COMPANY PROFILE

Harley-Davidson, Inc.
TABLE OF CONTENTS

Company Overview ........................................................................................................3
Key Facts .........................................................................................................................3
Business Description .....................................................................................................4
History .............................................................................................................................6
Key Employees .............................................................................................................15
Key Employee Biographies .........................................................................................16
Major Products & Services ..........................................................................................20
SWOT Analysis .............................................................................................................22
Top Competitors ...........................................................................................................26
Company View ..............................................................................................................27
Locations And Subsidiaries ........................................................................................31
COMPANY OVERVIEW

Harley-Davidson, Inc. (Harley) is involved in the design, manufacture, and sale of street-legal motorcycles as well as motorcycle parts, accessories and general merchandise. It sells its motorcycles and accessories through a network of retailers spread globally. The company also provides financial services such as servicing for wholesale inventory receivables and retail consumer loans, primarily for the purchase of Harley-Davidson motorcycles, through its subsidiary Harley Davison Financial services (HDFS). HDFS also offers motorcycle insurance and protection production in a collaboration with other unaffiliated insurance companies. Harley operates in North America, Europe/Middle East/Africa (EMEA), Asia-Pacific, and Latin America. It is headquartered in Milwaukee, Wisconsin, the US.

The company reported revenues of (US Dollars) US$5,647.2 million for the fiscal year ended December 2017 (FY2017), a decrease of 5.8% over FY2016. In FY2017, the company’s operating margin was 15.8%, compared to an operating margin of 17.5% in FY2016. In FY2017, the company recorded a net margin of 9.2%, compared to a net margin of 11.5% in FY2016.

The company reported revenues of US$1,713.2 million for the third quarter ended July 2018, an increase of 11.1% over the previous quarter.

KEY FACTS

| Head Office | Harley-Davidson, Inc.  
|            | 3700 West Juneau Avenue  
|            | Milwaukee  
|            | Wisconsin  
|            | Milwaukee  
|            | Wisconsin  
|            | USA  
| Phone | 1 414 3434782  
| Fax |  
| Web Address | www.harley-davidson.com  
| Revenue / turnover (USD Mn) | 5,647.2  
| Financial Year End | December  
| Employees | 5,200  
| New York Stock Exchange Ticker | HOG  

© MarketLine
BUSINESS DESCRIPTION

Harley-Davidson, Inc. (Harley) is the parent company for the group of companies doing business as Harley-Davidson Motor (HDMC) and Harley-Davidson Financial Services (HDFS). The company produces street-legal motorcycles, motorcycle parts, accessories, and general merchandise. It also provides wholesale and retail financing and insurance-related programs primarily to HDMC dealers and customers. The company conducts business on a global basis, with sales in North America, Europe/Middle East/Africa (EMEA), Asia-Pacific, and Latin America.

The company operates through two business segments: Motorcycles and Related Products (Motorcycles), and Financial Services.

The Motorcycles segment designs, manufactures, and sells wholesale street-legal motorcycles as well as a line of motorcycle parts, accessories, general merchandise and related-services. The company manufactures six platforms of motorcycles: Touring, Dyna, Softail, Sportster, V-Rod, and Street. The first four of these motorcycle platforms are powered by air-cooled, or combination air-and liquid-cooled, twin cylinder engines with a 45-degree 'V' configuration. The V-Rod and Street platforms are powered by liquid-cooled, twin cylinder engines with a 60-degree 'V' configuration. Harley's engines currently range in displacement from 494cc (cubic centimeters) to 1802cc. The company's touring models include the Harley-Davidson Touring platform of motorcycles, including three-wheeled motorcycles, which are generally equipped with fairings, windshields, saddlebags and/or Tour Pak luggage carriers. The cruiser category of the market includes the company's Dyna, Softail, V-Rod, Sportster, and Street motorcycle platforms.

The company also provides a variety of services to its independent dealers, including motorcycle service and business management training programs, customized dealer software packages, and a motorcycle rental program. In FY2015, the company operated 1,435 full service dealerships and secondary retail locations (SRLs), globally, including 694 in the US, 69 in Canada, 369 in EMEA, 273 in Asia-Pacific, and 55 in Latin America. During FY2015, the company shipped a total of 266,382 motorcycle units, including 170,688 units in the US and 95,694 units in international markets. Additionally, these 266,382 units consisted of 114,768 touring motorcycle units, 89,207 cruiser motorcycle units and 62,407 Sportster motorcycle units. Moreover, the company's total retail sales totaled 264,627 vehicles, including 189,082 vehicles in the Americas region, 43,287 vehicles in EMEA, and 32,258 vehicles in the Asia-Pacific region. In FY2017, the segment reported revenues of US$4,915 million, which accounted for 87% of the company’s total revenue.

The Financial Services segment consists of HDFS, which is engaged in the business of financing and servicing wholesale inventory receivables and retail consumer loans, primarily for the purchase of Harley motorcycles. The segment principally conducts its business in the US and Canada and primarily through certain subsidiaries such as Harley-Davidson Credit Corp, Eaglemark Savings Bank, Harley-Davidson Insurance Services, and Harley-Davidson Financial Services Canada. The segment provides wholesale financial services to the company's dealers and distributors, including floorplan and open account financing of motorcycles and motorcycle parts and accessories.

Additionally, the segment provides retail financing to consumers, consisting primarily of installment
lending for the purchase of new and used motorcycles of the company. The segment also provides insurance services, including motorcycle insurance, extended service contracts, credit protection and motorcycle maintenance protection. The company’s financial services and products are licensed under HARLEY DAVIDSON, H-D, and the Bar & Shield logo. In FY2017, the segment reported revenues of US$732.2 million, which accounted for 13% of the company’s total revenue.
HISTORY

Contracts/Agreements

Year: 2018

In January, the company to shut down manufacturing plant due to fall in revenue in Kansas City, Missouri, the US.

