

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2017, 2016 and 2015
(In thousands, except per share amounts)

	2017	2016	2015
Revenue:			
Motorcycles and Related Products	\$ 4,915,027	\$ 5,271,376	\$ 5,308,744
Financial Services	732,197	725,082	686,658
Total revenue	5,647,224	5,996,458	5,995,402
Costs and expenses:			
Motorcycles and Related Products cost of goods sold	3,261,683	3,419,710	3,356,284
Financial Services interest expense	180,193	173,756	161,983
Financial Services provision for credit losses	132,444	136,617	101,345
Selling, administrative and engineering expense	1,181,641	1,217,439	1,220,095
Total costs and expenses	4,755,961	4,947,522	4,839,707
Operating income	891,263	1,048,936	1,155,695
Investment income	3,580	4,645	6,585
Interest expense	31,004	29,670	12,117
Income before provision for income taxes	863,839	1,023,911	1,150,163
Provision for income taxes	342,080	331,747	397,956
Net income	\$ 521,759	\$ 692,164	\$ 752,207
Earnings per common share:			
Basic	\$ 3.03	\$ 3.85	\$ 3.71
Diluted	\$ 3.02	\$ 3.83	\$ 3.69
Cash dividends per common share	\$ 1.46	\$ 1.40	\$ 1.24

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016
(In thousands, except share amounts)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 687,521	\$ 759,984
Marketable securities	—	5,519
Accounts receivable, net	329,986	285,106
Finance receivables, net	2,105,662	2,076,261
Inventories	538,202	499,917
Restricted cash	47,518	52,574
Other current assets	175,853	174,491
Total current assets	3,884,742	3,853,852
Finance receivables, net	4,859,424	4,759,197
Property, plant and equipment, net	967,781	981,593
Prepaid pension costs	19,816	—
Goodwill	55,947	53,391
Deferred income taxes	109,073	167,729
Other long-term assets	75,889	74,478
	<u>\$ 9,972,672</u>	<u>\$ 9,890,240</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 227,597	\$ 235,318
Accrued liabilities	529,822	486,652
Short-term debt	1,273,482	1,055,708
Current portion of long-term debt, net	1,127,269	1,084,884
Total current liabilities	3,158,170	2,862,562
Long-term debt, net	4,587,258	4,666,975
Pension liability	54,606	84,442
Postretirement healthcare liability	118,753	173,267
Other long-term liabilities	209,608	182,836
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, none issued	—	—
Common stock, 181,286,547 and 180,595,054 shares issued, respectively	1,813	1,806
Additional paid-in-capital	1,422,808	1,381,862
Retained earnings	1,607,570	1,337,673
Accumulated other comprehensive loss	(500,049)	(565,381)
Treasury stock (13,195,731 and 4,647,345 shares, respectively), at cost	(687,865)	(235,802)
Total shareholders' equity	<u>1,844,277</u>	<u>1,920,158</u>
	<u>\$ 9,972,672</u>	<u>\$ 9,890,240</u>

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2017, 2016 and 2015
(In thousands)

	2017	2016	2015
Net cash provided by operating activities (Note 2)	\$ 1,005,061	\$ 1,174,339	\$ 1,100,118
Cash flows from investing activities:			
Capital expenditures	(206,294)	(256,263)	(259,974)
Origination of finance receivables	(3,591,948)	(3,664,495)	(3,751,830)
Collections on finance receivables	3,228,311	3,175,031	3,136,885
Proceeds from finance receivables sold	—	312,571	—
Sales and redemptions of marketable securities	6,916	40,014	11,507
Acquisition of business	—	—	(59,910)
Other	547	411	7,474
Net cash used by investing activities	(562,468)	(392,731)	(915,848)
Cash flows from financing activities:			
Proceeds from issuance of medium-term notes	893,668	1,193,396	595,386
Repayments of medium-term notes	(800,000)	(451,336)	(610,331)
Proceeds from issuance of senior unsecured notes	—	—	740,385
Proceeds from securitization debt	—	—	1,195,668
Repayments of securitization debt	(444,671)	(665,400)	(1,008,135)
Borrowings of asset-backed commercial paper	469,932	62,396	87,442
Repayments of asset-backed commercial paper	(176,227)	(71,500)	(72,727)
Net increase (decrease) in credit facilities and unsecured commercial paper	212,809	(145,812)	469,473
Net change in restricted cash	8,458	43,495	11,410
Dividends paid	(251,862)	(252,321)	(249,262)
Purchase of common stock for treasury	(465,263)	(465,341)	(1,537,020)
Excess tax benefits from share-based payments	—	2,251	3,468
Issuance of common stock under employee stock option plans	11,353	15,782	20,179
Net cash used by financing activities	(541,803)	(734,390)	(354,064)
Effect of exchange rate changes on cash and cash equivalents	26,747	(9,443)	(14,677)
Net (decrease) increase in cash and cash equivalents	\$ (72,463)	\$ 37,775	\$ (184,471)
Cash and cash equivalents:			
Cash and cash equivalents—beginning of period	\$ 759,984	\$ 722,209	\$ 906,680
Net (decrease) increase in cash and cash equivalents	(72,463)	37,775	(184,471)
Cash and cash equivalents—end of period	\$ 687,521	\$ 759,984	\$ 722,209

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