

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ **to** _____

Commission file number 1-9183

Harley-Davidson, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin

(State of organization)

**3700 West Juneau Avenue
Milwaukee, Wisconsin**

(Address of principal executive offices)

39-1382325

(I.R.S. Employer Identification No.)

53208

(Zip code)

Registrant's telephone number: (414) 342-4680

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

COMMON STOCK, \$.01 PAR VALUE PER SHARE

NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer Accelerated filer Emerging growth company

Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the voting stock held by non-affiliates of the registrant at July 1, 2018: \$6,987,984,229

Number of shares of the registrant's common stock outstanding at February 1, 2019: 159,543,955 shares

Documents Incorporated by Reference

Part III of this report incorporates information by reference from registrant's Proxy Statement for the annual meeting of its shareholders to be held on May 9, 2019

Harley-Davidson, Inc.
Form 10-K
For The Year Ended December 31, 2018

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PART I

(I) Note regarding forward-looking statements

The Company intends that certain matters discussed by the Company in this report 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 statement will include words such as the Company “believes,” “anticipates,” “expects,” “plans,” “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 report. Certain of such risks and uncertainties are described in close proximity to such statements or elsewhere in this report, including under the caption “Risk Factors” in Item 1A of this report and under “Cautionary Statements” in Item 7 of this report. 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 the Overview and Outlook section of Management's Discussion and Analysis of Financial Condition and Results of Operations are only made as of January 29, 2019 and the remaining forward-looking statements in this report are made as of the date indicated or, if a date is not indicated, as of the date of the filing of this report (February 28, 2019), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 1. Business

General

Harley-Davidson Motor Company was founded in 1903. Harley-Davidson, Inc. was incorporated in 1981, at which time it purchased the Harley-Davidson® motorcycle business from AMF Incorporated in a management buyout. In 1986, Harley-Davidson, Inc. became publicly held. Unless the context otherwise requires, all references to the “Company” include Harley-Davidson, Inc. and all of its subsidiaries. Harley-Davidson, Inc. is the parent company for the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). The Company has two reportable segments: the Motorcycles and Related Products (Motorcycles) segment and the Financial Services segment.

Strategy

The Company's long-term strategy, announced in 2017, is to build the next generation of Harley-Davidson riders globally and includes the following 2027 objectives:

- Build two million new Harley-Davidson riders in the U.S.
- Grow the Harley-Davidson international business to 50 percent of its total annual volume
- Launch 100 new, high-impact Harley-Davidson motorcycles
- Deliver superior return on invested capital for HDMC that falls within the top quartile of the S&P 500
- Grow the business without growing its environmental impact

On July 30, 2018, the Company disclosed its “More Roads to Harley-Davidson” plan to accelerate the Company's strategy to build the next generation of riders globally. The More Roads to Harley-Davidson plan through 2022 includes three growth catalysts:

- **New products** - keep current riders engaged and inspire new riders by extending heavyweight leadership and expanding into new markets and segments
- **Broader access** - meet customers where they are and how they want to engage with a multi-channel retail experience
- **Stronger dealers** - drive a performance framework to improve dealer financial strength and the Harley-Davidson customer experience

Motorcycles and Related Products Segment

The Motorcycles segment consists of HDMC, which designs, manufactures and sells at wholesale on-road Harley-Davidson motorcycles as well as motorcycle parts, accessories, general merchandise and related services. The Company conducts business on a global basis, with sales in the United States, Canada, Latin America, Europe/Middle East/Africa (EMEA) and Asia Pacific.

The following table includes Motorcycles segment revenue by product line as a percent of total revenue for the last three fiscal years^(a):

	2018	2017	2016
Motorcycles	78.1%	76.6%	76.9%
Parts & Accessories	15.2%	16.3%	15.9%
General Merchandise	4.9%	5.3%	5.4%
Licensing	0.8%	0.8%	0.8%
Other	1.0%	1.0%	1.0%
	100.0%	100.0%	100.0%

(a) In connection with the adoption of ASU 2014-09, the Company has changed its presentation of disaggregated Motorcycles segment revenue and the prior period has been recast to reflect the new presentation.

Motorcycles - The Company's current Harley-Davidson motorcycle offerings include cruiser and touring models that feature unique styling, innovative design, distinctive sound, and superior quality with the ability to customize. These Harley-Davidson motorcycles generally have engines with displacements that are greater than 601cc's, up to a maximum displacement of approximately 1900cc's.

The total on-road motorcycle market is comprised of the following segments:

- Cruiser (emphasizes styling and owner customization);
- Touring (emphasizes rider comfort and load capacity and incorporates features such as fairings and luggage compartments);
- Standard (a basic motorcycle which usually features upright seating for one or two passengers);
- Sportbike (incorporates racing technology, aerodynamic styling, low handlebars with a "sport" riding position and high performance tires); and
- Dual (designed with the capability for use on public roads as well as for some off-highway recreational use).

The Company's current lineup of motorcycles competes primarily in the cruiser and touring segments of the market. Competition in the segments of the motorcycle market in which the Company currently competes is based upon a number of factors including product capabilities and features, styling, price, quality, reliability, warranty, availability of financing, and quality of the dealer network that sells the product. The Company believes its motorcycles continue to generally command a premium price at retail relative to competitors' motorcycles. The Company emphasizes remarkable styling, customization, innovation, sound, quality and reliability in its products and generally offers a two-year warranty for its motorcycles. The Company considers the availability of a line of motorcycle parts & accessories and general merchandise, the availability of financing through HDF5 and its global network of independent dealers to be competitive advantages.

Under the More Roads to Harley-Davidson plan, the Company intends to introduce new products including electric motorcycles; a new middle-weight platform of motorcycles that includes adventure touring, custom and streetfighter models with engine displacements ranging from 500cc's to 1250cc's; and smaller displacement motorcycles for emerging markets. The Company plans to introduce these new motorcycles between 2019 and 2022, starting with a new electric motorcycle, LiveWire™, in the second half of 2019.

Motorcycle Industry Data - In 2018, the U.S. and European markets accounted for approximately 76% of the total annual independent dealer retail sales of new Harley-Davidson motorcycles. The most significant other markets for the Company, based on the Company's 2018 retail sales data, were Japan, Australia, and Canada.

In the U.S., the 601+cc portion of the motorcycle market represented approximately 77% of the total motorcycle market in 2018, based on new units registered. The cruiser and touring segments accounted for approximately 70% of the U.S. 601+cc market in 2018. Harley-Davidson has been the historical market share leader in the U.S. 601+cc portion of the motorcycle market (U.S. industry data source: Motorcycle Industry Council).

The following chart includes U.S. retail registration data for 601+cc motorcycles for the years 2016 through 2018:

U.S. Motorcycle Registration Data^{(a)(b)}
601+cc (Units in thousands)

	2018	2017	2016
Total new motorcycle registrations	263.8	288.8	311.7
Harley-Davidson new registrations	131.1	146.5	159.5
	49.7%	50.7%	51.2%

- (a) Data includes on-road 601+cc models. On-road 601+cc models include dual purpose models, three-wheeled vehicles and autocycles. Registration data for Harley-Davidson Street[®] 500 motorcycles is not included in this table.
- (b) U.S. industry data is derived from information provided by the Motorcycle Industry Council (MIC). This third-party data is subject to revision and update. The retail registration data for Harley-Davidson motorcycles presented in this table will differ from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The retail sales data in Item 7 includes sales of Harley-Davidson Street[®] 500 motorcycles which are excluded from the 601+cc units included in the retail registration data in this table. In addition, small differences may arise related to the timing of data submissions to the independent sources.

The European 601+cc motorcycle market is larger than the U.S. market and customer preferences differ from those of U.S. customers. The touring and cruiser segments represented approximately 51% of the European 601+cc market in 2018 compared to approximately 70% of the 601+cc market in the U.S.

The following chart includes European retail registration data for 601+cc motorcycles for the years 2016 through 2018:

European Motorcycle Registration Data^{(a)(b)}
601+cc (Units in thousands)

	2018	2017	2016
Total new motorcycle registrations	397.7	390.6	391.9
Harley-Davidson new registrations	40.9	38.1	42.3
	10.3%	9.8%	10.8%

- (a) On-road 601+cc models include dual purpose models, three-wheeled vehicles and autocycles. Registration data for Harley-Davidson Street[®] 500 motorcycles is not included in this table.
- (b) Europe data includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Industry retail motorcycle registration data is derived from information provided by the Association des Constructeurs Europeens de Motocycles (ACEM), an independent agency. This third-party data is subject to revision and update. The retail registration data for Harley-Davidson motorcycles presented in this table will differ from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The retail sales data in Item 7 includes sales of Harley-Davidson Street[®] 500 motorcycles which are excluded from the 601+cc units included in the retail registration data in this table. In addition, some differences may arise related to the timing of data submissions to the independent sources.

Parts & Accessories (P&A) and General Merchandise – The Company offers a complete line of Harley-Davidson P&A and General Merchandise. P&A products are comprised of replacement parts (Genuine Motor Parts) and mechanical and cosmetic accessories (Genuine Motor Accessories). General Merchandise includes MotorClothes[®] apparel and riding gear.

Licensing – The Company creates an awareness of the Harley-Davidson brand among its customers and the non-riding public by licensing the name “Harley-Davidson” and other trademarks owned by the Company for use on a wide range of products for enthusiasts and others.

Patents and Trademarks – The Company strategically manages its portfolio of patents, trade secrets, copyrights, trademarks and other intellectual property.

The Company and its subsidiaries own, and continue to obtain, patent rights that relate to its motorcycles and related products and processes for their production. Certain technology-related intellectual property is also protected, where appropriate, by license agreements, confidentiality agreements or other agreements with suppliers, employees and other third parties. The Company diligently protects its intellectual property, including patents and trade secrets, and its rights to innovative and proprietary technology and designs. This protection, including enforcement, is important as the Company moves forward with investments in new products, designs and technologies. While the Company believes patents are important to its business operations and in the aggregate constitute a valuable asset, the success of the business is not dependent on any one patent or group of patents. The Company's active patent portfolio has an average age for patents of approximately seven years. A patent review committee manages the patent strategy and portfolio of the Company.

Trademarks are important to the Company's motorcycle business and licensing activities. The Company has a vigorous worldwide program of trademark registration and enforcement to maintain and strengthen the value of the trademarks and prevent the unauthorized use of those trademarks. The HARLEY-DAVIDSON trademark and the Bar and Shield trademark are each highly recognizable to the public and are very valuable assets. Additionally, the Company uses numerous other trademarks, trade names and logos which are registered worldwide. The following are among the Company's trademarks: HARLEY-DAVIDSON, H-D, HARLEY, the Bar & Shield Logo, MOTORCLOTHES, the MotorClothes Logo, the Willie G Skull Logo, HARLEY OWNERS GROUP, H.O.G., the H.O.G. Logo, SOFTAIL and SPORTSTER. The HARLEY-DAVIDSON trademark has been used since 1903 and the Bar and Shield trademark since at least 1910. Substantially all of the Company's trademarks are owned by H-D U.S.A., LLC, a subsidiary of the Company, which also manages the Company's global trademark strategy and portfolio.

Marketing and Customer Experiences – The Company's products are marketed to retail customers worldwide primarily through digital and experiential activities as well as through more traditional promotional and advertising activities. Additionally, the Company's independent dealers engage in a wide range of local marketing and experiential activities in part supported by cooperative programs with the Company.

Customer experiences have traditionally been at the center of much of the Company's marketing. To attract customers and achieve its goals, the Company participates in motorcycle rallies and special motorcycle events around the world, racing activities, music festivals, sports events and other special events.

The Harley Owners Group (H.O.G.®) promotes Harley-Davidson products and the related lifestyle and sponsors motorcycle events, including rallies and rides for Harley-Davidson motorcycle enthusiasts throughout the world.

The Company's Harley-Davidson® Riding Academy offers a series of rider education experiences that provide both new and experienced riders with deeper engagement in the sport of motorcycling by teaching basic and advanced motorcycling skills and knowledge. The courses are conducted by a network of participating Harley-Davidson dealerships in the U.S., China, Mexico and Colombia, enabling students to experience the Harley-Davidson lifestyle, environment, people and products as they learn.

Through the Company's agreement with EagleRider, riders in the U.S. can rent Harley-Davidson motorcycles and participate in motorcycle tours. EagleRider is the exclusive provider of Harley-Davidson touring and cruiser motorcycle rentals and has locations throughout the U.S., including at select Harley-Davidson dealerships. Outside the U.S., riders can rent Harley-Davidson motorcycles from participating dealers through the Company's Authorized Rental Program and participate in tours through the Company's Harley-Davidson Authorized Tours Program.

The Company's Harley-Davidson Museum in Milwaukee, Wisconsin is a unique destination that the Company believes builds and strengthens bonds between riders and Harley-Davidson and enhances the Harley-Davidson brand among the public at large.

Distribution – The Company's products are retailed primarily through a network of independent dealers, of which the majority sell Harley-Davidson motorcycles exclusively. These dealerships stock and sell the Company's motorcycles, P&A, general merchandise and licensed products, and perform service on Harley-Davidson motorcycles. The Company believes the quality retail experience that its independent dealers provide is a differentiating and strategic advantage for the Company.

The Company distributes its motorcycles and related products to a network of independent dealers located in approximately 100 countries worldwide. The following table includes the number of worldwide Harley-Davidson independent dealerships by geographic location as of December 31, 2018:

	United States	Canada	Latin America	EMEA	Asia Pacific	Total
Dealerships	691	69	64	412	299	1,535

P&A, general merchandise and licensed products are also retailed through eCommerce channels in certain markets. In the U.S., the Company operates an eCommerce site that offers products sold through participating authorized U.S. Harley-Davidson dealers and also sells directly to consumers through a well-known third-party eCommerce site. The Company also utilizes third-party eCommerce sites in select international markets.

Retail Customer and Dealer Financing – The Company believes that HDFFS, as well as other third-party financial institutions, provide access to financing for Harley-Davidson dealers and their retail customers. HDFFS provides financing to Harley-Davidson independent dealers and retail customers of independent dealers in the U.S. and Canada. The Company’s independent dealers and their retail customers in EMEA, Asia Pacific and Latin America are not directly financed by HDFFS, but have access to financing through other established financial services companies, some of which have licensing or branding agreements with HDFFS.

Seasonality – The timing of retail sales made by the Company’s independent dealers tracks closely with regional riding seasons. The seasonality of the Company’s wholesale motorcycle shipments primarily correlates with the timing of retail sales. The Company utilizes flexible or surge manufacturing capabilities to help align the production and wholesale shipment of motorcycles with the retail selling season. This provides the Company the ability to reduce the impact of seasonality on inventory levels in the U.S. and Canada. In EMEA, Asia Pacific and Latin America, the Company utilizes a distribution process whereby Company-owned inventory is maintained locally at a level sufficient to fulfill dealer orders as needed.

Motorcycle Manufacturing – The Company has a flexible manufacturing process designed to help ensure it is well-positioned to meet customer demand in a timely and cost-effective manner.⁽¹⁾ This flexible or surge manufacturing capability allows the Company to increase the production of motorcycles ahead of and during the peak retail selling season to more closely correlate the timing of production and wholesale shipments to the retail selling season. It also allows the Company to respond to the desired model mix to meet customer demand.

The majority of the Company's motorcycles are manufactured at facilities located in the U.S. The Company's U.S. manufacturing facilities supply the U.S. market as well as certain international markets. Additionally, the Company operates facilities in Thailand, Brazil, India and Australia. The Company began producing at its new facility in Thailand in 2018, which currently manufactures motorcycles for certain Asian markets. In Brazil, the Company operates a Complete Knock Down (CKD) assembly facility, which assembles motorcycles sold in Brazil from component kits sourced from the Company's U.S. plants and suppliers. In India, the Company operates a manufacturing facility that includes both CKD assembly of certain motorcycles for sale in India and production of the Company's Street 750® motorcycles for distribution to markets outside of North America. Like its U.S. manufacturing facilities, the Company's Thailand, Brazil and India operations are focused on driving world-class performance. The motorcycles assembled at the Company's international facilities have the same authentic look, sound, feel and quality of a motorcycle manufactured by the Company's U.S. facilities. These international facilities enable the Company to be close to the customer, provide quality products at a competitive price and grow its overall international business. In early 2019, the Company will cease operation of its manufacturing facility in Australia, which had produced a portion of its wheels for its motorcycles. These wheels will be sourced from other current suppliers.

Raw Materials and Purchased Components – The Company continues to establish and reinforce long-term, mutually beneficial relationships with its suppliers. Through these collaborative relationships, the Company gains access to technical and commercial resources for application directly to product design, development and manufacturing initiatives. In addition, through a continued focus on collaboration and strong supplier relationships, the Company believes it will be positioned to achieve strategic objectives and deliver cost and quality improvements over the long-term.⁽¹⁾

The Company's principal raw materials that are purchased include steel and aluminum castings, forgings, steel sheet and bar. The Company also purchases certain motorcycle components including, but not limited to, electronic fuel injection systems, batteries, tires, seats, electrical components, instruments and wheels. The Company closely monitors the overall viability of its supply base. At this time, the Company does not anticipate difficulties in obtaining raw materials or components.⁽¹⁾

Regulation – International, federal, state and local authorities have various environmental control requirements relating to air, water and noise that affect the business and operations of the Company. The Company strives to ensure that its facilities and products comply with all applicable environmental regulations and standards.

The Company's motorcycles and certain other products that are sold in the United States are subject to certification by the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) for compliance with applicable emissions and noise standards. Certain Harley-Davidson products are designed to comply with EPA and CARB standards and the Company believes it will comply with future requirements when they go into effect.⁽¹⁾ Additionally, certain of the Company's products must comply with the motorcycle emissions, noise and safety standards of Canada, the European Union, Japan, Brazil and certain other foreign markets where they are sold, and the Company believes its products currently comply with those standards. Because the Company expects that environmental standards will become more stringent over time, the Company will continue to incur research, development and production costs in this area for the foreseeable future.⁽¹⁾

The Company, as a manufacturer of motorcycle products, is subject to the U.S. National Traffic and Motor Vehicle Safety Act, which is administered by the U.S. National Highway Traffic Safety Administration (NHTSA). The Company has certified to NHTSA that certain of its motorcycle products comply fully with all applicable federal motor vehicle safety standards and related regulations. The Company has from time to time initiated certain voluntary recalls. During the last three years, the Company has accrued \$110.0 million associated with 9 voluntary recalls related to Harley-Davidson motorcycles.

Employees – As of December 31, 2018, the Motorcycles segment had approximately 5,300 employees.

Approximately 2,200 unionized employees at the U.S. manufacturing facilities are represented as follows:

- York, Pennsylvania - International Association of Machinist and Aerospace Workers (IAM), collective bargaining agreement will expire on October 15, 2022
- Kansas City, Missouri - United Steelworkers of America (USW) and IAM, collective bargaining agreement will expire on December 31, 2019
- Milwaukee, Wisconsin - USW and IAM, collective bargaining agreements will expire on March 31, 2019
- Tomahawk, Wisconsin - USW, collective bargaining agreement will expire on March 31, 2019

Financial Services Segment

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-Davidson motorcycles. HDFS also works with certain unaffiliated insurance companies to provide motorcycle insurance and protection products to motorcycle owners. HDFS conducts business principally in the U.S. and Canada. The Company's independent dealers and their retail customers in EMEA, Asia Pacific and Latin America are not financed by HDFS, but have access to financing through other third-party financial institutions, some of which have licensing or branding agreements with the Company or HDFS.

Wholesale Financial Services – HDFS provides wholesale financial services to Harley-Davidson dealers, including floorplan and open account financing of motorcycles and motorcycle parts and accessories. HDFS offers wholesale financial services to Harley-Davidson dealers in the United States and Canada, and during 2018, all of such dealers utilized those services at some point during the year.

Retail Financial Services – HDFS provides retail financing to consumers, consisting primarily of installment lending for the purchase of new and used Harley-Davidson motorcycles. HDFS' retail financial services are available through most Harley-Davidson dealerships in the United States and Canada.

Insurance Services – HDFS works with certain unaffiliated insurance companies which offer point-of-sale protection products through most Harley-Davidson dealers in both the U.S. and Canada, including motorcycle insurance, extended service contracts and motorcycle maintenance protection. HDFS also direct-markets motorcycle insurance and extended service contracts to owners of Harley-Davidson motorcycles. In addition, HDFS markets a comprehensive package of business insurance coverages and services to owners of Harley-Davidson dealerships.

Licensing – HDFS has licensing arrangements with third-party financial institutions that issue credit cards bearing the Harley-Davidson brand in U.S. and international markets. Internationally, HDFS licenses the Harley-Davidson brand to local third-party financial institutions that offer products to the Company's retail customers such as financing and insurance.

Funding – The Company believes a diversified and cost-effective funding strategy is important to meet HDFS' goal of providing credit while delivering appropriate returns and profitability. Financial Services operations have been funded with unsecured debt, unsecured commercial paper, asset-backed commercial paper conduit facilities, committed unsecured bank facilities and asset-backed securitizations.

Competition – The Company regards its ability to offer a package of wholesale and retail financial services in the U.S. and Canada as a significant competitive advantage. Competitors in the financial services industry compete for business based

largely on price and, to a lesser extent, service. HDFS competes on convenience, service, brand association, dealer relations, industry experience, terms and price.

In the United States, HDFS financed 64.9% of new Harley-Davidson motorcycles retailed by independent dealers during 2018, compared to 61.2% in 2017. In Canada, HDFS financed 39.9% of new Harley-Davidson motorcycles retailed by independent dealers during 2018, compared to 41.9% in 2017. Competitors for retail motorcycle finance business are primarily banks, credit unions and other financial institutions. In the motorcycle insurance business, competition primarily comes from national insurance companies and from insurance agencies serving local or regional markets. For insurance-related products such as extended service contracts, HDFS faces competition from certain regional and national industry participants as well as dealer in-house programs. Competition for the wholesale motorcycle finance business primarily consists of banks and other financial institutions providing wholesale financing to Harley-Davidson dealers in their local markets.

Trademarks – HDFS uses various trademarks and trade names for its financial services and products which are licensed from H-D U.S.A., LLC, including HARLEY-DAVIDSON, H-D and the Bar & Shield logo.

Seasonality – HDFS experiences seasonal variations in retail financing activities based on the timing of regional riding seasons in the U.S. and Canada. In general, from mid-March through August, retail financing volume is greatest. HDFS wholesale financing volume is affected by inventory levels at Harley-Davidson dealers. Dealers generally have higher inventory in the first half of the year. As a result, outstanding wholesale finance receivables are generally higher during the same period.

Regulation – Operations of HDFS (both U.S. and foreign) are subject, in certain instances, to supervision and regulation by state and federal administrative agencies and various foreign governmental authorities. Many of the requirements imposed by such entities are in place to provide consumer protection as it pertains to the selling and servicing of financial products and services. Therefore, HDFS operations may be subject to limitations imposed by regulations, laws and judicial and/or administrative decisions. In the U.S. for example, applicable laws include the federal Truth-in-Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act.

Depending on the specific facts and circumstances involved, non-compliance with these laws may result in consequences such as limiting the ability of HDFS to collect all or part of the principal or interest on applicable loans, entitling the borrower to rescind the loan or to obtain a refund of amounts previously paid, or could subject HDFS to the payment of damages or penalties and administrative sanctions, including “cease and desist” orders, and could limit the number of loans eligible for HDFS securitization programs.

The Dodd-Frank Wall Street Reform and Consumer Protection Act granted the federal Consumer Financial Protection Bureau (the Bureau) significant supervisory, enforcement, and rule-making authority in the area of consumer financial products and services. Certain Bureau actions and regulations will directly impact HDFS and its operations. For example, the Bureau has supervisory authority over non-bank larger participants in the vehicle financing market, which includes a non-bank subsidiary of HDFS.

Such regulatory requirements and associated supervision also could limit the discretion of HDFS in operating its business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any charter, license or registration at issue, as well as the imposition of civil fines, criminal penalties and administrative sanctions.

A subsidiary of HDFS, Eaglemark Savings Bank (ESB), is a Nevada state thrift chartered as an Industrial Loan Company (ILC). The activities of this subsidiary are governed by federal laws and regulations as well as State of Nevada banking laws, and are subject to examination by the Federal Deposit Insurance Corporation (FDIC) and Nevada state bank examiners. ESB originates retail loans and sells the loans to a non-banking subsidiary of HDFS. This process allows HDFS to offer retail products with many common characteristics across the United States and to similarly service loans to U.S. retail customers.

Employees – As of December 31, 2018, the Financial Services segment had approximately 600 employees.

Internet Access

The Company’s website address for investor relations is <http://investor.harley-davidson.com/>.

The Company’s Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports, are available on its website free of charge as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the United States Securities and Exchange Commission (SEC).

In addition, the Company makes available, through its website, the following corporate governance materials: (a) the Company’s Corporate Governance Policy; (b) Committee Charters approved by the Company’s Board of Directors for the

Audit and Finance Committee, Human Resources Committee, Nominating and Corporate Governance Committee and Sustainability Committee; (c) the Company's Financial Code of Ethics; (d) the Company's Code of Business Conduct (the Code of Conduct); (e) the Conflict of Interest Process for Directors, Executive Officers and Other Employees (the Conflict Process); (f) a list of the Company's Board of Directors; (g) the Company's Bylaws; (h) the Company's Environmental and Energy Policy; (i) the Company's Policy for Managing Disclosure of Material Information; (j) the Company's Supplier Code of Conduct in four languages including English; (k) the Sustainability Strategy Report; (l) the list of compensation survey participants used as market reference points for various components of compensation as reported in the Company's Notice of Annual Meeting and Proxy Statement filed with the SEC on March 29, 2018, which compensation relates to the Company's named executive officers; (m) the California Transparency in Supply Chain Act Disclosure; (n) Statement on Conflict Minerals; (o) Political Engagement and Contributions 2017-2018; and (p) the Company's Clawback Policy. The Company's Notice of Annual Meeting and Proxy Statement to be filed with the SEC on or about March 29, 2019, which will include information related to the compensation of the Company's named executive officers, will be made available through its website.

The Company satisfies the disclosure requirements under the Code of Conduct, the Conflict Process and applicable New York Stock Exchange listing requirements regarding waivers of the Code of Conduct or the Conflict Process by disclosing the information in the Company's proxy statement for its annual meeting of shareholders or on the Company's website. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 1A. Risk Factors

An investment in Harley-Davidson, Inc. involves risks, including those discussed below. These risk factors should be considered carefully before deciding whether to invest in the Company.

- **The Company may not be able to successfully execute its long-term business strategy.** There is no assurance that the Company will be able to drive growth and increase ridership to the extent desired through its focus of efforts and resources on its long-term business strategy and the Harley-Davidson brand, or to enhance productivity and profitability to the extent desired through pricing and continuous improvement.
- **The Company's strategy to grow ridership may not be successful.** The Company has been successful in marketing its products in large part by promoting the experience of Harley-Davidson motorcycling. To sustain and grow the business over the long-term, the Company must grow the sport of motorcycling and continue to be successful selling products and promoting the experience of motorcycling to new customers, including new riders, competitive riders and those who have motorcycle licenses but do not currently ride. The Company's efforts toward building two million riders in the U.S. between 2017 and 2027 and growing ridership internationally may not be successful, and achieving such growth in ridership may still not adequately meet the desired result of driving unit sales growth. Further, growing ridership in the U.S. may be challenging because the motorcycle market in the U.S. has been stagnant or declining, and the Company expects those conditions to continue. Failure to successfully drive demand for the Company's products may have a material adverse effect on the Company's business and results of operations.
- **Changes in trade policies, including the imposition of tariffs, their enforcement, and downstream consequences, may continue to have a material adverse impact on our business, results of operations, and outlook.** Tariffs and/or other developments with respect to trade policies, trade agreements, and government regulations could have a material adverse impact on the Company's business, financial condition and results of operations. To date, the European Union has placed a 25% incremental tariff (31% total tariff) on motorcycles imported into the European Union from the U.S., and that is scheduled to increase to a 50% incremental tariff (56% total tariff) effective June 1, 2021. Shipments of motorcycles to the European Union are a significant and growing portion of the Company's total motorcycle sales. The China tariffs on Harley-Davidson motorcycles exported from the U.S. increased from 30% to 55%, effective August 23, 2018, and are set to remain in place indefinitely. In addition, the U.S. government has imposed tariffs of 25% on steel imports and 10% on aluminum imports from certain countries, which has resulted in increased costs to the Company for these materials.

Without limitation, (i) tariffs currently in place, (ii) the imposition by the U.S. government of new tariffs on imports to the U.S. and/or (iii) the imposition by foreign countries of tariffs on U.S. products, including tariffs imposed in response to U.S. tariffs, could materially increase: (a) the cost of our products that we are offering for sale in relevant countries, (b) the cost of certain products that we source from foreign manufacturers, and (c) certain raw materials that we utilize, the prices of which tariffs may impact. We may not be able to pass such increased costs on to our dealers or their customers, and we may not be able to secure sources of certain products and materials that are not subject to

tariffs on a timely basis. Such developments could have a material adverse impact on our business, financial condition and results of operations.

The Company previously disclosed plans to mitigate the impact of the current incremental European Union and China tariffs by the end of 2019. The Company is pursuing regulatory approvals for motorcycles sourced in Thailand to receive lower tariff treatment, but it is uncertain whether the Company will succeed in obtaining these regulatory approvals. As a result, the Company is considering multiple other options to serve the EU market should they be required. Options other than assembling motorcycles in Thailand would likely not result in mitigating the full impact of the current incremental European Union tariffs by the end of 2019.

- **The Company must effectively execute its manufacturing optimization plan within expected costs and timing.** In January 2018, the Company announced a multi-year manufacturing optimization plan anchored by the consolidation of its final assembly plant in Kansas City, Missouri, into its York, Pennsylvania plant, and the closure of its wheel operations in Australia. These actions are designed to eliminate excess capacity and reduce production costs and component supply costs. Effectively executing these plans within expected costs and realizing expected benefits will depend upon a number of factors, including the time required to complete planned actions and effective collaboration with the unions representing the Company's employees, the absence of material issues associated with workforce reductions, availability of and effective use of third-party service providers to assist in implementing the actions, the ability and effectiveness of current suppliers to take on additional component production volume, avoidance of unexpected disruptions in production, retention of key employees involved in implementing the restructuring plans and the ability of the Company to dispose of vacated facilities in a cost effective manner.
- **The Company's ability to remain competitive is dependent upon its capability to develop and successfully introduce new, innovative and compliant products.** The motorcycle market continues to change in terms of styling preferences and advances in new technology, and at the same time, it is subject to increasing regulations related to safety and emissions. The Company must continue to distinguish its products from its competitors' products with unique styling and new technologies. The Company may not be able to achieve its goal of introducing 100 new, high-impact motorcycle models between 2017 and 2027, and introducing those models may still not lead to the desired result of driving unit sales growth. As the Company incorporates new and different features and technology into its products, the Company must protect its intellectual property from imitators and ensure its products do not infringe the intellectual property of other companies. In addition, these new products must comply with applicable regulations worldwide and satisfy the potential demand for products that produce lower emissions and achieve better fuel economy. The Company must make product advancements to respond to changing consumer preferences and market demands while maintaining the unique look, sound and feel associated with Harley-Davidson products, and development of electric vehicles will present challenges to the Company's ability to maintain such look, sound and feel. The Company must also be able to design and manufacture these products and deliver them to a global marketplace in an efficient and timely manner and at prices that are attractive to customers. There can be no assurances that the Company will be successful in these endeavors or that existing and prospective customers will like or want the Company's new products.
- **Increased supply of and/or declining prices for used motorcycles and excess supply of new motorcycles may adversely impact retail sales of new motorcycles by the Company's independent dealers.** The Company has observed that when the supply of used motorcycles increases or the prices for used Harley-Davidson motorcycles decline, there can be reduced demand among retail purchasers for new Harley-Davidson motorcycles (at or near manufacturer's suggested retail prices). Further, the Company and its independent dealers can and do take actions that influence the markets for new and used Harley-Davidson motorcycles. For example, introduction of new motorcycle models with significantly different functionality, technology or other customer satisfiers can result in increased supply of used motorcycles, which could result in declining prices for used motorcycles and prior model-year new motorcycles. Also, while the Company has taken steps designed to balance production volumes for its new motorcycles with demand, those steps may not be effective, or the Company's competitors could choose to supply new motorcycles to the market in excess of demand at reduced prices which could also have the effect of reducing demand for new Harley-Davidson motorcycles (at or near manufacturer's suggested retail prices). Ultimately, reduced demand among retail purchasers for new Harley-Davidson motorcycles leads to reduced shipments by the Company.
- **The motorcycle industry has become increasingly competitive.** Many of the Company's competitors are more diversified than the Company, and they may compete in all segments of the motorcycle market, other powersports markets and/or the automotive market. Certain competitors appear to be increasing their investment in products that compete with the Company's products. Also, the Company's manufacturer's suggested retail price for its motorcycles is generally higher than its competitors, and as price becomes a more important competitive factor for consumers in

the markets in which the Company competes, the Company may be at a competitive disadvantage. Furthermore, many competitors headquartered outside the U.S. experience a financial benefit from a strengthening in the U.S. dollar relative to their home currency that can enable them to reduce prices to U.S. consumers. 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. The Company's responses to these competitive pressures, or its failure to adequately address and respond to these competitive pressures, may have a material adverse effect on the Company's business and results of operations.

- **Changes in general economic and business conditions, tightening of credit and retail markets, political events or other factors may adversely impact dealers' retail sales.** The motorcycle industry is impacted by general economic conditions over which motorcycle manufacturers have little control. These factors can weaken the retail environment and lead to weaker demand for discretionary purchases such as motorcycles. Weakened economic conditions in certain business sectors and geographic areas can also result in reduced demand for the Company's products. Tightening of credit can limit the availability of funds from financial institutions and other lenders and sources of capital which could adversely affect the ability of retail consumers to obtain loans for the purchase of motorcycles from lenders, including HDFC. Should general economic conditions or motorcycle industry demand decline, the Company's results of operations and financial condition may be substantially adversely affected. The motorcycle industry can also be affected by political conditions and other factors over which motorcycle manufacturers have little control.
- **Expanding international sales and operations subjects the Company to risks that may have a material adverse effect on its business.** Expanding international sales and operations is a part of the Company's long-term business strategy, particularly in light of the U.S. market conditions. There is no assurance that the Company will accomplish this successfully. Further, to support that strategy, the Company must increase its presence outside the U.S., including additional employees and investment in business infrastructure and operations. International operations and sales are subject to various risks, including political and economic instability, local labor market conditions, the imposition of foreign tariffs and other trade barriers, the impact of foreign government laws and regulations and U.S. laws and regulations that apply to international operations, and the effects of income and withholding taxes, governmental expropriation and differences in business practices. The Company may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international operations and sales that could cause loss of revenues and earnings. Unfavorable changes in the political, regulatory and business climate could have a material adverse effect on the Company's net sales, financial condition, profitability or cash flows. This includes, for example, the uncertainty related to the United Kingdom's withdrawal from the European Union (commonly known as "Brexit"). Business practices that may be accepted in other countries can violate U.S. or other laws that apply to the Company. Violations of laws that apply to the Company's foreign operations, such as the U.S. Foreign Corrupt Practices Act, could result in severe criminal or civil sanctions, could disrupt the Company's business and result in an adverse effect on the Company's reputation, business and results of operations.
- **The Company may not be able to successfully execute its manufacturing strategy.** The Company's manufacturing strategy is designed to continuously improve product quality and increase productivity, while reducing costs and increasing flexibility to respond to ongoing changes in the marketplace. Based on the Company's strategy, the Company may, from time to time, open, close, expand, contract or restructure one or more of its manufacturing facilities. The Company believes flexible manufacturing, including flexible supply chains and flexible labor agreements, is the key element to enable improvements in the Company's ability to respond to customers in a cost effective manner. To execute this strategy, the Company must be successful in its implementation of facility changes and in its continuous improvement efforts, all of which are dependent on the involvement of management, production employees and suppliers. Any inability to achieve these objectives could adversely impact the profitability of the Company's products and its ability to deliver the right product at the right time to the customer.
- **The Company must prevent and detect issues with its products, components purchased from suppliers, and its suppliers' manufacturing processes to reduce the risk of recall campaigns, increased warranty costs or litigation, increased product liability claims or litigation, delays in new model launches, and inquiries or investigations by regulatory agencies. The Company must also complete any recall campaigns within cost expectations.** The Company must continually improve and adhere to product development and manufacturing processes, and ensure that its suppliers and their sub-tier suppliers adhere to product development and manufacturing processes, to ensure high quality products are sold to retail customers. If product designs or manufacturing processes are defective, the Company could experience delays in new model launches, field actions such as product programs and product recalls, inquiries or investigations from regulatory agencies, warranty claims, and product liability claims, which may involve purported class actions. While the Company uses reasonable methods to estimate the cost of

warranty, recall and product liability costs and appropriately reflects those in its financial statements, there is a risk the actual costs could exceed estimates and result in damages that are not covered by insurance. Further, selling products with poor quality, the announcement of recalls, and the filing of product liability claims (whether or not successful), may also adversely affect the Company's reputation and brand strength.