New Products/Services

Year: 2016

Harley launched Milwaukee-Eight engine, in August 2016.

Acquisitions/Mergers/Takeovers

Year: 2015

In August 2015, the company acquired certain assets and liabilities from Fred Deeley Imports, Ltd. for total consideration of $59.9 million.

Others

Year: 2014


New Products/Services

Year: 2014

Harley introduced its 2015 model lineup, including Road Glide motorcycle, Road Glide Special motorcycle, Freewheeler Trike, Electra Glide Ultra Classic Low and Ultra Limited Low motorcycles, CVO Street Glide motorcycle, and CVO Road Glide Ultra motorcycle, also in 2014.

New Products/Services

Year: 2014

In 2014, the company unveiled the new Harley-Davidson Riding Academy, the only national rider training program hosted by Harley-Davidson dealerships and conducted on an all-new Harley-Davidson motorcycle. In the same year, Harley unveiled Project LiveWire, the first electric Harley-Davidson
motorcycle.

New Products/Services

Year: 2014

During 2014, the company unveiled the new Harley Street 750 motorcycle and launched project RUSHMORE. In addition, the company showcased two new motorcycles (Low Rider and SuperLow 1200T) that help to expand the company's diverse line-up of street bikes.

New Products/Services

Year: 2013

Harley introduced two new Dark Custom motorcycles, the Harley Street 750 and Street 500 motorcycles, designed for young urban riders, in 2013. In the same year, the company introduced new online Gift Guide at h-d.com/holiday. The guide is packed full of items such as latest motorcycle fashions; and apparels including jackets, hats, collectibles and tech and audio toys.

Corporate Changes/Expansions

Year: 2013

In the mid of 2013, Harley-Davidson India expanded its completely knocked down (CKD) line-up in India, adding the Fat Boy, Heritage Softail Classic and Fat Boy Special models.

New Products/Services

Year: 2013

Further in 2013, Harley launched the Roadside Assistance Program in association with INDIA ASSISTANCE, a 100% subsidiary of MAPFRE ASSISTANCE. The new roadside assistance program from Harley-Davidson India provides on-road assistance support to registered Harley owners in all nine dealership locations across India.

Contracts/Agreements

Year: 2013

In early 2013, the company partnered with Wiley X to launch a new line of premium eyewear called Harley-Davidson Performance Eyewear by Wiley X.

New Products/Services

Year: 2012
During 2012, Harley introduced two new motorcycle models, the Seventy-Two and the Softail Slim. In the same year, the company launched the Custom Vehicle Operations Breakout limited-production model.

**Business / Operations Closure**

Year: 2011

Subsequently, the company ceased operations at New Castalloy, its Australian subsidiary producer of cast motorcycle wheels and wheel hubs, and planned to source those components through other existing suppliers, in 2011.

**Incorporation/Establishment**

Year: 2011

Further in 2011, Harley opened a new permanent Latin America headquarters in Miami, Florida.

**Others**

Year: 2011

In 2011, Harley implemented a new production system at its Kansas City, Montana vehicle operations following a vote by the plant’s unionized employees ratifying a new seven-year labor agreement. Subsequently, the company delivered 15 models in the 2012 Touring, Trike (North America only) and Sportster lines to its dealers in the US and Europe.

**Incorporation/Establishment**

Year: 2011

Subsequently, the company announced its plans to set up a motorcycles assembly facility in India by 2011.

**Contracts/Agreements**

Year: 2010

In 2010, Toys and gifts supplier Russ Berrie partnered with Harley, to launch a range of licensed souvenirs. In addition, Harley sold its subsidiary, MV Agusta, to Claudio Castiglioni and his wholly owned holding company, MV Agusta Motor Holding.

**Incorporation/Establishment**

Year: 2010
During 2010, the company opened three dealerships in India.

**Others**

Year: 2009

Also in 2009, Harley sold its Buell product line and ceased production of Buell motorcycles.

**New Products/Services**

Year: 2009

During 2009, the company rolled out nine new models for 2010, the Electra Glide Ultra limited model; the Electra Glide Ultra limited model; the Wide Glide; new Street Glide Trike; new Fat Boy Lo; 2010 Street Glide model and etc.

**New Products/Services**

Year: 2009

Buell Motorcycle introduced 1125RR racing motorcycle in 2009.

**Acquisitions/Mergers/Takeovers**

Year: 2008

Also during 2008, the company acquired the privately-held Italian motorcycle maker, MV Agusta Group.

**Incorporation/Establishment**

Year: 2008


**Incorporation/Establishment**

Year: 2008

In 2008, the company opened the Harley-Davidson Museum.

**New Products/Services**

Year: 2008
In 2008, Harley launched a new Softail model motorcycle.

**New Products/Services**

Year: 2007

In 2007, Buell Motorcycle introduced the Buell 1125R, a sportbike powered by an 1125cc liquid-cooled V-Twin engine.

**New Products/Services**

Year: 2007

Harley launched XL 1200N Nightster, a sportster motorcycles, in 2007.

**Contracts/Agreements**

Year: 2006

In 2006, Harley-Davidson Motor partnered with Lehman Trikes of Spearfish, a three wheeler producer, for the development of three-wheeled vehicles.

**Corporate Changes/Expansions**

Year: 2006

In 2006, Harley entered into mainland China, with the appointment of Beijing Feng Huo Lun as the first authorized Harley dealer to offer motorcycles, related products and after sales service.

**Others**

Year: 2005

In 2005, Harley motor cycles were selected to serve the Los Angeles Police Department.

