

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2016, 2015 and 2014
(In thousands, except per share amounts)

	2016	2015	2014
Revenue:			
Motorcycles and Related Products	\$ 5,271,376	\$ 5,308,744	\$ 5,567,681
Financial Services	725,082	686,658	660,827
Total revenue	5,996,458	5,995,402	6,228,508
Costs and expenses:			
Motorcycles and Related Products cost of goods sold	3,419,710	3,356,284	3,542,601
Financial Services interest expense	173,756	161,983	164,476
Financial Services provision for credit losses	136,617	101,345	80,946
Selling, administrative and engineering expense	1,217,439	1,220,095	1,159,502
Total costs and expenses	4,947,522	4,839,707	4,947,525
Operating income	1,048,936	1,155,695	1,280,983
Investment income	4,645	6,585	6,499
Interest expense	29,670	12,117	4,162
Income before provision for income taxes	1,023,911	1,150,163	1,283,320
Provision for income taxes	331,747	397,956	438,709
Net income	\$ 692,164	\$ 752,207	\$ 844,611
Earnings per common share:			
Basic	\$ 3.85	\$ 3.71	\$ 3.90
Diluted	\$ 3.83	\$ 3.69	\$ 3.88
Cash dividends per common share	\$ 1.40	\$ 1.24	\$ 1.10

The accompanying notes are an integral part of the consolidated financial statements.

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(In thousands, except share amounts)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 759,984	\$ 722,209
Marketable securities	5,519	45,192
Accounts receivable, net	285,106	247,405
Finance receivables, net	2,076,261	2,053,582
Inventories	499,917	585,907
Restricted cash	52,574	88,267
Deferred income taxes	—	102,769
Other current assets	174,491	132,552
Total current assets	3,853,852	3,977,883
Finance receivables, net	4,759,197	4,814,571
Property, plant and equipment, net	981,593	942,418
Goodwill	53,391	54,182
Deferred income taxes	167,729	99,614
Other long-term assets	74,478	84,309
	<u>\$ 9,890,240</u>	<u>\$ 9,972,977</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 235,318	\$ 235,614
Accrued liabilities	486,652	471,964
Short-term debt	1,055,708	1,201,380
Current portion of long-term debt, net	1,084,884	838,349
Total current liabilities	2,862,562	2,747,307
Long-term debt, net	4,666,975	4,832,469
Pension liability	84,442	164,888
Postretirement healthcare liability	173,267	193,659
Other long-term liabilities	182,836	195,000
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Preferred stock, none issued	—	—
Common stock, 180,595,054 and 344,855,704 shares issued, respectively	1,806	3,449
Additional paid-in-capital	1,381,862	1,328,561
Retained earnings	1,337,673	8,961,985
Accumulated other comprehensive loss	(565,381)	(615,205)
Treasury stock (4,647,345 and 160,121,966 shares, respectively), at cost	(235,802)	(7,839,136)
Total shareholders' equity	1,920,158	1,839,654
	<u>\$ 9,890,240</u>	<u>\$ 9,972,977</u>

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2016, 2015 and 2014
(In thousands)

	2016	2015	2014
Net cash provided by operating activities (Note 2)	\$ 1,174,339	\$ 1,100,118	\$ 1,146,677
Cash flows from investing activities:			
Capital expenditures	(256,263)	(259,974)	(232,319)
Origination of finance receivables	(3,664,495)	(3,751,830)	(3,568,423)
Collections on finance receivables	3,175,031	3,136,885	3,013,245
Proceeds from finance receivables sold	312,571	—	—
Sales and redemptions of marketable securities	40,014	11,507	41,010
Acquisition of business	—	(59,910)	—
Other	411	7,474	1,837
Net cash used by investing activities	(392,731)	(915,848)	(744,650)
Cash flows from financing activities:			
Proceeds from issuance of medium-term notes	1,193,396	595,386	991,835
Repayments of medium-term notes	(451,336)	(610,331)	(526,431)
Proceeds from issuance of senior unsecured notes	—	740,385	—
Repayment of senior unsecured notes	—	—	(303,000)
Proceeds from securitization debt	—	1,195,668	847,126
Repayments of securitization debt	(665,400)	(1,008,135)	(834,856)
Borrowings of asset-backed commercial paper	62,396	87,442	84,907
Repayments of asset-backed commercial paper	(71,500)	(72,727)	(77,800)
Net (decrease) increase in credit facilities and unsecured commercial paper	(145,812)	469,473	63,945
Net change in restricted cash	43,495	11,410	22,755
Dividends paid	(252,321)	(249,262)	(238,300)
Purchase of common stock for treasury	(465,341)	(1,537,020)	(615,602)
Excess tax benefits from share-based payments	2,251	3,468	11,540
Issuance of common stock under employee stock option plans	15,782	20,179	37,785
Net cash used by financing activities	(734,390)	(354,064)	(536,096)
Effect of exchange rate changes on cash and cash equivalents	(9,443)	(14,677)	(25,863)
Net increase (decrease) in cash and cash equivalents	\$ 37,775	\$ (184,471)	\$ (159,932)
Cash and cash equivalents:			
Cash and cash equivalents—beginning of period	\$ 722,209	\$ 906,680	\$ 1,066,612
Net increase (decrease) in cash and cash equivalents	37,775	(184,471)	(159,932)
Cash and cash equivalents—end of period	\$ 759,984	\$ 722,209	\$ 906,680

The accompanying notes are an integral part of the consolidated financial statements.