- **A cybersecurity breach may adversely affect the Company's reputation, revenue and earnings.** The Company and certain of its third-party service providers and vendors receive, store, and transmit digital personal information in connection with the Company's human resources operations, financial services operations, e-commerce, the Harley Owners Group, dealer management, mobile applications, planned connected vehicle services offerings and other aspects of its business. The Company's information systems, and those of its third-party service providers and vendors, are vulnerable to the continually evolving cybersecurity risks. The Company's plan to offer connected vehicle services will heighten these risks. Unauthorized parties have attempted to and may attempt in the future to gain access to these systems or the information the Company and its third-party service providers and vendors maintain and use through fraud or other means of deceiving our employees and third-party service providers and vendors. Hardware, software or applications the Company develops or obtains from third-parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security and/or the Company's operations. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or detect. The Company has implemented and regularly reviews and updates processes and procedures to protect against unauthorized access to or use of secured data and to prevent data loss. However, the ever-evolving threats mean the Company and third-party service providers and vendors must continually evaluate and adapt systems and processes, and there is no guarantee that they will be adequate to safeguard against all data security breaches or misuses of data. The Company has experienced information security attacks, but to date they have not materially compromised the Company's computing environment or resulted in a material impact on the Company's business or operations or the release of confidential information about employees, customers, dealers, suppliers or other third parties. Any future significant compromise or breach of the Company's data security, whether external or internal, or misuse of customer, employee, dealer, supplier or Company data could result in disruption to the Company's operations, significant costs, lost sales, fines and lawsuits, and/or damage to the Company's reputation. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and evolving requirements, compliance could also result in the Company being required to incur additional costs.
- **The Company is exposed to market risk from changes in foreign exchange rates, commodity prices and interest rates.** The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, a weakening in those foreign currencies relative to the U.S. dollar can adversely affect the Company's revenue and margin, and cause volatility in results of operations. Furthermore, many competitors headquartered outside the U.S. experience a financial benefit from a strengthening in the U.S. dollar relative to their home currency that can enable them to reduce prices to U.S. consumers. The Company is also subject to risks associated with changes in prices of commodities. Earnings from the Company's financial services business are affected by changes in interest rates. Although the Company uses derivative financial instruments to some extent to attempt to manage a portion of its exposure to foreign currency exchange rates and commodity prices, the Company does not attempt to manage its entire expected exposure, and these instruments generally do not extend beyond one year and may expose the Company to credit risk in the event of counterparty default to the derivative financial instruments. There can be no assurance that in the future the Company will successfully manage these risks.
- **The Financial Services operations are exposed to credit risk on its retail and wholesale receivables.** Credit risk is the risk of loss arising from a failure by a customer, including the Company's independent dealers, to meet the terms of any contract with the Company's financial services operations. Credit losses are influenced by general business and economic conditions, including unemployment rates, bankruptcy filings and other factors that negatively affect household incomes, as well as contract terms and customer credit profiles. Credit losses are also influenced by the markets for new and used motorcycles, and the Company and its independent dealers can and do take actions that impact those markets. For example, the introduction of new models by the Company that represent significant upgrades on previous models may result in increased supply or decreased demand in the market for used Harley-Davidson branded motorcycles, including those motorcycles that serve as collateral or security for credit that HDFS has extended. This in turn could adversely impact the prices at which those motorcycles may be sold, which may lead to increased credit losses for HDFS. Negative changes in general business, economic or market factors may have an additional adverse impact on the Company's financial services credit losses and future earnings. The Company believes HDFS' retail credit losses may continue to increase over time due to changing consumer credit behavior and HDFS' efforts to increase prudently structured loan approvals to sub-prime borrowers, as well as actions that the Company has taken and could take that impact motorcycle values. Increases in the frequency of loss and decreases in

the value of repossessed Harley-Davidson branded motorcycles also adversely impact credit losses. If there are adverse circumstances that involve a material decline in values of Harley-Davidson branded motorcycles, those circumstances or any related decline in resale values for Harley-Davidson branded motorcycles could contribute to increased delinquencies and credit losses.

- **The Company's success depends upon the continued strength of the Harley-Davidson brand.** The Company believes that the Harley-Davidson brand has significantly contributed to the success of its business and that maintaining and enhancing the brand is critical to expanding its customer base. Failure to protect the brand from infringers or to grow the value of the Harley-Davidson brand may have a material adverse effect on the Company's business and results of operations.
- **The Company's operations are dependent upon attracting and retaining skilled employees, including skilled labor, executive officers and other senior leaders. The Company's future success depends on its continuing ability to identify, hire, develop, motivate, retain and promote skilled personnel for all areas of its organization, and to effectively execute reorganization actions within expected costs and realize the expected benefits of those actions.** The Company's current and future total compensation arrangements, which include benefits and incentive awards, may not be successful in attracting new employees and retaining and motivating the Company's existing employees. In addition, the Company must cultivate and sustain a work environment where employees are engaged and energized in their jobs to maximize their performance, and the Company must effectively execute reorganization actions. If the Company does not succeed in attracting new personnel, retaining existing personnel, implementing effective succession plans and motivating and engaging personnel, including executive officers, the Company may be unable to develop and distribute products and services and effectively execute its plans and strategies.
- **The Company sells its products at wholesale and must rely on a network of independent dealers to manage the retail distribution of its products.** The Company depends on the capability of its independent dealers to develop and implement effective retail sales plans to create demand among retail purchasers for the motorcycles and related products and services that the dealers purchase from the Company. If the Company's independent dealers are not successful in these endeavors, then the Company will be unable to maintain or grow its revenues and meet its financial expectations. Further, independent dealers may experience difficulty in funding their day-to-day cash flow needs and paying their obligations resulting from adverse business conditions such as weakened retail sales and tightened credit. If dealers are unsuccessful, they may exit or be forced to exit the business or, in some cases, the Company may seek to terminate relationships with certain dealerships. As a result, the Company could face additional adverse consequences related to the termination of dealer relationships. Additionally, liquidating a former dealer's inventory of new and used motorcycles can add downward pressure on new and used motorcycle prices. Further, the unplanned loss of any of the Company's independent dealers may lead to inadequate market coverage for retail sales of new motorcycles and for servicing previously sold motorcycles, create negative impressions of the Company with its retail customers, and adversely impact the Company's ability to collect wholesale receivables that are associated with that dealer.
- **The Company must invest in and successfully implement new information systems and technology.** The Company is continually modifying and enhancing its systems and technology to increase productivity and efficiency and to mitigate failure risks from older/aged technologies currently in its portfolio. The Company has several large, strategic information system projects in process. As new systems and technologies (and related strategies) are implemented, the Company could experience unanticipated difficulties resulting in unexpected costs and adverse impacts to its manufacturing and other business processes. When implemented, the systems and technology may not provide the benefits anticipated and could add costs and complications to ongoing operations and older technologies may fail, which may have a material adverse effect on the Company's business and results of operations. In the case of the Company's planned electronic vehicle services offering, these risks are heightened because these services are dependent on (1) the successful implementation of complex third-party cloud solutions, (2) the ability of a rider's motorcycle and mobile application to successfully connect to each other, and (3) the support of cellular carriers.
- **The Company must comply with governmental laws and regulations that are subject to change and involve significant costs.** The Company's sales and operations in areas outside the U.S. may be subject to foreign laws, regulations and the legal systems of foreign courts or tribunals. These laws and policies governing operations of foreign-based companies may result in increased costs or restrictions on the ability of the Company to sell its products in certain countries. U.S. laws and policies affecting foreign trade and taxation may also adversely affect the Company's international sales operations.

The Company's domestic sales and operations are subject to governmental policies and regulatory actions of agencies of the United States Government, including the Environmental Protection Agency (EPA), SEC, National Highway

Traffic Safety Administration, Department of Labor and Federal Trade Commission. In addition, the Company's sales and operations are also subject to laws and actions of state legislatures and other local regulators, including dealer statutes and licensing laws. Changes in regulations or the imposition of additional regulations may have a material adverse effect on the Company's business and results of operations.

Tax - The Company is subject to income and non-income based taxes in the U.S. and in various foreign jurisdictions. Significant judgment is required in determining the Company's worldwide income tax liabilities and other tax liabilities including the impact of the 2017 Tax Cuts and Jobs Act (2017 Tax Act). The Company believes that it complies with applicable tax law. If the governing tax authorities have a different interpretation of the applicable law or if there is a change in tax law, the Company's financial condition and/or results of operations may be adversely affected. To the extent there are considerable changes to tax laws, the Company may need to readjust its tax strategy, and may not be able to take full advantage of such changes.

Environmental - The Company's motorcycle products use internal combustion engines. These motorcycle products are subject to statutory and regulatory requirements governing emissions and noise, including standards imposed by the EPA, state regulatory agencies, such as the California Air Resources Board, and regulatory agencies in certain foreign countries where the Company's motorcycle products are sold. The Company is also subject to statutory and regulatory requirements governing emissions and noise in the conduct of the Company's manufacturing operations. Any significant change to the regulatory requirements governing emissions and noise may substantially increase the cost of manufacturing the Company's products. If the Company fails to meet existing or new requirements, then the Company may be unable to sell certain products or may be subject to fines or penalties. Further, in response to concerns about global climate changes and related changes in consumer preferences, the Company may face greater regulatory or customer pressure to develop products that generate less emissions. This may require the Company to spend additional funds on research, product development, and implementation costs and subject the Company to the risk that the Company's competitors may respond to these pressures in a manner that gives them a competitive advantage.

Financial Services - The Company's financial services operations are governed by a wide range of foreign, federal and state laws that regulate financial and lending institutions, and financial services activities. In the U.S. for example, these laws include the federal Truth-in-Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act. The financial services operations originate the majority of its consumer loans through its subsidiary, Eaglemark Savings Bank, a Nevada state thrift chartered as an industrial loan company. Federal and state bodies may in the future impose additional laws, regulation and supervision over the financial services industry.

Violations of, or non-compliance with, relevant laws and regulations may limit the ability of HDFS to collect all or part of the principal or interest on applicable loans, may entitle the borrower to rescind the loan or obtain a refund of amounts previously paid, could subject HDFS to payment of damages, civil fines, or criminal penalties and administrative sanctions and could limit the number of loans eligible for HDFS securitizations programs. Such regulatory requirements and associated supervision also could limit the discretion of HDFS in operating its business, such as through the suspension or revocation of any charter, license or registration at issue, as well as the imposition of administrative sanctions, including "cease and desist" orders. The Company cannot assure that the applicable laws or regulations will not be amended or construed in ways that are adverse to HDFS, that new laws and regulations will not be adopted in the future, or that laws and regulations will not attempt to limit the interest rates charged by HDFS, any of which may adversely affect the business of HDFS or its results of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) is a sweeping piece of legislation impacting financial services and the full effect will not be fully known for years, as regulations that are intended to implement the Dodd-Frank Act are adopted, and the text of the Dodd-Frank Act is analyzed by stakeholders and possibly the courts. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (the Bureau). The Bureau has significant enforcement and rule-making authority in the area of consumer financial products and services. The direction that the Bureau will take, the regulations it will adopt, and its interpretation of existing laws and regulations are all elements that are not yet fully known. Compliance may be costly and could affect operating results as the implementation of new forms, processes, procedures and controls and infrastructure may be required. Compliance may create operational constraints and place limits on pricing. Failure to comply, as well as changes to laws and regulations, or the imposition of additional laws and regulations, could affect HDFS' earnings, limit its access to capital, limit the number of loans eligible for HDFS securitization programs and have a material adverse effect on HDFS' business and results of operations. The Bureau also has supervisory authority over certain non-bank larger participants in the vehicle financing market, which includes a non-bank subsidiary of HDFS, allowing the Bureau to conduct comprehensive and rigorous on-site examinations that could result in enforcement actions, fines, changes to processes and procedures, product-related changes or consumer refunds, or other actions.

U.S. Public Company - The Company is also subject to policies and actions of the SEC and New York Stock Exchange (NYSE). Many major competitors of the Company are not subject to the requirements of the SEC or the NYSE rules. As a result, the Company may be required to disclose certain information that may put the Company at a competitive disadvantage to its principal competitors.

- **Weather may impact retail sales by the Company's independent dealers.** The Company has observed that abnormally cold and/or wet conditions in a region, including impacts from hurricanes or unusual storms, could have the effect of reducing demand or changing the timing for purchases of new Harley-Davidson motorcycles. Reduced demand for new Harley-Davidson motorcycles ultimately leads to reduced shipments by the Company.
- **The Company relies on third-party suppliers to obtain raw materials and provide component parts for use in the manufacture of its motorcycles.** The Company may experience supply problems relating to raw materials and components such as unfavorable pricing, poor quality, or untimely delivery. 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. In addition, the price and availability of raw materials and component parts from suppliers can be adversely affected by factors outside of the Company's control such as the supply of a necessary raw material or natural disasters. Further, Company suppliers may experience difficulty in funding their day-to-day cash flow needs because of tightening credit caused by financial market disruption. In addition, adverse economic conditions and related pressure on select suppliers due to difficulties in the global manufacturing arena could adversely affect their ability to supply the Company. Changes in laws and policies relating to trade and taxation may also adversely impact the Company's foreign suppliers. These supplier risks may have a material adverse effect on the Company's business and results of operations.
- **The Company's Motorcycles segment is dependent upon unionized labor.** Substantially all of the hourly production employees working in the Motorcycles segment are represented by unions and covered by collective bargaining agreements. Harley-Davidson Motor Company is currently a party to five collective bargaining agreements with local affiliates of the International Association of Machinists and Aerospace Workers and the United Steelworkers of America. Current collective bargaining agreements with hourly employees in Missouri and Wisconsin will expire in 2019, and agreements with employees in Pennsylvania will expire in 2022. There is no certainty that the Company will be successful in negotiating new agreements with these unions that extend beyond the current expiration dates or that these new agreements will be on terms that will allow the Company to be competitive. The Company's decisions regarding opening, closing, expanding, contracting or restructuring its facilities may require changes to existing or new bargaining agreements. Failure to renew agreements when they expire or to establish new collective bargaining agreements on terms acceptable to the Company and the unions could result in the relocation of production facilities, work stoppages or other labor disruptions which may have a material adverse effect on the Company's business and results of operations.
- **The ability of the Company to expand international sales may be impacted by existing or new laws and regulations that impose motorcycle licensing restrictions and limit access to roads and highways.** Expanding international sales is a part of the Company's long-term business strategy. A number of countries have tiered motorcycle licensing requirements that limit the ability of new and younger riders to obtain licenses to operate the Company's motorcycles, and many countries are considering the implementation of such requirements. These requirements only allow new and/or younger riders to operate smaller motorcycles for certain periods of time. Riders typically are only permitted to obtain a license to ride larger motorcycles upon reaching certain ages and/or having been licensed to ride smaller motorcycles for a certain period of time, and only after passing additional tests and paying additional fees. These requirements pose obstacles to large displacement motorcycle ownership. Other countries have laws and regulations that prohibit motorcycles from being operated on certain roads and highways. These types of laws and regulations could adversely impact the Company's plans to expand international sales.
- **The Company is and may in the future become subject to legal proceedings and commercial or contractual disputes.** The uncertainty associated with substantial unresolved claims and lawsuits may harm the Company's business, financial condition, reputation and brand. The defense of the lawsuits may result in the expenditures of significant financial resources and the diversion of management's time and attention away from business operations. In addition, although the Company is unable to determine the amount, if any, that it may be required to pay in connection with the resolution of the lawsuits by settlement or otherwise, any such payment may have a material adverse effect on the Company's business and results of operations. Refer to the Company's disclosures concerning legal proceedings in this Form 10-K and in the other periodic reports that the Company files with the Securities and Exchange Commission (SEC) for additional detail regarding lawsuits and other claims against the Company.

- **The Company, its suppliers, and its independent dealers must successfully accommodate a seasonal retail motorcycle sales pattern.** The Company records the wholesale sale of a motorcycle when it is shipped to the Company's independent dealers. The Company's flexible production capability allows it to more closely correlate motorcycle production and wholesale shipments with the retail selling season. Any difficulties in executing flexible production could result in lost production or sales. The Company, its suppliers, and its independent dealers must be able to successfully manage changes in production rates, inventory levels and other business processes associated with flexible production. Failure by the Company, its suppliers, or its independent dealers to make such adjustments may have a material adverse effect on the Company's business and results of operations.
- **The Financial Services operations rely on external sources to finance a significant portion of its operations.** Liquidity is essential to the Company's Financial Services business. Disruptions in financial markets may cause lenders and institutional investors to reduce or cease to loan money to borrowers, including financial institutions. The Company's Financial Services operations may be negatively affected by difficulty in raising capital in the long-term and short-term capital markets. These negative consequences may in turn adversely affect the Company's business and results of operations in various ways, including through higher costs of capital, reduced funds available through its financial services operations to provide loans to independent dealers and their retail customers, and dilution to existing share value through the use of alternative sources of capital.
- **The Financial Services operations are highly dependent on accessing capital markets to fund their operations at competitive interest rates, the Company's access to capital and its cost of capital are highly dependent upon its credit ratings, and any negative credit rating actions will adversely affect its earnings and results of operations.** The ability of the Company and its Financial Services operations to access unsecured capital markets is influenced by their short-term and long-term credit ratings. If the Company's credit ratings are downgraded or its ratings outlook is negatively changed, the Company's cost of borrowing could increase, resulting in reduced earnings and interest margins, or the Company's access to capital may be disrupted or impaired. The Company borrowed \$750,000,000 in 2015 to fund the repurchase of its Common Stock, which increased the Company's leverage. Having increased leverage increases the risk of a downgrade in the Company's credit ratings.
- **The Company incurs substantial costs with respect to employee pension and healthcare benefits.** The Company's cash funding requirements and its estimates of liabilities and expenses for pensions and healthcare benefits for both active and retired employees are based on several factors that are outside the Company's control. These factors include funding requirements of the Pension Protection Act of 2006, the rate used to discount the future estimated liability, the rate of return on plan assets, current and projected healthcare costs, healthcare reform or legislation, retirement age and mortality. Changes in these factors can impact the expense, liabilities and cash requirements associated with these benefits which could have a material adverse effect on future results of operations, liquidity or shareholders' equity. In addition, costs associated with these benefits put the Company under significant cost pressure as compared to its competitors that may not bear the costs of similar benefit plans. Furthermore, costs associated with complying with the Patient Protection and Affordable Care Act may produce additional cost pressure on the Company and its health care plans.
- **The Company must maintain stakeholder confidence in its operating ethics and corporate governance practices.** The Company believes it has a history of good corporate governance and operating ethics. The Company has a Code of Business Conduct that defines how employees interact with various Company stakeholders and addresses issues such as confidentiality, conflict of interest and fair dealing. Failure to maintain its reputation for good corporate governance and strong operating ethics may have a material adverse effect on the Company's business and results of operations.
- **The Company's operations may be affected by greenhouse emissions and climate change and related regulations.** Climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Congress has previously considered and may in the future implement restrictions on greenhouse gas emissions. In addition, several states, including states where the Company has manufacturing plants, have previously considered and may in the future implement greenhouse gas registration and reduction programs. Energy security and availability and its related costs affect all aspects of the Company's manufacturing operations in the United States, including the Company's supply chain. The Company's manufacturing plants use energy, including electricity and natural gas, and certain of the Company's plants emit amounts of greenhouse gas that may be affected by these legislative and regulatory efforts. Greenhouse gas regulation could increase the price of the electricity the Company purchases, increase costs for use of natural gas, potentially

restrict access to or the use of natural gas, require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs of raw materials, any one of which could increase the Company's costs, reduce competitiveness in a global economy or otherwise negatively affect the Company's business, operations or financial results. Many of the Company's suppliers face similar circumstances. Physical risks to the Company's business operations as identified by the Intergovernmental Panel on Climate Change and other expert bodies include scenarios such as sea level rise, extreme weather conditions and resource shortages. Extreme weather may disrupt the production and supply of component parts or other items such as natural gas, a fuel necessary for the manufacture of motorcycles and their components. Supply disruptions would raise market rates and jeopardize the continuity of motorcycle production.

- **Regulations related to materials that the Company purchases to use in its products could cause the Company to incur additional expenses and may have other adverse consequences.** Laws or regulations impacting our supply chain, such as the UK Modern Slavery Act, could affect the sourcing and availability of some of the raw materials that the Company uses in the manufacturing of its products. The Company's supply chain is complex, and if it is not able to fully understand its supply chain, then the Company may face reputational challenges with customers, investors or others. For example, many countries in which the Company distributes its products are beginning to introduce regulations that require knowledge and disclosure of virtually all materials and chemicals in the Company's products. Accordingly, the Company could incur significant costs related to the process of complying with these laws, including potential difficulty or added costs in satisfying the disclosure requirements.
- **The Company relies on third parties to perform certain operating and administrative functions for the Company.** Similar to suppliers of raw materials and components, the Company may experience problems with outsourced services, such as unfavorable pricing, untimely delivery of services, or poor quality. Also, these suppliers may experience adverse economic conditions due to difficulties in the global economy that could lead to difficulties supporting the Company's operations. In light of the amount and types of functions that the Company has outsourced, these service provider risks may have a material adverse effect on the Company's business and results of operations.

The Company disclaims any obligation to update these Risk Factors or any other forward-looking statements. The Company assumes no obligation (and specifically disclaims any such obligation) to update these Risk Factors or any other forward-looking statements to reflect actual results, changes in assumptions or other factors affecting such forward-looking statements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following is a summary of the principal operating properties of the Company as of December 31, 2018:

Motorcycles and Related Products Segment

Type of Facility	Location	Approximate Square Feet	Status
Corporate Office	Milwaukee, WI	515,000	Owned
Museum	Milwaukee, WI	130,000	Owned
Manufacturing ⁽¹⁾	Menomonee Falls, WI	915,000	Owned
Product Development Center	Wauwatosa, WI	409,000	Owned
Manufacturing ⁽²⁾	Tomahawk, WI	226,000	Owned
Manufacturing ⁽³⁾	York, PA	571,000	Owned
Manufacturing ⁽⁴⁾	Kansas City, MO	456,000	Owned
Manufacturing ⁽⁵⁾	Rayong, Thailand	220,000	Owned
Manufacturing ⁽⁶⁾	Manaus, Brazil	108,000	Lease expiring 2019
Regional Office	Oxford, England	39,000	Lease expiring 2022
Manufacturing ⁽⁷⁾	Bawal, India	68,000	Lease expiring 2019
Regional Office	Singapore	24,000	Lease expiring 2020
Manufacturing ⁽⁸⁾	Adelaide, Australia	485,000	Lease expiring 2019

- (1) Motorcycle powertrain production.
- (2) Plastic parts production and painting.
- (3) Motorcycle parts fabrication, painting and Softail® and touring model assembly.
- (4) Motorcycle parts fabrication, painting and Dyna®, Sportster®, Softail® and Street platform assembly. The Kansas City plant will be closed in 2019 in the course of the Company's manufacturing optimization plan.
- (5) Production of select models for certain Asian markets.
- (6) Assembly of select models for the Brazilian market.
- (7) Assembly of select models for the Indian market and production of the Street platform for non-North American markets.
- (8) Motorcycle wheel production. The Adelaide plant will be closed in 2019 in the course of the Company's manufacturing optimization plan.

Financial Services Segment

Type of Facility	Location	Approximate Square Feet	Status
Office ⁽¹⁾	Chicago, IL	26,000	Lease expiring 2022
Office ⁽²⁾	Plano, TX	69,000	Lease expiring 2025
Office ⁽³⁾	Carson City, NV	100,000	Owned

- (1) Corporate headquarters
- (2) Wholesale and retail operations
- (3) Retail operations

Item 3. Legal Proceedings

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining costs to accrue related to these items, the Company carefully analyzes cases and considers the likelihood of adverse judgments or outcomes, as well as the potential range of possible loss. Any amounts accrued for these matters are monitored on an ongoing basis and are updated based on new developments or new information as it becomes available for each matter.

Environmental Protection Agency Notice:

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. On March 1, 2018, the Company and the EPA each filed separate response briefs. The Company is awaiting the court's decision on whether or not to finalize the Settlement. The Company has an accrual associated with this matter which is included in accrued liabilities in the consolidated balance sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company's financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter.

York Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. The Company has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 and with the U.S. Environmental Protection Agency (EPA) in undertaking environmental investigation and remediation activities, including a site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy, and the parties amended the Agreement in 2013 to address ordnance and explosive waste. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and

remediation activities at the York facility (Response Costs). The trust administers the payment of the Response Costs incurred at the York facility as covered by the Agreement.

The Company has an accrual for its estimate of its share of the future Response Costs at the York facility which is included in other long-term liabilities in the consolidated balance sheets. While the work on the RI/FS is now complete and the final remedy was proposed in late 2018, it has not yet been approved, and given the uncertainty that exists concerning the nature and scope of additional environmental remediation that may ultimately be required under the approved final remedy, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

The estimate of the Company's future Response Costs that will be incurred at the York facility is based on reports of independent environmental consultants retained by the Company, the actual costs incurred to date, and the estimated costs to complete the necessary investigation and remediation activities.

Product Liability Matters:

The Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures that are probable of occurrence and can be reasonably estimated. The Company also maintains insurance coverage for product liability exposures. The Company believes that its accruals and insurance coverage are adequate and that product liability suits will not have a material adverse effect on the Company's consolidated financial statements.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Harley-Davidson, Inc. common stock is traded on the New York Stock Exchange, Inc. under the trading symbol HOG.

As of February 1, 2019, there were 70,327 shareholders of record of Harley-Davidson, Inc. common stock.

The Company's share repurchases include discretionary share repurchases and shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock awards. The following table contains detail related to the Company's repurchase of its common stock based on the date of trade during the quarter ended December 31, 2018:

2018 Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 to November 4	1,951,787	\$ 40	1,951,787	19,363,944
November 5 to December 2	2,129,526	\$ 41	2,129,526	17,234,544
December 3 to December 31	824,477	\$ 36	824,477	16,410,310
Total	4,905,790	\$ 40	4,905,790	

In February 2016, the Company's Board of Directors authorized the Company to repurchase up to 20.0 million shares of its common stock with no dollar limit or expiration date. In February 2018, the Company's Board of Directors authorized the Company to repurchase up to 15.0 million additional shares of its common stock with no dollar limit or expiration date. As of December 31, 2018, 16.4 million shares remained under these authorizations.

Under the share repurchase authorizations, the Company's common stock may be purchased through any one or more of a Rule 10b5-1 trading plan and discretionary purchases on the open market, block trades, accelerated share repurchases or privately negotiated transactions. The number of shares repurchased, if any, and the timing of repurchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions and other factors. The repurchase authority has no expiration date but may be suspended, modified or discontinued at any time.

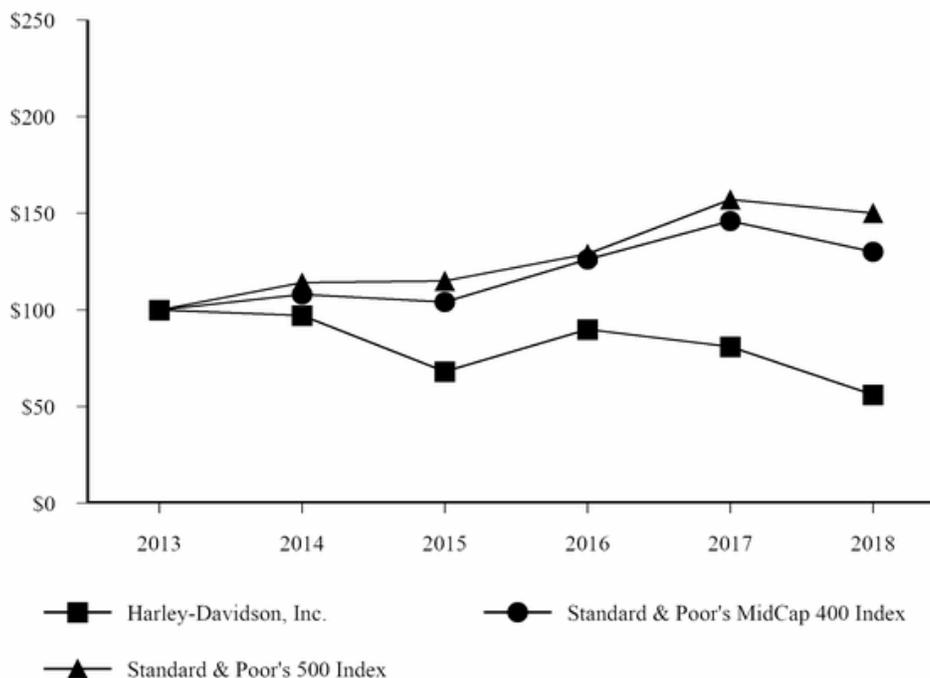
The Harley-Davidson, Inc. 2014 Incentive Stock Plan and predecessor stock plans permit participants to satisfy all or a portion of the statutory federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold shares otherwise issuable under the award, (b) tender back shares received in connection with

such award or (c) deliver other previously owned shares, in each case having a value equal to the amount to be withheld. During the fourth quarter of 2018, the Company acquired 9,602 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock awards.

Item 12 of this Annual Report on Form 10-K contains certain information relating to the Company’s equity compensation plans.

The following information in this Item 5 is not deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference into such a filing: the SEC requires the Company to include a line graph presentation comparing cumulative five year Common Stock returns with a broad-based stock index and either a nationally recognized industry index or an index of peer companies selected by the Company. The Company has chosen to use the Standard & Poor’s 500 Index as the broad-based index and the Standard & Poor’s MidCap 400 Index as a more specific comparison. The Standard & Poor’s MidCap 400 Index was chosen because the Company does not believe that any other published industry or line-of-business index adequately represents the current operations of the Company. The graph assumes a beginning investment of \$100 on December 31, 2013 and that all dividends are reinvested.

Comparison of Cumulative Five Year Total Return



	2013 (\$)	2014 (\$)	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)
Harley-Davidson, Inc.	100	97	68	90	81	56
Standard & Poor's MidCap 400 Index	100	108	104	126	146	130
Standard & Poor's 500 Index	100	114	115	129	157	150

Item 6. Selected Financial Data

(In thousands, except per share amounts)	2018	2017	2016	2015	2014
Statement of income data:					
Revenue:					
Motorcycles and Related Products	\$ 4,968,646	\$ 4,915,027	\$ 5,271,376	\$ 5,308,744	\$ 5,567,681
Financial Services	748,229	732,197	725,082	686,658	660,827
Total revenue	<u>\$ 5,716,875</u>	<u>\$ 5,647,224</u>	<u>\$ 5,996,458</u>	<u>\$ 5,995,402</u>	<u>\$ 6,228,508</u>
Net income	<u>\$ 531,451</u>	<u>\$ 521,759</u>	<u>\$ 692,164</u>	<u>\$ 752,207</u>	<u>\$ 844,611</u>
Weighted-average common shares:					
Basic	165,672	171,995	179,676	202,681	216,305
Diluted	166,504	172,932	180,535	203,686	217,706
Earnings per common share:					
Basic	\$ 3.21	\$ 3.03	\$ 3.85	\$ 3.71	\$ 3.90
Diluted	\$ 3.19	\$ 3.02	\$ 3.83	\$ 3.69	\$ 3.88
Dividends paid per common share	\$ 1.48	\$ 1.46	\$ 1.40	\$ 1.24	\$ 1.10
Balance sheet data:					
Total assets ^(a)	\$ 10,665,664	\$ 9,972,672	\$ 9,890,240	\$ 9,972,977	\$ 9,515,870
Total debt ^(a)	\$ 7,599,276	\$ 6,988,009	\$ 6,807,567	\$ 6,872,198	\$ 5,492,402
Total equity ^(b)	\$ 1,773,949	\$ 1,844,277	\$ 1,920,158	\$ 1,839,654	\$ 2,909,286

- (a) The Company adopted ASU No. 2015-03 and ASU No. 2015-15 on January 1, 2016. Upon adoption, the Company reclassified debt issuance cost, other than debt issuance costs related to line of credit arrangements (which include its asset-backed commercial paper and commercial paper programs and its credit facilities), from other assets to debt.
- (b) The Company adopted ASU No. 2014-09 on January 1, 2018. Upon adoption, the Company recorded a net increase to the opening balance of retained earnings of \$6.0 million, net of income taxes, to recognize the cumulative effect of the adoption.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Harley-Davidson, Inc. is the parent company of the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc. and all its subsidiaries. The Company operates in two reportable segments: Motorcycles and Related Products (Motorcycles) and Financial Services.

The "% Change" figures included in the "Results of Operations" section were calculated using unrounded dollar amounts and may differ from calculations using the rounded dollar amounts presented.

(1) Note Regarding Forward-Looking Statements

The Company intends that certain matters discussed in this report 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 by reference to this footnote or 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, unfavorably or favorably, from those anticipated as of the date of this report. Certain of such risks and uncertainties are described in close proximity to such statements or elsewhere in this report, including under the caption "Risk Factors" in Item 1A and under "Cautionary Statements" in Item 7 of this report. 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 the Outlook section are only made as of January 29, 2019 and the remaining forward-looking statements in this report are only made as of the date of the filing of this report (February 28, 2019), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Overview⁽¹⁾

The Company's net income for 2018 was \$531.5 million, or \$3.19 per diluted share, compared to \$521.8 million, or \$3.02 per diluted share, in 2017.

Operating income from the Motorcycles segment in 2018 was down \$184.4 million compared to 2017 due primarily to lower wholesale motorcycle shipments and higher costs related to the impact of incremental tariffs, increased metals costs, voluntary recalls and restructuring activities.

During 2018, incremental European Union and China tariffs were imposed on the Company's products shipped from the U.S., as well as U.S. incremental tariffs on certain items imported from certain international markets. The European Union tariffs on Harley-Davidson motorcycles exported from the U.S. increased from 6% to 31% effective June 22, 2018. By their current terms, these tariffs are scheduled to increase to 56% effective June 1, 2021. The China tariffs on Harley-Davidson products exported from the U.S. increased from 30% to 55%, effective August 23, 2018, and are set to remain in place indefinitely. The Company also experienced increased costs for metals resulting from U.S. steel and aluminum tariffs, but the Company does not refer to these costs as part of incremental tariffs.

Operating income from the Financial Services segment in 2018 was up \$15.9 million or 5.8% compared to prior year, primarily due to higher revenues and a lower provision for credit losses.

The overall decline in the Company's consolidated operating income during 2018 was more than offset by lower income tax expense which decreased \$186.9 million in 2018 primarily due to the favorable impact of the Tax Cuts and Jobs Act (2017 Tax Act) enacted in December 2017.

Worldwide independent dealer retail sales of new Harley-Davidson motorcycles decreased 6.1% in 2018 compared to the prior year. U.S. retail sales fell 10.2% on continued weakness in the U.S. industry which declined 8.7% for the same period. Retail sales in international markets increased 0.4% compared to 2017.

The Company expects the U.S. industry to remain challenged into 2019 and will continue to address these weak conditions. In the near-term, the Company is introducing exciting new products and adding innovation that customers value on its new motorcycles. The Company will continue to aggressively manage supply and execute marketing efforts to encourage motorcycle trials and increase the conversion of these trials into sales. The Company is also working to accelerate its strategy to build the next generation of Harley-Davidson riders through 2022 through its More Roads to Harley-Davidson (More Roads) plan. During 2018, it met or exceeded all of the More Roads plan milestones. The Company believes its More Roads plan is

designed to build the proper foundation and drive the right fundamentals to help steer the U.S. industry back to health and drive significant growth across international markets. The Company ended 2018 with over 52,000 more Harley-Davidson riders in the U.S compared to prior year (Source: IHS Markit Motorcycles in Operation (MIO) data for On-Highway and Dual Purpose bikes in the U.S. as of Jan 1, 2019 compared to previous years of MIO back to 2002).

Outlook⁽¹⁾

On January 29, 2019 the Company announced the following expectations for 2019.

The Company expects the U.S. industry to continue to decline in 2019, but at a more tempered pace than in 2018. The Company expects international retail sales growth during 2019. As a result, in 2019, the Company expects to ship between 217,000 and 222,000 motorcycles to dealers which is down approximately 3% to 5% from 2018.

During 2019, the Company expects retail sales to be positively impacted by:

- Focused investment in its strategy to increase global ridership and strengthen its dealer network,
- Model year 2019 and 2020 motorcycles, and
- Continued expansion of the international dealer network.

However, it expects these positive impacts to be more than offset by strong headwinds, including:

- A weak U.S. industry for new motorcycle sales,
- A shift in U.S. rider preference toward smaller motorcycles, and
- A marketplace crowded with highly competitive promotions, incentives and discounts.