**New Products/Services**

Year: 2004

The company introduced the FLHRSI Road King Custom, a motorcycle with low rear suspension and wide handlebars, in 2004.

**New Products/Services**

Year: 2003
It also introduced Lightning XB9S in 2003.

**New Products/Services**

**Year: 2002**

In 2002, Buell Motorcycle introduced the Buell Firebolt storms (motorcycle).

**New Products/Services**

**Year: 2001**

In 2001, Harley introduced VRSCA V-Rod, a racing motorcycle.

**Corporate Changes/Expansions**

**Year: 2001**

The company expanded its product development center (Milwaukee), as well as Tomahawk, Wisconsin, York, and Pennsylvania facilities, in 2001.

**Incorporation/Establishment**

**Year: 1998**

In 1998, Harley opened a new assembly facility in Manaus, Brazil. In the same year, the company bought the remaining stake in Buell Motorcycle.

**Incorporation/Establishment**

**Year: 1997**

In 1997, the company established a product development center in Milwaukee and a plant in Kansas City to produce its Sportstar branded motorcycles.

**Incorporation/Establishment**

**Year: 1996**

In 1996, Harley opened a parts and accessories distribution center in Franklin, Wisconsin, the US.

**Acquisitions/Mergers/Takeovers**

**Year: 1993**
The company acquired a minority interest in the Buell Motorcycle, created by Buell to manufacture American sport motorcycles using Harley-Davidson engines, in 1993.

Incorporation/Establishment

Year: 1992


Others

Year: 1987

The company's stock was transferred to the New York Stock Exchange in 1987.

Others

Year: 1986

The company returned to public ownership as the company's stock began trading on the American Stock Exchange in 1986.

Others

Year: 1983

Later, Harley petitioned the International Trade Commission for tariff relief, which was granted in 1983 for a period of five years. It was placed on all imported Japanese motorcycles of 700cc or larger, as a response to Japanese motorcycle manufacturers stockpiling inventories of unsold motorcycles in the US.

Others

Year: 1973

In 1973, the company's assembly operations were moved to a 400,000 square foot plant in York, Pennsylvania.

Acquisitions/Mergers/Takeovers

Year: 1962

The company also acquired 60% stake in Tomahawk Boat Manufacturing in 1962. It established Tomahawk, Wisconsin division for the production fiberglass used in motorcycle production, in the same
year.

Others

Year: 1960

Harley purchased a 50% interest in Aeronatica-Macchi in 1960, forming Aermacchi Harley-Davidson, a European division that produced small and single cylinder motorcycles.

Others

Year: 1935

The company licensed blueprints, tools, dies and machinery to the Sankyo of Japan, in 1935. Harley sold more than 90,000 motorcycles by 1945, to the US allied military forces.

Others

Year: 1918

Later in 1918, Harley sold half of its production of motorcycles (approximately 20,000) to the US allied forces in World War I.

Others

Year: 1912

In 1912, Harley started exporting motorcycles to Japan, marking the first ever sales outside the US.

Incorporation/Establishment

Year: 1907

The company was incorporated in 1907.

Incorporation/Establishment

Year: 1904

Harley opened a dealership CH Lang in Chicago, Illinois in 1904.

Incorporation/Establishment

Year: 1903
Harley-Davidson, Inc. (Harley or 'the company') was founded in 1903, when William Harley and Walter and Arthur Davidson handcrafted their first motorcycles in Milwaukee, Wisconsin.
# KEY EMPLOYEES

<table>
<thead>
<tr>
<th>Name</th>
<th>Job Title</th>
<th>Board</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew S. Levatich</td>
<td>Chief Executive Officer, Director, President</td>
<td>Executive Board</td>
<td>11116676 USD</td>
</tr>
<tr>
<td>Michael J. Cave</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>395000 USD</td>
</tr>
<tr>
<td>R. John Anderson</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>235000 USD</td>
</tr>
<tr>
<td>Sara L. Levinson</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>235000 USD</td>
</tr>
<tr>
<td>N. Thomas Linebarger</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>255000 USD</td>
</tr>
<tr>
<td>Jochen Zeitz</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>250000 USD</td>
</tr>
<tr>
<td>Maryrose Sylvester</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>240000 USD</td>
</tr>
<tr>
<td>Brian Niccol</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>235000 USD</td>
</tr>
<tr>
<td>Lawrence G. Hund</td>
<td>Chief Operating Officer-HDFS, President-HDFS</td>
<td>Senior Management</td>
<td>2955036 USD</td>
</tr>
<tr>
<td>John A. Olin</td>
<td>Chief Financial Officer, Senior Vice President</td>
<td>Senior Management</td>
<td>4198636 USD</td>
</tr>
<tr>
<td>Michelle A. Kumbier</td>
<td>Chief Operating Officer</td>
<td>Senior Management</td>
<td>3800539 USD</td>
</tr>
<tr>
<td>Joanne M. Bischmann</td>
<td>Chief Communications Officer, Vice President</td>
<td>Senior Management</td>
<td></td>
</tr>
<tr>
<td>Tchernavia Rocker</td>
<td>Vice President, Human Resources</td>
<td>Senior Management</td>
<td>USD</td>
</tr>
<tr>
<td>Paul J. Jones</td>
<td>Chief Learning Officer, Vice President-Startegy and Sustainability</td>
<td>Senior Management</td>
<td>2297209 USD</td>
</tr>
<tr>
<td>Sajeev Rajasekharan</td>
<td>Managing Director-India</td>
<td>Senior Management</td>
<td></td>
</tr>
<tr>
<td>Peter Mackenzie</td>
<td>Managing Director-India</td>
<td>Senior Management</td>
<td></td>
</tr>
<tr>
<td>Troy Alstead</td>
<td>Director</td>
<td>Non Executive Board</td>
<td></td>
</tr>
<tr>
<td>Allan Golston</td>
<td>Director</td>
<td>Non Executive Board</td>
<td>443376 USD</td>
</tr>
</tbody>
</table>
KEY EMPLOYEE BIOGRAPHIES

