect any issues with our motorcycles or any associated manufacturing processes to avoid delays in new model launches, recall campaigns, increased warranty costs or litigation, (xi) develop and introduce products, services and experiences that are successful in the marketplace, (xii) develop and implement sales and marketing plans that retain existing retail customers and attract new retail customers in an increasingly competitive marketplace, (xiii) implement and manage enterprise-wide information technology solutions, including solutions at its manufacturing facilities, and secure data contained in those systems, , (xiv) continue to realize production efficiencies at its production facilities and manage operating costs including materials, labor and overhead, (xv) execute its flexible production strategy, (xvi) continue to manage the relationships and agreements that it has with its labor unions to help drive long-term competitiveness, (xvii) adjust to healthcare inflation and reform, pension reform and tax changes, (xviii) retain and attract talented employees, (xix) continue to have access to reliable sources of capital funding and adjust to fluctuations in the cost of capital, and (xx) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio.



Forward-Looking Statements



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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