In 2019, the Company will continue to aggressively manage supply in line with demand, and the Company expects year-end U.S. dealer inventory of new motorcycles to be down compared to 2018.

The Company expects Motorcycles segment gross margin as a percent of revenue to be lower than 2018 driven by a significant increase in incremental tariffs, lower shipment volumes and unfavorable product mix, partially offset by aggressive cost reductions, including the benefit of \$25 million to \$30 million of savings from the Company's Manufacturing Optimization plan. Refer to "Restructuring Plan Costs and Savings" below for further information regarding the Manufacturing Optimization Plan.

Incremental tariffs include incremental European Union and China tariffs imposed on the Company's products shipped from the U.S., as well as incremental U.S. tariffs on certain items imported from certain international markets. Incremental tariff costs exclude metals cost resulting from the U.S. steel and aluminum tariffs, although the Company does expect higher metals cost which are included in the 2019 gross margin guidance above.

The Company's plant in Thailand came on-line in the third quarter of 2018. As previously disclosed with the announcement of this project in 2017, the Company intends to utilize the Thailand facility to make more of the Company's products accessible to customers in targeted international markets. The Company intends those markets to include China, and certain Asian and European Union markets. The Company is currently making investments to increase that facility's capacity to serve those markets.

As previously disclosed, Harley-Davidson expects the impact of incremental tariff costs to be approximately \$100 million to \$120 million in 2019. While Harley-Davidson's preference has always been to serve the EU market from its U.S. manufacturing operations, the Company previously disclosed plans to mitigate the impact of the incremental European Union and China tariffs by the end of 2019 by serving those markets with motorcycles from its Thailand operations.

The Company is pursuing regulatory approval in the European Union to that end; however, approval is not guaranteed. As a result, the Company is considering multiple other options to serve the EU market should they be required. These other options to serve the EU market would most likely not mitigate the full impact of the current incremental European Union tariff by the end of 2019.

The Company remains active in support of efforts to eliminate all tariffs imposed on motorcycles delivered from its U.S. manufacturing operations.

The Company expects selling, administrative and engineering expenses for the Motorcycles segment to be lower in 2019 behind aggressive cost management and lower recall costs. For 2019, the Company has reallocated a substantial amount of spending to invest in its More Roads plan to drive future growth.

For 2019, the Motorcycles segment operating margin as a percent of revenue is expected to be between 8.0% and 9.0%. Based on its current plans, the Company expects Motorcycles segment operating income in 2020 to improve by approximately \$170 to \$200 million compared to 2019. This expectation assumes that the Company will complete its Manufacturing Optimization Plan and successfully execute its plan to mitigate the impact of incremental tariffs by the end of 2019.

The Company expects Financial Services operating income in 2019 to be down compared to 2018 driven by a higher cost of debt and higher depreciation associated with its 2018 investment in a new loan management system which went into service in January 2019.

Capital expenditures in 2019 are expected to be \$225 million to \$245 million, which includes approximately \$20 million to support the Manufacturing Optimization Plan. The Company anticipates it will have the ability to fund all capital expenditures in 2019 with cash flows generated by operations.

The Company expects its 2019 full year effective tax rate will be approximately 24% to 25%. This guidance excludes the effect of potential future adjustments, including items associated with any potential new tax legislation or audit settlements.

In the first quarter of 2019, the Company expects to ship between 53,000 and 58,000 motorcycles, which is down approximately 9% to 17% compared to the first quarter of 2018. Motorcycles segment operating margin as a percent of revenue is expected to be down approximately 6 percentage points compared to the first quarter of 2018. The Company expects results in the first quarter of 2019 to be adversely impacted by incremental tariffs, unfavorable product mix, a higher fixed cost per unit on lower production and shipments and unfavorable foreign currency, partially offset by lower restructuring costs.

The 2019 first quarter shipment guidance reflects the impact of a brake recall on the Company's Street motorcycles recorded in the fourth quarter of 2018. The Company expects that limited parts availability for repairing the impacted Street motorcycles will adversely impact retail sales in the first quarter of 2019 by approximately 2,500 motorcycles, primarily in international markets. The Company does not believe that the recall will have a meaningful impact on 2019 full-year retail sales.

Restructuring Plan Costs and Savings⁽¹⁾

In January 2018, the Company commenced 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 by mid-2019. 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 through 2019 (Manufacturing Optimization Plan). As part of the Manufacturing Optimization Plan, the Company will also close its wheel operations in Adelaide, Australia resulting in the elimination of approximately 90 jobs.

In November 2018, the Company implemented a workforce reorganization plan (Reorganization Plan). As a result, approximately 70 employees left the Company on an involuntary basis.

The following table summarizes the expected costs and savings associated with these restructuring plans.

(in millions)	2018 Actual	2019 Estimated	2020 Estimated	Total
Manufacturing Optimization Plan				
Cost related to temporary inefficiencies	\$ 12.9	\$10 - \$15	n/a	\$ 23 - \$ 28
Restructuring expenses	\$ 89.5	\$40 - \$45	n/a	\$129 - \$134
	\$102.4	\$50 - \$60		\$152 - \$162
% cash	70%	70%		70%
Reorganization Plan - restructuring expenses				
	\$3.9	\$1		\$5
% cash	100%	100%		100%
Annual cash savings				
		2019 Estimated	2020 Estimated	Annual Ongoing
Manufacturing Optimization Plan		\$25 - \$30	\$45 - \$50	\$65 - \$75
Reorganization Plan		\$7	\$7	\$7

The current Manufacturing Optimization Plan cost estimate has been revised down from the most recent estimate by \$3 million and \$23 million at the low and high ends of the range, respectively. In the first quarter of 2019, the Company expects Manufacturing Optimization Plan costs of approximately \$20 million.

The Company expects restructuring expenses for the Manufacturing Optimization Plan to include the cost of employee termination benefits, accelerated depreciation, and other project implementation costs of \$40 million to \$41 million, \$51 million to \$53 million, and \$38 million to \$40 million, respectively. Restructuring expenses for the Reorganization Plan will consist of the cost of employee termination benefits. The timing of cash payments for restructuring costs may not occur in the same fiscal period that the Company records the expense. Refer to Note 3 of the Notes to Consolidated Financial Statements for additional information concerning restructuring expenses.

The Company expects total capital expenditures of \$65 million associated with the Manufacturing Optimization Plan through 2019, including \$20 million in 2019. This is a decrease from the Company's most recent expectation of \$75 million in capital expenditures.

Results of Operations 2018 Compared to 2017

Consolidated Results

(in thousands, except earnings per share)	2018	2017	(Decrease) Increase	% Change
Operating income from Motorcycles and Related Products	\$ 422,363	\$ 606,776	\$ (184,413)	(30.4)%
Operating income from Financial Services	291,160	275,305	15,855	5.8
Operating income	713,523	882,081	(168,558)	(19.1)
Other income (expense), net	3,039	9,182	(6,143)	(66.9)
Investment income	951	3,580	(2,629)	(73.4)
Interest expense	30,884	31,004	(120)	(0.4)
Income before provision for income taxes	686,629	863,839	(177,210)	(20.5)
Provision for income taxes	155,178	342,080	(186,902)	(54.6)
Net income	\$ 531,451	\$ 521,759	\$ 9,692	1.9 %
Diluted earnings per share	\$ 3.19	\$ 3.02	\$ 0.17	5.6 %

Consolidated operating income was down 19.1% in 2018 driven by a decrease in operating income from the Motorcycles segment which was down \$184.4 million compared to 2017. Operating income for the Financial Services segment increased by \$15.9 million during 2018 as compared to 2017. Please refer to the "Motorcycles and Related Products Segment" and "Financial Services Segment" discussions following for a more detailed discussion of the factors affecting operating income.

Other income in 2018 was adversely impacted by higher amortization of actuarial losses following a 2018 first quarter remeasurement of the assets and obligations of the Company's qualified pension plan. Investment income was lower due to unfavorable changes in the fair value of marketable securities.

The effective income tax rate for 2018 was 22.6% compared to 39.6% for 2017. The lower effective income tax rate was primarily due to the impact of the 2017 Tax Act. The 2017 Tax Act reduced the federal corporate income tax rate beginning in 2018 from 35% to 21%. In addition, because the 2017 Tax Act was enacted in 2017, the Company was required to remeasure its net deferred tax assets in 2017. The impact of remeasuring the deferred tax asset balances combined with other adjustments related to the enactment of the 2017 Tax Act resulted in a non-cash income tax charge of \$53.1 million in the fourth quarter of 2017.

Diluted earnings per share were \$3.19 in 2018, up 5.6% compared to 2017. Diluted earnings per share were positively impacted by the 1.9% increase in net income and also benefited from lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 172.9 million in 2017 to 166.5 million in 2018 driven by the Company's repurchases of common stock. Please refer to "Liquidity and Capital Resources" for additional information concerning the Company's share repurchase activity.

Motorcycle Retail Sales and Registration Data

Harley-Davidson Motorcycle Retail Sales^(a)

The following table includes retail unit sales of new Harley-Davidson motorcycles:

	2018	2017	(Decrease) Increase	% Change
United States	132,868	147,972	(15,104)	(10.2)%
Europe ^(b)	41,179	39,773	1,406	3.5
EMEA - Other	5,423	5,162	261	5.1
Total EMEA	46,602	44,935	1,667	3.7
Asia Pacific ^(c)	18,429	21,393	(2,964)	(13.9)
Asia Pacific - Other	10,295	8,955	1,340	15.0
Total Asia Pacific	28,724	30,348	(1,624)	(5.4)
Latin America	10,167	9,452	715	7.6
Canada	9,690	10,081	(391)	(3.9)
Total International Retail Sales	95,183	94,816	367	0.4
Total Worldwide Retail Sales	228,051	242,788	(14,737)	(6.1)%

- (a) Data source for retail sales figures shown above is new sales warranty and registration information provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning new retail sales, and the Company does not regularly verify the information that its dealers supply. This information is subject to revision.
- (b) Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
- (c) Includes Japan, Australia, New Zealand and Korea. Prior period Asia Pacific retail sales have been reclassified to conform to the current year presentation.

Retail sales of new Harley-Davidson motorcycles in the U.S. were down 10.2% in 2018. Overall, U.S. retail sales of new Harley-Davidson motorcycles were adversely impacted by the continued weak U.S. industry, which was down 8.7% compared to 2017. The Company believes that sales of new motorcycles continued to be adversely impacted by soft used motorcycle prices and a shift in rider preferences toward smaller displacement motorcycles.

Prices for used Harley-Davidson motorcycles in the U.S. remained at near historical low levels compared to new; however, the Company is encouraged by positive momentum in used motorcycle pricing. During 2018, third-party pricing services continued to publish higher retail values year-over-year for used Harley-Davidson motorcycles. Wholesale prices of

used Harley-Davidson motorcycles at auction were also up during most of 2018 before falling slightly below year-ago levels in the fourth quarter. Additionally, for the sixth consecutive quarter, prices of used Harley-Davidson motorcycles in the Company's dealer network were higher in the fourth quarter of 2018 than the prior year quarter.

Retail sales of used Harley-Davidson motorcycles in the U.S. were up through November 2018 compared to the prior year. Additionally, the share of combined new and used motorcycle registrations in the U.S. attributable to Harley-Davidson motorcycles was up in 2018 through November and has been up for the last 9 consecutive years. (Source for data regarding used motorcycle sales: IHS Markit Used Registrations for On-Highway and Dual Purpose motorcycles with engines 601+cc in the U.S. from 2008 through November 2018). While the Company does not benefit directly from sales of used motorcycles, the Company believes used motorcycle sales are an indicator of brand health and provide prospects for future new motorcycle sales.

The Company's U.S. market share of new 601+cc motorcycles for 2018 was 49.7%, down 1.0 percentage points compared to 2017 (Source: Motorcycle Industry Council). The Company's U.S. market share reflects the adverse impact of a highly competitive marketplace and relatively strong growth in segments in which the Company does not currently compete. In the segments in which the Company does compete (Touring and Cruiser), which represent approximately 70% of the 601+cc market, the Company's market share was up 0.8 percentage points on a full-year basis.

International retail sales of new Harley-Davidson motorcycles were up 0.4% in 2018. Retail sales in emerging markets were up 9.8% partially offset by lower retail sales in developed markets, which declined 2.7% during 2018. In developed markets, retail sales grew in western Europe; however, retail sales in Japan and Australia were down behind contracting industry sales and competitive new product introductions in segments outside of the Touring and Cruiser segments. Retail sales in Canada were also down 3.9% in 2018.

The Company continued to expand its international dealer network during 2018, opening 56 new dealers during the year. The Company remains confident in and committed to the significant potential that international markets offer to Harley-Davidson. The Company believes it has the brand, products and distribution to drive sustainable growth in international markets.⁽¹⁾

Motorcycle Registration Data - 601+cc^(a)

The following table includes industry retail motorcycle registration data:

	2018	2017	(Decrease) Increase	% Change
United States ^(b)	263,750	288,802	(25,052)	(8.7)%
Europe ^(c)	397,669	390,619	7,050	1.8 %

- (a) Data includes on-road 601+cc models. On-road 601+cc models include dual purpose models, three-wheeled motorcycles and autocycles. Registration data for Harley-Davidson Street[®] 500 motorcycles is not included in this table.
- (b) United States industry data is derived from information provided by Motorcycle Industry Council (MIC). This third-party data is subject to revision and update.
- (c) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Industry retail motorcycle registration data includes 601+cc models derived from information provided by Association des Constructeurs Europeens de Motocycles (ACEM), an independent agency. This third-party data is subject to revision and update.

Motorcycles and Related Products Segment

Motorcycle Unit Shipments

The following table includes wholesale motorcycle unit shipments for the Motorcycles segment:

	2018		2017		Unit (Decrease) Increase	Unit % Change
	Units	Mix %	Units	Mix %		
United States	132,433	57.9%	144,893	60.0%	(12,460)	(8.6)%
International	96,232	42.1%	96,605	40.0%	(373)	(0.4)
Harley-Davidson motorcycle units	228,665	100.0%	241,498	100.0%	(12,833)	(5.3)%
Touring motorcycle units	101,942	44.6%	99,745	41.3%	2,197	2.2 %
Cruiser motorcycle units	78,529	34.3%	87,344	36.2%	(8,815)	(10.1)
Sportster® / Street motorcycle units	48,194	21.1%	54,409	22.5%	(6,215)	(11.4)
Harley-Davidson motorcycle units	228,665	100.0%	241,498	100.0%	(12,833)	(5.3)%

During 2018, wholesale shipments of Harley-Davidson motorcycles were down 5.3% compared to the prior year in line with a 6.1% decrease in dealer retail sales of new Harley-Davidson motorcycles. International shipments as a percentage of total shipments were up in 2018 as compared to 2017. Shipments of Touring motorcycles increased as a percentage of total shipments in 2018 offset by declines in Cruiser and Sportster/Street motorcycles. Dealer inventory of new Harley-Davidson motorcycles in the U.S. at the end of 2018 was down approximately 350 motorcycles compared to the end of 2017.

Segment Results

The following table includes the condensed statements of operations for the Motorcycles segment (in thousands):

	2018	2017	Increase (Decrease)	% Change
Revenue ^(a) :				
Motorcycles	\$ 3,882,963	\$ 3,765,620	\$ 117,343	3.1 %
Parts & Accessories	754,663	800,702	(46,039)	(5.7)
General Merchandise	241,964	262,776	(20,812)	(7.9)
Licensing	38,676	39,186	(510)	(1.3)
Other	50,380	46,743	3,637	7.8
Total revenue	4,968,646	4,915,027	53,619	1.1
Cost of goods sold	3,351,796	3,272,330	79,466	2.4
Gross profit	1,616,850	1,642,697	(25,847)	(1.6)
Selling & administrative expense	914,900	864,618	50,282	5.8
Engineering expense	186,186	171,303	14,883	8.7
Restructuring expense	93,401	—	93,401	—
Operating expense	1,194,487	1,035,921	158,566	15.3
Operating income from Motorcycles	\$ 422,363	\$ 606,776	\$ (184,413)	(30.4)%

(a) In connection with the adoption of ASU 2014-09, the Company has changed its presentation of disaggregated Motorcycles segment revenue and the prior period has been recast to reflect the new presentation.

The following table includes the estimated impact of significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from 2017 to 2018 (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
2017	\$ 4,915	\$ 3,272	\$ 1,643
Volume	(304)	(182)	(122)
Price, net of related costs	115	61	54
Foreign currency exchange rates and hedging	33	21	12
Shipment mix	210	117	93
Raw material prices	—	18	(18)
Manufacturing and other costs	—	45	(45)
Total	54	80	(26)
2018	\$ 4,969	\$ 3,352	\$ 1,617

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from 2017 to 2018:

- The decrease in volume was due to lower wholesale motorcycle shipments, as well as lower P&A and general merchandise sales. P&A and general merchandise sales were down due in large part to lower motorcycle shipments and lower retail motorcycle sales.
- On average, wholesale prices for motorcycles shipped in 2018 were higher than in the prior year resulting in a favorable impact on revenue. The positive impact on revenue was partially offset by increased costs related to the additional content added to motorcycles shipped in 2018 as compared to the prior year.
- The favorable revenue impact from foreign currency was partially offset by higher net foreign currency losses due primarily to the remeasurement of foreign-denominated balance sheet accounts, as compared to the prior year.
- Shipment mix changes resulted in a positive impact on gross profit resulting from favorable changes in the mix of motorcycle families, as well as the mix of models within motorcycle families.
- Raw material prices were higher primarily due to increased steel and aluminum costs which includes the impacts of U.S. tariffs on steel and aluminum imports.
- Manufacturing and other costs were negatively impacted by lower fixed cost absorption due to lower production, higher depreciation, the impact of incremental tariffs and temporary inefficiencies associated with the Manufacturing Optimization Plan. In 2018, the impact of incremental tariffs was \$23.7 million.

Operating expenses were up compared to 2017 due to higher recall costs and increased spending on growth initiatives, as well as \$93.4 million of restructuring expense related primarily to the Manufacturing Optimization Plan.

Financial Services Segment

Segment Results

The following table includes the condensed statements of operations for the Financial Services segment (in thousands):

	2018	2017	Increase (Decrease)	% Change
Interest income	\$ 645,985	\$ 633,113	\$ 12,872	2.0 %
Other income	101,108	97,151	3,957	4.1
Securitization and servicing income	1,136	1,933	(797)	(41.2)
Financial Services revenue	748,229	732,197	16,032	2.2
Interest expense	193,187	180,193	12,994	7.2
Provision for credit losses	106,870	132,444	(25,574)	(19.3)
Operating expenses	157,012	144,255	12,757	8.8
Financial Services expense	457,069	456,892	177	—
Operating income from Financial Services	\$ 291,160	\$ 275,305	\$ 15,855	5.8 %

Interest income was favorable in 2018 primarily due to higher average retail receivables.

Interest expense increased due to a higher cost of funds and higher average outstanding debt.

The provision for credit losses decreased \$25.6 million compared to 2017. The retail motorcycle provision decreased \$27.1 million driven by a decrease in the retail reserve rate, as a result of lower retail credit losses, compared to an increase in the reserve rate during 2017. This favorability was partially offset by a larger increase in retail receivables compared to 2017. The wholesale provision increased \$1.9 million as a result of an increase in the wholesale reserve rate.

Annual losses on the Company's retail motorcycle loans were 1.76% during 2018 compared to 1.90% in 2017. The 30-day delinquency rate for retail motorcycle loans at December 31, 2018 decreased to 4.12% from 4.21% at December 31, 2017.

Operating expenses increased \$12.8 million compared to 2017 driven primarily by higher shared services and employee-related expenses.

Changes in the allowance for credit losses on finance receivables were as follows (in thousands):

	2018	2017
Balance, beginning of period	\$ 192,471	\$ 173,343
Provision for credit losses	106,870	132,444
Charge-offs, net of recoveries	(109,456)	(113,316)
Balance, end of period	<u>\$ 189,885</u>	<u>\$ 192,471</u>

At December 31, 2018, the allowance for credit losses on finance receivables was \$182.1 million for retail receivables and \$7.8 million for wholesale receivables. At December 31, 2017, the allowance for credit losses on finance receivables was \$186.3 million for retail receivables and \$6.2 million for wholesale receivables.

The Company's periodic evaluation of the adequacy of the allowance for credit losses on finance receivables is generally based on the Company's past loan loss experience, known and inherent risks in the portfolio, current economic conditions and the estimated value of any underlying collateral. Please refer to Note 7 of the Notes to Consolidated Financial Statements for further discussion regarding the Company's allowance for credit losses on finance receivables.

Results of Operations 2017 Compared to 2016

Consolidated Results

(in thousands, except earnings per share)	2017	2016	(Decrease) Increase	% Change
Operating income from Motorcycles and Related Products	\$ 606,776	\$ 770,764	\$ (163,988)	(21.3)%
Operating income from Financial Services	275,305	275,530	(225)	(0.1)
Operating income	882,081	1,046,294	(164,213)	(15.7)
Other income (expense), net	9,182	2,642	6,540	247.5
Investment income	3,580	4,645	(1,065)	(22.9)
Interest expense	31,004	29,670	1,334	4.5
Income before provision for income taxes	863,839	1,023,911	(160,072)	(15.6)
Provision for income taxes	342,080	331,747	10,333	3.1
Net income	<u>\$ 521,759</u>	<u>\$ 692,164</u>	<u>\$ (170,405)</u>	<u>(24.6)%</u>
Diluted earnings per share	\$ 3.02	\$ 3.83	\$ (0.81)	(21.1)%

Consolidated operating income was down 15.7% in 2017 driven by a decrease in operating income from the Motorcycles segment which decreased by \$164.0 million compared to 2016. Operating income for the Financial Services segment in 2017 was slightly lower than the prior year, decreasing \$0.2 million as compared to 2016. Please refer to the "Motorcycles and Related Products Segment" and "Financial Services Segment" discussions following for a more detailed discussion of the factors affecting operating income.

The effective income tax rate for 2017 was 39.6% compared to 32.4% for 2016. The higher effective income tax rate was primarily due to the impact of the 2017 Tax Act. The 2017 Tax Act reduced the federal corporate income tax rate beginning in 2018 from 35% to 21% and resulted in a remeasurement of net deferred tax assets in the fourth quarter of 2017. The impact of remeasuring the deferred tax asset balances combined with other adjustments related to the enactment of the 2017 Tax Act resulted in a non-cash income tax charge of \$53.1 million in the fourth quarter of 2017.

Diluted earnings per share were \$3.02 in 2017, down 21.1% compared to 2016. Diluted earnings per share were adversely impacted by the 24.6% decrease in net income, but benefited from lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 180.5 million in 2016 to 172.9 million in 2017 driven by the Company's repurchases of common stock.

Motorcycles Retail Sales and Registration Data

Harley-Davidson Motorcycle Retail Sales^(a)

The following table includes retail unit sales of Harley-Davidson motorcycles:

	2017	2016	Decrease	% Change
United States	147,972	161,658	(13,686)	(8.5)%
Europe ^(b)	39,773	39,942	(169)	(0.4)
EMEA - Other	5,162	5,896	(734)	(12.4)
Total EMEA	44,935	45,838	(903)	(2.0)
Asia Pacific ^(c)	21,393	23,245	(1,852)	(8.0)
Asia Pacific - Other	8,955	9,644	(689)	(7.1)
Total Asia Pacific	30,348	32,889	(2,541)	(7.7)
Latin America	9,452	9,701	(249)	(2.6)
Canada	10,081	10,203	(122)	(1.2)
Total International Retail Sales	94,816	98,631	(3,815)	(3.9)
Total Worldwide Retail Sales	242,788	260,289	(17,501)	(6.7)%

- (a) Data source for retail sales figures shown above is new sales warranty and registration information provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning new retail sales and the Company does not regularly verify the information that its dealers supply. This information is subject to revision.
- (b) Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
- (c) Includes Japan, Australia, New Zealand and Korea. Prior period Asia Pacific retail sales have been reclassified to conform to the current year presentation

Retail sales of new Harley-Davidson motorcycles in the U.S. were down 8.5% in 2017, adversely impacted by a weak U.S. industry, which was down 7.3% compared to 2016. The Company's U.S. market share of 601+cc motorcycles for 2017 was 50.7%, down 0.5 percentage points compared to 2016 (Source: Motorcycle Industry Council).

International retail sales of new Harley-Davidson motorcycles were down 3.9% in 2017. In EMEA, retail sales in Europe were down slightly from 2016 while other EMEA markets decreased 12.4% behind softness in emerging markets including Russia, Middle East and South Africa. In Asia Pacific, retail sales were down compared to 2016 on softness in Japan and Australia and lower retail sales in emerging markets compared to 2016. Retail sales in Latin America during 2017 were down on softness in Mexico partially offset by an increase in Brazil. Canada retail sales were down slightly from the prior year.

Motorcycle Registration Data - 601+cc^(a)

The following table includes industry retail motorcycle registration data:

	2017	2016	Decrease	% Change
United States ^(b)	288,802	311,710	(22,908)	(7.3)%
Europe ^(c)	390,619	391,936	(1,317)	(0.3)%

- (a) Data includes on-road 601+cc models. On-road 601+cc models include dual purpose models, three-wheeled motorcycles and autocycles. Registration data for Harley-Davidson Street® 500 motorcycles is not included in this table.
- (b) United States industry data is derived from information provided by Motorcycle Industry Council (MIC). This third-party data is subject to revision and update.
- (c) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Industry retail motorcycle registration data includes 601+cc models derived from information provided by Association des Constructeurs Europeens de Motocycles (ACEM), an independent agency. This third-party data is subject to revision and update.

Motorcycles and Related Products Segment

Motorcycle Unit Shipments

The following table includes wholesale motorcycle unit shipments for the Motorcycles segment:

	2017		2016		Unit	Unit
	Units	Mix %	Units	Mix %	Decrease	% Change
United States	144,893	60.0%	161,839	61.7%	(16,946)	(10.5)%
International	96,605	40.0%	100,382	38.3%	(3,777)	(3.8)
Harley-Davidson motorcycle units	241,498	100.0%	262,221	100.0%	(20,723)	(7.9)%
Touring motorcycle units	99,745	41.3%	107,410	41.0%	(7,665)	(7.1)%
Cruiser motorcycle units	87,344	36.2%	93,422	35.6%	(6,078)	(6.5)
Sportster® / Street motorcycle units	54,409	22.5%	61,389	23.4%	(6,980)	(11.4)
Harley-Davidson motorcycle units	241,498	100.0%	262,221	100.0%	(20,723)	(7.9)%

During 2017, wholesale shipments of Harley-Davidson motorcycles were down 7.9% compared to the prior year, slightly more than the 6.7% decrease in dealer retail sales of new Harley-Davidson motorcycles. International shipments as a percentage of the total were up slightly in 2017 as compared to 2016. Shipments of Cruiser motorcycles increased as a percentage of total shipments in 2017 behind the launch of the new model-year 2018 Softail motorcycles. The Softail motorcycle platform was completely redesigned for model-year 2018 and merged the former Softail and Dyna platforms. Dealer inventory of new Harley-Davidson motorcycles in the U.S. at the end of 2017 was down approximately 3,000 motorcycles compared to the end of 2016.

Segment Results

The following table includes the condensed statements of operations for the Motorcycles segment (in thousands):

	2017	2016	(Decrease) Increase	% Change
Revenue^(a):				
Motorcycles	\$ 3,765,620	\$ 4,052,999	\$ (287,379)	(7.1)%
Parts & Accessories	800,702	839,097	(38,395)	(4.6)
General Merchandise	262,776	284,583	(21,807)	(7.7)
Licensing	39,186	41,590	(2,404)	(5.8)
Other	46,743	53,107	(6,364)	(12.0)
Total revenue	4,915,027	5,271,376	(356,349)	(6.8)
Cost of goods sold	3,272,330	3,425,997	(153,667)	(4.5)
Gross profit	1,642,697	1,845,379	(202,682)	(11.0)
Selling & administrative expense	864,618	903,414	(38,796)	(4.3)
Engineering expense	171,303	171,201	102	0.1
Operating expense	1,035,921	1,074,615	(38,694)	(3.6)
Operating income from Motorcycles	\$ 606,776	\$ 770,764	\$ (163,988)	(21.3)%

(a) In connection with the adoption of ASU 2014-09, the Company has changed its presentation of disaggregated Motorcycles segment revenue and the prior period has been recast to reflect the new presentation.

The following table includes the estimated impact of the significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from 2016 to 2017 (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
2016	\$ 5,272	\$ 3,426	\$ 1,846
Volume	(435)	(264)	(171)
Price, net of related costs	120	59	61
Foreign currency exchange rates and hedging	13	(3)	16
Shipment mix	(55)	(18)	(37)
Raw material prices	—	17	(17)
Manufacturing and other costs	—	55	(55)
Total	(357)	(154)	(203)
2017	\$ 4,915	\$ 3,272	\$ 1,643

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from 2016 to 2017:

- The decrease in volume was due to lower wholesale motorcycle shipments, as well as lower P&A and general merchandise sales. P&A and general merchandise sales were down due in large part to lower motorcycle shipments and lower retail motorcycle sales.
- On average, wholesale prices for motorcycles shipped in 2017 were higher than in the prior year resulting in a favorable impact on revenue. The positive impact on revenue was partially offset by increased costs related to the additional content added to motorcycles shipped in 2017 as compared to last year.
- Revenue was positively impacted by slightly stronger weighted-average foreign currency rates, relative to the U.S. dollar, as compared to last year. In addition, cost was favorably impacted by a higher net gain resulting from the remeasurement of foreign-denominated balance sheet accounts net of losses incurred on hedging activities, as compared to last year.
- Shipment mix changes resulted in a negative impact on gross profit resulting from unfavorable changes in the mix of models within motorcycle families as well as changes in P&A product mix.
- Raw material prices were higher due primarily to increased steel and aluminum costs.
- Manufacturing costs were negatively impacted by lower fixed cost absorption due to lower production volumes, higher model-year startup costs and higher depreciation.

Operating expense which consists of selling, administrative and engineering expenses, was down compared to 2016 due primarily to aggressive cost management and lower employee costs.

Financial Services Segment

Segment Results

The following table includes the condensed statements of operations for the Financial Services segment (in thousands):

	2017	2016	Increase (Decrease)	% Change
Interest income	\$ 633,113	\$ 628,432	\$ 4,681	0.7 %
Other income	97,151	85,788	11,363	13.2
Securitization and servicing income	1,933	10,862	(8,929)	(82.2)
Financial Services revenue	732,197	725,082	7,115	1.0
Interest expense	180,193	173,756	6,437	3.7
Provision for credit losses	132,444	136,617	(4,173)	(3.1)
Operating expense	144,255	139,179	5,076	3.6
Financial Services expense	456,892	449,552	7,340	1.6
Operating income from Financial Services	\$ 275,305	\$ 275,530	\$ (225)	(0.1)%

Interest income was favorable in 2017 due to higher average retail receivables partially offset by lower average wholesale receivables and lower average yields across the portfolios. Other income was favorable due to increased licensing revenue and investment income. Securitization and servicing income was lower primarily due to a \$9.3 million gain on the sale of finance receivables recognized as a result of a 2016 off-balance sheet asset-backed securitization. There was no comparable transaction in 2017.

Interest expense increased due to a higher cost of funds, partially offset by lower average outstanding debt.

The provision for credit losses decreased \$4.2 million compared to 2016. The retail motorcycle provision decreased \$6.5 million during 2017 as a result of a smaller increase in the retail reserve rate and lower receivables partially offset by higher retail credit losses. Credit losses were higher as a result of unfavorable performance across the retail motorcycle portfolio. The wholesale provision increased \$1.0 million due to a smaller decrease in the wholesale reserve rate compared to 2016.

Annual losses on the Company's retail motorcycle loans were 1.90% during 2017 compared to 1.83% in 2016. The 30-day delinquency rate for retail motorcycle loans at December 31, 2017 decreased to 4.21% from 4.25% at December 31, 2016.

Changes in the allowance for credit losses on finance receivables were as follows (in thousands):

	2017	2016
Balance, beginning of period	\$ 173,343	\$ 147,178
Provision for credit losses	132,444	136,617
Charge-offs, net of recoveries	(113,316)	(107,161)
Other ^(a)	—	(3,291)
Balance, end of period	\$ 192,471	\$ 173,343

(a) Related to the sale of finance receivables during 2016 with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization transaction (see Note 12 of the Notes to Consolidated Financial Statements for additional information).

At December 31, 2017, the allowance for credit losses on finance receivables was \$186.3 million for retail receivables and \$6.2 million for wholesale receivables. At December 31, 2016, the allowance for credit losses on finance receivables was \$166.8 million for retail receivables and \$6.5 million for wholesale receivables.

The Company's periodic evaluation of the adequacy of the allowance for credit losses on finance receivables is generally based on the Company's past loan loss experience, known and inherent risks in the portfolio, current economic conditions and the estimated value of any underlying collateral.

Other Matters

New Accounting Standards Not Yet Adopted

Refer to Note 1 Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements for a discussion of new accounting standards that will become effective for the Company in 2019 and 2020.

Critical Accounting Estimates

The Company's financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. Management believes that the following are some of the more critical judgment areas in the application of accounting policies that currently affect the Company's financial condition and results of operations. Management has discussed the development and selection of these critical accounting estimates with the Audit and Finance Committee of the Board of Directors.

Allowance for Credit Losses on Retail Finance Receivables – The allowance for uncollectible accounts is maintained at a level management believes is adequate to cover the losses of principal in the existing retail finance receivables portfolio.

The retail portfolio consists of a large number of small balance, homogeneous finance receivables. The Company performs a periodic and systematic collective evaluation of the adequacy of the retail allowance. The Company utilizes loss forecast models which consider a variety of factors including, but not limited to, historical loss trends, origination or vintage analysis, known and inherent risks in the portfolio, the value of the underlying collateral, recovery rates and current economic conditions including items such as unemployment rates.

Product Warranty and Recalls – Estimated warranty costs are accrued at the time of sale and are based on a combination of historical claim cost data and other known factors that may affect future warranty claims. The estimated costs associated with voluntary recalls are accrued in the period that management approves and commits to the recall. The accrued cost of a recall is based on an estimate of the cost to repair each affected motorcycle and the number of motorcycles expected to be repaired based on historical data concerning the percentage of affected customers that take advantage of recall offers. In the case of both warranty and recall costs, as actual experience becomes available it is used to update the accruals.

The factors affecting actual warranty and recall costs can be volatile. As a result, actual warranty claims experience and recall costs may differ from estimates, which could lead to material changes in the Company's accrued warranty and recall costs. The Company's warranty and recall liabilities are discussed further in Note 1 of the Notes to Consolidated Financial Statements.

Pensions and Other Postretirement Healthcare Benefits – The Company has a defined benefit pension plan and postretirement healthcare benefit plans, which cover employees of the Motorcycles segment. The Company also has unfunded supplemental employee retirement plan agreements (SERPA) with certain employees, which were instituted to replace benefits lost under the Tax Revenue Reconciliation Act of 1993.

U.S. GAAP requires that companies recognize in their statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or an asset for defined benefit pension and postretirement benefit plans that are overfunded.

Pension, SERPA and postretirement healthcare obligations and costs are calculated through actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, mortality, long-term expected return on plan assets, future compensation and healthcare cost trend rates.

The Company determines its discount rate assumptions by referencing high-quality long-term bond rates that are matched to the duration of its own benefit obligations. Based on this analysis, the Company increased the weighted-average discount rate for pension and SERPA obligations from 3.71% as of December 31, 2017 to 4.38% as of December 31, 2018. The Company increased the weighted-average discount rate for postretirement healthcare obligations from 3.52% to 4.23%. The Company determines its healthcare trend assumption for the postretirement healthcare obligation by considering factors such as estimated healthcare inflation, the utilization of healthcare benefits and changes in the health of plan participants. Based on the Company's assessment of this data as of December 31, 2018, the Company set its healthcare cost trend rate at 6.75% as of December 31, 2018. The Company expects the healthcare cost trend rate to reach its ultimate rate of 5.00% by 2026.⁽¹⁾ These assumption changes were reflected immediately in the benefit obligation and will be amortized into net periodic benefit costs over future periods.

Plan assets are measured at fair value and are subject to market volatility. In estimating the expected return on plan assets, the Company considers the historical returns on plan assets, adjusted to reflect the current view of the long-term investment market.