Matthew S. Levatich

Board: Executive Board
Job Title: Chief Executive Officer, Director, President
Since: 2015
Age: 53

Mr. Levatich has been the President and Chief Executive Officer at Harley-Davidson, Inc. (Harley or 'the company') since 2015. Previously, he was the President and Chief Operating Officer at Harley-Davidson Motor Company (HDMC). Prior to that, Mr. Levatich served as the President and Managing Director at MV Agusta, a former subsidiary of the company, from 2008 through 2009. From 2007 through 2008, he was the General Manager of parts and accessories and custom vehicle operations at HDMC. From 2003 to 2007, he was the Vice President of materials management at HDMC. Mr. Levatich joined Harley in 1994.

Michael J. Cave

Board: Non Executive Board
Job Title: Director
Age: 57

Mr. Cave currently serves as the Chairman at Harley. He was the Senior Vice President at Boeing from 2010 to 2014. Mr. Cave also served as the President at Boeing Capital, a wholly owned Boeing subsidiary from 2010 to 2014. He previously served as the Senior Vice President of Business Development and Strategy at Boeing. Mr. Cave also served as the Senior Vice President and Chief Financial Officer at Boeing Commercial Airplanes.

R. John Anderson

Board: Non Executive Board
Job Title: Director
Since: 2010
Age: 66

Mr. Anderson has been a Director at Harley since 2010. Previously, he served as the President and Chief Executive Officer at Levi Strauss from 2006 to 2011. Among other leadership positions in his 30-year career at Levi Strauss, Mr. Anderson served as the President at Levi’s Asia Pacific Division and the President at the Global Sourcing Organization at Levi Strauss. Before that, he was the President at Levi Strauss Canada and Latin America and also served as the interim President at Levi Strauss Europe; and the Vice President of Merchandising and Product Development for the US.
Sara L. Levinson

Board: Non Executive Board
Job Title: Director
Since: 1996
Age: 67

Ms. Levinson has been a Director at Harley since 1996. She has been the Co-founder and Director at Kandu since 2013. Ms. Levinson was the Non Executive Chairman at ClubMom from 2002 to 2008. She previously served as the Chairman and Chief Executive Officer at ClubMom from 2000 to 2002. Ms. Levinson was the President at NFL Properties from 1994 to 2000. Prior to that, she served as the President and Business Director at MTV: Music Television. Ms. Levinson is also a Director at Macy's.

N. Thomas Linebarger

Board: Non Executive Board
Job Title: Director
Since: 2008
Age: 55

Mr. Linebarger has been a Director at Harley since 2008. He has also been the Chairman and Chief Executive Officer at Cummins since 2012. Previously, Mr. Linebarger served as the President and Chief Operating Officer at Cummins from 2008 to 2012. He served as the Executive Vice President at Cummins and the President at Cummins Power Generation from 2005 to 2008. Before that, Mr. Linebarger served as the President at Cummins Power Generation from 2003 to 2005 and as the Chief Financial Officer from 2000 to 2003. He is also a Director at Cummins. Mr. Linebarger was a Director at Pactiv from 2005 to 2010.

Jochen Zeitz

Board: Non Executive Board
Job Title: Director
Since: 2007
Age: 54

Mr. Zeitz has been a Director at Harley since 2007. He is currently a Director at Kering (formerly known as PPR). Earlier, Mr. Zeitz served as the Chief Executive Officer of the Sport and Lifestyle division at PPR and the Chief Sustainability Officer from 2010 to 2012. He also formerly served as the Chairman and Chief Executive Officer at PUMA from 1993 to 2011. Mr. Zeitz began his career at Colgate-Palmolive prior to joining PUMA in 1990.

Maryrose Sylvester

Board: Non Executive Board
Job Title: Director
Since: 2016
Age: 52

Ms. Sylvester had been a Director at Harley since July 2016. She currently serves as the President and Chief Executive Officer at Current, powered by GE.

**Brian Niccol**

Board: Non Executive Board  
Job Title: Director  
Since: 2016  
Age: 44

Mr. Niccol has been a Director at Harley since July 2016. He currently serves as the Chief Executive Officer at Taco Bell Corp.

**Lawrence G. Hund**

Board: Senior Management  
Job Title: Chief Operating Officer-HDFS, President-HDFS  
Age: 61

Mr. Hund currently serves as the President and Chief Operating Officer at HDFS, which is a subsidiary of Harley. He held a wide range of executive roles throughout his 30-year career. Upon joining HDFS in 2002, Mr. Hund served as the Vice President of Operations and Chief Financial Officer and was also the Interim Chief Operating Officer from 2006 to 2007. He left HDFS in 2007 to join a start-up finance company and rejoined HDFS in 2009. Earlier, Mr. Hund spent 17 years at Heller Financial and in the six years prior to Heller's purchase by GE Capital served as its Executive Vice President and Controller.

**John A. Olin**

Board: Senior Management  
Job Title: Chief Financial Officer, Senior Vice President  
Age: 57

Mr. Olin currently serves as the Senior Vice President and Chief Financial Officer at Harley. He joined the company in 2003 as the Vice President and Controller. Prior to that, Mr. Olin served as a Controller at Kraft Foods' Cheese Division, and had 12 years of financial experience at Kraft, Oscar Mayer Foods, and Miller Brewing. He also held positions at financial services and specialized consulting firms, including Ernst and Whinney (now Ernst and Young).