Changes in the funded status of defined benefit pension and postretirement benefit plans resulting from the difference between assumptions and actual results are initially recognized in other comprehensive income and amortized to expense over future periods. The following information is provided to illustrate the sensitivity of pension and postretirement healthcare obligations and costs to changes in these major assumptions (in thousands):

	Amounts based on current assumptions	Impact of a 1% decrease in the discount rate	Impact of a 1% decrease in the expected return on assets	Impact of a 1% increase in the healthcare cost trend rate
2018 Net periodic benefit cost				
Pension and SERPA	\$ 32,817	\$ 28,330	\$ 20,322	n/a
Postretirement healthcare	\$ 3,664	\$ 1,196	\$ 1,955	\$ 1,556
2018 Benefit obligations				
Pension and SERPA	\$ 1,984,708	\$ 319,213	n/a	n/a
Postretirement healthcare	\$ 286,574	\$ 23,298	n/a	\$ 8,613

This information should not be viewed as predictive of future amounts. The analysis of the impact of a 1% change in the table above does not take into account the cost related to special termination benefits. The calculation of pension, SERPA and postretirement healthcare obligations and costs is based on many factors in addition to those discussed here. This information should be considered in combination with the information provided in Note 14 of the Notes to Consolidated Financial Statements.

Income Taxes – The Company accounts for income taxes in accordance with ASC Topic 740, Income Taxes (Topic 740). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. These tax laws and regulations are complex and significant judgment is required in determining the Company's worldwide provision for income taxes and recording the related deferred tax assets and liabilities.

In the ordinary course of the Company's business, there are transactions and calculations where the ultimate tax determination is uncertain. Accruals for unrecognized tax benefits are provided for in accordance with the requirements of Topic 740. An unrecognized tax benefit represents the difference between the recognition of benefits related to items for income tax reporting purposes and financial reporting purposes. The unrecognized tax benefit is included within other long-term liabilities in the consolidated balance sheets. The Company has a liability for interest and penalties on exposure items, if applicable, which is recorded as a component of the overall income tax provision. The Company is regularly audited by tax authorities as a normal course of business. Although the outcome of tax audits is always uncertain, the Company believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Contractual Obligations

A summary of the Company's expected payments for significant contractual obligations as of December 31, 2018 is as follows (in thousands):

	2019	2020-2021	2022-2023	Thereafter	Total
Principal payments on debt	\$ 2,717,597	\$ 3,133,704	\$ 1,018,393	\$ 750,000	\$ 7,619,694
Interest payments on debt	182,532	226,407	109,026	336,750	854,715
Operating lease payments	20,416	29,897	15,675	7,988	73,976
	<u>\$ 2,920,545</u>	<u>\$ 3,390,008</u>	<u>\$ 1,143,094</u>	<u>\$ 1,094,738</u>	<u>\$ 8,548,385</u>

Interest for floating rate instruments assumes December 31, 2018 rates remain constant.

As of December 31, 2018, the Company generally had no significant purchase obligations, other than those created in the ordinary course of business. Purchase orders issued for inventory and supplies used in product manufacturing generally do not become firm commitments until 90 days prior to expected delivery and can be modified to a certain extent until 30 days prior to expected delivery.

The Company has long-term obligations related to its pension, SERPA and postretirement healthcare plans at December 31, 2018. The Company's retirement plan obligations and expected future contributions and payments related to these plans are provided in Note 14 of the Notes to Consolidated Financial Statements.

As described in Note 4 of the Notes to Consolidated Financial Statements, the Company has unrecognized tax benefits of \$61.4 million and accrued interest and penalties of \$27.7 million as of December 31, 2018. However, the Company cannot make a reasonably reliable estimate of the period of cash settlement for either the liability for unrecognized tax benefits or accrued interest and penalties.

Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining costs to accrue related to these items, the Company carefully analyzes cases and considers the likelihood of adverse judgments or outcomes, as well as the potential range of possible loss. Any amounts accrued for these matters are monitored on an ongoing basis and are updated based on new developments or new information as it becomes available for each matter.

Environmental Protection Agency Notice:

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. On March 1, 2018, the Company and the EPA each filed separate response briefs. The Company is awaiting the court's decision on whether or not to finalize the Settlement. The Company has an accrual associated with this matter which is included in accrued liabilities in the consolidated balance sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company's financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter.

York Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. The Company has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 and with the U.S. Environmental Protection Agency (EPA) in undertaking environmental investigation and remediation activities, including a site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy, and the parties amended the Agreement in 2013 to address ordnance and explosive waste. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and remediation activities at the York facility (Response Costs). The trust administers the payment of the Response Costs incurred at the York facility as covered by the Agreement.

The Company has an accrual for its estimate of its share of the future Response Costs at the York facility which is included in other long-term liabilities in the consolidated balance sheets. While the work on the RI/FS is now complete and the final remedy was proposed in late 2018, it has not yet been approved, and given the uncertainty that exists concerning the nature and scope of additional environmental remediation that may ultimately be required under the approved final remedy, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

The estimate of the Company's future Response Costs that will be incurred at the York facility is based on reports of independent environmental consultants retained by the Company, the actual costs incurred to date, and the estimated costs to complete the necessary investigation and remediation activities.

Product Liability Matters:

The Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures that are probable of occurrence and can be reasonably estimated. The Company also maintains insurance coverage for product liability exposures. The Company believes that its accruals and insurance coverage are adequate and that product liability suits will not have a material adverse effect on the Company's consolidated financial statements.⁽¹⁾

Off-Balance Sheet Arrangements

The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. In the Company's asset-backed financing programs, the Company transfers retail motorcycle finance receivables to special purpose entities (SPE), which are considered Variable Interest Entities (VIE) under U.S. GAAP. Each SPE then converts those assets into cash, through the issuance of debt. The Company retains servicing rights for all of the retail motorcycle finance receivables transferred to SPEs as part of an asset-backed financing.

The SPEs are separate legal entities that assume the risks and rewards of ownership of the retail motorcycle finance receivables they hold. The assets of the VIEs are not available to pay other obligations or claims of the Company's creditors. The Company's economic exposure related to the VIEs is generally limited to restricted cash reserve accounts, retained interests and ordinary representations and warranties and related covenants. The VIEs have a limited life and generally terminate upon final distribution of amounts owed to investors.

The accounting treatment for asset-backed financings depends on the terms of the related transaction and the Company's continuing involvement with the VIE. Most of the Company's asset-backed financings do not meet the criteria to be treated as a sale for accounting purposes because, in addition to retaining servicing rights, the Company retains a financial interest in the VIE in the form of a debt security. These transactions are treated as secured borrowings. As secured borrowings, the retail motorcycle finance receivables remain on the balance sheet with a corresponding obligation reflected as debt.

During the second quarter of 2016, the Company sold finance receivables with a principal balance of \$301.8 million into a securitization VIE. The transaction met the criteria to be treated as a sale for accounting purposes and resulted in an off-balance sheet arrangement because the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants. Upon sale, the retail motorcycle finance receivables were removed from the Company's balance sheet and a gain of \$9.3 million was recognized in Financial Services revenue. For more information, see Note 12 of the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources as of December 31, 2018

Over the long-term, the Company expects that its business model will continue to generate cash that will allow it to invest in the business, fund future growth opportunities and return value to shareholders.⁽¹⁾ The Company believes the Motorcycles operations will continue to be primarily funded through cash flows generated by operations.⁽¹⁾ The Company's Financial Services operations will continue to be funded with unsecured debt, unsecured commercial paper, asset-backed commercial paper conduit facilities, committed unsecured bank facilities and asset-backed securitizations.

The Company's strategy is to maintain a minimum of twelve months of its projected liquidity needs through a combination of cash and cash equivalents and availability under credit facilities. The following table summarizes the Company's cash and cash equivalents and availability under credit and conduit facilities (in thousands):

	December 31, 2018
Cash and cash equivalents	\$ 1,203,766
Current marketable securities	10,007
Total cash and cash equivalents and marketable securities	1,213,773
Credit facilities	434,190
Asset-backed U.S. commercial paper conduit facilities ^(a)	600,000
Asset-backed Canadian commercial paper conduit facility ^(a)	5,443
Total availability under credit and conduit facilities	1,039,633
Total	\$ 2,253,406

(a) Includes facilities expiring in the next twelve months which the Company expects to renew prior to expiration.⁽¹⁾

The Company recognizes that it must continue to adjust its business to changes in the lending environment. The Company intends to continue with a diversified funding profile through a combination of short-term and long-term funding vehicles and to pursue a variety of sources to obtain cost-effective funding.⁽¹⁾ The Financial Services operations could be negatively affected by higher costs of funding and the increased difficulty of raising, or potential inability to raise, funding in the short-term and long-term capital markets.⁽¹⁾ These negative consequences could in turn adversely affect the Company's business and results of operations in various ways, including through higher costs of capital, reduced funds available through its Financial Services operations to provide loans to independent dealers and their retail customers, and dilution to existing shareholders through the use of alternative sources of capital.

Cash Flow Activity

The following table summarizes the cash flow activity of continuing operations for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	2018	2017	2016
Net cash provided by operating activities	\$ 1,205,921	\$ 1,005,061	\$ 1,174,339
Net cash used by investing activities	(662,269)	(562,468)	(392,731)
Net cash used by financing activities	(14,763)	(550,261)	(777,885)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15,351)	26,747	(9,443)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 513,538	\$ (80,921)	\$ (5,720)

Operating Activities

The increase in operating cash flow in 2018 compared to 2017 was primarily due to favorable changes in working capital and lower cash outflows for retirement plans. There were no voluntary or required qualified pension plan or postretirement healthcare plan contributions in 2018. In 2017, the Company voluntarily contributed \$25.0 million to its qualified pension plan and \$15.0 million to its postretirement healthcare plans. The Company expects that no qualified pension plan contributions will be required in 2019.⁽¹⁾ The Company also expects that 2019 postretirement healthcare plan benefits and benefits due under the SERPA will be paid by the Company or funded with plan assets.⁽¹⁾ The Company's expected future contributions and benefit payments related to these plans are provided in Note 14 of the Notes to Consolidated Financial Statements.⁽¹⁾

The decrease in operating cash flow in 2017 compared to 2016 was due primarily to lower net income, unfavorable changes in working capital and higher retirement plan contributions. These negative impacts were partially offset by lower net cash outflows for wholesale lending.

Investing Activities

The Company's investing activities consist primarily of capital expenditures, net changes in retail finance receivables and short-term investment activity. Capital expenditures were \$213.5 million, \$206.3 million and \$256.3 million during 2018, 2017 and 2016, respectively.

Net cash outflows for finance receivables in 2018, which consisted primarily of retail finance receivables, were \$63.5 million higher than 2017 primarily as a result of an increase in retail motorcycle loan originations during 2018. Conversely, 2017 net cash outflows for finance receivables were \$125.8 million lower than 2016 primarily due to lower retail motorcycle loan originations during 2017.

Cash (outflow)/inflow from purchases and maturities of marketable securities were \$(10.0) million, \$6.9 million and \$40.0 million in 2018, 2017 and 2016, respectively.

During 2016, the Company completed a sale of finance receivables through an off-balance sheet asset-backed securitization. The proceeds from the sale of finance receivables, which positively impacted cash flow, were \$312.6 million. There were no comparable transactions in 2018 or 2017.

Financing Activities

The Company's financing activities consist primarily of dividend payments, share repurchases and debt activity.

The Company paid dividends of \$1.48 per share totaling \$245.8 million during 2018, \$1.46 per share totaling \$251.9 million during 2017 and \$1.40 per share totaling \$252.3 million during 2016.

Cash outflows from share repurchases were \$390.6 million, \$465.3 million and \$465.3 million for 2018, 2017 and 2016, respectively. Share repurchases during 2018, 2017 and 2016 included 9.4 million, 8.8 million and 9.9 million shares of common stock, respectively, related to discretionary share repurchases and shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock awards. As of December 31, 2018, there were 16.4 million shares remaining on board-approved share repurchase authorizations.

Financing cash flows related to debt activity resulted in net cash inflows / (outflows) of \$618.1 million, \$155.5 million and \$(78.3) million for 2018, 2017 and 2016, respectively. The Company's total outstanding debt consisted of the following as of December 31, 2018, 2017 and 2016 (in thousands):

	2018	2017	2016
Unsecured commercial paper	\$ 1,135,810	\$ 1,273,482	\$ 1,055,708
Asset-backed Canadian commercial paper conduit facility	155,951	174,779	149,338
Asset-backed U.S. commercial paper conduit facilities	582,717	279,457	—
Medium-term notes, net	4,887,007	4,165,706	4,064,940
Senior unsecured notes, net	742,624	741,961	741,306
Asset-backed securitization debt, net	95,167	352,624	796,275
Total debt	\$ 7,599,276	\$ 6,988,009	\$ 6,807,567

To access the debt capital markets, the Company relies on credit rating agencies to assign short-term and long-term credit ratings. Generally, lower credit ratings result in higher borrowing costs and reduced access to debt capital markets. A credit rating agency may change or withdraw the Company's ratings based on its assessment of the Company's current and future ability to meet interest and principal repayment obligations. The Company's short-term debt ratings affect its ability to issue unsecured commercial paper. The Company's short- and long-term debt ratings as of December 31, 2018 were as follows:

	Short-Term	Long-Term	Outlook
Moody's	P2	A3	Stable
Standard & Poor's	A2	BBB+	Negative
Fitch	F1	A	Stable

Credit Facilities – In April 2018, the Company entered into a \$780.0 million five-year credit facility to replace the \$675.0 million five-year credit facility that was due to mature in April 2019 and also terminated the \$100.0 million 364-day credit facility that would have matured at the end of April 2018. The new five-year credit facility matures in April 2023. The Company also has a \$765.0 million five-year credit facility which matures in April 2021. The two five-year credit facilities (together, the Global Credit Facilities) bear interest at variable rates, which may be adjusted upward or downward depending on certain criteria, such as credit ratings. The Global Credit Facilities also require the Company to pay a fee based on the average

daily unused portion of the aggregate commitments under the Global Credit Facilities. The Global Credit Facilities are committed facilities primarily used to support the Company's unsecured commercial paper program. In May 2018, the Company renewed its \$25.0 million 364-day credit facility that was due to mature that month. The \$25.0 million credit facility bears interest at variable interest rates, and the Company pays a fee based on the unused portion of the \$25.0 million commitment. This credit facility matures in May 2019.

Unsecured Commercial Paper – Subject to limitations, the Company could issue unsecured commercial paper of up to \$1.55 billion as of December 31, 2018 supported by the Global Credit Facilities, as discussed above. Outstanding unsecured commercial paper may not exceed the unused portion of the Global Credit Facilities. Maturities may range up to 365 days from the issuance date. The Company intends to repay unsecured commercial paper as it matures with additional unsecured commercial paper or through other means, such as borrowing under the Global Credit Facilities, borrowing under its asset-backed U.S. commercial paper conduit facilities or through the use of operating cash flow and cash on hand.⁽¹⁾

Medium-Term Notes – The Company has the following medium-term notes (collectively, the Notes) issued and outstanding at December 31, 2018 (in thousands):

Principal Amount	Rate	Issue Date	Maturity Date
\$600,000	2.25%	January 2016	January 2019
\$150,000	Floating-rate ^(a)	March 2017	March 2019
\$600,000	2.40%	September 2014	September 2019
\$600,000	2.15%	February 2015	February 2020
\$450,000	Floating-rate ^(b)	May 2018	May 2020
\$350,000	2.40%	March 2017	June 2020
\$600,000	2.85%	January 2016	January 2021
\$450,000	Floating-rate ^(c)	November 2018	March 2021
\$350,000	3.55%	May 2018	May 2021
\$400,000	2.55%	June 2017	June 2022
\$350,000	3.35%	February 2018	February 2023

(a) Floating interest rate based on LIBOR plus 35 bps.

(b) Floating interest rate based on LIBOR plus 50 bps. The Company utilized an interest rate swap designated as a cash flow hedge to convert this from a floating rate basis to a fixed rate basis. Refer to Note 10 of the Notes to the Consolidated Financial Statements for further details.

(c) Floating interest rate based on LIBOR plus 94 bps. The Company utilized an interest rate swap designated as a cash flow hedge to convert this from a floating rate basis to a fixed rate basis. Refer to Note 10 of the Notes to the Consolidated Financial Statements for further details.

The fixed-rate Notes provide for semi-annual interest payments and the floating-rate Notes provide for quarterly interest payments. Principal on the Notes is due at maturity. Unamortized discount and debt issuance costs on the Notes reduced the outstanding balance by \$13.0 million and \$11.8 million at December 31, 2018 and 2017, respectively.

Senior Unsecured Notes – In July 2015, the Company issued \$750.0 million of senior unsecured notes in an underwritten offering. The senior unsecured notes provide for semi-annual interest payments and principal due at maturity. \$450.0 million of the senior unsecured notes mature in July 2025 and have an interest rate of 3.50%, and \$300.0 million of the senior unsecured notes mature in July 2045 and have an interest rate of 4.625%. The Company used the proceeds from the debt to repurchase shares of its common stock in 2015.

On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility – The Company has a revolving facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase from the Company eligible Canadian retail motorcycle finance receivables for proceeds up to C\$220.0 million. The transferred assets are restricted as collateral for the payment of the debt. The terms for this facility provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C\$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables is approximately 5 years. Unless earlier terminated

or extended by mutual agreement between the Company and the lenders, as of December 31, 2018, the Canadian Conduit has an expiration date of June 28, 2019.

The following table includes quarterly transfers of Canadian retail motorcycle finance receivables to the Canadian Conduit and the respective proceeds (in thousands):

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 7,600	\$ 6,200	\$ 6,300	\$ 5,500
Second quarter	38,900	32,200	14,200	12,400
Third quarter	—	—	—	—
Fourth quarter	39,000	32,200	84,900	69,100
	<u>\$ 85,500</u>	<u>\$ 70,600</u>	<u>\$ 105,400</u>	<u>\$ 87,000</u>

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE – The Company has agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits under which it may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to those third-party bank-sponsored asset-backed U.S. commercial paper conduits. On November 30, 2018, the Company renewed its existing \$600.0 million revolving facility agreement with third-party bank-sponsored asset-backed U.S. commercial paper conduits. Also on that date, the Company amended its existing \$300.0 million revolving facility agreement with third-party bank-sponsored asset-backed U.S. commercial paper conduits, increasing the aggregate commitment to \$600.0 million. The aggregate commitment under this agreement will be reduced monthly as collections on the related finance receivables are applied to the outstanding principal until the outstanding principal balance is less than or equal to \$300.0 million, at which point the aggregate commitment will equal \$300.0 million. Availability under the revolving facilities (together, the U.S. Conduit Facilities) is based on, among other things, the amount of eligible U.S. retail motorcycle receivables held by the relevant SPE as collateral.

The following table includes quarterly transfers of U.S. retail motorcycle finance receivables to the U.S. Conduit and the respective proceeds (in thousands):

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 32,900	\$ 29,300	\$ 333,400	\$ 300,000
Second quarter	59,100	53,300	28,200	24,000
Third quarter	—	—	34,100	29,600
Fourth quarter	400,200	356,800	34,000	29,700
	<u>\$ 492,200</u>	<u>\$ 439,400</u>	<u>\$ 429,700</u>	<u>\$ 383,300</u>

The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates or LIBOR to the extent the advance is not funded by a conduit lender through the issuance of commercial paper plus, in each case, a program fee based on outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment. There is no amortization schedule; however, the debt will be reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the U.S. Conduit Facilities, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables held by the SPE is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the U.S. Conduit Facilities have an expiration date of November 29, 2019.

Asset-Backed Securitization VIEs – For all of its asset-backed securitization transactions, the Company transfers U.S. retail motorcycle finance receivables to separate VIEs, which in turn issue secured notes with various maturities and interest rates to investors. All of the notes held by the VIEs are secured by future collections of the purchased U.S. retail motorcycle finance receivables. The U.S. retail motorcycle finance receivables included in the asset-backed securitization transactions are not available to pay other obligations or claims of the Company's creditors until the associated debt and other obligations are satisfied. Restricted cash balances held by the VIEs are used only to support the asset-backed securitizations.

The accounting treatment for asset-backed securitizations depends on the terms of the related transaction and the Company's continuing involvement with the VIE. Most of the Company's asset-backed securitizations do not meet the criteria

to be accounted for as a sale because, in addition to retaining servicing rights, the Company retains a financial interest in the VIE in the form of a debt security. These transactions are treated as secured borrowings. As secured borrowings, the retail motorcycle finance receivables remain on the balance sheet with a corresponding obligation reflected as debt. There is no amortization schedule for the secured notes; however, the debt is reduced monthly as available collections on the related retail motorcycle finance receivables are applied to outstanding principal. The secured notes' contractual lives have various maturities during 2022.

There were no on or off-balance sheet asset-backed securitization transactions during 2018 or 2017.

Support Agreement - The Company has a support agreement with HDFS whereby, if required, the Company agrees to provide HDFS with financial support to maintain HDFS' fixed-charge coverage at 1.25 and minimum net worth of \$40.0 million. Support may be provided at the Company's option as capital contributions or loans. Accordingly, certain debt covenants may restrict the Company's ability to withdraw funds from HDFS outside the normal course of business. No amount has ever been provided to HDFS under the support agreement.

Operating and Financial Covenants - HDFS and the Company are subject to various operating and financial covenants related to the credit facilities and various operating covenants under the Notes and the U.S. and Canadian asset-backed commercial paper conduit facilities. The more significant covenants are described below.

The operating covenants limit the Company's and HDFS' ability to:

- Assume or incur certain liens;
- Participate in certain mergers or consolidations; and
- Purchase or hold margin stock.

Under the current financial covenants of the Global Credit Facilities, the ratio of HDFS' consolidated debt, excluding secured debt, to HDFS' consolidated shareholders' equity, excluding accumulated other comprehensive income (loss), cannot exceed 10.0 to 1.0 as of the end of any fiscal quarter. In addition, the ratio of the Company's consolidated debt to the Company's consolidated debt and consolidated shareholders' equity (where the Company's consolidated debt in each case excludes that of HDFS and its subsidiaries, and the Company's consolidated shareholders' equity excludes accumulated other comprehensive income (loss)), cannot exceed 0.7 to 1.0 as of the end of any fiscal quarter. No financial covenants are required under the Notes or the U.S. or Canadian asset-backed commercial paper conduit facilities.

At December 31, 2018, 2017 and 2016, HDFS and the Company remained in compliance with all of the then existing covenants.

Cautionary Statements

The Company intends that certain matters discussed in this report 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", "strategy", "future", "may", "goals", or "estimates" or words of similar meaning. Similarly, statements that describe future plans, strategies, 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, unfavorably or favorably, from those anticipated as of the date of this release. 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 release are only made as of the date of this release, 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 above depends upon, among other factors, the Company's ability to (i) execute its business plans and strategies, including the elements of the More Roads to Harley-Davidson strategy for growth that the Company disclosed on July 30, 2018, and strengthen its existing business while enabling growth, (ii) manage the impact that new or adjusted tariffs may have on the cost of raw materials and components and our ability to sell product internationally, (iii) execute its strategy of growing ridership, globally, (iv) effectively execute the Company's manufacturing optimization plan within expected costs and timing and successfully carry out its global manufacturing and assembly operations, (v) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests, (vi) negotiate and successfully implement a strategic alliance relationship with a local partner in Asia, (vii) develop and introduce products, services and experiences on a timely basis that the market accepts, that enable the Company to generate desired sales levels and that provide the desired financial returns, (viii) perform in a manner that enables the Company to benefit from market opportunities while competing against existing and new competitors, (ix) realize expectations concerning market demand for electric models, which may depend in part on the building of necessary infrastructure, (x) prevent, detect, and remediate any issues with its motorcycles or any issues

with associated manufacturing processes to avoid delays in new model launches, recall campaigns, regulatory agency investigations, increased warranty costs or litigation and adverse effects on its reputation and brand strength, and carry out any product programs or recalls within expected costs and timing, (xi) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters, (xii) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles, (xiii) reduce other costs to offset costs of the More Roads to Harley-Davidson plan and redirect capital without adversely affecting its existing business, (xiv) balance production volumes for its new motorcycles with consumer demand, (xv) manage risks that arise through expanding international manufacturing, operations and sales, (xvi) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment, (xvii) continue to manage the relationships and agreements that the Company has with its labor unions to help drive long-term competitiveness, (xviii) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices, (xix) continue to develop the capabilities of its distributors and dealers, effectively implement changes relating to its dealers and distribution methods and manage the risks that its independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand, (xx) retain and attract talented employees, (xxi) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or company data and respond to evolving regulatory requirements regarding data security, (xxii) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio, (xxiii) adjust to tax reform, healthcare inflation and reform and pension reform, and successfully estimate the impact of any such reform on the Company's business, (xxiv) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles, (xxv) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities, (xxvi) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations, (xxvii) manage its exposure to product liability claims and commercial or contractual disputes, (xxviii) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the Company and within its expectations, and (xxix) lower prices of its motorcycles in certain markets by manufacturing motorcycles in the Company's Thailand facility.

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. Further, actual foreign currency exchange rates may vary from underlying assumptions. Other factors are described under the caption "Risk Factors" in Item 1A of this report. Many of these risk factors are impacted by the current changing capital, credit and retail markets and the Company's ability to manage through inconsistent economic conditions.

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 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.

In recent years, HDFS has experienced historically low levels of retail credit losses, but there is no assurance that this will continue. The Company believes that HDFS' retail credit losses may increase over time due to changing consumer credit behavior and HDFS' efforts to increase prudently structured loan approvals to sub-prime borrowers, as well as actions that the Company has taken and could take that impact motorcycle values.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign exchange rates, commodity prices and interest rates. To reduce such risks, the Company selectively uses derivative financial instruments. All hedging transactions are authorized and executed pursuant to regularly reviewed policies and procedures, which prohibit the use of financial instruments for speculative trading purposes. Sensitivity analysis is used to manage and monitor foreign exchange and interest rate risk.

The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings are affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company's most significant foreign currency risk relates to the Euro, the Australian dollar, the Japanese yen, the Brazilian real, the Canadian dollar, the British pound and the Mexican peso. The Company utilizes foreign currency contracts to mitigate the effect of certain currencies' fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. At December 31, 2018 and 2017, the notional U.S. dollar value of outstanding Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar and Mexican peso foreign currency contracts was \$443.0 million and \$675.7 million, respectively. The Company estimates that a uniform 10% weakening in the value of the U.S. dollar relative to the currencies

underlying these contracts would result in a decrease in the fair value of the contracts of approximately \$39.9 million and \$67.2 million as of December 31, 2018 and 2017, respectively. Further disclosure relating to the fair value of derivative financial instruments is included in Note 10 of the Notes to Consolidated Financial Statements.

The Company's earnings are affected by changes in the prices of commodities used in the production of motorcycles. The Company uses derivative instruments on a limited basis to hedge the prices of certain commodities. At December 31, 2018, the notional value of these instruments was \$6.1 million and their fair value was a net liability of \$0.5 million. As of December 31, 2017, the notional value of these instruments was \$5.4 million and their fair value was a net asset of \$0.3 million. The potential decrease in fair value of these contracts from a 10% adverse change in the underlying commodity prices would not be significant.

HDFS' earnings are affected by changes in interest rates. HDFS' interest-rate sensitive financial instruments include finance receivables, debt and interest rate derivatives. HDFS utilizes interest rate swaps to reduce the impact of fluctuations in interest rates on its debt. As of December 31, 2018, HDFS had interest rate swaps outstanding with a notional value of \$900.0 million. HDFS estimates that a 10% decrease in interest rates would result in a \$8.3 million decrease in the fair value of the agreements. There were no interest rate swaps outstanding as of December 31, 2017.

HDFS has short-term commercial paper and debt issued through the commercial paper conduit facilities that is subject to changes in interest rates. HDFS estimates that a one-percentage point increase in the interest rate on commercial paper and debt issued through the commercial paper conduit facilities would increase Financial Services interest expense in 2019 by approximately \$13.2 million. This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change in interest rates, HDFS may take actions to mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis does not account for these impacts.

Item 8. Consolidated Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Harley-Davidson, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Harley-Davidson, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at item 15(a) and our report dated February 28, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
February 28, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Harley-Davidson, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Harley-Davidson, Inc. at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 28, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1982

Milwaukee, Wisconsin

February 28, 2019

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2018, 2017 and 2016
(In thousands, except per share amounts)

	2018	2017	2016
Revenue:			
Motorcycles and Related Products	\$ 4,968,646	\$ 4,915,027	\$ 5,271,376
Financial Services	748,229	732,197	725,082
Total revenue	5,716,875	5,647,224	5,996,458
Costs and expenses:			
Motorcycles and Related Products cost of goods sold	3,351,796	3,272,330	3,425,997
Financial Services interest expense	193,187	180,193	173,756
Financial Services provision for credit losses	106,870	132,444	136,617
Selling, administrative and engineering expense	1,258,098	1,180,176	1,213,794
Restructuring expense	93,401	—	—
Total costs and expenses	5,003,352	4,765,143	4,950,164
Operating income	713,523	882,081	1,046,294
Other income (expense), net	3,039	9,182	2,642
Investment income	951	3,580	4,645
Interest expense	30,884	31,004	29,670
Income before provision for income taxes	686,629	863,839	1,023,911
Provision for income taxes	155,178	342,080	331,747
Net income	\$ 531,451	\$ 521,759	\$ 692,164
Earnings per common share:			
Basic	\$ 3.21	\$ 3.03	\$ 3.85
Diluted	\$ 3.19	\$ 3.02	\$ 3.83
Cash dividends per common share	\$ 1.48	\$ 1.46	\$ 1.40

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2018, 2017 and 2016
(In thousands)

	2018	2017	2016
Net income	\$ 531,451	\$ 521,759	\$ 692,164
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(25,010)	46,280	(9,288)
Derivative financial instruments	20,009	(29,778)	6,638
Marketable securities	—	1,194	(100)
Pension and postretirement benefit plans	(16,286)	47,636	52,574
Total other comprehensive (loss) income, net of tax	(21,287)	65,332	49,824
Comprehensive income	\$ 510,164	\$ 587,091	\$ 741,988

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017
(In thousands, except share amounts)

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,203,766	\$ 687,521
Marketable securities	10,007	—
Accounts receivable, net	306,474	329,986
Finance receivables, net	2,214,424	2,105,662
Inventories	556,128	538,202
Restricted cash	49,275	47,518
Other current assets	144,368	175,853
Total current assets	4,484,442	3,884,742
Finance receivables, net	5,007,507	4,859,424
Property, plant and equipment, net	904,132	967,781
Prepaid pension costs	—	19,816
Goodwill	55,048	55,947
Deferred income taxes	141,464	109,073
Other long-term assets	73,071	75,889
	<u>\$ 10,665,664</u>	<u>\$ 9,972,672</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 284,861	\$ 227,597
Accrued liabilities	601,130	529,822
Short-term debt	1,135,810	1,273,482
Current portion of long-term debt, net	1,575,799	1,127,269
Total current liabilities	3,597,600	3,158,170
Long-term debt, net	4,887,667	4,587,258
Pension liability	107,776	54,606
Postretirement healthcare liability	94,453	118,753
Other long-term liabilities	204,219	209,608
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Preferred stock, none issued	—	—
Common stock (181,931,225 and 181,286,547 shares issued, respectively)	1,819	1,813
Additional paid-in-capital	1,459,620	1,422,808
Retained earnings	2,007,583	1,607,570
Accumulated other comprehensive loss	(629,684)	(500,049)
Treasury stock (22,273,278 and 13,195,731 shares, respectively), at cost	(1,065,389)	(687,865)
Total shareholders' equity	1,773,949	1,844,277
	<u>\$ 10,665,664</u>	<u>\$ 9,972,672</u>

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2018 and 2017
(In thousands, except share amounts)

	<u>2018</u>	<u>2017</u>
Balances held by consolidated variable interest entities (Note 12)		
Current finance receivables, net	\$ 175,043	\$ 194,813
Other assets	\$ 1,563	\$ 2,148
Non-current finance receivables, net	\$ 591,839	\$ 521,940
Restricted cash - current and non-current	\$ 47,203	\$ 48,706
Current portion of long-term debt, net	\$ 189,693	\$ 209,247
Long-term debt, net	\$ 488,191	\$ 422,834

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2018, 2017 and 2016
(In thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net cash provided by operating activities (Note 6)	\$ 1,205,921	\$ 1,005,061	\$ 1,174,339
Cash flows from investing activities:			
Capital expenditures	(213,516)	(206,294)	(256,263)
Origination of finance receivables	(3,752,817)	(3,591,948)	(3,664,495)
Collections on finance receivables	3,325,669	3,228,311	3,175,031
Proceeds from finance receivables sold	—	—	312,571
Purchases of marketable securities	(10,007)	—	—
Sales and redemptions of marketable securities	—	6,916	40,014
Other	(11,598)	547	411
Net cash used by investing activities	(662,269)	(562,468)	(392,731)
Cash flows from financing activities:			
Proceeds from issuance of medium-term notes	1,591,828	893,668	1,193,396
Repayments of medium-term notes	(877,488)	(800,000)	(451,336)
Repayments of securitization debt	(257,869)	(444,671)	(665,400)
Borrowings of asset-backed commercial paper	509,742	469,932	62,396
Repayments of asset-backed commercial paper	(212,729)	(176,227)	(71,500)
Net (decrease) increase in credit facilities and unsecured commercial paper	(135,356)	212,809	(145,812)
Dividends paid	(245,810)	(251,862)	(252,321)
Purchase of common stock for treasury	(390,606)	(465,263)	(465,341)
Excess tax benefits from share-based payments	—	—	2,251
Issuance of common stock under employee stock option plans	3,525	11,353	15,782
Net cash used by financing activities	(14,763)	(550,261)	(777,885)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15,351)	26,747	(9,443)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 513,538</u>	<u>\$ (80,921)</u>	<u>\$ (5,720)</u>
Cash, cash equivalents and restricted cash:			
Cash, cash equivalents and restricted cash—beginning of period	\$ 746,210	\$ 827,131	\$ 832,851
Net increase (decrease) in cash, cash equivalents and restricted cash	513,538	(80,921)	(5,720)
Cash, cash equivalents and restricted cash—end of period	<u>\$ 1,259,748</u>	<u>\$ 746,210</u>	<u>\$ 827,131</u>
Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheet:			
Cash and cash equivalents	\$ 1,203,766	\$ 687,521	\$ 759,984
Restricted cash	49,275	47,518	52,574
Restricted cash included in other long-term assets	6,707	11,171	14,573
Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows	<u>\$ 1,259,748</u>	<u>\$ 746,210</u>	<u>\$ 827,131</u>

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended December 31, 2018, 2017 and 2016
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Balance	Total
	Issued Shares	Balance					
Balance December 31, 2015	344,855,704	\$ 3,449	\$ 1,328,561	\$ 8,961,985	\$ (615,205)	\$ (7,839,136)	\$ 1,839,654
Net income	—	—	—	692,164	—	—	692,164
Total other comprehensive income, net of tax (Note 18)	—	—	—	—	49,824	—	49,824
Dividends	—	—	—	(252,321)	—	—	(252,321)
Repurchase of common stock	—	—	—	—	—	(465,341)	(465,341)
Share-based compensation and 401(k) match made with Treasury shares	—	—	36,956	—	—	2,870	39,826
Issuance of nonvested stock	272,479	2	(2)	—	—	—	—
Exercise of stock options	466,871	5	15,777	—	—	—	15,782
Tax benefit of equity awards	—	—	570	—	—	—	570
Retirement of treasury stock	(165,000,000)	(1,650)	—	(8,064,155)	—	8,065,805	—
Balance December 31, 2016	180,595,054	\$ 1,806	\$ 1,381,862	\$ 1,337,673	\$ (565,381)	\$ (235,802)	\$ 1,920,158
Net income	—	—	—	521,759	—	—	521,759
Total other comprehensive income, net of tax (Note 18)	—	—	—	—	65,332	—	65,332
Dividends	—	—	—	(251,862)	—	—	(251,862)
Repurchase of common stock	—	—	—	—	—	(465,263)	(465,263)
Share-based compensation and 401(k) match made with Treasury shares	—	—	29,600	—	—	13,200	42,800
Issuance of nonvested stock	408,950	4	(4)	—	—	—	—
Exercise of stock options	282,543	3	11,350	—	—	—	11,353
Balance December 31, 2017	181,286,547	\$ 1,813	\$ 1,422,808	\$ 1,607,570	\$ (500,049)	\$ (687,865)	\$ 1,844,277
Net income	—	—	—	531,451	—	—	531,451
Total other comprehensive loss, net of tax (Note 18)	—	—	—	—	(21,287)	—	(21,287)
Dividends	—	—	—	(245,810)	—	—	(245,810)
Repurchase of common stock	—	—	—	—	—	(390,606)	(390,606)
Share-based compensation and 401(k) match made with Treasury shares	—	—	33,293	—	—	13,082	46,375
Issuance of nonvested stock	485,005	4	(4)	—	—	—	—
Exercise of stock options	159,673	2	3,523	—	—	—	3,525
Cumulative effect of change in accounting (Note 1)	—	—	—	6,024	—	—	6,024
Reclassification of certain tax effects (Note 1)	—	—	—	108,348	(108,348)	—	—
Balance December 31, 2018	181,931,225	\$ 1,819	\$ 1,459,620	\$ 2,007,583	\$ (629,684)	\$ (1,065,389)	\$ 1,773,949

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

HARLEY-DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation – The consolidated financial statements include the accounts of Harley-Davidson, Inc. and its wholly-owned subsidiaries (the Company), including the accounts of the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). In addition, certain variable interest entities (VIEs) related to secured financing are consolidated as the Company is the primary beneficiary. All intercompany accounts and transactions are eliminated.