**Michelle A. Kumbier**

Board: Senior Management  
Job Title: Chief Operating Officer  
Since: 2017  
Age: 51
Ms. Michelle A. Kumbier has been Chief Operating Officer of Harley-Davidson Motor Co since October 2017. Ms. Kumbier served as Senior Vice President of the Motor Company Product and Operations at Harley from 2015 to 2017. She joined the company in 1997. In 2007, Ms. Kumbier was promoted as the Vice President of Materials Management, adding responsibility for corporate quality leadership in 2009. In 2010, she was named the Senior Vice President of Product Development. Ms. Kumbier was the Senior Vice President of Motorcycle Operations from 2012 to 2015. Prior to joining Harley, she spent 11 years at Kohler, where she held various positions within the Plumbing and Engine divisions.

**Joanne M. Bischmann**

Board: Senior Management  
Job Title: Chief Communications Officer, Vice President  
Since: 2010  
Age: 56

Ms. Bischmann has been the Vice President of Communications at Harley since 2010. She has been with the company since 1990. Prior to her current role, Ms. Bischmann served as the Manager of Advertising and Promotions, the Director of Marketing, the Vice President of Marketing, and the Vice President of Licensing and Special Events at the company. She was previously employed at Hoffman, York and Compton of Milwaukee.

**Tchernavia Rocker**

Board: Senior Management  
Job Title: Vice President, Human Resources

Ms. Rocker currently serves as the Vice President of Human Resources at Harley. She joined the company in 2001 and served in various HR leadership roles. Ms. Rocker previously served as a Director at the Urban Economic Development Association, Progressive Community Health Centers, the Crispus Attucks Center and the South George Street Community Partnership. She currently serves as a Director at the Next Door Foundation and Mount Mary University in Milwaukee. Ms. Rocker is a member of the Society for Human Resource Management and the National Black MBA Association.

**Paul J. Jones**

Board: Senior Management  
Job Title: Chief Learning Officer, Vice President-Strategy and Sustainability  
Since: 2016  
Age: 47

Mr. Jones has been the Vice President of Strategy and Sustainability; Chief Legal Officer at Harley since February 2016. Previously, he served as the Vice President, General Counsel, and Secretary at the company. Prior to joining Harley, he served as the Vice President, General Counsel, and Secretary at Regal Beloit.
MAJOR PRODUCTS & SERVICES

Harley is involved in the design, manufacture and sale of street-legal motorcycles as well as motorcycle parts, accessories, and general merchandise. The company’s key products, services and brands include the following:

Products:

Motorcycles and related products:
Motorcycles:
Cruiser
Touring

Parts and accessories:

Replacement parts
Mechanical and cosmetic accessories

General Merchandise:

Riding gear
Helmets
Boots
Eyewear
Motorcycle apparel
Shirts and T-shirts
Hats and Caps
Footwear
Bags and Luggage
Jeans
Gloves
Accessories
Jewelry
Dresses

Harley-Davidson museum

Services:

Business management training programs
Motorcycle rider training
Motorcycle rental service

Financial services:

Wholesale financial services
Retail financial services
Insurance services
Funding services

Brands:

Harley-Davidson
Harley
H-D
Dyna
Softail
Touring
Sportster
V-Rod
MotorClothes
H.O.G.
The Bar & Shield Logo
Harley-Davidson, Inc. (Harley) designs, manufactures and sales motorcycles as well as motorcycle parts, accessories and general merchandise. Strong research and development, market position and brand image, and wide distribution network are the company’s major strengths, even as highly leveraged capital structure remains a cause of concern. In the future, intense competition in the industry, reliance on third-party suppliers, and increasing labor costs could affect its business operations. However, positive outlook for global motorcycle industry and launch of new models provide growth opportunities to the company.

### SWOT ANALYSIS

**Strength**

- Strong research and development capabilities
- Strong market position and brand image
- Wide distribution network enhances geographic reach

**Weakness**

- Highly leveraged capital structure

**Opportunity**

- New product and market development strategies could help in business expansion
- Launch of 2018 Softails line-up
- Positive outlook for global motorcycle industry

**Threat**

- Intense competition
- Reliance on third party suppliers
- Increasing labor costs

### Strength

**Strong research and development capabilities**

Harley focuses heavily on quality research and development (R&D) in order to develop products by using latest technologies and innovation. Its R&D expense during FY2017, FY2016 and FY2017 stood at US$175.2 million, US$172.3 million, and US$161.2 million, respectively. Its Product Development Center (PDC) undertakes the development of new and better quality engines and allied products. The company focuses on delivering well designed motorcycles with minimum noise and maximum torque and safety features. In the FY2015, the company spent US$172.3 million on its R&D activities, which stood at 2.9% of the company’s total revenue.

**Strong market position and brand image**

Harley is one of the leading American motorcycle manufacturers. It has been enjoying the largest share of the US (601+cc) motorcycle market. In FY2017, FY2016, and FY2015, the company's market shares in the US, based on official retail registrations of new Harley Davidson motorcycles, were 50.7%, 51.2%, and 50.2% respectively under the aforementioned category. Also in Europe, the company's market share for 601+cc motorcycles based on official registrations was 9.8%, 10.8%, and 10.5% in FY2017, FY2016, and FY2015, respectively. The company also competes in other markets around the world. The most significant other markets for the company, based on the company's retail sales data, are Japan, Canada,
Australia, and Brazil. In addition, the company has a strong and unique brand image. The company's motorcycles feature classic styling, design, distinctive sound, and superior quality with the ability to customize. It markets its products under the Harley-Davidson, Harley, H-D, Dyna, Softail, Sportster, V-Rod, MotorClothes, and H.O.G brands. In addition, the financial services and products of the company are licensed under Harley-Davidson, H-D and the Bar & Shield logo. Thus, strong market position coupled with a strong brand image enables the company to gain more business and enhance shareholder's value.