All of the Company’s subsidiaries are wholly owned and are included in the consolidated financial statements. Substantially all of the Company’s international subsidiaries use their respective local currency as their functional currency. Assets and liabilities of international subsidiaries have been translated at period-end exchange rates, and revenues and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in a currency that is different from an entity’s functional currency are remeasured from the transactional currency to the entity’s functional currency on a monthly basis. The effect of this remeasurement is reported in Motorcycles and Related Products cost of goods sold. The pre-tax (loss) gain for foreign currency remeasurements was \$(19.9) million, \$15.0 million, and \$(15.1) million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company operates in two reportable segments: Motorcycles and Related Products (Motorcycles) and Financial Services.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Marketable Securities – The Company’s marketable securities consisted of the following at December 31 (in thousands):

	2018	2017
Certificate of deposit	\$ 10,007	\$ —
Mutual funds	44,243	48,006
Total marketable securities	\$ 54,250	\$ 48,006

The Company’s certificates of deposit are carried at fair value with any unrealized gains or losses reported in other comprehensive income. The mutual fund investments are held by the Company to fund certain deferred compensation obligations. The mutual fund investments are carried at fair value with gains and losses recorded in net income and are included in other long-term assets in the consolidated balance sheets.

Accounts Receivable, Net – The Company’s motorcycles and related products are sold to independent dealers outside the U.S. and Canada generally on open account and the resulting receivables are included in accounts receivable in the Company’s consolidated balance sheets. The allowance for doubtful accounts deducted from total accounts receivable was \$4.0 million and \$4.1 million as of December 31, 2018 and 2017, respectively. Accounts receivable are written down once management determines that the specific customer does not have the ability to repay the balance in full. The Company’s sales of motorcycles and related products in the U.S. and Canada are financed by the purchasing dealers through HDFS and the related receivables are included in finance receivables in the consolidated balance sheets.

Finance Receivables, Net – Finance receivables include both retail and wholesale finance receivables, net, including amounts held by consolidated VIEs. Finance receivables are recorded in the financial statements at amortized cost net of an allowance for credit losses. The provision for credit losses on finance receivables is charged to earnings in amounts sufficient to maintain the allowance for credit losses at a level that is adequate to cover estimated losses of principal inherent in the existing portfolio. Portions of the allowance for credit losses are specified to cover estimated losses on finance receivables specifically identified for impairment. The unspecified portion of the allowance covers estimated losses on finance receivables which are collectively reviewed for impairment. Finance receivables are considered impaired when management determines it is probable that the Company will be unable to collect all amounts due according to the terms of the loan agreement.

The retail portfolio primarily consists of a large number of small balance, homogeneous finance receivables. The Company performs a periodic and systematic collective evaluation of the adequacy of the retail allowance for credit losses. The

Company utilizes loss forecast models which consider a variety of factors including, but not limited to, historical loss trends, origination or vintage analysis, known and inherent risks in the portfolio, the value of the underlying collateral, recovery rates and current economic conditions including items such as unemployment rates. Retail finance receivables are not evaluated individually for impairment prior to charge-off and therefore are not reported as impaired loans.

The wholesale portfolio is primarily composed of large balance, non-homogeneous loans. The Company's wholesale allowance evaluation is first based on a loan-by-loan review. A specific allowance for credit losses is established for wholesale finance receivables determined to be individually impaired when management concludes that the borrower will not be able to make full payment of contractual amounts due based on the original terms of the loan agreement. The impairment is determined based on the cash that the Company expects to receive discounted at the loan's original interest rate or the fair value of the collateral, if the loan is collateral-dependent. Finance receivables in the wholesale portfolio that are not individually evaluated for impairment are segregated, based on similar risk characteristics, according to the Company's internal risk rating system and collectively evaluated for impairment. The related allowance is based on factors such as the Company's past loan loss experience, the specific borrower's financial performance as well as ability to repay, current economic conditions and the value of the underlying collateral.

Impaired finance receivables also include loans that have been modified in troubled debt restructurings as a concession to borrowers experiencing financial difficulty. Generally, it is the Company's policy not to change the terms and conditions of finance receivables. However, to minimize the economic loss, the Company may modify certain impaired finance receivables in troubled debt restructurings. Total restructured finance receivables are not significant.

Repossessed inventory representing recovered collateral on impaired finance receivables is recorded at the lower of cost or net realizable value. In the period during which the collateral is repossessed, the related finance receivable is adjusted to the fair value of the collateral through a charge to the allowance for credit losses and reclassified to repossessed inventory. Repossessed inventory is included in other current assets and was \$20.2 million and \$19.6 million at December 31, 2018 and 2017, respectively.

Asset-Backed Financing – The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. In the Company's asset-backed financing programs, the Company transfers retail motorcycle finance receivables to special purpose entities (SPE), which are considered VIEs under U.S. GAAP. Each SPE then converts those assets into cash, through the issuance of debt. The Company retains servicing rights for all of the retail motorcycle finance receivables transferred to SPEs as part of an asset-backed financing. The accounting treatment for asset-backed financings depends on the terms of the related transaction and the Company's continuing involvement with the VIE.

In transactions where the Company has power over the significant activities of the VIE and has an obligation to absorb losses or the right to receive benefits from the VIE that are potentially significant to the VIE, the Company is the primary beneficiary of the VIE and consolidates the VIE within its consolidated financial statements. On a consolidated basis, the asset-backed financing is treated as a secured borrowing in this type of transaction and is referred to as an on-balance sheet asset-backed financing.

In transactions where the Company is not the primary beneficiary of the VIE, the Company must determine whether it can achieve a sale for accounting purposes under ASC Topic 860, "Transfers and Servicing." To achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond the Company's control. If the Company does not meet all these criteria for sale accounting, then the transaction is accounted for as a secured borrowing and is referred to as an on-balance sheet asset-backed financing.

If the Company meets all three of the sale criteria above, the transaction is recorded as a sale for accounting purposes and is referred to as an off-balance sheet asset-backed financing. Upon sale, the retail motorcycle finance receivables are removed from the Company's balance sheet and a gain or loss is recognized for the difference between the cash proceeds received, the assets derecognized, and the liabilities recognized as part of the transaction. The gain or loss on sale is included in Financial Services revenue in the consolidated statements of income.

The Company is not required, and does not currently intend, to provide any additional financial support to the on or off-balance sheet VIEs associated with these transactions. Investors and creditors in these transactions only have recourse to the assets held by the VIEs.

Inventories – Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories totaling \$247.6 million and \$234.9 million at December 31, 2018 and 2017, respectively, are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

Property, Plant and Equipment – Property, plant and equipment is recorded at cost. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets. The following useful lives are used to depreciate the various classes of property, plant and equipment: buildings – 30 years; building, equipment and land improvements – 7 years; machinery and equipment – 3 to 10 years; furniture and fixtures – 5 years; and software – 3 to 7 years. Accelerated methods of depreciation are used for income tax purposes.

Goodwill – Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased. Goodwill is tested for impairment, based on financial data related to the reporting unit to which it has been assigned, at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment test involves comparing the estimated fair value of the reporting unit associated with the goodwill to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill must be adjusted to its implied fair value. During 2018 and 2017, the Company performed a quantitative test on its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

Long-lived Assets – The Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset for assets to be held and used. The Company also reviews the useful life of its long-lived assets when events and circumstances indicate that the actual useful life may be shorter than originally estimated. In the event that the actual useful life is deemed to be shorter than the original useful life, depreciation is adjusted prospectively so that the remaining book value is depreciated over the revised useful life. Refer to Note 3 Restructuring Expenses.

Asset groups classified as held for sale are measured at the lower of carrying amount or fair value less cost to sell, and a loss is recognized for any initial adjustment required to reduce the carrying amount to the fair value less cost to sell in the period the held for sale criteria are met. The fair value less cost to sell must be assessed each reporting period that the asset group remains classified as held for sale. Gains or losses not previously recognized resulting from the sale of an asset group will be recognized on the date of sale.

Product Warranty and Recall – The Company currently provides a standard two-year limited warranty on all new motorcycles sold worldwide, except for Japan, where the Company provides a standard three-year limited warranty on all new motorcycles sold. In addition, the Company offers a one-year warranty for Parts & Accessories (P&A). The warranty coverage for the retail customer generally begins when the product is sold to a retail customer. The Company accrues for future warranty claims using an estimated cost based primarily on historical Company claim information. Additionally, the Company has from time-to-time initiated certain voluntary recall campaigns. The Company accrues for the estimated cost associated with voluntary recalls in the period that management approves and commits to the recall.

Changes in the Company’s warranty and recall liability were as follows (in thousands):

	2018	2017	2016
Balance, beginning of period	\$ 94,200	\$ 79,482	\$ 74,217
Warranties issued during the period	53,367	57,834	60,215
Settlements made during the period	(79,300)	(82,554)	(99,298)
Recalls and changes to pre-existing warranty liabilities	63,473	39,438	44,348
Balance, end of period	<u>\$ 131,740</u>	<u>\$ 94,200</u>	<u>\$ 79,482</u>

The liability associated with recalls was \$73.3 million, \$35.3 million and \$13.6 million at December 31, 2018, 2017 and 2016, respectively.

Derivative Financial Instruments – The Company is exposed to certain risks such as foreign currency exchange rate risk, interest rate risk and commodity price risk. To reduce its exposure to such risks, the Company selectively uses derivative financial instruments. All derivative transactions are authorized and executed pursuant to regularly reviewed policies and procedures, which prohibit the use of financial instruments for speculative trading purposes.

All derivative instruments are recognized on the balance sheet at fair value (see Note 13). In accordance with ASC Topic 815, “Derivatives and Hedging,” the accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. Changes in the fair value of derivatives that are designated as fair value hedges, along with the gain or loss on the hedged item, are recorded in current period earnings. For derivative instruments that are designated as cash flow hedges, the effective portion of gains and losses that result from changes in the fair value of derivative instruments is initially recorded in other comprehensive income (OCI) and subsequently reclassified into earnings when the hedged item affects income. The Company assesses, at both

the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Any ineffective portion is immediately recognized in earnings. No component of a hedging derivative instrument's gain or loss is excluded from the assessment of hedge effectiveness. Derivative instruments that do not qualify for hedge accounting are recorded at fair value and any changes in fair value are recorded in current period earnings. Refer to Note 10 for a detailed description of the Company's derivative instruments.

Research and Development Expenses – Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within selling, administrative and engineering expense in the consolidated statements of income. Research and development expenses were \$191.6 million, \$175.2 million and \$172.3 million for 2018, 2017 and 2016, respectively.

Advertising Costs – The Company expenses the production cost of advertising the first time the advertising takes place. Advertising costs relate to the Company's efforts to promote its products and brands through the use of media. During 2018, 2017 and 2016, the Company incurred \$144.3 million, \$135.5 million and \$137.4 million in advertising costs, respectively.

Shipping and Handling Costs – The Company classifies shipping and handling costs as a component of cost of goods sold.

Share-Based Award Compensation Costs – The Company recognizes the cost of its share-based awards in its consolidated statements of income. The cost of each share-based equity award is based on the grant date fair value and the cost of each share-based cash-settled award is based on the settlement date fair value. Share-based award expense is recognized on a straight-line basis over the service or performance periods of the awards. The expense recognized reflects the number of awards that are ultimately expected to vest based on the service and, if applicable, performance requirements of each award. Total share-based award compensation expense recognized by the Company during 2018, 2017 and 2016 was \$35.5 million, \$32.5 million and \$32.3 million, respectively, or \$27.2 million, \$20.5 million and \$20.4 million net of taxes, respectively.

Income Tax Expense – The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes.

New Accounting Standards

Accounting Standards Recently Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company adopted ASU 2014-09 on January 1, 2018. The Company applied the standard to all contracts using the modified retrospective method. As such, the Company recognized the cumulative effect of the adoption as an adjustment to the opening balance of retained earnings. The comparative information has not been adjusted.

The majority of the Company's Motorcycles and Related Products revenue will continue to be recognized when products are shipped to customers. For a limited number of vehicle sales where revenue was previously deferred due to a guaranteed resale value, the Company will now recognize revenue when those vehicles are shipped in accordance with ASU 2014-09. The Company recorded a net increase to the opening balance of retained earnings of \$6.0 million, net of income taxes, as of January 1, 2018 as a result of adopting ASU 2014-09. The Company also adjusted other assets and accrued liabilities associated with these vehicle sales in connection with its adoption of ASU 2014-09.

The majority of the Financial Services segment's revenues relate to loan and servicing activities which are outside the scope of this guidance. Financial Services revenues that fall under the scope of ASU 2014-09 continue to be recognized at the point of sale, or over the estimated life of the contract, as appropriate.

The following tables illustrate the impact of adoption of ASU 2014-09 on the consolidated statement of income and the consolidated balance sheet (in thousands):

Consolidated Statement of Income

	Twelve months ended December 31, 2018		
	As Reported	Without Adoption of ASC 606	Effect of Change
Revenue:			
Motorcycles and Related Products	\$ 4,968,646	\$ 4,969,948	\$ (1,302)
Costs and expenses:			
Motorcycles and Related Products cost of goods sold	\$ 3,351,796	\$ 3,348,779	\$ 3,017
Operating income	\$ 713,523	\$ 717,842	\$ (4,319)
Income before provision for income taxes	\$ 686,629	\$ 690,948	\$ (4,319)
Provision for income taxes	\$ 155,178	\$ 156,225	\$ (1,047)
Net income	\$ 531,451	\$ 534,723	\$ (3,272)

Consolidated Balance Sheet

	December 31, 2018		
	As Reported	Without Adoption of ASC 606	Effect of Change
ASSETS			
Other current assets	\$ 144,368	\$ 163,841	\$ (19,473)
Deferred income taxes	\$ 141,464	\$ 143,312	\$ (1,848)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accrued liabilities	\$ 601,130	\$ 625,203	\$ (24,073)
Retained earnings	\$ 2,007,583	\$ 2,004,831	\$ 2,752

In March 2017, the FASB issued ASU No. 2017-07 Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07). ASU 2017-07 amends ASC 715, Compensation - Retirement Benefits by requiring employers to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost will be presented separately from the line item that includes the service cost and outside of any subtotal of operating income. The guidance also limits the components that are eligible for capitalization in assets. The Company adopted ASU 2017-07 retrospectively on January 1, 2018. 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. The Company elected the practical expedient allowing the use of previously disclosed benefit components as the basis for the retrospective application. Net periodic benefit credit (cost) previously recorded in Motorcycles and Related Products cost of goods sold and Selling, administrative and engineering expense of \$10.6 million and \$(1.4) million, respectively, for the twelve months ended December 31, 2017, and \$6.2 million and \$(3.6) million, respectively, for the twelve months ended December 31, 2016 has been reclassified to Other income (expense), net.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As such, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted ASU 2016-18 on January 1, 2018 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.

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). ASU 2016-01 enhances the existing financial instruments reporting model by modifying fair value measurement tools, simplifying impairment assessments for certain equity instruments and modifying overall presentation and disclosure requirements. The ASU was subsequently amended by ASU No. 2018-03, ASU No. 2018-04 and ASU No. 2018-09. The Company adopted ASU 2016-01 on January 1, 2018 on a prospective basis. The adoption of ASU 2016-01 did not have a material impact on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). ASU 2016-15 addresses eight specific cash flow items with the objective of reducing diversity in practice regarding how certain cash receipts and cash payments are presented in the statement of cash flows. The Company adopted ASU 2016-15 on January 1, 2018 on a retrospective basis. The adoption of ASU 2016-15 did not have a material impact on its financial statements.

In October 2016, the FASB issued ASU No. 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (ASU 2016-16). ASU 2016-16 states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company adopted ASU 2016-16 on January 1, 2018 using a modified retrospective approach. The adoption of ASU 2016-16 did not have a material impact on its financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02). Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in accumulated other comprehensive income are adjusted, certain tax effects become stranded in accumulated other comprehensive income. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act. The amendments in this ASU also require certain disclosures about stranded tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption in any period is permitted. The Company adopted ASU 2018-02 in December 2018 resulting in the reclassification of \$108.3 million in stranded tax effects from accumulated other comprehensive loss to retained earnings. These reclassified stranded tax effects relate to the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts. The Company has elected the portfolio approach to release stranded income tax effects in AOCI.

In August 2018, the FASB issued ASU No. 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) (ASU 2018-14). The amendments in ASU 2018-14 modify the annual disclosure requirements for defined benefit pension and other postretirement benefit plans. The FASB modified, added, and deleted specific disclosures in an effort to improve usefulness to financial statement users and reduce unnecessary costs for companies. The amendments are effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The Company adopted ASU 2018-14 in December 2018.

Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02). ASU 2016-02 amends the existing lease accounting model by requiring a lessee to recognize the rights and obligations resulting from certain leases as assets and liabilities on the balance sheet. ASU 2016-02 also requires a company to disclose key information about their leasing arrangements. The Company is required to adopt ASU 2016-02 for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 using a modified retrospective approach. Pursuant to ASU 2018-11, Leases (Topic 842): Targeted Improvements, the Company plans to apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance sheet in the period of adoption. The Company has elected the practical expedients upon transition that allow entities not to reassess lease identification, classification and initial direct costs for leases that existed prior to adoption. The adoption of ASU 2016-02 will result in the initial recognition of right of use assets and lease liabilities related to the Company's leasing arrangements totaling approximately \$60 million.

In July 2016, the FASB issued ASU No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 changes how to recognize expected credit losses on financial assets. The standard requires a more timely recognition of credit losses on loans and other financial assets and also provides additional transparency about credit risk. The current credit loss standard generally requires that a loss actually be incurred before it is recognized, while the new standard will require recognition of full lifetime expected losses upon initial recognition of the financial instrument. The Company is required to adopt ASU 2016-13 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019 on a modified retrospective basis. Early adoption is permitted for fiscal years beginning after December 15, 2018. An entity should apply the standard by recording a cumulative

effect adjustment to retained earnings upon adoption. Adoption of this standard will impact how the Company recognizes credit losses on its financial instruments. The Company is currently evaluating the impact of adoption of ASU 2016-13 but anticipates the adoption of ASU 2016-13 will result in an increase in the annual provision for credit losses and the related allowance for credit losses.

In January 2017, the FASB issued ASU No. 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating the requirement to calculate the implied fair value of goodwill. Rather, the goodwill impairment is calculated by comparing the fair value of a reporting unit to its carrying value, and an impairment loss is recognized for the amount by which the carrying amount exceeds the fair value, limited to the total goodwill allocated to the reporting unit. All reporting units apply the same impairment test under the new standard. The Company is required to adopt ASU 2017-04 for its annual and any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests.

In August 2017, the FASB issued ASU No. 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12). ASU 2017-12 amends ASC 815, Derivatives and Hedging to improve the financial reporting of hedging relationships and to simplify the application of the hedge accounting guidance. The ASU makes various updates to the hedge accounting model, including changing the recognition and presentation of changes in the fair value of the hedging instrument and amending disclosure requirements, among other things. The Company is required to adopt ASU 2017-12 for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of the ASU. For cash flow and net investment hedges existing at the date of adoption, the Company must apply a cumulative effect adjustment as of the beginning of the fiscal year in which the standard is adopted. The amendments related to presentation and disclosure are required prospectively. The adoption of ASU 2017-12 will not have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13). ASU 2018-13 amends ASC 820 to eliminate, modify, and add certain disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Early adoption is permitted in any period, either for the whole standard or only the provisions that eliminate or modify requirements. The amendments are required to be applied retrospectively, with the exception of a few disclosure additions, which are to be applied on a prospective basis. The Company is currently evaluating the impact of adopting ASU 2018-13, but does not believe that it will have a significant impact on its disclosures.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) (ASU 2018-15). The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the existing internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. The guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2018-15.

2. Revenue

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or service to a customer. Revenue is measured based on the consideration that the Company expects to be entitled to in exchange for the goods or services transferred. Taxes that are collected from a customer concurrent with revenue-producing activities are excluded from revenue.

The following table includes revenue disaggregated by major source (in thousands):

	Twelve months ended December 31, 2018
Motorcycles and Related Products:	
Motorcycles	\$ 3,882,963
Parts & Accessories	754,663
General Merchandise	241,964
Licensing	38,676
Other	50,380
Revenue from Motorcycles and Related Products	<u>4,968,646</u>
Financial Services:	
Interest income	645,985
Securitization and servicing fee income	1,136
Other income	101,108
Revenue from Financial Services	<u>748,229</u>
Total revenue	<u><u>\$ 5,716,875</u></u>

The following is a description of principal activities from which the Company generates its revenue, by reportable segment.

Motorcycles and Related Products

Motorcycles, Parts & Accessories, and General Merchandise - Sales of motorcycles, parts & accessories, and general merchandise are recorded when control is transferred to wholesale customers (independent dealers). This generally takes place upon shipment of the products. The sale of products to independent dealers outside the U.S. and Canada is generally on open account with terms that generally approximate 30-120 days and the resulting receivables are included in accounts receivable in the consolidated balance sheets. The sale of products in the U.S. and Canada is financed by the purchasing dealers through HDFFS and the related receivables are included in finance receivables in the consolidated balance sheets.

The Company offers sales incentive programs to dealers and retail customers designed to promote the sale of motorcycles, parts & accessories, and general merchandise. The Company estimates its variable consideration related to motorcycles and related products sold under its sales incentive programs using the expected value method. Further, the Company accounts for consideration payable to a customer as part of its sales incentives as a reduction of revenue, which is accrued at the later of the date the related sale is recorded or the date the incentive program is both approved and communicated.

The Company offers to its dealers the right to return eligible parts & accessories and general merchandise. When the Company offers a right to return, it estimates returns based on an analysis of historical trends and records revenue on the initial sale only in the amount that it expects to be entitled. The remaining consideration is deferred in a refund liability account. The refund liability is remeasured for changes in the estimate at each reporting date with a corresponding adjustment to revenue.

Variable consideration related to sales incentives and rights to return is adjusted at the earliest of when the amount of consideration the Company expects to receive changes or the consideration becomes fixed. Adjustments for variable consideration related to previously recognized sales decreased revenue by an immaterial amount during 2018.

Shipping and handling costs associated with freight after control of a product has transferred to a customer are accounted for as fulfillment costs. The Company accrues for the shipping and handling in the same period that the related revenue is recognized.

The Company offers standard, limited warranties on its motorcycles and parts & accessories. These warranties provide assurance that the product will function as expected and are not separate performance obligations. The Company accounts for estimated warranty costs as a liability when control of the product transfers to the customer.

Licensing - The Company licenses the name “Harley-Davidson” and other trademarks owned by the Company and collects royalties from its customers (licensees). The trademark licenses are considered symbolic intellectual property, which grant the customer a right to access the Company’s intellectual property. The Company satisfies its performance obligation over the license period, as the Company fulfills its promise to grant the customer rights to use and benefit from the intellectual property as well as maintain the intellectual property.

Payment is typically due within thirty days of the end of each quarter, for the royalties earned in that quarter. Revenue, in the form of sales-based royalties, is recognized when the customers’ subsequent sales occur. The Company applies the practical expedient in ASC 606-10-55-18 to recognize licensing revenues in the amount that the Company has the right to invoice because the royalties due each period correspond directly with the value of the Company’s performance to date. Revenue will be recognized over the remaining contract terms which range up to 6 years.

Other Revenue - Other Revenue consists primarily of revenue from Harley Ownership Group (H.O.G.) membership sales, motorcycle rental commissions, dealer software sales, museum admissions and events, and other miscellaneous products and services.

Financial Services

Interest income - Interest income on finance receivables is recorded as earned and is based on the average outstanding daily balance for wholesale and retail receivables. Accrued and uncollected interest is classified with finance receivables. Certain loan origination costs related to finance receivables, including payments made to dealers for certain retail loans, are deferred and recorded within finance receivables and amortized over the estimated life of the contract.

Securitization and servicing fee income - Securitization and servicing fee income consists of revenue from servicing and ancillary fees associated with HDFS’ off-balance sheet asset-backed securitization transaction. Refer to Note 12 of the Notes to Consolidated Financial Statements for further discussion regarding asset-backed financing.

Other income - Other income consists primarily of insurance and licensing revenues. HDFS works with certain unaffiliated insurance companies to offer motorcycle insurance and protection products through most Harley-Davidson dealers in the U.S. and Canada. HDFS also works with third-party financial institutions that issue credit cards or offer other financial products bearing the Harley-Davidson brand in the U.S and internationally. For many of these contracts, the Company grants temporary rights to use the licensed trademarks owned by the Company and collects royalties from its customers in connection with sales of their products. The trademark licenses are considered symbolic intellectual property, which grant the customer a right to access the intellectual property. The Company satisfies its performance obligation over the license period, as it fulfills its promise to grant the customer rights to use and benefit from the intellectual property as well as maintain the intellectual property. Royalty and profit sharing amounts are received either quarterly or per annum, based upon the contract. Revenue, in the form of sales-based royalties, is recognized when the customers’ subsequent sales occur. Revenue will be recognized over the remaining contract terms which range up to 5 years. The Company is the primary obligor for certain other insurance related contracts and, as a result, revenue is recognized over the life of the contract as the Company fulfills its performance obligation.

Contract Liabilities

Deferred revenue relates to payments received at contract inception in advance of the Company’s performance under the contract and generally relates to the sale of H.O.G. memberships and extended service plan contracts. Deferred revenue is recognized as revenue as the Company performs under the contract. On January 1, 2018, \$23.4 million of deferred revenue was included in *Accrued liabilities* and *Other long-term liabilities* in the consolidated balance sheet. \$19.6 million of previously deferred revenue was recognized in 2018. At December 31, 2018, the unearned revenue balance was \$29.1 million. The Company expects to recognize approximately \$15.3 million of the remaining unearned revenue in 2019 and \$13.8 million thereafter.

3. Restructuring Expenses

In January 2018, the Company initiated a plan to further improve its manufacturing operations and cost structure by commencing a multi-year manufacturing optimization plan which includes the consolidation of its motorcycle assembly plant in Kansas City, Missouri, into its plant in York, Pennsylvania, and the closure of its wheel operations in Adelaide, Australia (Manufacturing Optimization Plan). As the U.S. 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 through 2019. Approximately 90 jobs will be eliminated in Adelaide.

The Company expects to incur restructuring and other consolidation costs of \$152 million to \$162 million in the Motorcycles segment related to the Manufacturing Optimization Plan through 2019, of which approximately 70% will be cash charges. The current Manufacturing Optimization Plan cost estimate has been revised down from the prior estimate by \$3 million and \$23 million at the low and high ends of the range, respectively.

The current estimate includes \$129 million to \$134 million of restructuring expense and \$23 million to \$28 million of costs related to temporary inefficiencies. The Company expects restructuring expenses to include the cost of employee termination benefits, accelerated depreciation, and other project implementation costs of \$40 million to \$41 million, \$51 million to \$53 million, and \$38 million to \$40 million, respectively.

In November 2018, the Company implemented a reorganization of its workforce (Reorganization Plan). As a result, approximately 70 employees left the Company on an involuntary basis. The Company incurred restructuring expenses of \$3.9 million related to this action during 2018.

Restructuring expense related to these plans is recorded as a separate line item in the consolidated statement of income and the accrued restructuring liability is recorded in accrued liabilities in the consolidated balance sheet. The Company expects these plans to be completed by mid-2019. Changes in the accrued restructuring liability were as follows (in thousands):

Twelve months ended December 31, 2018							
	Manufacturing Optimization Plan				Reorganization Plan		
	Employee Termination Benefits	Accelerated Depreciation	Other	Total	Employee Termination Benefits	Total	
Balance, beginning of period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Restructuring expense	38,666	34,654	16,182	89,502	3,899	93,401	
Utilized - cash	(13,060)	—	(16,095)	(29,155)	(444)	(29,599)	
Utilized - non cash	—	(34,654)	—	(34,654)	—	(34,654)	
Foreign currency changes	(648)	—	(8)	(656)	6	(650)	
Balance, end of period	\$ 24,958	\$ —	\$ 79	\$ 25,037	\$ 3,461	\$ 28,498	

During 2018, the Company incurred \$12.9 million of incremental cost of goods sold due to temporary inefficiencies related to implementing the Manufacturing Optimization Plan.

4. Income Taxes

During 2017, the Company recorded income tax expense of \$53.1 million in connection with the enactment of the "Tax Cuts and Jobs Act" (2017 Tax Act), all of which the Company regarded as provisional under SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). The Company's provisional income tax expense included the remeasurement of deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, a one-time transition tax related to undistributed earnings of certain foreign subsidiaries that were not previously taxed, the write-off of foreign tax credit deferred tax assets related to withholding tax on foreign dividend payments, state tax estimates related to the conformity of federal tax law changes and other smaller items. The Company completed its accounting for all of the initial income tax effects of the 2017 Tax Act during 2018 which resulted in a reduction to income tax expense during 2018 of \$1.5 million.

The 2017 Tax Act also subjects U.S. shareholders to current tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries for which a company can elect to either recognize deferred taxes or to provide tax expense in the year incurred. The Company has elected to account for GILTI in the year the tax is incurred.

Provision for income taxes for the years ended December 31 consists of the following (in thousands):

	2018	2017	2016
Current:			
Federal	\$ 136,202	\$ 245,189	\$ 284,489
State	23,134	24,898	28,406
Foreign	29,823	21,138	19,017
	<u>189,159</u>	<u>291,225</u>	<u>331,912</u>
Deferred:			
Federal	(23,181)	47,046	(4,250)
State	(6,787)	2,688	7,038
Foreign	(4,013)	1,121	(2,953)
	<u>(33,981)</u>	<u>50,855</u>	<u>(165)</u>
Total	<u>\$ 155,178</u>	<u>\$ 342,080</u>	<u>\$ 331,747</u>

The components of income before income taxes for the years ended December 31 were as follows (in thousands):

	2018	2017	2016
Domestic	\$ 593,099	\$ 788,878	\$ 954,138
Foreign	93,530	74,961	69,773
Total	<u>\$ 686,629</u>	<u>\$ 863,839</u>	<u>\$ 1,023,911</u>

The provision for income taxes differs from the amount that would be provided by applying the statutory U.S. corporate income tax rate due to the following items for the years ended December 31:

	2018	2017	2016
Provision at statutory rate	21.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	2.6	1.9	1.8
Foreign rate differential	0.4	(0.8)	(0.6)
Domestic manufacturing deduction	—	(2.2)	(2.1)
Foreign derived intangible income	(1.2)	—	—
Research and development credit	(1.1)	(0.7)	(0.4)
Unrecognized tax benefits including interest and penalties	(0.6)	2.3	(1.3)
Valuation allowance adjustments	0.1	(0.1)	0.1
Deferred tax balance remeasurement for rate change	(1.2)	5.5	—
Territorial tax	1.4	(0.1)	—
Global intangible low-taxed income	0.4	—	—
Adjustments for previously accrued taxes	(1.0)	(1.2)	0.2
Rate differential on intercompany transfers	0.9	—	—
Executive compensation limitation	0.5	—	—
Other	0.4	—	(0.3)
Provision for income taxes	<u>22.6 %</u>	<u>39.6 %</u>	<u>32.4 %</u>

The principal components of the Company's deferred tax assets and liabilities as of December 31 include the following (in thousands):

	2018	2017
Deferred tax assets:		
Accruals not yet tax deductible	\$ 108,284	\$ 92,158
Pension and postretirement benefit plan obligations	48,347	37,357
Stock compensation	13,295	12,669
Net operating loss carryforward	34,842	33,171
Valuation allowance	(21,868)	(21,561)
Other, net	43,870	52,422
	<u>226,770</u>	<u>206,216</u>
Deferred tax liabilities:		
Depreciation, tax in excess of book	(79,326)	(88,989)
Other	(5,980)	(8,154)
	<u>(85,306)</u>	<u>(97,143)</u>
Total	<u>\$ 141,464</u>	<u>\$ 109,073</u>

The Company reviews its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with any positive or negative evidence including tax law changes. Since future financial results and tax law may differ from previous estimates, periodic adjustments to the Company's valuation allowances may be necessary.

At December 31, 2018, the Company had approximately \$270.4 million of gross state operating loss carryforwards expiring in 2031. At December 31, 2018, the Company also had Wisconsin research and development credit carryforwards of \$11.4 million expiring in 2024-2028. The Company had a deferred tax asset of \$25.9 million as of December 31, 2018 for the benefit of these losses and credits. A valuation allowance of \$2.9 million was established against the deferred tax asset, which is a decrease of \$1.6 million from the prior year.

The Company had foreign net operating losses (NOL) totaling \$8.9 million as of December 31, 2018. It had a valuation allowance of \$18.9 million against both the NOLs and other deferred tax assets of \$10.0 million. The valuation allowance on foreign net operating losses increased by \$1.8 million, reflecting movement related to realizability assessment on additional earnings and loss, as well as movements related to foreign currency rates.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. Changes in the Company's gross liability for unrecognized tax benefits, excluding interest and penalties, were as follows (in thousands):

	2018	2017
Unrecognized tax benefits, beginning of period	\$ 72,230	\$ 55,539
Increase in unrecognized tax benefits for tax positions taken in a prior period	940	9,513
Decrease in unrecognized tax benefits for tax positions taken in a prior period	(9,783)	(3,749)
Increase in unrecognized tax benefits for tax positions taken in the current period	3,355	13,779
Settlements with taxing authorities	(5,331)	(2,852)
Unrecognized tax benefits, end of period	<u>\$ 61,411</u>	<u>\$ 72,230</u>

The amount of unrecognized tax benefits as of December 31, 2018 that, if recognized, would affect the effective tax rate was \$53.7 million.

The total gross amount of benefit related to interest and penalties associated with unrecognized tax benefits recognized during 2018 in the Company's consolidated statement of income was \$3.2 million.

The total gross amount of interest and penalties associated with unrecognized tax benefits recognized at December 31, 2018 in the Company's consolidated balance sheet was \$27.7 million.

The Company does not expect a significant increase or decrease to the total amounts of unrecognized tax benefits related to continuing operations during the fiscal year ending December 31, 2019. However, the Company is under regular audit by tax authorities. The Company believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

The Company or one of its subsidiaries files income tax returns in the U.S. federal and Wisconsin state jurisdictions and various other state and foreign jurisdictions. The Company is no longer subject to income tax examinations for Wisconsin state income taxes before 2014 or for U.S. federal income taxes before 2014. The Company is currently under audit for U.S. federal income taxes for years 2015 and 2016.

5. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the years ended December 31 (in thousands except per share amounts):

	2018	2017	2016
Numerator:			
Income used in computing basic and diluted earnings per share	\$ 531,451	\$ 521,759	\$ 692,164
Denominator:			
Denominator for basic earnings per share - weighted-average common shares	165,672	171,995	179,676
Effect of dilutive securities – employee stock compensation plan	832	937	859
Denominator for diluted earnings per share - adjusted weighted-average shares outstanding	166,504	172,932	180,535
Earnings per common share:			
Basic	\$ 3.21	\$ 3.03	\$ 3.85
Diluted	\$ 3.19	\$ 3.02	\$ 3.83

Options to purchase 1.1 million, 0.8 million and 1.4 million weighted-average shares of common stock outstanding during 2018, 2017 and 2016, respectively, were not included in the Company's computation of dilutive securities because the exercise price was greater than the market price and therefore the effect would have been anti-dilutive.

The Company has a share-based compensation plan under which employees may be granted share-based awards, including restricted stock units (RSUs). Non-forfeitable dividend equivalents are paid on unvested RSUs. As such, RSUs are considered participating securities under the two-class method of calculating earnings per share as described in ASC Topic 260, "Earnings per Share." The two-class method of calculating earnings per share did not have a material impact on the Company's earnings per share calculation as of December 31, 2018, 2017 and 2016.

6. Additional Balance Sheet and Cash Flow Information

The following information represents additional detail for selected line items included in the consolidated balance sheets at December 31, and the statements of cash flows for the years ended December 31.

Balance Sheet Information:

Inventories, net (in thousands):

	2018	2017
Raw materials and work in process	\$ 177,110	\$ 161,664
Motorcycle finished goods	301,630	289,530
Parts & accessories and general merchandise	136,027	139,363
Inventory at lower of FIFO cost or net realizable value	614,767	590,557
Excess of FIFO over LIFO cost	(58,639)	(52,355)
Total inventories, net	\$ 556,128	\$ 538,202

Inventory obsolescence reserves deducted from FIFO cost were \$39.0 million and \$38.7 million as of December 31, 2018 and 2017, respectively.

Property, plant and equipment, at cost (in thousands):

	2018	2017
Land and related improvements	\$ 73,025	\$ 70,256
Buildings and related improvements	483,965	464,454
Machinery and equipment	1,740,405	1,890,126
Software	733,180	660,090
Construction in progress	205,786	200,396
	<u>3,236,361</u>	<u>3,285,322</u>
Accumulated depreciation	(2,332,229)	(2,317,541)
Total property, plant and equipment, net	<u>\$ 904,132</u>	<u>\$ 967,781</u>

Accrued liabilities (in thousands):

	2018	2017
Payroll, employee benefits and related expenses	\$ 125,056	\$ 124,093
Restructuring reserves	28,498	—
Warranty and recalls	103,074	75,089
Sales incentive programs	57,525	48,309
Tax-related accruals	43,083	25,944
Fair value of derivative financial instruments	5,316	21,308
Accrued interest	47,977	40,347
Other	190,601	194,732
Total accrued liabilities	<u>\$ 601,130</u>	<u>\$ 529,822</u>

Cash Flow Information:

The reconciliation of net income to net cash provided by operating activities of continuing operations is as follows (in thousands):

	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 531,451	\$ 521,759	\$ 692,164
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangibles	264,863	222,188	209,555
Amortization of deferred loan origination costs	81,315	82,911	86,681
Amortization of financing origination fees	8,367	8,045	9,252
Provision for long-term employee benefits	36,481	29,900	38,273
Employee benefit plan contributions and payments	(10,544)	(63,277)	(55,809)
Stock compensation expense	35,539	32,491	32,336
Net change in wholesale finance receivables related to sales	(56,538)	35,172	(3,233)
Provision for credit losses	106,870	132,444	136,617
Gain on off-balance sheet asset-backed securitization	—	—	(9,269)
Loss on debt extinguishment	—	—	118
Deferred income taxes	(33,981)	50,855	(165)
Other, net	37,554	8,559	(6,907)
Changes in current assets and liabilities:			
Accounts receivable, net	9,143	(18,149)	(45,934)
Finance receivables – accrued interest and other	773	(1,313)	(1,489)
Inventories	(31,059)	(20,584)	85,072
Accounts payable and accrued liabilities	196,192	10,128	38,237
Derivative instruments	473	1,866	(3,413)
Other	29,022	(27,934)	(27,747)
Total adjustments	674,470	483,302	482,175
Net cash provided by operating activities	\$ 1,205,921	\$ 1,005,061	\$ 1,174,339

Cash paid during the period for interest and income taxes was as follows (in thousands):

	2018	2017	2016
Interest	\$ 207,484	\$ 204,866	\$ 185,804
Income taxes	\$ 149,436	\$ 300,113	\$ 356,553

Interest paid represents interest payments of HDFFS (included in Financial Services interest expense) and interest payments of the Company (included in interest expense).

7. Finance Receivables

Finance receivables, net at December 31 for the past five years were as follows (in thousands):

	2018	2017	2016	2015	2014
Wholesale					
United States	\$ 1,007,956	\$ 939,621	\$ 961,150	\$ 965,379	\$ 903,380
Canada	75,659	77,336	65,440	58,481	48,941
Total wholesale	1,083,615	1,016,957	1,026,590	1,023,860	952,321
Retail					
United States	6,103,378	5,901,002	5,769,410	5,803,071	5,398,006
Canada	224,823	239,598	212,801	188,400	209,918
Total retail	6,328,201	6,140,600	5,982,211	5,991,471	5,607,924
	7,411,816	7,157,557	7,008,801	7,015,331	6,560,245
Allowance for credit losses	(189,885)	(192,471)	(173,343)	(147,178)	(127,364)
Total finance receivables, net	\$ 7,221,931	\$ 6,965,086	\$ 6,835,458	\$ 6,868,153	\$ 6,432,881

The Company offers wholesale financing to the Company's independent dealers. Wholesale loans to dealers are generally secured by financed inventory or property and are originated in the U.S. and Canada. Wholesale finance receivables are related primarily to motorcycles and related parts and accessories sales.

The Company provides retail financial services to customers of the Company's independent dealers in the U.S. and Canada. The origination of retail loans is a separate and distinct transaction between the Company and the retail customer, unrelated to the Company's sale of product to its dealers. Retail finance receivables consist of secured promissory notes and secured installment contracts and are primarily related to sales of motorcycles to the dealers' customers. The Company holds either titles or liens on titles to vehicles financed by promissory notes and installment sales contracts. As of December 31, 2018 and 2017, approximately 11% of gross outstanding retail finance receivables were originated in Texas; there were no other states that accounted for more than 10% of gross outstanding retail finance receivables.

Unused lines of credit extended to the Company's wholesale finance customers totaled \$1.21 billion and \$1.27 billion at December 31, 2018 and 2017, respectively. Approved but unfunded retail finance loans totaled \$154.8 million and \$166.3 million at December 31, 2018 and 2017, respectively.

Wholesale finance receivables are generally contractually due within one year. On December 31, 2018, contractual maturities of finance receivables were as follows (in thousands):

	United States	Canada	Total
2019	\$ 2,132,189	\$ 122,684	\$ 2,254,873
2020	1,209,886	49,746	1,259,632
2021	1,289,673	53,916	1,343,589
2022	1,418,813	58,437	1,477,250
2023	1,051,626	15,699	1,067,325
Thereafter	9,147	—	9,147
Total	\$ 7,111,334	\$ 300,482	\$ 7,411,816

The allowance for credit losses on finance receivables is comprised of individual components relating to wholesale and retail finance receivables. Changes in the allowance for credit losses on finance receivables by portfolio for the year ended December 31 were as follows (in thousands):

	2018		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 186,254	\$ 6,217	\$ 192,471
Provision for credit losses	105,292	1,578	106,870
Charge-offs	(154,433)	(8)	(154,441)
Recoveries	44,985	—	44,985
Balance, end of period	\$ 182,098	\$ 7,787	\$ 189,885

	2017		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 166,810	\$ 6,533	\$ 173,343
Provision for credit losses	132,760	(316)	132,444
Charge-offs	(160,972)	—	(160,972)
Recoveries	47,656	—	47,656
Balance, end of period	\$ 186,254	\$ 6,217	\$ 192,471

	2016		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 139,320	\$ 7,858	\$ 147,178
Provision for credit losses	137,942	(1,325)	136,617
Charge-offs	(148,566)	—	(148,566)
Recoveries	41,405	—	41,405
Other ^(a)	(3,291)	—	(3,291)
Balance, end of period	\$ 166,810	\$ 6,533	\$ 173,343

(a) Related to the sale of finance receivables during the second quarter of 2016 with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization transaction (see Note 12 for additional information).

There were no finance receivables individually evaluated for impairment on December 31, 2018 or 2017. The allowance for credit losses and finance receivables by portfolio, collectively evaluated for impairment, at December 31 was as follows (in thousands):

	2018		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	182,098	7,787	189,885
Total allowance for credit losses	\$ 182,098	\$ 7,787	\$ 189,885
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	6,328,201	1,083,615	7,411,816
Total finance receivables	\$ 6,328,201	\$ 1,083,615	\$ 7,411,816

	2017		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	186,254	6,217	192,471
Total allowance for credit losses	\$ 186,254	\$ 6,217	\$ 192,471
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	6,140,600	1,016,957	7,157,557
Total finance receivables	\$ 6,140,600	\$ 1,016,957	\$ 7,157,557

Finance receivables are considered impaired when management determines it is probable that the Company will be unable to collect all amounts due according to the loan agreement. As retail finance receivables are collectively and not individually reviewed for impairment, this portfolio does not have specifically impaired finance receivables. At December 31, 2018 and 2017, there were no wholesale finance receivables that were on non-accrual status or individually deemed to be impaired under ASC Topic 310, "Receivables."

An analysis of the aging of past due finance receivables at December 31 was as follows (in thousands):

2018						
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	\$ 6,100,186	\$ 136,945	\$ 49,825	\$ 41,245	\$ 228,015	\$ 6,328,201
Wholesale	1,081,729	522	273	1,091	1,886	1,083,615
Total	\$ 7,181,915	\$ 137,467	\$ 50,098	\$ 42,336	\$ 229,901	\$ 7,411,816

2017						
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	\$ 5,913,473	\$ 139,629	\$ 47,539	\$ 39,959	\$ 227,127	\$ 6,140,600
Wholesale	1,016,000	595	245	117	957	1,016,957
Total	\$ 6,929,473	\$ 140,224	\$ 47,784	\$ 40,076	\$ 228,084	\$ 7,157,557

The recorded investment of retail and wholesale finance receivables, excluding non-accrual status finance receivables, that were contractually past due 90 days or more at December 31 for the past five years was as follows (in thousands):

	2018	2017	2016	2015	2014
United States	\$ 41,285	\$ 39,051	\$ 39,399	\$ 31,677	\$ 27,800
Canada	1,051	1,025	1,326	1,192	1,118
Total	\$ 42,336	\$ 40,076	\$ 40,725	\$ 32,869	\$ 28,918

A significant part of managing the Company's finance receivable portfolios includes the assessment of credit risk associated with each borrower. As the credit risk varies between the retail and wholesale portfolios, the Company utilizes different credit risk indicators for each portfolio.

The Company manages retail credit risk through its credit approval policy and ongoing collection efforts. The Company uses FICO scores, a standard credit rating measurement, to differentiate the expected default rates of retail credit applicants, enabling the Company to better evaluate credit applicants for approval and to tailor pricing according to this assessment. Retail loans with a FICO score of 640 or above at origination are considered prime, and loans with a FICO score below 640 are considered sub-prime. These credit quality indicators are determined at the time of loan origination and are not updated subsequent to the loan origination date.

The recorded investment of retail finance receivables, by credit quality indicator, at December 31 was as follows (in thousands):

	2018	2017
Prime	\$ 5,183,754	\$ 4,966,193
Sub-prime	1,144,447	1,174,407
Total	\$ 6,328,201	\$ 6,140,600

The Company's credit risk on the wholesale portfolio is different from that of the retail portfolio. Whereas the retail portfolio represents a relatively homogeneous pool of retail finance receivables that exhibit more consistent loss patterns, the wholesale portfolio exposures are less consistent. The Company utilizes an internal credit risk rating system to manage credit risk exposure consistently across wholesale borrowers and evaluates credit risk factors for each borrower. The Company uses the following internal credit quality indicators, based on an internal risk rating system, listed from highest level of risk to lowest level of risk, for the wholesale portfolio: Doubtful, Substandard, Special Mention, Medium Risk and Low Risk. Based upon management's review, the dealers classified in the Doubtful category are the dealers with the greatest likelihood of being charged-off, while the dealers classified as Low Risk are least likely to be charged-off. The internal rating system considers factors such as the specific borrower's ability to repay and the estimated value of any collateral. Dealer risk rating classifications are reviewed and updated on a quarterly basis.

The recorded investment of wholesale finance receivables, by internal credit quality indicator, at December 31 was as follows (in thousands):

	2018	2017
Doubtful	\$ 2,210	\$ 688
Substandard	9,660	3,837
Special Mention	10,299	26,866
Medium Risk	25,802	9,917
Low Risk	1,035,644	975,649
Total	<u>\$ 1,083,615</u>	<u>\$ 1,016,957</u>

8. Leases

The Company operates certain administrative, manufacturing, warehouse and testing facilities and equipment under lease arrangements that are accounted for as operating leases. Total rental expense was \$22.8 million, \$15.1 million and \$14.4 million for 2018, 2017 and 2016, respectively.

Future minimum operating lease payments at December 31, 2018 were as follows (in thousands):

2019	\$ 20,416
2020	16,195
2021	13,702
2022	10,330
2023	5,345
Thereafter	7,988
Total operating lease payments	<u>\$ 73,976</u>

9. Goodwill and Intangible Assets

The following table summarizes changes in the carrying amount of goodwill in the Motorcycles segment for the following years ended December 31 (in thousands):

	2018	2017	2016
Balance, beginning of period	\$ 55,947	\$ 53,391	\$ 54,182
Currency translation	(899)	2,556	(791)
Balance, end of period	<u>\$ 55,048</u>	<u>\$ 55,947</u>	<u>\$ 53,391</u>

The following table summarizes the Motorcycles segment intangible assets other than goodwill at December 31 (in thousands):

	2018			Estimated useful life (years)
	Gross Carrying Amount	Accumulated Amortization	Net	
Customer relationships	7,234	(1,236)	5,998	20
	2017			Estimated useful life (years)
	Gross Carrying Amount	Accumulated Amortization	Net	
Customer relationships	7,860	(950)	6,910	20

Intangible assets other than goodwill are included in other long-term assets on the Company's consolidated balance sheets. The gross carrying amounts at December 31 differ from the acquisition date amounts due to changes in foreign currency exchange rates.

Total amortization expense of other intangible assets was \$0.4 million, \$4.2 million and \$7.0 million for 2018, 2017 and 2016, respectively. The Company estimates future amortization to be as follows (in thousands):

	Estimated Amortization
2019	\$ 372
2020	372
2021	372
2022	372
2023	372
Thereafter	4,138
Total	\$ 5,998

The Financial Services segment had no goodwill or intangible assets at December 31, 2018 and 2017.

10. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks such as foreign currency exchange rate risk, interest rate risk, and commodity price risk. To reduce its exposure to such risks, the Company selectively uses derivative financial instruments. All derivative transactions are authorized and executed pursuant to regularly reviewed policies and procedures, which prohibit the use of financial instruments for speculative trading purposes.

All derivative instruments are recognized on the balance sheet at fair value. In accordance with ASC Topic 815, "Derivatives and Hedging," the accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. Changes in the fair value of derivatives that are designated as fair value hedges, along with the gain or loss on the hedged item, are recorded in current period earnings. For derivative instruments that are designated as cash flow hedges, the effective portion of gains and losses that result from changes in the fair value of derivative instruments is initially recorded in other comprehensive income (OCI) and subsequently reclassified into earnings when the hedged item affects income. The Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Any ineffective portion is immediately recognized in earnings. No component of a hedging derivative instrument's gain or loss is excluded from the assessment of hedge effectiveness. Derivative instruments that do not qualify for hedge accounting are recorded at fair value, and any changes in fair value are recorded in current period earnings.

The Company sells its products internationally, and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings can be affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company utilizes foreign currency exchange contracts to mitigate the effects of the Euro, the Australian dollar, the Japanese yen, the Brazilian real, the Canadian dollar and the Mexican peso. The foreign currency exchange contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate.

The Company utilizes commodity contracts to hedge portions of the cost of certain commodities consumed in the Company's motorcycle production and distribution operations.

The Company's foreign currency exchange contracts and commodity contracts generally have maturities of less than one year.

The Company periodically utilizes treasury rate lock contracts to fix the interest rate on a portion of the principal related to the anticipated issuance of long-term debt. To the extent effective, the gains and losses on the fair value of the treasury rate lock are recorded in accumulated other comprehensive loss until the forecasted debt is issued. Gains and losses are subsequently reclassified into earnings over the life of the debt.

The Company periodically utilizes interest rate swaps to reduce the impact of fluctuations in interest rates on its long-term debt.

The following tables summarize the fair value of the Company's derivative financial instruments at December 31 (in thousands):

Derivatives Designated As Hedging Instruments Under ASC Topic 815	2018			2017		
	Notional Value	Asset Fair Value ^(a)	Liability Fair Value ^(b)	Notional Value	Asset Fair Value ^(a)	Liability Fair Value ^(b)
Foreign currency contracts ^(c)	\$ 442,976	\$ 15,071	\$ 313	\$ 675,724	\$ 1,388	\$ 21,239
Commodities contracts ^(c)	827	—	46	915	—	69
Interest rate swap ^(c)	900,000	—	4,494	—	—	—
Total	\$ 1,343,803	\$ 15,071	\$ 4,853	\$ 676,639	\$ 1,388	\$ 21,308

Derivatives Not Designated As Hedging Instruments Under ASC Topic 815	2018			2017		
	Notional Value	Asset Fair Value ^(a)	Liability Fair Value ^(b)	Notional Value	Asset Fair Value ^(a)	Liability Fair Value ^(b)
Commodities contracts	\$ 5,239	\$ —	\$ 463	\$ 4,532	\$ 381	\$ —
Total	\$ 5,239	\$ —	\$ 463	\$ 4,532	\$ 381	\$ —

(a) Included in other current assets

(b) Included in accrued liabilities

(c) Derivative designated as a cash flow hedge

The following tables summarize the amount of gains and losses for the following years ended December 31 related to derivative financial instruments designated as cash flow hedges (in thousands):

Cash Flow Hedges	Amount of Gain/(Loss) Recognized in OCI, before tax		
	2018	2017	2016
Foreign currency contracts	\$ 41,657	\$ (53,964)	\$ 28,099
Commodities contracts	34	(246)	77
Treasury rate locks	41	(719)	—
Interest rate swap	(6,046)	—	—
Total	\$ 35,686	\$ (54,929)	\$ 28,176

Cash Flow Hedges	Amount of Gain/(Loss) Reclassified from AOCL into Income			
	2018	2017	2016	Expected to be Reclassified Over the Next Twelve Months
Foreign currency contracts ^(a)	\$ 11,492	\$ (7,202)	\$ 18,253	\$ 13,562
Commodities contracts ^(a)	24	—	(258)	(46)
Treasury rate locks ^(b)	(498)	(442)	(362)	(492)
Interest rate swap ^(b)	(1,552)	—	—	(2,061)
Total	\$ 9,466	\$ (7,644)	\$ 17,633	\$ 10,963

(a) Gain/(loss) reclassified from accumulated other comprehensive loss (AOCL) to income is included in cost of goods sold

(b) Gain/(loss) reclassified from AOCL to income is included in interest expense

For the years ended December 31, 2018 and 2017, the cash flow hedges were highly effective and, as a result, the amount of hedge ineffectiveness was not material. No amounts were excluded from effectiveness testing.

The following table summarizes the amount of gains and losses for the years ended December 31 related to derivative financial instruments not designated as hedging instruments (in thousands):

Derivatives Not Designated As Hedges	Amount of (Loss)/Gain Recognized in Income on Derivative		
	2018	2017	2016
Commodities contracts ^(a)	\$ (430)	\$ 503	\$ 167
Total	\$ (430)	\$ 503	\$ 167

(a) Gain/(loss) recognized in income is included in cost of goods sold

11. Debt

Debt with a contractual term less than one year is generally classified as short-term debt and consisted of the following as of December 31 (in thousands):

	2018	2017
Unsecured commercial paper	\$ 1,135,810	\$ 1,273,482
Total short-term debt	<u>\$ 1,135,810</u>	<u>\$ 1,273,482</u>

Debt with a contractual term greater than one year is generally classified as long-term debt and consisted of the following as of December 31 (in thousands):

	2018	2017
Secured debt (Note 12)		
Asset-backed Canadian commercial paper conduit facility	\$ 155,951	\$ 174,779
Asset-backed U.S. commercial paper conduit facilities	582,717	279,457
Asset-backed securitization debt	95,216	353,085
Less: unamortized discount and debt issuance costs	(49)	(461)
Total secured debt	<u>833,835</u>	<u>806,860</u>
Unsecured notes (at par value)		
6.80% Medium-term notes due in 2018, issued May 2008	—	877,488
2.25% Medium-term notes due in 2019, issued January 2016	600,000	600,000
Floating-rate Medium-term notes due in 2019, issued March 2017 ^(a)	150,000	150,000
2.40% Medium-term notes due in 2019, issued September 2014	600,000	600,000
2.15% Medium-term notes due in 2020, issued February 2015	600,000	600,000
Floating-rate Medium-term notes due in 2020, issued May 2018 ^(b)	450,000	—
2.40% Medium-term notes due in 2020, issued March 2017	350,000	350,000
2.85% Medium-term notes due in 2021, issued January 2016	600,000	600,000
Floating-rate Medium-term notes due in 2021, issued November 2018 ^(c)	450,000	—
3.55% Medium-term notes due in 2021, issued May 2018	350,000	—
2.55% Medium-term notes due in 2022, issued June 2017	400,000	400,000
3.35% Medium-term notes due in 2023, issued February 2018	350,000	—
3.50% Senior unsecured notes due in 2025, issued July 2015	450,000	450,000
4.625% Senior unsecured notes due in 2045, issued July 2015	300,000	300,000
Less: unamortized discount and debt issuance costs	(20,369)	(19,821)
Gross long-term debt	6,463,466	5,714,527
Less: current portion of long-term debt, net of unamortized discount and debt issuance costs	(1,575,799)	(1,127,269)
Total long-term debt	<u>\$ 4,887,667</u>	<u>\$ 4,587,258</u>

(a) Floating interest rate based on LIBOR plus 35 bps.

(b) Floating interest rate based on LIBOR plus 50 bps. The Company utilized an interest rate swap designated as a cash flow hedge to convert this from a floating rate basis to a fixed rate basis. Refer to Note 10 of the Notes to the Consolidated Financial Statements for further details.

(c) Floating interest rate based on LIBOR plus 94 bps. The Company utilized an interest rate swap designated as a cash flow hedge to convert this from a floating rate basis to a fixed rate basis. Refer to Note 10 of the Notes to the Consolidated Financial Statements for further details.

A summary of the Company's expected principal payments for debt obligations as of December 31, 2018 is as follows (in thousands):

2019	\$	2,717,597
2020		1,562,889
2021		1,570,815
2022		578,256
2023		440,137
Thereafter		750,000
Total	\$	7,619,694

Commercial paper maturities may range up to 365 days from the issuance date. The weighted-average interest rate of outstanding commercial paper balances was 2.79% and 1.48% at December 31, 2018 and 2017, respectively.

In April 2018, the Company entered into a \$780.0 million five-year credit facility to replace the \$675.0 million five-year credit facility that was due to mature in April 2019 and also terminated the \$100.0 million 364-day credit facility that would have matured at the end of April 2018. The new five-year credit facility matures in April 2023. The Company also has a \$765.0 million five-year credit facility which matures in April 2021. The two five-year credit facilities (together, the Global Credit Facilities) bear interest at variable rates, which may be adjusted upward or downward depending on certain criteria, such as credit ratings. The Global Credit Facilities also require the Company to pay a fee based on the average daily unused portion of the aggregate commitments under the Global Credit Facilities. The Global Credit Facilities are committed facilities primarily used to support the Company's unsecured commercial paper program. In May 2018, the Company renewed its \$25.0 million 364-day credit facility that was due to mature in that month. The \$25.0 million credit facility bears interest at variable interest rates, and the Company pays a fee based on the unused portion of the \$25.0 million commitment. This credit facility matures in May 2019.

The fixed-rate Notes provide for semi-annual interest payments and the floating-rate Notes provide for quarterly interest payments. Principal on the Notes is due at maturity.

During June 2018, \$877.5 million of 6.80% medium-term notes matured, and the principal and accrued interest were paid in full. During March and November 2017, \$400.0 million of 2.70% and \$400.0 million of 1.55% medium-term notes matured, respectively, and the principal and accrued interest were paid in full.

HDFS and the Company are subject to various operating and financial covenants related to the credit facilities and various operating covenants under the Notes and the U.S. and Canadian asset-backed commercial paper conduit facilities. The more significant covenants are described below.

The operating covenants limit the Company's and HDFS' ability to:

- Assume or incur certain liens;
- Participate in certain mergers or consolidations; and
- Purchase or hold margin stock.

Under the current financial covenants of the Global Credit Facilities, the ratio of HDFS's consolidated debt, excluding secured debt, to HDFS's consolidated shareholders' equity, excluding accumulated other comprehensive income (loss), cannot exceed 10.0 to 1.0 as of the end of any fiscal quarter. In addition, the ratio of the Company's consolidated debt to the Company's consolidated debt and consolidated shareholders' equity (where the Company's consolidated debt in each case excludes that of HDFS and its subsidiaries, and the Company's consolidated shareholders' equity excludes accumulated other comprehensive income (loss)), cannot exceed 0.7 to 1.0 as of the end of any fiscal quarter. No financial covenants are required under the Notes or the U.S. or Canadian asset-backed commercial paper conduit facilities.

At December 31, 2018 and 2017, HDFS and the Company remained in compliance with all of these covenants.

12. Asset-Backed Financing

The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. See Note 1 for more information on the Company's accounting for asset-backed financings and VIEs.

The following table shows the assets and liabilities related to the on-balance sheet asset-backed financings included in the financial statements at December 31 (in thousands):

	2018					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities						
Consolidated VIEs						
Asset-backed securitizations	\$ 158,718	\$ (4,691)	\$ 17,191	\$ 329	\$ 171,547	\$ 95,167
Asset-backed U.S. commercial paper conduit facilities	631,588	(18,733)	30,012	1,234	644,101	582,717
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	181,774	(3,130)	8,779	343	187,766	155,951
Total on-balance sheet assets and liabilities	\$ 972,080	\$ (26,554)	\$ 55,982	\$ 1,906	\$ 1,003,414	\$ 833,835

	2017					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities						
Consolidated VIEs						
Asset-backed securitizations	\$ 439,301	\$ (13,686)	\$ 34,919	\$ 1,260	\$ 461,794	\$ 352,624
Asset-backed U.S. commercial paper conduit facilities	300,530	(9,392)	13,787	888	305,813	279,457
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	203,691	(3,746)	9,983	470	210,398	174,779
Total on-balance sheet assets and liabilities	\$ 943,522	\$ (26,824)	\$ 58,689	\$ 2,618	\$ 978,005	\$ 806,860

On-Balance Sheet Asset-Backed Securitization VIEs

The Company transfers U.S. retail motorcycle finance receivables to SPEs which in turn issue secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. Each on-balance sheet asset-backed securitization SPE is a separate legal entity and the U.S. retail motorcycle finance receivables included in the asset-backed securitizations are only available for payment of the secured debt and other obligations arising from the asset-backed securitization transactions and are not available to pay other obligations or claims of the Company's creditors until the associated secured debt and other obligations are satisfied. Restricted cash balances held by the SPEs are used only to support the securitizations. There are no amortization schedules for the secured notes; however, the debt is reduced monthly as available collections on the related U.S. retail motorcycle finance receivables are applied to outstanding principal. The secured notes' contractual lives have various maturities during 2022.

The Company is the primary beneficiary of its on-balance sheet asset-backed securitization VIEs because it retains servicing rights and a residual interest in the VIEs in the form of a debt security. As the servicer, the Company is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. As a residual interest holder, the Company has the obligation to absorb losses and the right to receive benefits which could potentially be significant to the VIE.

There were no on-balance sheet asset-backed securitization transactions during 2018 or 2017. At December 31, 2018, the Company's consolidated balance sheet included outstanding balances related to the following secured notes with the related maturity dates and interest rates (in thousands):

Issue Date	Principal Amount at Date of Issuance	Weighted-Average Rate at Date of Issuance	Contractual Maturity Date
May 2015	\$500,000	0.88%	May 2016 - December 2022
January 2015	\$700,000	0.89%	February 2016 - August 2022

In addition, outstanding balances related to the following secured notes included in the Company's consolidated balance sheet at December 31, 2017 were repaid during 2018 (in thousands):

Issue Date	Principal Amount at Date of Issuance	Weighted-Average Rate at Date of Issuance	Contractual Maturity Date
April 2014	\$850,000	0.66%	April 2015 - October 2021

For the years ended December 31, 2018 and 2017, interest expense on the secured notes was \$3.2 million and \$7.9 million, respectively, which is included in Financial Services interest expense. The weighted average interest rate of the outstanding on-balance sheet asset-backed securitization transactions was 1.67% and 1.53% at December 31, 2018 and 2017, respectively.

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE

The Company has agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits under which it may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to those third-party bank-sponsored asset-backed U.S. commercial paper conduits. On November 30, 2018, the Company renewed its existing \$600.0 million revolving facility agreement with third-party bank-sponsored asset-backed U.S. commercial paper conduits. Also on that date, the Company amended its existing \$300.0 million revolving facility agreement with third-party bank-sponsored asset-backed U.S. commercial paper conduits, increasing the aggregate commitment to \$600.0 million. The aggregate commitment under this agreement will be reduced monthly as collections on the related finance receivables are applied to the outstanding principal until the outstanding principal balance is less than or equal to \$300.0 million, at which point the aggregate commitment will equal \$300.0 million. Availability under the revolving facilities (together, the U.S. Conduit Facilities) is based on, among other things, the amount of eligible U.S. retail motorcycle finance receivables held by the SPE as collateral.

Under the U.S. Conduit Facilities, the assets of the SPE are restricted as collateral for the payment of the debt or other obligations arising in the transaction and are not available to pay other obligations or claims of the Company's creditors. The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates or LIBOR to the extent the advance is not funded by a conduit lender through the issuance of commercial paper plus, in each case, a program fee based on outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment. There is no amortization schedule; however, the debt will be reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the U.S. Conduit Facilities, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables held by the SPE is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the U.S. Conduit Facilities have an expiration date of November 29, 2019.

The Company is the primary beneficiary of its U.S. Conduit Facilities VIE because it retains servicing rights and a residual interest in the VIE in the form of a debt security. As the servicer, the Company is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. As a residual interest holder, the Company has the obligation to absorb losses and the right to receive benefits which could potentially be significant to the VIE.

The following table includes quarterly transfers of U.S. retail motorcycle finance receivables to the U.S. Conduit Facilities and the respective proceeds (in thousands):

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 32,900	\$ 29,300	\$ 333,400	\$ 300,000
Second quarter	59,100	53,300	28,200	24,000
Third quarter	—	—	34,100	29,600
Fourth quarter	400,200	356,800	34,000	29,700
	<u>\$ 492,200</u>	<u>\$ 439,400</u>	<u>\$ 429,700</u>	<u>\$ 383,300</u>

For the years ended December 31, 2018 and 2017, interest expense under the U.S. Conduit Facilities was \$10.9 million and \$7.1 million, respectively, which is included in Financial Services interest expense. The weighted average interest rate of the outstanding U.S. Conduit Facilities was 3.26% and 2.33% at December 31, 2018 and 2017, respectively.

On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility

In June 2018, the Company renewed its facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase eligible Canadian retail motorcycle finance receivables for proceeds up to C\$220.0 million. The transferred assets are restricted as collateral for the payment of debt. The terms for this debt provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C\$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the Canadian Conduit expires on June 28, 2019.

The following table includes quarterly transfers of Canadian retail motorcycle finance receivables to the Canadian Conduit and the respective proceeds (in thousands):

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 7,600	\$ 6,200	\$ 6,300	\$ 5,500
Second quarter	38,900	32,200	14,200	12,400
Third quarter	—	—	—	—
Fourth quarter	39,000	32,200	84,900	69,100
	<u>\$ 85,500</u>	<u>\$ 70,600</u>	<u>\$ 105,400</u>	<u>\$ 87,000</u>

For the years ended December 31, 2018 and 2017, interest expense on the Canadian Conduit was \$3.8 million and \$2.6 million, respectively, which is included in Financial Services interest expense. The weighted average interest rate of the outstanding Canadian Conduit was 2.68% and 1.96% at December 31, 2018 and 2017, respectively.

The Company is not the primary beneficiary of the Canadian bank-sponsored, multi-seller conduit VIE; therefore, the Company does not consolidate the VIE. However, the Company treats the conduit facility as a secured borrowing as it maintains effective control over the assets transferred to the VIE and therefore does not meet the requirements for sale accounting.

As the Company participates in and does not consolidate the Canadian bank-sponsored, multi-seller conduit VIE, the maximum exposure to loss associated with this VIE, which would only be incurred in the unlikely event that all the finance receivables and underlying collateral have no residual value, is \$31.8 million at December 31, 2018. The maximum exposure is not an indication of the Company's expected loss exposure.

Off-Balance Sheet Asset-Backed Securitization VIE

There were no off-balance sheet asset-backed securitization transactions during the years ended December 31, 2018 and 2017. During the second quarter of 2016, the Company sold retail motorcycle finance receivables with a principal balance of \$301.8 million into a securitization VIE that was not consolidated, recognized a gain of \$9.3 million and received cash proceeds of \$312.6 million. Similar to an on-balance sheet asset-backed securitization, the Company transferred U.S. retail motorcycle finance receivables to an SPE which in turn issued secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. The off-balance sheet asset-backed securitization SPE is a separate legal entity, and the U.S. retail motorcycle finance receivables included in the asset-backed securitization are only available for payment of the secured debt and other obligations arising from the asset-backed securitization transaction and are not available to pay other obligations or claims of the Company's creditors. In an on-balance sheet asset-backed securitization, the Company retains a financial interest in the VIE in the form of a debt security. As part of this off-balance sheet securitization, the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants.

The Company is not the primary beneficiary of the off-balance sheet asset-backed securitization VIE because it only retained servicing rights and does not have the obligation to absorb losses or the right to receive benefits from the VIE which could potentially be significant to the VIE. Accordingly, this transaction met the accounting sale requirements under ASC Topic 860 and was recorded as a sale for accounting purposes. Upon the sale, the retail motorcycle finance receivables were removed from the Company's balance sheet and a gain was recognized for the difference between the cash proceeds received, the assets

derecognized and the liabilities recognized as part of the transaction. The gain on sale was included in Financial Services revenue in the consolidated statement of income.

At December 31, 2018, the assets of this off-balance sheet asset-backed securitization VIE were \$79.6 million and represented the current unpaid principal balance of the retail motorcycle finance receivables, which was the Company's maximum exposure to loss in the off-balance sheet VIE at December 31, 2018. This is based on the unlikely event that all the receivables have underwriting defects or other defects that trigger a violation of certain covenants and that the underlying collateral has no residual value. This maximum exposure is not an indication of expected losses.

Servicing Activities

The Company services all retail motorcycle finance receivables that it originates. When the Company transfers retail motorcycle finance receivables to SPEs through asset-backed financings, the Company retains the right to service the finance receivables and receives servicing fees based on the securitized finance receivables balance and certain ancillary fees. In on-balance sheet asset-backed financing, servicing fees are eliminated in consolidation and therefore are not recorded on a consolidated basis. In off-balance sheet asset-backed financings, servicing fees and ancillary fees are recorded in Financial Services revenue in the consolidated statements of income. The fees the Company is paid for servicing represent adequate compensation and, consequently, the Company does not recognize a servicing asset or liability. The Company recognized servicing fee income of \$1.1 million and \$1.9 million for the years ended December 31, 2018 and December 31, 2017, respectively.

The unpaid principal balance of serviced retail motorcycle finance receivables at December 31 was as follows (in thousands):

	2018	2017
On-balance sheet retail motorcycle finance receivables	\$ 6,185,350	\$ 5,993,185
Off-balance sheet retail motorcycle finance receivables	79,613	146,425
Total serviced retail motorcycle finance receivables	<u>\$ 6,264,963</u>	<u>\$ 6,139,610</u>

The balance of serviced finance receivables 30 days or more delinquent at December 31 was as follows (in thousands):

	Amount 30 days or more past due:	
	2018	2017
On-balance sheet retail motorcycle finance receivables	\$ 228,015	\$ 227,127
Off-balance sheet retail motorcycle finance receivables	1,658	2,106
Total serviced retail motorcycle finance receivables	<u>\$ 229,673</u>	<u>\$ 229,233</u>

Credit losses, net of recoveries for the serviced finance receivables for the years ended December 31 were as follows (in thousands):

	2018	2017
On-balance sheet retail motorcycle finance receivables	\$ 109,448	\$ 113,316
Off-balance sheet retail motorcycle finance receivables	907	1,191
Total serviced retail motorcycle finance receivables	<u>\$ 110,355</u>	<u>\$ 114,507</u>

13. Fair Value

The Company assesses the inputs used to measure fair value using a three-tier hierarchy.

Level 1 inputs include quoted prices for identical instruments and are the most observable.

Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity prices, and yield curves. The Company uses the market approach to derive the fair value for its Level 2 fair value measurements. Forward contracts for foreign currency, commodities, and treasury rate locks are valued using quoted forward rates and prices; interest rate swaps are valued using quoted interest rates and yield curves; investments in marketable securities and cash equivalents are valued using quoted prices.

Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

Recurring Fair Value Measurements

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31 (in thousands):

	2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 998,601	\$ 728,800	\$ 269,801	\$ —
Marketable securities	54,250	44,243	10,007	—
Derivatives	15,071	—	15,071	—
Total	<u>\$ 1,067,922</u>	<u>\$ 773,043</u>	<u>\$ 294,879</u>	<u>\$ —</u>
Liabilities:				
Derivatives	<u>\$ 5,316</u>	<u>\$ —</u>	<u>\$ 5,316</u>	<u>\$ —</u>
	2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 488,432	\$ 358,500	\$ 129,932	\$ —
Marketable securities	48,006	48,006	—	—
Derivatives	1,769	—	1,769	—
Total	<u>\$ 538,207</u>	<u>\$ 406,506</u>	<u>\$ 131,701</u>	<u>\$ —</u>
Liabilities:				
Derivatives	<u>\$ 21,308</u>	<u>\$ —</u>	<u>\$ 21,308</u>	<u>\$ —</u>

Nonrecurring Fair Value Measurements

Reposessed inventory is recorded at the lower of cost or net realizable value through a nonrecurring fair value measurement. Reposessed inventory was \$20.2 million and \$19.6 million, for which the fair value adjustment was \$9.7 million and \$9.0 million, at December 31, 2018 and 2017, respectively. Fair value is estimated using Level 2 inputs based on the recent market values of reposessed inventory.