Wide distribution network enhances geographic reach

The company markets its vehicles through a network of independent dealers and distributors. By the end of FY2017, the company had 1,498 of independent dealers across the globe. The company has 698 independent dealerships in the US, most for any geographic location. In Canada, there are approximately 68 independent Harley dealerships, including secondary locations. In the EMEA region, the company sells its motorcycles and related products through 398 full service dealerships. In addition, Harley's distribution network includes 276 full service dealerships in Asia Pacific region and 58 full service dealerships in Latin America region. In FY2017, the company added 57 new international dealerships, and is planning to add an additional 150 to 200 dealerships through 2016 to 2020. Such a strong network of dealers spanned across different geographic locations allows Harley to meet demand for its products in multiple regions through a cost-efficient way.

Weakness

Highly leveraged capital structure

Harley is operating at a very high leverage as majority of its operations are debt financed. At the end of fiscal year 2017, it reported the debt-to-equity ratio of 3.8 compared to 0.6 and 0.4 of its major competitor, Yamaha motors and Honda motors, respectively. Not only that the company has been operating on high leverage, its cash and equivalents have declined at a CAGR of 10.4% from US$1066.6 million in FY2013 to US$687.5 million in FY2017. The depleting cash reserves coupled with increasing debt obligations could affect the company’s liquidity and overall financial stability in a long-term.

Opportunity

New product and market development strategies could help in business expansion

Harley focuses on new product and market development strategies. For instance, in 2014, Harley revealed Project LiveWire, an electric motorcycle, and began offering demonstration rides in the US which the company plans to expand to Europe, Canada and Asia-Pacific in 2015. The new electric motorcycle, LiveWire, is strictly a concept as of now, but could go into mass production in 2016. Through LiveWire, Harley expects to unlock the potential in the electric high-power motorcycle market. Electric motorcycles could attract higher revenues by leveraging Harley’s strong brand name and increasing popularity of environmentally viable modes of transport.
In addition, the company’s 2015 model year lineup features seven new project RUSHMORE bikes, including Freewheeler Electra Glide Ultra Classic Low, Ultra Limited Low, CVO Street Glide and return of the Road Glide. The company also rolled out Harley-Davidson Street 750 and Street 500, designed for a new generation of urban riders. Furthermore, the company has been enhancing the geographic footprint of its financial services segment to further boost sales. In FY2014, the company entered into agreements with local lenders, insurance companies and brokers to add 11 finance and insurance programs in Latin America, Asia-Pacific and EMEA, including retail finance programs in Vietnam, Chile, Russia, Portugal and Finland. At the end of FY2014, HDFS facilitated 82 finance and insurance programs across 32 countries.

Thus, such product and market development strategies could significantly drive the company’s sales and market share in years to come.

Launch of 2018 Softails line-up

In August 2017, Harley launched its new line-up of 2018 Softails which is featured with all-new designs that strongly differentiate it with the company’s previous models. The new model of motorcycles came after the result of the company’s extensive R&D which put into the design of the model. The major differentiator between 2017 and 2018 models is that the latter are 35 pounds lighter than the former, thus enabled to deliver an improved power-to-weight ratio that provides quicker acceleration. The company’s continuous efforts to develop and design models using latest enables it to attract more customers and would propel its financial growth.

Positive outlook for global motorcycle industry

The global motorcycle industry looks set to grow strongly in the coming years. According to in-house reports, the value of global motorcycle manufacturing industry is estimated to reach US$93,450.1 million by the end of 2019. Harley is one of the leading motorcycle manufacturing companies in the world. The company designs, manufactures and sells motorcycles as well as a line of motorcycle parts, accessories, general merchandise and related services. The company conducts business on a global basis, with sales in North America, EMEA, Asia-Pacific and Latin America. Thus, the strong outlook for the global motorcycles market coupled with its new product launches could provide growth opportunities for the company.

Threat

Intense competition

The company faces intense competition from other players in the market in which operates. Competition in the motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features, warranties, availability of financing and quality of dealer network. The company competes with a number of US and international companies, including Ducati, Honda Motor, Polaris Industries, Kawasaki, Suzuki Motors, and Yamaha Motors, among others. Many of these competitors are more diversified and have financial and marketing resources which are substantially greater than those of Harley. Also, Harley’s manufacturer’s suggested retail price for its motorcycles is generally higher than its
competitors, and if price becomes a more important competitive factor for consumers in the markets in which the company competes, it may be at a competitive disadvantage. In addition, the company’s financial services operations face competition from various banks, insurance companies and other financial institutions that may have access to additional sources of capital at more competitive rates and terms, particularly for borrowers in higher credit tiers. Therefore, working in such a competitive environment exerts continued pressure on the operations of the company, which may result in a further downward price that could adversely impact Harley’s financial condition and results of operations.

Reliance on third party suppliers

Harley relies on third party suppliers to obtain raw materials and provide component parts for use in the manufacture of its motorcycles. In certain circumstances, the company relies on a single supplier to provide the entire requirement of a specific part and a change in this established supply relationship may cause disruption in the company’s production schedule. Therefore, the company can experience supply problems such as unfavorable pricing or untimely delivery of raw materials and components. In addition, the price and availability of raw materials and component parts from suppliers can be adversely affected by factors such as the supply of a necessary raw material or natural disasters. Furthermore, adverse economic conditions and related pressure on select suppliers due to difficulties in the global manufacturing arena could adversely influence their ability to continue their supply to the company. Thus, potential risks associated with the suppliers may have a material adverse impact on the company’s business and results of operations.