Fair Value of Financial Instruments Measured at Cost

The carrying value of the Company's cash and cash equivalents and restricted cash approximates their fair values.

The following table summarizes the fair value and carrying value of the Company's remaining financial instruments that are measured at cost or amortized cost at December 31 (in thousands):

	2018		2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:				
Finance receivables, net	\$ 7,304,334	\$ 7,221,931	\$ 7,021,549	\$ 6,965,086
Liabilities:				
Unsecured commercial paper	\$ 1,135,810	\$ 1,135,810	\$ 1,273,482	\$ 1,273,482
Asset-backed U.S. commercial paper conduit facilities	\$ 582,717	\$ 582,717	\$ 279,457	\$ 279,457
Asset-backed Canadian commercial paper conduit facility	\$ 155,951	\$ 155,951	\$ 174,779	\$ 174,779
Medium-term notes	\$ 4,829,671	\$ 4,887,007	\$ 4,189,092	\$ 4,165,706
Senior unsecured notes	\$ 707,198	\$ 742,624	\$ 784,433	\$ 741,961
Asset-backed securitization debt	\$ 94,974	\$ 95,167	\$ 351,767	\$ 352,624

Finance Receivables, Net – The carrying value of retail and wholesale finance receivables in the financial statements is amortized cost less an allowance for credit losses. The fair value of retail finance receivables is generally calculated by discounting future cash flows using an estimated discount rate that reflects current credit, interest rate and prepayment risks associated with similar types of instruments. Fair value is determined based on Level 3 inputs. The amortized cost basis of wholesale finance receivables approximates fair value because they either are short-term or have interest rates that adjust with changes in market interest rates.

Debt – The carrying value of debt in the financial statements is generally amortized cost, net of discounts and debt issuance costs. The carrying value of unsecured commercial paper calculated using Level 2 inputs approximates fair value due to its short maturity. The carrying value of debt provided under the U.S. conduit facilities and Canadian conduit facility calculated using Level 2 inputs approximates fair value since the interest rates charged under the facility are tied directly to market rates and fluctuate as market rates change. The fair values of the medium-term notes and senior unsecured notes are estimated based upon rates currently available for debt with similar terms and remaining maturities (Level 2 inputs). The fair value of the debt related to on-balance sheet asset-backed securitization transactions is estimated based on pricing currently available for transactions with similar terms and maturities (Level 2 inputs).

14. Employee Benefit Plans and Other Postretirement Benefits

The Company has a qualified defined benefit pension plan and postretirement healthcare benefit plans, which cover employees of the Motorcycles segment. The Company also has unfunded supplemental employee retirement plan agreements (SERPA) with certain employees which were instituted to replace benefits lost under the Tax Revenue Reconciliation Act of 1993.

Pension benefits are based primarily on years of service and, for certain plans, levels of compensation. Employees are eligible to receive postretirement healthcare benefits upon attaining age 55 after rendering at least 10 years of service to the Company. Some of the plans require employee contributions to partially offset benefit costs.

Obligations and Funded Status:

The following table provides the changes in the benefit obligations, fair value of plan assets and funded status of the Company's pension, SERPA and postretirement healthcare plans as of the Company's December 31, 2018 and 2017 measurement dates (in thousands):

	Pension and SERPA Benefits		Postretirement Healthcare Benefits	
	2018	2017	2018	2017
Change in benefit obligation:				
Benefit obligation, beginning of period	\$ 2,201,021	\$ 1,986,435	\$ 338,488	\$ 346,431
Service cost	32,340	31,584	7,180	7,500
Interest cost	82,778	85,076	11,556	13,648
Actuarial (gains) losses	(213,583)	195,444	(42,039)	(8,408)
Plan participant contributions	—	—	2,492	2,525
Plan amendments	(12,926)	(13,227)	(4,710)	—
Benefits paid	(106,280)	(84,291)	(23,448)	(23,208)
Net curtailments and settlements	1,358	—	(2,945)	—
Benefit obligation, end of period	1,984,708	2,201,021	286,574	338,488
Change in plan assets:				
Fair value of plan assets, beginning of period	2,162,885	1,899,889	217,537	170,092
Actual return on plan assets	(185,468)	320,144	(13,287)	32,445
Company contributions	—	25,000	—	15,000
Plan participant contributions	—	—	2,492	2,525
Benefits paid	(102,799)	(82,148)	(16,385)	(2,525)
Fair value of plan assets, end of period	1,874,618	2,162,885	190,357	217,537
Funded status of the plans, December 31	\$ (110,090)	\$ (38,136)	\$ (96,217)	\$ (120,951)
Amounts recognized in the Consolidated Balance Sheets, December 31:				
Prepaid benefit costs (long-term assets)	\$ —	\$ 19,816	\$ —	\$ —
Accrued benefit liability (current liabilities)	(2,314)	(3,346)	(1,764)	(2,198)
Accrued benefit liability (long-term liabilities)	(107,776)	(54,606)	(94,453)	(118,753)
Net amount recognized	\$ (110,090)	\$ (38,136)	\$ (96,217)	\$ (120,951)

During 2018, the actuarial gains related to the obligation for pension and SERPA benefits were due primarily to an increase in the discount rate. Conversely, during 2017, the actuarial losses related to this obligation were due primarily to a decrease in the discount rate.

During 2018, the actuarial gains related to the obligation for postretirement healthcare benefits were due primarily to an increase in the discount rate, favorable claim cost experience and a change in the benefit delivery structure. During 2017, the actuarial gains related to this obligation were due primarily to favorable claim cost and census experience, partially offset by the impact of a decrease in the discount rate.

The funded status of the qualified pension plan and the SERPA plans are combined above. Plan level information for plans with projected benefit obligations (PBO) or accumulated benefit obligations (ABO) in excess of the fair value of plan assets at December 31 is presented below (in millions):

	2018		2017	
Plans with PBOs in excess of fair value of plan assets:				
PBO	\$	1,984.7	\$	58.0
Fair value of plan assets	\$	1,874.6	\$	—
Plans with ABOs in excess of fair value of plan assets:				
ABO	\$	40.1	\$	42.1
Fair value of plan assets	\$	—	\$	—

The total ABO for all the Company's pension and SERPA plans combined was \$1.90 billion and \$2.10 billion as of December 31, 2018 and 2017, respectively.

Benefit Costs:

Components of net periodic benefit costs for the years ended December 31 (in thousands):

	Pension and SERPA Benefits			Postretirement Healthcare Benefits		
	2018	2017	2016	2018	2017	2016
Service cost	\$ 32,340	\$ 31,584	\$ 33,437	\$ 7,180	\$ 7,500	\$ 7,478
Interest cost	82,778	85,076	90,827	11,556	13,648	14,814
Expected return on plan assets	(147,671)	(141,385)	(145,781)	(14,161)	(12,623)	(12,069)
Amortization of unrecognized:						
Prior service (credit) cost	(420)	1,018	1,019	(1,842)	(2,171)	(2,803)
Net loss	64,773	43,993	46,351	1,817	3,261	3,537
Net curtailment loss (gain)	1,017	—	—	(886)	—	—
Settlement loss	—	—	1,463	—	—	—
Net periodic benefit cost	\$ 32,817	\$ 20,286	\$ 27,316	\$ 3,664	\$ 9,615	\$ 10,957

Service costs are allocated among selling, administrative and engineering expense, cost of goods sold and inventory. Amounts capitalized in inventory are not significant. Non-service cost components of net periodic benefit cost are presented in other income (expense), net. Refer to Note 1 regarding the adoption of ASU 2017-07 for further discussion regarding the classification of net periodic benefit cost.

The expected return on plan assets is calculated based on the market-related value of plan assets. The market-related value of plan assets is different from the fair value in that asset gains/losses are smoothed over a five-year period.

Unrecognized gains and losses related to plan obligations and assets are initially recorded in other comprehensive income and result from actual experience that differs from assumed or expected results, and the impacts of changes in assumptions. Unrecognized plan asset gains and losses not yet reflected in the market-related value of plan assets are not subject to amortization. Remaining unrecognized gains and losses that exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets are amortized to earnings over the estimated future service period of active plan participants. The impacts of plan amendments, if any, are amortized over the estimated future service period of plan participants at the time of the amendment.

Amounts included in accumulated other comprehensive loss, net of tax, at December 31, 2018 which have not yet been recognized in net periodic benefit cost are as follows (in thousands):

	Pension and SERPA Benefits	Postretirement Healthcare Benefits	Total
Prior service credit	\$ (14,371)	\$ (9,381)	\$ (23,752)
Net actuarial loss	593,608	12,005	605,613
Total	\$ 579,237	\$ 2,624	\$ 581,861

Assumptions:

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost at December 31 were as follows:

	Pension and SERPA Benefits			Postretirement Healthcare Benefits		
	2018	2017	2016	2018	2017	2016
Assumptions for benefit obligations:						
Discount rate	4.38%	3.71%	4.30%	4.23%	3.52%	4.03%
Rate of compensation increase	3.38%	3.43%	3.50%	n/a	n/a	n/a
Assumptions for net periodic benefit cost:						
Discount rate	3.71%	4.30%	4.53%	3.52%	4.03%	4.29%
Expected return on plan assets	7.25%	7.25%	7.50%	7.25%	7.25%	7.50%
Rate of compensation increase	3.43%	3.50%	3.50%	n/a	n/a	n/a

Plan Assets:

Pension Plan Assets - The Company's investment objective is to ensure assets are sufficient to pay benefits while mitigating the volatility of retirement plan assets or liabilities recorded in the balance sheet. The Company mitigates volatility through asset diversification and partial asset/liability matching. The investment portfolio for the Company's pension plan assets contains a diversified blend of equity and fixed-income investments. The Company's current overall targeted asset allocation as a percentage of total market value was approximately 56% equities and 44% fixed-income and cash. Assets are rebalanced regularly to keep the actual allocation in line with targets. Equity holdings primarily include investments in small-, medium- and large-cap companies in the U.S. (including Company stock), investments in developed and emerging foreign markets and other investments such as private equity and real estate. Fixed-income holdings consist of U.S. government and agency securities, state and municipal bonds, corporate bonds from diversified industries and foreign obligations. In addition, cash equivalent balances are maintained at levels adequate to meet near-term plan expenses and benefit payments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

Postretirement Healthcare Plan Assets - The Company's investment objective is to maximize the return on assets to help pay benefits by prudently investing in equities, fixed income and alternative assets. The Company's current overall targeted asset allocation as a percentage of total market value was approximately 69% equities and 31% fixed-income and cash. Equity holdings primarily include investments in small-, medium- and large-cap companies in the U.S., investments in developed and emerging foreign markets and other investments such as private equity and real estate. Fixed-income holdings consist of U.S. government and agency securities, state and municipal bonds, corporate bonds from diversified industries and foreign obligations. In addition, cash equivalent balances are maintained at levels adequate to meet near-term plan expenses and benefit payments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

The following tables present the fair values of the plan assets related to the Company's pension and postretirement healthcare plans within the fair value hierarchy as defined in Note 13.

The fair values of the Company's pension plan assets as of December 31, 2018 were as follows (in thousands):

	Balance as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 40,984	\$ —	\$ 40,984
Equity holdings:			
U.S. companies	636,308	621,459	14,849
Foreign companies	66,143	66,143	—
Harley-Davidson common stock	43,455	43,455	—
Pooled equity funds	330,476	330,476	—
Other	85	85	—
Total equity holdings	<u>1,076,467</u>	<u>1,061,618</u>	<u>14,849</u>
Fixed-income holdings:			
U.S. Treasuries	45,102	45,102	—
Federal agencies	27,811	—	27,811
Corporate bonds	434,070	—	434,070
Pooled fixed income funds	140,630	42,400	98,230
Foreign bonds	83,852	266	83,586
Municipal bonds	9,276	—	9,276
Total fixed-income holdings	<u>740,741</u>	<u>87,768</u>	<u>652,973</u>
Total assets in the fair value hierarchy	1,858,192	<u>\$ 1,149,386</u>	<u>\$ 708,806</u>
Assets measured at net asset value as a practical expedient:			
Limited partnership interests	5,918		
Real estate investment trusts	10,508		
Total pension plan assets	<u>\$ 1,874,618</u>		

Included in the pension plan assets are 1,273,592 shares of the Company's common stock with a market value of \$43.5 million at December 31, 2018.

The fair values of the Company's postretirement healthcare plan assets as of December 31, 2018 were as follows (in thousands):

	Balance as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 5,276	\$ —	\$ 5,276
Equity holdings:			
U.S. companies	86,975	86,949	26
Foreign companies	16,342	16,342	—
Pooled equity funds	20,747	20,747	—
Other	9	9	—
Total equity holdings	124,073	124,047	26
Fixed-income holdings:			
U.S. Treasuries	8,707	8,707	—
Federal agencies	5,445	—	5,445
Corporate bonds	6,590	—	6,590
Pooled fixed income funds	33,959	33,959	—
Foreign bonds	538	—	538
Municipal bonds	272	—	272
Total fixed-income holdings	55,511	42,666	12,845
Total assets in the fair value hierarchy	184,860	\$ 166,713	\$ 18,147
Assets measured at net asset value as a practical expedient:			
Real estate investment trusts	5,497		
Total postretirement healthcare plan assets	\$ 190,357		

The fair values of the Company's pension plan assets as of December 31, 2017 were as follows (in thousands):

	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 51,082	\$ 1,057	\$ 50,025
Equity holdings:			
U.S. companies	722,527	705,111	17,416
Foreign companies	78,765	78,765	—
Harley-Davidson common stock	64,800	64,800	—
Pooled equity funds	416,881	416,881	—
Other	119	119	—
Total equity holdings	<u>1,283,092</u>	<u>1,265,676</u>	<u>17,416</u>
Fixed-income holdings:			
U.S. Treasuries	39,866	39,866	—
Federal agencies	29,188	—	29,188
Corporate bonds	462,563	—	462,563
Pooled fixed income funds	189,361	61,875	127,486
Foreign bonds	81,732	—	81,732
Municipal bonds	11,800	—	11,800
Total fixed-income holdings	<u>814,510</u>	<u>101,741</u>	<u>712,769</u>
Total assets in the fair value hierarchy	<u>2,148,684</u>	<u>\$ 1,368,474</u>	<u>\$ 780,210</u>
Assets measured at net asset value as a practical expedient:			
Limited partnership interests	9,099		
Real estate investment trust	5,102		
Total pension plan assets	<u>\$ 2,162,885</u>		

Included in the pension plan assets were 1,273,592 shares of the Company's common stock with a market value of \$64.8 million at December 31, 2017.

The fair values of the Company's postretirement healthcare plan assets as of December 31, 2017 were as follows (in thousands):

	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 19,317	\$ —	\$ 19,317
Equity holdings:			
U.S. companies	101,720	101,720	—
Foreign companies	19,498	19,495	3
Pooled equity funds	23,563	23,563	—
Other	14	14	—
Total equity holdings	144,795	144,792	3
Fixed-income holdings:			
U.S. Treasuries	6,803	6,803	—
Federal agencies	5,060	—	5,060
Corporate bonds	6,756	—	6,756
Pooled fixed income funds	27,461	27,461	—
Foreign bonds	311	—	311
Municipal bonds	284	—	284
Total fixed-income holdings	46,675	34,264	12,411
Total assets in the fair value hierarchy	210,787	\$ 179,056	\$ 31,731
Assets measured at net asset value as a practical expedient:			
Real estate investment trust	6,750		
Total postretirement healthcare plan assets	\$ 217,537		

For 2019, the Company's overall expected long-term rate of return is 7.10% for pension assets and 7.25% for postretirement healthcare plan assets. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns adjusted to reflect the current view of the long-term investment market.

Postretirement Healthcare Cost:

The weighted-average healthcare cost trend rate used in determining the accumulated postretirement benefit obligation of the healthcare plans was as follows:

	2018	2017
Healthcare cost trend rate for next year	6.75%	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2026	2026

Future Contributions and Benefit Payments:

During 2018, the Company did not make any voluntary contributions to its qualified pension plan or postretirement healthcare plans. No pension plan contributions are required in 2019. The Company expects that 2019 postretirement healthcare plan benefits and benefits due under the SERPA plans will be paid by the Company or, in the case of postretirement healthcare plan benefits, funded partially with plan assets.

The expected benefit payments for the next five years and thereafter were as follows (in thousands):

	Pension Benefits	SERPA Benefits	Postretirement Healthcare Benefits
2019	\$ 111,980	\$ 2,314	\$ 25,934
2020	\$ 93,580	\$ 2,862	\$ 27,328
2021	\$ 95,690	\$ 3,272	\$ 26,660
2022	\$ 99,118	\$ 3,504	\$ 25,378
2023	\$ 102,190	\$ 4,467	\$ 23,815
2024-2028	\$ 568,867	\$ 28,663	\$ 109,562

Defined Contribution Plans:

The Company has various defined contribution benefit plans that in total cover substantially all full-time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company expensed \$20.1 million, \$19.0 million and \$18.2 million for Company contributions during 2018, 2017 and 2016, respectively.

15. Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining costs to accrue related to these items, the Company carefully analyzes cases and considers the likelihood of adverse judgments or outcomes, as well as the potential range of possible loss. Any amounts accrued for these matters are monitored on an ongoing basis and are updated based on new developments or new information as it becomes available for each matter.

Environmental Protection Agency Notice:

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. On March 1, 2018, the Company and the EPA each filed separate response briefs. The Company is awaiting the court's decision on whether or not to finalize the Settlement. The Company has an accrual associated with this matter which is included in accrued liabilities in the consolidated balance sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company's financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter.

York Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. The Company has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 and with the U.S. Environmental Protection Agency (EPA) in undertaking environmental investigation and remediation activities, including a site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy, and the parties amended the Agreement in 2013 to address ordnance and explosive waste. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and remediation activities at the York facility (Response Costs). The trust administers the payment of the Response Costs incurred at the York facility as covered by the Agreement.

The Company has an accrual for its estimate of its share of the future Response Costs at the York facility which is included in other long-term liabilities in the consolidated balance sheets. While the work on the RI/FS is now complete and the final remedy was proposed in late 2018, it has not yet been approved, and given the uncertainty that exists concerning the nature and scope of additional environmental remediation that may ultimately be required under the approved final remedy, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

The estimate of the Company's future Response Costs that will be incurred at the York facility is based on reports of independent environmental consultants retained by the Company, the actual costs incurred to date, and the estimated costs to complete the necessary investigation and remediation activities.

Product Liability Matters:

The Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures that are probable of occurrence and can be reasonably estimated. The Company also maintains insurance coverage for product liability exposures. The Company believes that its accruals and insurance coverage are adequate and that product liability suits will not have a material adverse effect on the Company's consolidated financial statements.

16. Capital Stock

Common Stock:

The Company is authorized to issue 800,000,000 shares of common stock of \$0.01 par value. There were 159.7 million and 168.1 million common shares outstanding as of December 31, 2018 and 2017, respectively. During 2016, the Company retired 165.0 million shares of its treasury stock.

During 2018, the Company repurchased 9.4 million shares of its common stock at a weighted-average price of \$41.71. This includes 0.2 million shares of common stock that were repurchased from employees that surrendered stock to satisfy withholding taxes in connection with the vesting of restricted stock awards. The remaining repurchases were made pursuant to the following authorizations (in millions of shares):

Board of Directors' Authorization	Shares Repurchased			Authorization Remaining at December 31, 2018
	2018	2017	2016	
2015 Authorization	—	—	9.0	—
2016 Authorization	9.2	8.7	0.7	1.4
2018 Authorization	—	—	—	15.0
Total	9.2	8.7	9.7	16.4

2015 Authorization – In June 2015, the Company's Board of Directors authorized the Company to buy back up to 15.0 million shares of its common stock with no dollar limit or expiration date.

2016 Authorization – In February 2016, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date.

2018 Authorization – In February 2018, the Company's Board of Directors separately authorized the Company to buy back up to 15.0 million shares of its common stock with no dollar limit or expiration date.

Preferred Stock:

The Company is authorized to issue 2,000,000 shares of preferred stock of \$1.00 par value, none of which is outstanding.

17. Share-Based Awards

The Company has a share-based compensation plan which was approved by its shareholders in April 2014 (the Plan) under which the Board of Directors may grant to employees share-based awards including restricted stock units (RSUs), performance shares, nonqualified stock options and stock appreciation rights (SARs). Performance shares include a three-year performance period with vesting based on achievement of internal performance targets. RSUs granted under the Plan vest ratably over a three-year period with the first one-third of the grant vesting one year after the date of grant. Dividends are paid on RSUs settled with stock and performance shares settled with stock. Dividend equivalents are paid on RSUs and performance shares settled with cash. The options and SARs granted under the Plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a three-year period with the first one-third of the grant becoming exercisable one year after the date of grant. The options and SARs expire 10 years from the date of grant. Forfeitures for share-

based awards are estimated at the grant date and adjusted when it is likely to change. At December 31, 2018, there were 8.7 million shares of common stock available for future awards under the Plan.

Restricted Stock Units and Performance Shares Settled in Stock:

The fair value of RSUs and performance shares settled in stock is determined based on the market price of the Company's shares on the grant date. The following table summarizes the activity for these awards for the year ended December 31, 2018 (in thousands, except for per share amounts):

	Shares / Units	Weighted-Average Fair Value Per Share
Nonvested, beginning of period	1,601	\$ 49
Granted	927	\$ 47
Vested	(485)	\$ 52
Forfeited	(149)	\$ 49
Nonvested, end of period	<u>1,894</u>	<u>\$ 48</u>

As of December 31, 2018, there was \$37.0 million of unrecognized compensation cost related to RSUs and performance shares settled in stock (net of estimated forfeitures) that is expected to be recognized over a weighted-average period of 1.7 years.

Restricted Stock Units and Performance Shares Settled in Cash:

RSUs and performance shares that are settled in cash are recorded in the Company's consolidated balance sheets as a liability until vested. The fair value is determined based on the market price of the Company's stock and is remeasured at each balance sheet date. The following table summarizes the activity for these awards for the year ended December 31, 2018 (in thousands, except for per share amounts):

	Units	Weighted-Average Fair Value Per Share
Nonvested, beginning of period	101	\$ 43
Granted	71	\$ 34
Vested	(45)	\$ 48
Forfeited	(22)	\$ 43
Nonvested, end of period	<u>105</u>	<u>\$ 37</u>

Stock Options:

There were no stock options granted in 2018, 2017 or 2016. All outstanding stock options were vested as of December 31, 2018. The Company's policy is to issue new shares of common stock upon the exercise of employee stock options.

The following table summarizes the stock option transactions for the year ended December 31, 2018 (in thousands, except for per share amounts):

	Options	Weighted- Average Price
Outstanding, beginning of period	1,404	\$ 48
Exercised	(160)	\$ 22
Forfeited	(189)	\$ 59
Outstanding, end of period	<u>1,055</u>	<u>\$ 50</u>
Exercisable, end of period	<u>1,055</u>	<u>\$ 50</u>

The following table summarizes the aggregate intrinsic value related to options exercised, outstanding and exercisable as of and for the years ended December 31 (in thousands):

	2018	2017	2016
Exercised	\$ 3,855	\$ 4,051	\$ 9,595
Outstanding	\$ 2,366	\$ 11,711	\$ 22,383
Exercisable	\$ 2,366	\$ 11,711	\$ 22,383

Stock options outstanding at December 31, 2018 were as follows (options in thousands):

Price Range	Weighted-Average Contractual Life	Options	Weighted-Average Exercise Price
\$10.01 to \$20	0.1	50	\$ 12
\$20.01 to \$30	1.1	127	\$ 24
\$30.01 to \$40	0.0	—	\$ —
\$40.01 to \$50	2.6	219	\$ 44
\$50.01 to \$60	3.8	171	\$ 52
\$60.01 to \$70	5.2	488	\$ 63
Options outstanding	4.0	1,055	\$ 50
Options exercisable	4.0	1,055	\$ 50

Stock Appreciation Rights (SARs):

There were no SARs granted in 2018, 2017 or 2016. SARs vest under the same terms and conditions as options; however, they are settled in cash equal to their settlement date fair value. As a result, SARs are recorded in the Company's consolidated balance sheets as a liability until the date of exercise. The fair value of each unvested SAR award was estimated using a lattice-based valuation model. In accordance with ASC Topic 718, "Stock Compensation," the fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value and the percent vested. All outstanding SAR awards were vested as of December 31, 2018. The assumptions used to determine the fair value of the unvested SAR awards at December 31, 2017 were as follows:

	2017
Expected average term (in years)	5.7
Expected volatility	28% - 31%
Expected dividend yield	2.9%
Risk-free interest rate	1.3% - 2.5%

The following table summarizes the SAR transactions for the year ended December 31, 2018 (in thousands, except per share amounts):

	SARs	Weighted-Average Price
Outstanding, beginning of period	27	\$ 30
Exercised	(14)	\$ 24
Outstanding, end of period	13	\$ 36
Exercisable, end of period	13	\$ 36

18. Accumulated Other Comprehensive Loss

The following table sets forth the changes in accumulated other comprehensive loss (AOCL) for the years ended December 31 (in thousands):

	2018				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (21,852)	\$ —	\$ (17,254)	\$ (460,943)	\$ (500,049)
Other comprehensive (loss) income before reclassifications	(28,212)	—	35,686	(84,725)	(77,251)
Income tax	3,202	—	(8,455)	19,893	14,640
Net other comprehensive (loss) income before reclassifications	(25,010)	—	27,231	(64,832)	(62,611)
Reclassifications:					
Realized (gains) losses - foreign currency contracts ^(a)	—	—	(11,492)	—	(11,492)
Realized (gains) losses - commodities contracts ^(a)	—	—	(24)	—	(24)
Realized (gains) losses - treasury rate locks ^(b)	—	—	498	—	498
Realized (gains) losses - interest rate swaps ^(b)	—	—	1,552	—	1,552
Prior service credits ^(c)	—	—	—	(2,262)	(2,262)
Actuarial losses ^(c)	—	—	—	66,590	66,590
Curtailment and settlement gains ^(c)	—	—	—	(886)	(886)
Total before tax	—	—	(9,466)	63,442	53,976
Income tax	—	—	2,244	(14,896)	(12,652)
Net reclassifications	—	—	(7,222)	48,546	41,324
Other comprehensive (loss) income	(25,010)	—	20,009	(16,286)	(21,287)
Reclassification of certain tax effects	(2,746)	—	(970)	(104,632)	(108,348)
Balance, end of period	\$ (49,608)	\$ —	\$ 1,785	\$ (581,861)	\$ (629,684)
	2017				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (68,132)	\$ (1,194)	\$ 12,524	\$ (508,579)	\$ (565,381)
Other comprehensive income (loss) before reclassifications	52,145	1,896	(54,929)	24,321	23,433
Income tax	(5,865)	(702)	20,338	(5,711)	8,060
Net other comprehensive income (loss) before reclassifications	46,280	1,194	(34,591)	18,610	31,493
Reclassifications:					
Realized (gains) losses - foreign currency contracts ^(a)	—	—	7,202	—	7,202
Realized (gains) losses - treasury rate lock ^(b)	—	—	442	—	442
Prior service credits ^(c)	—	—	—	(1,153)	(1,153)
Actuarial losses ^(c)	—	—	—	47,254	47,254
Total before tax	—	—	7,644	46,101	53,745
Income tax	—	—	(2,831)	(17,075)	(19,906)
Net reclassifications	—	—	4,813	29,026	33,839
Other comprehensive income (loss)	46,280	1,194	(29,778)	47,636	65,332
Balance, end of period	\$ (21,852)	\$ —	\$ (17,254)	\$ (460,943)	\$ (500,049)

2016

	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (58,844)	\$ (1,094)	\$ 5,886	\$ (561,153)	\$ (615,205)
Other comprehensive (loss) income before reclassifications	(7,591)	(159)	28,176	33,937	54,363
Income tax	(1,697)	59	(10,436)	(12,570)	(24,644)
Net other comprehensive (loss) income before reclassifications	(9,288)	(100)	17,740	21,367	29,719
Reclassifications:					
Realized (gains) losses - foreign currency contracts ^(a)	—	—	(18,253)	—	(18,253)
Realized (gains) losses - commodities contracts ^(a)	—	—	258	—	258
Realized (gains) losses - treasury rate lock ^(b)	—	—	362	—	362
Prior service credits ^(c)	—	—	—	(1,784)	(1,784)
Actuarial losses ^(c)	—	—	—	49,888	49,888
Curtailment and settlement losses ^(c)	—	—	—	1,463	1,463
Total before tax	—	—	(17,633)	49,567	31,934
Income tax	—	—	6,531	(18,360)	(11,829)
Net reclassifications	—	—	(11,102)	31,207	20,105
Other comprehensive (loss) income	(9,288)	(100)	6,638	52,574	49,824
Balance, end of period	\$ (68,132)	\$ (1,194)	\$ 12,524	\$ (508,579)	\$ (565,381)

(a) Amounts reclassified to net income are included in Motorcycles and Related Products cost of goods sold.

(b) Amounts reclassified to net income are presented in interest expense.

(c) Amounts reclassified are included in the computation of net periodic benefit cost. See Note 14 for information related to pension and postretirement benefit plans.

19. Reportable Segments and Geographic Information

Reportable Segments:

Harley-Davidson, Inc. is the parent company for the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). The Company operates in two segments: the Motorcycles and Related Products (Motorcycles) segment and the Financial Services segment. The Company's reportable segments are strategic business units that offer different products and services and are managed separately based on the fundamental differences in their operations.

The Motorcycles segment consists of HDMC which designs, manufactures and sells at wholesale on-road Harley-Davidson motorcycles as well as motorcycle parts, accessories, general merchandise and related services. The Company's products are sold to retail customers through a network of independent dealers. The Company conducts business on a global basis, with sales in the United States, Canada, Latin America, Europe/Middle East/Africa (EMEA) and Asia Pacific.

The Financial Services segment consists of HDFS which provides wholesale and retail financing and provides insurance and insurance-related programs primarily to Harley-Davidson dealers and their retail customers. HDFS conducts business principally in the United States and Canada.

Information by segment is set forth below for the years ended December 31 (in thousands):

	2018	2017	2016
Motorcycles net revenue	\$ 4,968,646	\$ 4,915,027	\$ 5,271,376
Gross profit	1,616,850	1,642,697	1,845,379
Selling, administrative and engineering expense	1,101,086	1,035,921	1,074,615
Restructuring expense	93,401	—	—
Operating income from Motorcycles	422,363	606,776	770,764
Financial Services revenue	748,229	732,197	725,082
Financial Services expense	457,069	456,892	449,552
Operating income from Financial Services	291,160	275,305	275,530
Operating income	<u>\$ 713,523</u>	<u>\$ 882,081</u>	<u>\$ 1,046,294</u>

As discussed in Note 1, the Company adopted ASU 2017-07 on January 1, 2018, which required the Company to record the non-service cost components of net periodic benefit cost in non-operating income on a prospective and retrospective basis. As a result, operating income from Motorcycles excludes these costs for all periods presented.

Financial Services revenue includes \$9.0 million, \$6.9 million and \$4.4 million of interest that HDMC paid to HDFS on wholesale finance receivables in 2018, 2017 and 2016, respectively. The offsetting cost of these interest incentives was recorded as a reduction to Motorcycles net revenue.

Information by segment is set forth below as of December 31 (in thousands):

	Motorcycles	Financial Services	Consolidated
<u>2018</u>			
Total assets	\$ 2,562,931	\$ 8,102,733	\$ 10,665,664
Depreciation and amortization	\$ 260,707	\$ 4,156	\$ 264,863
Capital expenditures	\$ 197,905	\$ 15,611	\$ 213,516
<u>2017</u>			
Total assets	\$ 2,449,603	\$ 7,523,069	\$ 9,972,672
Depreciation and amortization	\$ 215,639	\$ 6,549	\$ 222,188
Capital expenditures	\$ 193,204	\$ 13,090	\$ 206,294
<u>2016</u>			
Total assets	\$ 2,490,450	\$ 7,399,790	\$ 9,890,240
Depreciation and amortization	\$ 202,122	\$ 7,433	\$ 209,555
Capital expenditures	\$ 245,316	\$ 10,947	\$ 256,263

Geographic Information:

Included in the consolidated financial statements are the following amounts relating to geographic locations for the years ended December 31 (in thousands):

	2018	2017	2016
Revenue from Motorcycles^(a):			
United States	\$ 3,159,049	\$ 3,215,513	\$ 3,579,129
EMEA	893,589	790,725	798,489
Japan	161,370	180,938	200,309
Canada	230,211	232,883	212,099
Australia and New Zealand	147,561	168,670	181,809
Other foreign countries	376,866	326,298	299,541
Total revenue from Motorcycles	<u>\$ 4,968,646</u>	<u>\$ 4,915,027</u>	<u>\$ 5,271,376</u>
Revenue from Financial Services^(a):			
United States	\$ 712,898	\$ 698,383	\$ 692,784
Europe	8,411	6,845	6,528
Canada	23,120	22,580	21,626
Other foreign countries	3,800	4,389	4,144
Total revenue from Financial Services	<u>\$ 748,229</u>	<u>\$ 732,197</u>	<u>\$ 725,082</u>
Long-lived assets^(b):			
United States	\$ 838,446	\$ 912,032	\$ 943,479
International	65,686	55,749	38,114
Total long-lived assets	<u>\$ 904,132</u>	<u>\$ 967,781</u>	<u>\$ 981,593</u>

(a) Revenue is attributed to geographic regions based on location of customer.

(b) Long-lived assets include all long-term assets except those specifically excluded under ASC Topic 280, "Segment Reporting," such as deferred income taxes and finance receivables.

20. Supplemental Consolidating Data

The supplemental consolidating data for the periods noted is presented for informational purposes. The supplemental consolidating data may be different than segment information presented elsewhere due to the allocation of intercompany eliminations to reporting segments. All supplemental data is presented in thousands.