Increasing labor costs

Labor costs in the US have increased in the recent past. The tight labor markets, government mandated increase in minimum wages and a higher proportion of full-time employees result in an increase in labor costs. With more than 5,200 employees, Harley will be significantly impacted if rise in labor costs persist. The federal minimum wage provisions are contained in the Fair Labor Standards Act (FLSA). The minimum wage rate in the US remained at US$7.25 per hour in January 2017. The 29 states and the District of Columbia have minimum wages more than federal rate. These wages range from US$8 per hour in Arkansas, US$7.5 per hour in Maine, and New Mexico to US$9.47 per hour in Washington. The minimum wage in California reached US$10 per hour. Harley has taken several initiatives to expand its stores, which requires increasing its employee base. Therefore rising manpower cost could increase the company’s cost structure and impact its operational efficiency in the long-term.
TOP COMPETITORS

The following companies are the major competitors of Harley-Davidson, Inc.

Ducati Motor Holding S.p.A.
Honda Motor Co., Ltd.
Polaris Industries Inc.
Suzuki Motor Corporation
Triumph Motorcycles Ltd
Yamaha Motor Co., Ltd.
COMPANY VIEW

An excerpt of ‘Management's Discussion and Analysis of Financial Condition and Results of Operations’ is given below. The statement is taken from the company’s 10-K report for FY2017.

Overview

The Company’s net income for 2017 was $521.8 million, or $3.02 per diluted share, compared to $692.2 million, or $3.83 per diluted share, in 2016.

Operating income from the Motorcycles segment was down $157.4 million compared to 2016 primarily due to a 7.9% decrease in wholesale motorcycle shipments. Operating income from the Financial Services segment in 2017 was slightly lower than the prior year, decreasing $0.2 million, or 0.1%.

Worldwide independent dealer retail sales of new Harley-Davidson motorcycles decreased 6.7% in 2017 compared to the prior year. U.S. retail sales fell 8.5% and international retail sales decreased 3.9% compared to 2016. In the U.S., the 601+cc motorcycle industry continued to face significant challenges and international retail sales finished below the Company's expectations.

In 2017, the Company remained committed to a disciplined supply management approach focused on allowing U.S. dealers to achieve the right quantity and model-year mix of motorcycle inventory. The Company also focused on positioning its cost structure to better compete in the current environment. At the same time, the Company remained grounded in its long-term strategy and made good progress on its long-term objective to build riders globally. In 2017, the Company finished the year with a net increase of over 32,000 Harley-Davidson riders in the U.S. compared to the prior year. (Source: IHS Markit Motorcycles in Operation (MIO) data for On-Highway and Dual Purpose bikes in the U.S. as of January 1, 2018)

In 2018, the Company expects new Harley-Davidson motorcycle retail sales to grow internationally, but continues to expect challenges in the U.S. The Company's global retail expectations and disciplined supply strategy are reflected in its expectation for reduced wholesale shipments in 2018. In addition, to further improve its cost structure and maintain its world-class manufacturing operations, the Company is commencing a significant, multi-year manufacturing optimization plan anchored by the consolidation of its final assembly plant in Kansas City, Missouri into its plant in York, Pennsylvania. As the operations are consolidated, the Company expects approximately 800 jobs will be eliminated with the closure of Kansas City operations and approximately 450 jobs will be added in York by 2019. As part of this manufacturing optimization plan the Company will also close its wheel operations in Adelaide, Australia.

As the Company looks forward, it will continue to focus on its long-term strategy of growing ridership in the U.S. and growing its reach and impact internationally, while growing market share and profitability globally. In 2018, the Company will continue to expand its independent dealer network outside the U.S. In addition, operations will begin at the Company's new facility in Thailand. This plant, like the Company's facility in Brazil, will support more competitive retail pricing in some of the emerging markets that this plant will serve by reducing the tax and tariff burden that fully assembled imports carry in those markets.
In 2018, the Company will also continue to invest in new products. A portion of the benefit from the 2017 Tax Cuts and Jobs Act (2017 Tax Act) enacted in the U.S. in late 2017 will support the Company's objective to invest in high-impact product by redefining product in traditional spaces and expanding into new spaces such as the rapidly evolving electric vehicle landscape. The Company plans to bring Project Livewire, an electric Harley-Davidson motorcycle, to market within 18 months and will increase its investment in electric motorcycle technology, products and infrastructure in 2018 and beyond. The Company expects its increased commitment and investment will help accelerate the development of this market and assure its leadership in electric motorcycles.

Outlook

On January 30, 2018 the Company announced the following expectations for 2018.

The Company expects to ship between 231,000 and 236,000 motorcycles to dealers in 2018, which is down approximately 2% to 4% from 2017. The Company's shipment expectation assumes that U.S. dealer retail sales will be down, partially offset by growth in international retail sales. The Company expects 2018 year-end U.S. retail inventory to be flat to 2017 and flat to up in international markets as it continues to add new dealers.

During 2018, the Company expects retail sales to be positively impacted by:

- Increased focus and investment on growing global ridership
- New product momentum with model-year 2018 motorcycles and the addition of new high-impact models yet to be introduced
- A rebound in emerging-market retail sales performance
- Expansion of the international dealer network

However, these positive impacts are expected to be more than offset by strong headwinds including:

- A very weak U.S. industry for new motorcycles driven by flat to declining total demand for combined new and used motorcycles and soft, but improving, Harley-Davidson used motorcycle prices
- Competitive pressure from continued new product introductions throughout markets globally, particularly in lower price, smaller displacement motorcycles

Operating income as a percent of revenue for the Motorcycles segment is expected to be approximately 9.5% to 10.5% for the full year 2018. This reduction of approximately 2 to 3 percentage points compared to 2017, is primarily due to expected manufacturing optimization plan costs of $120 to $140 million. Also, operating margin will be reduced by approximately 0.2 percentage points due to the adoption of an accounting standard update that will require the Company to present the non-service cost components of its pension and postretirement plan expense as non-operating income. The Company estimates this will result in approximately $10 million of non-operating income in 2018 that would have been included in operating income under existing accounting standards. The new presentation will be applied
retrospectively to prior periods in the Company's results for 2018 and forward.

Gross margin as a percent of revenue in 2018 is expected to benefit from pricing on model-year 2018 and 2019 motorcycles, a more favorable foreign currency exchange environment than 2017 and positive mix. However, the Company expects these positive impacts to be more than offset by rising steel and aluminum costs and increased manufacturing expense.

Manufacturing expense is expected to be higher than in 2017, due in part to increased depreciation from recent capital investments related to the new model-year 2018 Softail motorcycles. However, the larger driver of increased manufacturing costs in 2018, as compared to 2017, will be higher costs of $20 to $25 million due to temporary inefficiencies related to the manufacturing optimization plan.

The Company expects selling, administrative and engineering expense to be higher in 2018 compared to 2017, but level with 2017 when expressed as a percent of revenue. The Company expects selling, administrative and engineering expense to be up behind increased investments in marketing and product development as the Company works to grow ridership globally.

In the first quarter of 2018, the Company expects to ship 60,000 to 65,000 motorcycles to dealers, which is down approximately 8% to 15% percent from 2017. While the Company expects U.S. retail inventory will be tighter than in the first quarter of 2017, it believes the composition of previous and current model-year motorcycles will be considerably improved from last year. The Company expects Motorcycles segment operating income as a percent of revenue in the first quarter of 2018 to be down approximately 5 percentage points due to approximately $57 million of restructuring expense related to the manufacturing optimization plan, lost absorption from lower production and higher selling, administrative and engineering expense as marketing and product development expenses increase.

Additionally, as the Company increases its investment in electric motorcycle technology, products and infrastructure it expects to spend an incremental $25 to $50 million per year over the next several years.

The Company expects operating income from Financial Services to be down in 2018 compared to 2017 due to lower net interest income, partially offset by a lower provision for credit losses.

Capital expenditures in 2018 are expected to be $250 to $270 million, which includes approximately $50 million to support the manufacturing optimization plan. The Company anticipates it will have the ability to fund all capital expenditures in 2018 with cash flows generated by operations.

Finally, the Company expects its full year effective tax rate will be approximately 23.5% to 25%, down approximately 10 percentage points from the rate that would have been expected excluding the impact of the 2017 Tax Act. This guidance excludes the effect of potential future adjustments associated with revisions to the $53.1 million tax expense recorded in the fourth quarter of 2017 related to the 2017 Tax Act, other new tax legislation or audit settlements. Given the complexity and timing of the 2017 Tax Act, the Company has recorded the impact of the 2017 Tax Act in the fourth quarter of 2017 based on reasonable estimates and considers these estimates to be provisional under SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). Future guidance, interpretations and pronouncements may add clarity to the numerous aspects of the 2017 Tax Act.
Act. This future clarification may give rise to additional unanticipated considerations and revisions to the Company's provisional estimates related to the 2017 Tax Act included in the Company's 2017 income tax provision. Any such adjustments will be recorded as discrete income tax expenses or benefits in future periods.
# LOCATIONS AND SUBSIDIARIES

## Head Office

Harley-Davidson, Inc.
3700 West Juneau Avenue
Milwaukee
Wisconsin
USA
Phone: 1 414 3434782
www.harley-davidson.com

## Other Locations and Subsidiaries

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Location</th>
<th>Address</th>
<th>Phone/Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harley-Davidson Asia Pacific Pte. Ltd.</td>
<td>SGP</td>
<td>No. 02-01, 51 Cuppage Road 229469</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson Australia Pty. Limited</td>
<td>AUS</td>
<td>PO Box 133, North Ryde BC New South Wales</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson De Mexico Management, S. De R.L. De C.V.</td>
<td>MEX</td>
<td>Rua Sao Jose, 169 Galpao 6 E 7 Aleixo Amazonas</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson Financial Services Europe Limited</td>
<td>GBR</td>
<td>Suite 2000, 222 West Adams Street Chicago</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson Financial Services, Inc.</td>
<td>BRA</td>
<td>Rua Sao Jose, 169 Galpao 6 E 7 Aleixo Amazonas</td>
<td></td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Company Name</th>
<th>Address</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harley-Davidson Japan KK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson, Inc. (Missouri Factory)</td>
<td>11401 N Congress Avenue, Kansas City, Missouri 64153, USA</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson, Inc. (Pennsylvania Factory)</td>
<td>1425 Eden Road, York, Pennsylvania 17402, USA</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson, Inc. (Wisconsin Factory)</td>
<td>W156 N9000 Pilgrim Road, Menomonee Falls, Wisconsin 53051, USA</td>
<td></td>
</tr>
<tr>
<td>H-D Motor Company India Private Limited</td>
<td>Unit 1, Main M.G Road, Sector 28, Time Tower, Gurgaon, Haryana, IND</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson Museum</td>
<td>400 West Canal Street, Milwaukee, Wisconsin 53201, USA</td>
<td></td>
</tr>
<tr>
<td>Harley-Davidson Museum</td>
<td>400 West Canal Street, Milwaukee, Wisconsin 53201, USA</td>
<td></td>
</tr>
</tbody>
</table>

Phone: 1 312 3689501