Year Ended December 31, 2018

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 4,981,445	\$ —	\$ (12,799)	\$ 4,968,646
Financial Services	—	747,432	797	748,229
Total revenue	4,981,445	747,432	(12,002)	5,716,875
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	3,352,438	—	(642)	3,351,796
Financial Services interest expense	—	193,187	—	193,187
Financial Services provision for credit losses	—	106,870	—	106,870
Selling, administrative and engineering expense	1,104,919	164,623	(11,444)	1,258,098
Restructuring expense	93,401	—	—	93,401
Total costs and expenses	4,550,758	464,680	(12,086)	5,003,352
Operating income	430,687	282,752	84	713,523
Other income (expense), net	3,039	—	—	3,039
Investment income	235,951	—	(235,000)	951
Interest expense	30,884	—	—	30,884
Income before provision for income taxes	638,793	282,752	(234,916)	686,629
Provision for income taxes	85,153	70,025	—	155,178
Net income	\$ 553,640	\$ 212,727	\$ (234,916)	\$ 531,451

Year Ended December 31, 2017

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 4,925,003	\$ —	\$ (9,976)	\$ 4,915,027
Financial Services	—	734,008	(1,811)	732,197
Total revenue	4,925,003	734,008	(11,787)	5,647,224
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	3,272,330	—	—	3,272,330
Financial Services interest expense	—	180,193	—	180,193
Financial Services provision for credit losses	—	132,444	—	132,444
Selling, administrative and engineering expense	1,037,529	154,232	(11,585)	1,180,176
Total costs and expenses	4,309,859	466,869	(11,585)	4,765,143
Operating income	615,144	267,139	(202)	882,081
Other income (expense), net	9,182	—	—	9,182
Investment income	199,580	—	(196,000)	3,580
Interest expense	31,004	—	—	31,004
Income before provision for income taxes	792,902	267,139	(196,202)	863,839
Provision for income taxes	214,175	127,905	—	342,080
Net income	\$ 578,727	\$ 139,234	\$ (196,202)	\$ 521,759

Year Ended December 31, 2016

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 5,281,355	\$ —	\$ (9,979)	\$ 5,271,376
Financial Services	—	726,736	(1,654)	725,082
Total revenue	5,281,355	726,736	(11,633)	5,996,458
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	3,425,997	—	—	3,425,997
Financial Services interest expense	—	173,756	—	173,756
Financial Services provision for credit losses	—	136,617	—	136,617
Selling, administrative and engineering expense	1,076,375	149,157	(11,738)	1,213,794
Total costs and expenses	4,502,372	459,530	(11,738)	4,950,164
Operating income	778,983	267,206	105	1,046,294
Other income (expense), net	2,642	—	—	2,642
Investment income	187,645	—	(183,000)	4,645
Interest expense	29,670	—	—	29,670
Income before provision for income taxes	939,600	267,206	(182,895)	1,023,911
Provision for income taxes	231,986	99,761	—	331,747
Net income	\$ 707,614	\$ 167,445	\$ (182,895)	\$ 692,164

December 31, 2018

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 544,548	\$ 659,218	\$ —	\$ 1,203,766
Marketable securities	10,007	—	—	10,007
Accounts receivable, net	425,727	—	(119,253)	306,474
Finance receivables, net	—	2,214,424	—	2,214,424
Inventories	556,128	—	—	556,128
Restricted cash	—	49,275	—	49,275
Other current assets	91,172	59,070	(5,874)	144,368
Total current assets	1,627,582	2,981,987	(125,127)	4,484,442
Finance receivables, net	—	5,007,507	—	5,007,507
Property, plant and equipment, net	847,176	56,956	—	904,132
Goodwill	55,048	—	—	55,048
Deferred income taxes	105,388	37,603	(1,527)	141,464
Other long-term assets	144,122	18,680	(89,731)	73,071
	\$ 2,779,316	\$ 8,102,733	\$ (216,385)	\$ 10,665,664
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 258,587	\$ 145,527	\$ (119,253)	\$ 284,861
Accrued liabilities	496,643	110,063	(5,576)	601,130
Short-term debt	—	1,135,810	—	1,135,810
Current portion of long-term debt, net	—	1,575,799	—	1,575,799
Total current liabilities	755,230	2,967,199	(124,829)	3,597,600
Long-term debt, net	742,624	4,145,043	—	4,887,667
Pension liability	107,776	—	—	107,776
Postretirement healthcare liability	94,453	—	—	94,453
Other long-term liabilities	164,243	37,142	2,834	204,219
Commitments and contingencies (Note 15)				
Shareholders' equity	914,990	953,349	(94,390)	1,773,949
	\$ 2,779,316	\$ 8,102,733	\$ (216,385)	\$ 10,665,664

December 31, 2017

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 338,186	\$ 349,335	\$ —	\$ 687,521
Accounts receivable, net	483,709	—	(153,723)	329,986
Finance receivables, net	—	2,105,662	—	2,105,662
Inventories	538,202	—	—	538,202
Restricted cash	—	47,518	—	47,518
Other current assets	132,999	48,521	(5,667)	175,853
Total current assets	1,493,096	2,551,036	(159,390)	3,884,742
Finance receivables, net	—	4,859,424	—	4,859,424
Property, plant and equipment, net	922,280	45,501	—	967,781
Prepaid pension costs	19,816	—	—	19,816
Goodwill	55,947	—	—	55,947
Deferred income taxes	66,877	43,515	(1,319)	109,073
Other long-term assets	138,344	23,593	(86,048)	75,889
	\$ 2,696,360	\$ 7,523,069	\$ (246,757)	\$ 9,972,672
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 214,263	\$ 167,057	\$ (153,723)	\$ 227,597
Accrued liabilities	444,028	90,942	(5,148)	529,822
Short-term debt	—	1,273,482	—	1,273,482
Current portion of long-term debt, net	—	1,127,269	—	1,127,269
Total current liabilities	658,291	2,658,750	(158,871)	3,158,170
Long-term debt, net	741,961	3,845,297	—	4,587,258
Pension liability	54,606	—	—	54,606
Postretirement healthcare liability	118,753	—	—	118,753
Other long-term liabilities	171,200	35,503	2,905	209,608
Commitments and contingencies (Note 15)				
Shareholders' equity	951,549	983,519	(90,791)	1,844,277
	\$ 2,696,360	\$ 7,523,069	\$ (246,757)	\$ 9,972,672

Year Ended December 31, 2018

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from operating activities:				
Net income	\$ 553,640	\$ 212,727	\$ (234,916)	\$ 531,451
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles	260,707	4,156	—	264,863
Amortization of deferred loan origination costs	—	81,315	—	81,315
Amortization of financing origination fees	663	7,704	—	8,367
Provision for long-term employee benefits	36,481	—	—	36,481
Employee benefit plan contributions and payments	(10,544)	—	—	(10,544)
Stock compensation expense	31,855	3,684	—	35,539
Net change in wholesale finance receivables related to sales	—	—	(56,538)	(56,538)
Provision for credit losses	—	106,870	—	106,870
Deferred income taxes	(41,905)	7,716	208	(33,981)
Other, net	36,840	798	(84)	37,554
Changes in current assets and liabilities:				
Accounts receivable, net	43,613	—	(34,470)	9,143
Finance receivables—accrued interest and other	—	773	—	773
Inventories	(31,059)	—	—	(31,059)
Accounts payable and accrued liabilities	152,930	(1,778)	45,040	196,192
Derivative instruments	337	136	—	473
Other	39,031	(10,216)	207	29,022
Total adjustments	518,949	201,158	(45,637)	674,470
Net cash provided by operating activities	1,072,589	413,885	(280,553)	1,205,921
Cash flows from investing activities:				
Capital expenditures	(197,905)	(15,611)	—	(213,516)
Origination of finance receivables	—	(7,192,063)	3,439,246	(3,752,817)
Collections on finance receivables	—	6,719,362	(3,393,693)	3,325,669
Purchases of marketable securities	(10,007)	—	—	(10,007)
Other	(11,598)	—	—	(11,598)
Net cash used by investing activities	(219,510)	(488,312)	45,553	(662,269)

	Year Ended December 31, 2018			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	1,591,828	—	1,591,828
Repayments of medium-term notes	—	(877,488)	—	(877,488)
Repayments of securitization debt	—	(257,869)	—	(257,869)
Borrowings of asset-backed commercial paper	—	509,742	—	509,742
Repayments of asset-backed commercial paper	—	(212,729)	—	(212,729)
Net decrease in credit facilities and unsecured commercial paper	—	(135,356)	—	(135,356)
Dividends paid	(245,810)	(235,000)	235,000	(245,810)
Purchase of common stock for treasury	(390,606)	—	—	(390,606)
Issuance of common stock under employee stock option plans	3,525	—	—	3,525
Net cash (used) provided by financing activities	(632,891)	383,128	235,000	(14,763)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(13,826)	(1,525)	—	(15,351)
Net increase in cash, cash equivalents and restricted cash	<u>\$ 206,362</u>	<u>\$ 307,176</u>	<u>\$ —</u>	<u>\$ 513,538</u>
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash—beginning of period	\$ 338,186	\$ 408,024	\$ —	\$ 746,210
Net increase in cash, cash equivalents and restricted cash	206,362	307,176	—	513,538
Cash, cash equivalents and restricted cash—end of period	<u>\$ 544,548</u>	<u>\$ 715,200</u>	<u>\$ —</u>	<u>\$ 1,259,748</u>

Year Ended December 31, 2017

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from operating activities:				
Net income	\$ 578,727	\$ 139,234	\$ (196,202)	\$ 521,759
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles	215,639	6,549	—	222,188
Amortization of deferred loan origination costs	—	82,911	—	82,911
Amortization of financing origination fees	655	7,390	—	8,045
Provision for long-term employee benefits	29,900	—	—	29,900
Employee benefit plan contributions and payments	(63,277)	—	—	(63,277)
Stock compensation expense	29,570	2,921	—	32,491
Net change in wholesale finance receivables related to sales	—	—	35,172	35,172
Provision for credit losses	—	132,444	—	132,444
Deferred income taxes	29,949	21,497	(591)	50,855
Other, net	4,858	3,498	203	8,559
Changes in current assets and liabilities:				
Accounts receivable, net	(6,792)	—	(11,357)	(18,149)
Finance receivables – accrued interest and other	—	(1,313)	—	(1,313)
Inventories	(20,584)	—	—	(20,584)
Accounts payable and accrued liabilities	9,753	(11,497)	11,872	10,128
Derivative instruments	1,785	81	—	1,866
Other	(31,868)	(1,684)	5,618	(27,934)
Total adjustments	199,588	242,797	40,917	483,302
Net cash provided by operating activities	778,315	382,031	(155,285)	1,005,061
Cash flows from investing activities:				
Capital expenditures	(193,204)	(13,090)	—	(206,294)
Origination of finance receivables	—	(7,109,624)	3,517,676	(3,591,948)
Collections on finance receivables	—	6,786,702	(3,558,391)	3,228,311
Sales and redemptions of marketable securities	6,916	—	—	6,916
Other	547	—	—	547
Net cash used by investing activities	(185,741)	(336,012)	(40,715)	(562,468)

Year Ended December 31, 2017

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	893,668	—	893,668
Repayments of medium-term notes	—	(800,000)	—	(800,000)
Repayments of securitization debt	—	(444,671)	—	(444,671)
Borrowings of asset-backed commercial paper	—	469,932	—	469,932
Repayments of asset-backed commercial paper	—	(176,227)	—	(176,227)
Net increase in credit facilities and unsecured commercial paper	—	212,809	—	212,809
Dividends paid	(251,862)	(196,000)	196,000	(251,862)
Purchase of common stock for treasury	(465,263)	—	—	(465,263)
Issuance of common stock under employee stock option plans	11,353	—	—	11,353
Net cash used by financing activities	(705,772)	(40,489)	196,000	(550,261)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	25,844	903	—	26,747
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (87,354)	\$ 6,433	\$ —	\$ (80,921)
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash – beginning of period	\$ 425,540	\$ 401,591	\$ —	\$ 827,131
Net (decrease) increase in cash, cash equivalents and restricted cash	(87,354)	6,433	—	(80,921)
Cash, cash equivalents and restricted cash – end of period	\$ 338,186	\$ 408,024	\$ —	\$ 746,210

Year Ended December 31, 2016

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from operating activities:				
Net income	\$ 707,614	\$ 167,445	\$ (182,895)	\$ 692,164
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles	202,122	7,433	—	209,555
Amortization of deferred loan origination costs	—	86,681	—	86,681
Amortization of financing origination fees	654	8,598	—	9,252
Provision for long-term employee benefits	38,273	—	—	38,273
Employee benefit plan contributions and payments	(55,809)	—	—	(55,809)
Stock compensation expense	29,811	2,525	—	32,336
Net change in wholesale finance receivables related to sales	—	—	(3,233)	(3,233)
Provision for credit losses	—	136,617	—	136,617
Gain on off-balance sheet asset-backed securitization	—	(9,269)	—	(9,269)
Loss on debt extinguishment	—	118	—	118
Deferred income taxes	7,772	(7,705)	(232)	(165)
Other, net	(7,041)	239	(105)	(6,907)
Changes in current assets and liabilities:				
Accounts receivable, net	(67,621)	—	21,687	(45,934)
Finance receivables – accrued interest and other	—	(1,489)	—	(1,489)
Inventories	85,072	—	—	85,072
Accounts payable and accrued liabilities	26,005	25,027	(12,795)	38,237
Derivative instruments	(3,413)	—	—	(3,413)
Other	(25,415)	(2,332)	—	(27,747)
Total adjustments	230,410	246,443	5,322	482,175
Net cash provided by operating activities	938,024	413,888	(177,573)	1,174,339
Cash flows from investing activities:				
Capital expenditures	(245,316)	(10,947)	—	(256,263)
Origination of finance receivables	—	(7,420,177)	3,755,682	(3,664,495)
Collections on finance receivables	—	6,936,140	(3,761,109)	3,175,031
Proceeds from finance receivables sold	—	312,571	—	312,571
Sales and redemptions of marketable securities	40,014	—	—	40,014
Other	411	—	—	411
Net cash used by investing activities	(204,891)	(182,413)	(5,427)	(392,731)

	Year Ended December 31, 2016			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	1,193,396	—	1,193,396
Repayments of medium-term notes	—	(451,336)	—	(451,336)
Repayments of securitization debt	—	(665,400)	—	(665,400)
Borrowings of asset-backed commercial paper	—	62,396	—	62,396
Repayments of asset-backed commercial paper	—	(71,500)	—	(71,500)
Net decrease in credit facilities and unsecured commercial paper	—	(145,812)	—	(145,812)
Dividends paid	(252,321)	(183,000)	183,000	(252,321)
Purchase of common stock for treasury	(465,341)	—	—	(465,341)
Excess tax benefits from share-based payments	2,251	—	—	2,251
Issuance of common stock under employee stock option plans	15,782	—	—	15,782
Net cash used by financing activities	(699,629)	(261,256)	183,000	(777,885)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(8,407)	(1,036)	—	(9,443)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 25,097	\$ (30,817)	\$ —	\$ (5,720)
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash – beginning of period	\$ 400,443	\$ 432,408	\$ —	\$ 832,851
Net increase (decrease) in cash, cash equivalents and restricted cash	25,097	(30,817)	—	(5,720)
Cash, cash equivalents and restricted cash – end of period	\$ 425,540	\$ 401,591	\$ —	\$ 827,131

21. Subsequent Event

In February 2019, HDFS issued \$550.0 million of medium-term notes that mature in February 2022 and have an annual interest rate of 4.05%.

SUPPLEMENTARY DATA
Quarterly financial data (unaudited)
(In millions, except per share data)

	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
	April 1, 2018	Mar 26, 2017	July 1, 2018	June 25, 2017	Sep 30, 2018	Sep 24, 2017	Dec 31, 2018	Dec 31, 2017
Motorcycles:								
Revenue	\$ 1,363.9	\$ 1,328.7	\$ 1,525.1	\$ 1,577.1	\$ 1,123.9	\$ 962.1	\$ 955.6	\$ 1,047.0
Operating income (loss) ^(a)	\$ 172.8	\$ 236.5	\$ 243.4	\$ 317.4	\$ 65.7	\$ 17.4	\$ (59.5)	\$ 35.5
Financial Services:								
Revenue	\$ 178.2	\$ 173.2	\$ 188.1	\$ 188.0	\$ 191.7	\$ 189.1	\$ 190.2	\$ 181.9
Operating income	\$ 63.6	\$ 52.6	\$ 80.5	\$ 81.9	\$ 83.8	\$ 77.1	\$ 63.3	\$ 63.7
Consolidated:								
Income (loss) before taxes	\$ 230.2	\$ 284.7	\$ 319.4	\$ 394.4	\$ 141.2	\$ 89.9	\$ (4.1)	\$ 94.8
Net income	\$ 174.8	\$ 186.4	\$ 242.3	\$ 258.9	\$ 113.9	\$ 68.2	\$ 0.5	\$ 8.3
Earnings per common share:								
Basic	\$ 1.04	\$ 1.06	\$ 1.45	\$ 1.48	\$ 0.69	\$ 0.40	\$ 0.00	\$ 0.05
Diluted	\$ 1.03	\$ 1.05	\$ 1.45	\$ 1.48	\$ 0.68	\$ 0.40	\$ 0.00	\$ 0.05

(a) The Company adopted ASU 2017-07 on January 1, 2018. Upon adoption, the Company reclassified the non-service cost components of net periodic benefit cost, previously recorded in Motorcycles and Related Products cost of goods sold and Selling, administrative and engineering expense, to Other income (expense), net.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K, the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon their evaluation of these disclosure controls and procedures, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and its Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria established in *Internal Control – Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in *Internal Control – Integrated Framework*, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2018. Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of the Company's internal control over financial reporting.

Attestation Report of Independent Registered Public Accounting Firm

The attestation report required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading “Report of Independent Registered Public Accounting Firm.”

Changes in Internal Controls

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information to be included in the Company’s definitive proxy statement for the 2019 annual meeting of shareholders, which will be filed on or about March 29, 2019 (the Proxy Statement), under the captions “Questions and Answers about the Company – Who are our Executive Officers for SEC Purposes?,” “Corporate Governance Principles and Board Matters – Audit and Finance Committee,” “Proposal I – Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Audit and Finance Committee Report,” and “Corporate Governance Principles and Board Matters – Independence of Directors” is incorporated by reference herein.

The Company has adopted the Harley-Davidson, Inc. Financial Code of Ethics applicable to the Company’s chief executive officer, the chief financial officer, the principal accounting officer and the controller and other persons performing similar finance functions. The Company has posted a copy of the Harley-Davidson, Inc. Financial Code of Ethics on the Company’s website at <http://investor.harley-davidson.com/>. The Company intends to satisfy the disclosure requirements under Item 5.05 of the Securities and Exchange Commission’s Current Report on Form 8-K regarding amendments to, or waivers from, the Harley-Davidson, Inc. Financial Code of Ethics by posting such information on its website at www.harley-davidson.com. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information to be included in the Proxy Statement under the captions “Executive Compensation” and “Human Resources Committee Report on Executive Compensation” is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information to be included in the Proxy Statement under the caption “Common Stock Ownership of Certain Beneficial Owners and Management” is incorporated by reference herein.

The following table provides information about the Company’s equity compensation plans as of December 31, 2018:

Plan Category	Number of securities to be issued upon the exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Management employees	1,055,468	\$ 50.11	8,731,837
Non-employee Board of Directors	—	\$ —	279,304
Total all plans	1,055,468		9,011,141

Documents for the Company’s equity compensation plans have been filed with the Securities and Exchange Commission on a timely basis and included in the list of exhibits to this annual report on Form 10-K.

Under the Company’s management plan the Board of Directors may grant to employees share-based awards including restricted stock units (RSUs), performance shares, nonqualified stock options and stock appreciation rights (SARs). Performance shares include a three-year performance period with vesting based on achievement of internal performance targets. RSUs vest ratably over a three-year period. The options and SARs granted under the Plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a three-year period with the first one-

third of the grant becoming exercisable one year after the date of grant. The options and SARs expire 10 years from the date of grant.

The Director Compensation Policy provides non-employee Directors with compensation that includes an annual retainer as well as a grant of share units. The payment of share units is deferred until a director ceases to serve as a director and the share units are payable at that time in actual shares of common stock. The Director Compensation Policy also provides that a non-employee Director may elect to receive 50% or 100% of the annual retainer to be paid in each calendar year in the form of common stock based upon the fair market value of the common stock at the time of the annual meeting of shareholders. Each Director must receive a minimum of one-half of his or her annual retainer in common stock until the Director reaches the Director stock ownership guidelines defined below.

In May 2016, the Board approved “Board of Directors and Senior Executive Stock Ownership Guidelines” (Ownership Guidelines). The Ownership Guidelines stipulate that all Directors hold five times their annual retainer in shares of common stock and Vice Presidents, General Managers or higher (Senior Executives) hold from two times to six times of their base salary in shares of common stock, or certain rights to acquire common stock, depending on their level. The Directors and Senior Executives have five years from the date they are elected a Director or become a Senior Executive to accumulate the appropriate number of shares of common stock. Restricted stock, restricted stock units, shares held in 401(k) accounts, shares issuable under vested unexercised stock options, performance shares and performance share units (at target amount), stock appreciation rights, deferred stock units and shares of common stock held directly count toward satisfying the guidelines for common stock ownership.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information to be included in the Proxy Statement under the caption “Certain Transactions” and “Corporate Governance Principles and Board Matters – Independence of Directors” is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services

The information to be included in the Proxy Statement under the caption “Ratification of Selection of Independent Registered Public Accounting Firm – Fees Paid to Ernst & Young LLP” is incorporated by reference herein.

PART IV

Item 15. Exhibits and Financial Statements

(a) The following documents are filed as part of this Form 10-K:

(1) Financial Statements	
Consolidated statements of income for each of the three years in the period ended December 31, 2018	50
Consolidated statements of comprehensive income for each of the three years in the period ended December 31, 2018	51
Consolidated balance sheets at December 31, 2018 and December 31, 2017	52
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2018	54
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2018	55
Notes to consolidated financial statements	56
(2) Financial Statement Schedule	
Schedule II – Valuation and qualifying accounts	114
(3) Exhibits	115

Reference is made to the separate Index to Exhibits contained on pages 115 through 119 filed herewith.

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules.

Item 16. Form 10-K Summary

None.

HARLEY-DAVIDSON, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2018, 2017 and 2016
(In thousands)

	2018	2017	2016
Accounts receivable – allowance for doubtful accounts			
Balance, beginning of period	\$ 4,091	\$ 2,741	\$ 2,905
Provision charged to expense	731	1,328	(101)
Reserve adjustments	(137)	99	(63)
Write-offs, net of recoveries	(678)	(77)	—
Balance, end of period	<u>\$ 4,007</u>	<u>\$ 4,091</u>	<u>\$ 2,741</u>
Finance receivables – allowance for credit losses			
Balance, beginning of period	\$ 192,471	\$ 173,343	\$ 147,178
Provision for credit losses	106,870	132,444	136,617
Charge-offs, net of recoveries	(109,456)	(113,316)	(107,161)
Other ^(a)	—	—	(3,291)
Balance, end of period	<u>\$ 189,885</u>	<u>\$ 192,471</u>	<u>\$ 173,343</u>
Inventories – allowance for obsolescence^(b)			
Balance, beginning of period	\$ 38,669	\$ 39,873	\$ 26,740
Provision charged to expense	25,722	16,940	21,137
Reserve adjustments	(332)	306	(88)
Write-offs, net of recoveries	(25,044)	(18,450)	(7,916)
Balance, end of period	<u>\$ 39,015</u>	<u>\$ 38,669</u>	<u>\$ 39,873</u>
Deferred tax assets – valuation allowance			
Balance, beginning of period	\$ 21,561	\$ 30,953	\$ 20,659
Adjustments	307	(9,392)	10,294
Balance, end of period	<u>\$ 21,868</u>	<u>\$ 21,561</u>	<u>\$ 30,953</u>

- (a) Related to the sale of finance receivables in 2016 with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization transaction (see Note 12 for additional information).
- (b) Inventory obsolescence reserves deducted from cost determined on first-in, first-out (FIFO) basis, before deductions for last-in, first-out (LIFO) valuation reserves.

INDEX TO EXHIBITS
[Items 15(a)(3) and 15(c)]

Exhibit No	Description
2.1	Asset Purchase Agreement, dated April 30, 2015, among Harley-Davidson Canada LP, Fred Deeley Imports Ltd. and Harley-Davidson Motor Company, Inc., as amended (incorporated herein by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2015 (File No. 1-9183))
3.1	Restated Articles of Incorporation as amended through April 27, 2015 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
3.2	Harley-Davidson, Inc. By-Laws, as amended through April 27, 2015 (incorporated herein by reference by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
4.1	Indenture to provide for the issuance of indebtedness dated as of November 21, 2003 between Harley-Davidson Funding Corp., Issuer, Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp., Guarantors, to BNY Midwest Trust Company, Trustee (incorporated herein by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
4.2	5-Year Credit Agreement, dated as of April 6, 2018, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent 2020 (incorporated herein by reference to Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.3	Officers' Certificate, dated May 22, 2008, pursuant to Sections 102 and 301 of the Indenture, dated November 21, 2003, with the forms of 6.80% Medium-Term Notes, Series C due 2018 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated May 15, 2008 (File No. 1-9183))
4.4	Indenture, dated as of March 4, 2011, among Harley-Davidson Financial Services, Inc., Issuer, Harley-Davidson Credit Corp., Guarantor, and Bank of New York Mellon Trust Company, N.A., Trustee (incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated March 1, 2011 (File No. 1-9183))
4.5	Officers' Certificate, dated September 16, 2014, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the forms of 2.400% Medium-Term Notes due 2019 (incorporated herein by reference to Exhibit 4.14 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2014 (File No. 1-9183))
4.6	Officers' Certificate, dated February 26, 2015, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.150% Medium-Term Notes due 2020 (incorporated herein by reference to Exhibit 4.10 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
4.7	Indenture, dated July 28, 2015, by and between Harley-Davidson, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee. (incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated July 28, 2015 (File No. 1-9183))
4.8	Officers' Certificate, dated July 28, 2015 establishing the form of 3.500% Senior Notes due 2025 and 4.625% Senior Notes due 2045 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated July 28, 2015 (File No. 1-9183))
4.9	Officers' Certificate dated January 8, 2016, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.250% Medium-Term Notes due 2019 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated January 5, 2016 (File No. 1-9183))
4.10	Officers' Certificate, dated January 8, 2016, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.850% Medium-Term Notes due 2021 (incorporated herein by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated January 5, 2016 (File No. 1-9183))
4.11	Amendment No. 1 to 5-Year Credit Agreement, dated as of April 6, 2018, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent, relating to the 5-Year Credit Agreement, dated as of April 7, 2016, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent (incorporated herein by reference to Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.12	5-Year Credit Agreement, dated as of April 7, 2016 among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent (incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 27, 2016 (File No. 1-9183))

Various instruments relating to the Company's long-term debt described in this report need not be filed herewith pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, with a copy of any such instrument.

* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

INDEX TO EXHIBITS
[Items 15(a)(3) and 15(c)]

Exhibit No	Description
4.13	Amendment No. 1 5-year Credit Agreement, dated as of April 7, 2016, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto, and JPMorgan Chase Bank, N.A., as, among other things, global administrative agent, relating to the 5-year Credit Agreement, dated as of April 7, 2014 among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent (incorporated herein by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 27, 2016 (File No. 1-9183))
4.14	Officers' Certificate, dated March 10, 2017, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.400% Medium-Term Notes due 2020(incorporated herein by reference to Exhibit 4.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-9183))
4.15	Officers' Certificate, dated March 10, 2017, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of Floating Rate Medium-Term Notes due 2019 (incorporated herein by reference to Exhibit 4.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-9183))
4.16	Officers' Certificate, dated June 9, 2017, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.550% Medium-Term Notes due 2022 (incorporated herein by reference to Exhibit 4.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-9183))
4.17	Officers' Certificate, dated February 9, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 3.350% Medium-Term Notes due 2023 (incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2018 (File No. 1-9183))
4.18	Officers' Certificate, dated May 21, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 3.550% Medium-Term Notes due 2021(incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.19	Officers' Certificate, dated May 21, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of Floating Rate Medium-Term Notes due 2020 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.20	Officers' Certificate, dated November 28, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of Floating Rate Medium-Term Notes due 2020
10.1*	Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended through April 28, 2007 (incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
10.2*	Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Appendix A to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held on April 25, 2009 filed on April 3, 2009 (File No. 1-9183))
10.3*	Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Appendix A to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held on April 26, 2014 filed on March 14, 2014 (File No. 1-9183))
10.4*	Amended and Restated Harley-Davidson, Inc. Director Stock Plan as amended effective December 1, 2014 (incorporated herein by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-9183))
10.5*	Director Compensation Policy approved April 29, 2016 (incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2016 (File No. 1-9183))
10.6*	Deferred Compensation Plan for Nonemployee Directors as amended and restated effective January 1, 2009 (incorporated herein by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-9183))
10.7*	Harley-Davidson Management Deferred Compensation Plan as amended and restated effective January 1, 2017 (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2016 (File No. 1-9183))
10.8*	Harley-Davidson, Inc. Employee Incentive Plan (incorporated herein by reference to the Appendix to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held April 25, 2015 (File No. 1-9183))
10.9*	Harley-Davidson, Inc. Short-Term Incentive Plan for Senior Executives (incorporated herein by reference to Appendix D to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held April 30, 2011 (File No. 1-9183))
10.10*	Harley-Davidson Pension Benefit Restoration Plan as amended and restated effective January 1, 2009 (incorporated herein by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-9183))

* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

INDEX TO EXHIBITS
[Items 15(a)(3) and 15(c)]

Exhibit No	Description
<u>10.11*</u>	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<u>10.12*</u>	Form of Notice of Grant of Stock Options and Option Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<u>10.13*</u>	Form of Notice of Special Grant of Stock Options and Option Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<u>10.14*</u>	Form of Notice of Grant of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<u>10.15*</u>	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<u>10.16*</u>	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<u>10.17*</u>	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan to each of Messrs. Hund, Levatich and Olin (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 1, 2009 (File No. 1-9183))
<u>10.18*</u>	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
<u>10.19*</u>	Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
<u>10.20*</u>	Form of Notice of Grant Award of Stock Options and Stock Option Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.21*</u>	Form of Notice of Grant Award of Stock Options and Stock Option Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.22*</u>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Deferred) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.23*</u>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.24*</u>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.25*</u>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.26*</u>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.27*</u>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Deferred) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<u>10.28*</u>	Form of Notice of Grant Award of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))

* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

INDEX TO EXHIBITS
[Items 15(a)(3) and 15(c)]

Exhibit No	Description
<u>10.29*</u>	Executive Severance Plan (incorporated herein by reference to Exhibit 4.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-9183))
<u>10.30*</u>	Form of Transition Agreement between the Registrant and each of Messrs. Levatich and Olin (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-9183))
<u>10.31*</u>	Transition Agreement between the Registrant and Mr. Hund dated November 30, 2009 (incorporated herein by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-9183))
<u>10.32*</u>	Form of Aircraft Time Sharing Agreement between the Registrant and each of Messrs. Levatich, Olin, Jones and Hund and Ms. Bischmann (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (File No. 1-9183))
<u>10.33*</u>	Form of Non-competition and Non-solicitation Agreement between Harley-Davidson Canada LP, Fred Deeley Imports Ltd. and Harley-Davidson Motor Company, Inc., as amended (incorporated herein by reference to exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2015 (File No. 1-9183))
<u>10.34*</u>	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<u>10.35*</u>	Form of Notice of Award of Performance Share Units and Performance Share Unit Agreement (Standard International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<u>10.36*</u>	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<u>10.37*</u>	Harley-Davidson Retiree Insurance Allowance Plan, as amended and restated effective January 1, 2016 (incorporated herein by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-9183))
<u>10.38*</u>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<u>10.39*</u>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Standard International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<u>10.40*</u>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<u>10.41*</u>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Special Retention) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<u>10.42*</u>	Form of Transition Agreement between the Registrant and each of Mses. Michelle Kumbier and Tchernavia Rocker and Mr. Paul Jones (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended April 1, 2018 (File No. 1-9183))
<u>10.43*</u>	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard International), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special Retention), and Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2018
<u>10.44*</u>	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Standard), Form of Notice of Award of Performance Share Units and Performance Share Unit Agreement (Standard International), and Form of Notice of Award of Performance Shares and Performance Shares Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2018

* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

INDEX TO EXHIBITS
[Items 15(a)(3) and 15(c)]

Exhibit No	Description
10.45*	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard International), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special), and Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special Retention) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2019
10.46*	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Standard) and Form of Notice of Award of Performance Share Units and Performance Share Unit Agreement (Standard International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2019
21	List of Subsidiaries
23	Consent of Independent Registered Public Accounting Firm
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. §1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Various instruments relating to the Company's long-term debt described in this report need not be filed herewith pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, with a copy of any such instrument.

* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

**OFFICERS' CERTIFICATE
OF
HARLEY-DAVIDSON FINANCIAL SERVICES, INC.**

Pursuant to Sections 102 and 301 of the Indenture

Reference is made to the Indenture dated as of March 4, 2011 (the "Indenture") among Harley-Davidson Financial Services, Inc. (the "Company"), Harley-Davidson Credit Corp. (the "Guarantor") and The Bank of New York Mellon Trust Company, N.A., as trustee ("Trustee"). Terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Pursuant to Sections 102 and 301 of the Indenture, the undersigned, James Darrell Thomas and Perry A. Glassgow, in their respective capacities as Vice President, Chief Financial Officer and Treasurer of the Company, and Vice President of the Company, hereby certify that:

(1) There is hereby established a new series of Securities under the Indenture titled Floating Rate Medium-Term Notes due 2021 (the "Notes").

(2) The Notes shall be in substantially the form of Exhibit A hereto.

(3) In addition to the terms provided in, or established pursuant to, the Indenture and the offering memorandum and the pricing supplement, both dated as of November 26, 2018, relating to the Notes (together referred to as the "Offering Memorandum"), the Notes, as authenticated and delivered, shall have the terms set forth in Exhibit A hereto (which terms are incorporated herein by reference and deemed to be set forth herein in full); provided, however, that in the event of a conflict between the provisions of the Notes and the Offering Memorandum, the provisions of the Notes shall prevail.

(4) The Notes shall be registered in the name set forth on Exhibit A hereto and the Notes shall be delivered in the manner specified in the Administrative Procedures attached as Exhibit A to the Company Order delivered as of the date hereof and as described in the Private Placement Agency Agreement dated as of March 1, 2011, among the Company, the Guarantor and the agents party thereto.

(5) The issuance of Notes designated as Floating Rate Medium-Term Notes due 2021, in an initial aggregate principal amount of \$450,000,000, has been approved and authorized in accordance with the provisions of the Indenture pursuant to resolutions adopted by the Board of Directors of the Company by unanimous written consent dated as of October 16, 2018 and by this Officers' Certificate; provided, however, that the Company shall have the right to reopen the series of the Notes and issue additional Securities, which shall be part of the same series as the Notes initially issued (except for the issue date, the public offering price and, in some cases, the first interest payment date).

(6) All covenants and conditions precedent provided for in the Indenture relating to the establishment of the Notes, the terms of the Notes and the authentication and issuance of the Notes have been complied with.

(7) No Event of Default has occurred and is continuing and the execution and delivery of the Indenture will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, the certificate of incorporation or bylaws of the Company, or any order of any court or administrative agency entered in any proceeding to which the Company is a party or by which it is bound or to which it is subject.

Each of the undersigned officers of the Company further states (a) that he has read the applicable provisions of the Indenture, including but not limited to Section 301 thereof, and the definitions relating thereto in each case relating to the issuance, authentication and delivery of the Notes, (b) that the statements made in this certificate are based upon an investigation and examination of the provisions of the Indenture and upon the relevant books and records of the Company, (c) in the opinion of such officer, he has made such examination or investigation as is necessary to enable such officer to express an informed opinion as to whether or not the covenants and conditions set forth in the Indenture relating to the issuance, authentication and delivery of the Notes have been complied with and (d) in the opinion of such officer, such covenants and conditions relating to the issuance, authentication and delivery of the Notes have been complied with.

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned officers of the Company has affixed his signature this 28th day of November, 2018.

/s/ J. Darrell Thomas _____

Name: J. Darrell Thomas

Title: Vice President, Chief Financial Officer and Treasurer of Harley-Davidson Financial Services, Inc.

/s/ Perry A. Glassgow _____

Name: Perry A. Glassgow

Title: Vice President of Harley-Davidson Financial Services, Inc.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

Exhibit A

to

Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
FLOATING RATE MEDIUM-TERM NOTES DUE 2021**

ACTIVE 236589909v.7

**Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.**

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY (AS DEFINED IN THE INDENTURE) OR A NOMINEE THEREOF. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY, OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY BE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE HOLDER OF THIS SECURITY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

[HDFS Officers’ Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
FLOATING RATE MEDIUM-TERM NOTES DUE 2021

Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.

No. A001 Principal Amount \$450,000,000
CUSIP No. 41283L AT2 as revised by the Schedule of
ISIN US41283LAT26 Increases and Decreases in Global
Common Code No. 191788044 Note attached hereto

Issue Price: 100.000%

Maturity Date: March 2, 2021

Original Issue Date: November 28, 2018

Index Maturity:

Original Issue Discount Note

Total Amount of OID:

Yield to Maturity: %

Initial Accrual Period OID:

Fixed Rate

Interest Rate:

Floating Rate

Interest Rate Basis:

CD Rate

Specified Currency (if other than U.S. dollars): N/A

CMT Rate

CMT Reuters Page FRBCMT:

CMT Reuters Page FEDCMT:

Option To Receive Payments In Specified Currency (non-
U.S. dollar denominated Note): N/A

Commercial Paper Rate

Federal Funds Rate

LIBOR

Authorized Denomination: Minimum denominations of
\$2,000 and integral multiples of \$1,000 in excess thereof

Prime Rate

Place of Payment (if other than as set forth in the Indenture):
N/A

___ Treasury Rate

___ Other

Spread (Plus Or Minus): +94 basis points

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

Repayment Date:

Spread Multiplier: %

Renewable: Yes No

Extendible: Yes No

Interest Category:

Regular Floating Rate Note

Final Maturity Date:

Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date:

Fixed Interest Rate: %

Inverse Floating Rate Note

Initial Interest Rate: 3-month LIBOR on November 26, 2018 plus 94 basis points

Initial Interest Reset Date: March 2, 2019

Maximum Interest Rate: %

Interest Reset Dates: March 2, June 2, September 2 and December 2

Minimum Interest Rate: %

Interest Payment Dates (in the case of a Floating Rate Note and, in the case of a Fixed Rate Note, other than as set forth below): March 2, June 2, September 2 and December 2

Regular Record Dates (if other than as set forth below): February 15, May 18, August 18 and November 17

Interest Determination Dates (if other than as set forth below): for any interest period, the second London Business Day preceding such interest period, which, in the case of the initial interest period, is November 26, 2018

Additional Amounts applicable for Company:

Yes

No

Additional Amounts applicable for Guarantor:

Yes

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

No

Addendum Attached

Other Provisions: The optional redemption provisions described below shall not apply to the Note.

Yes

No

Authorized Denomination (only if non-U.S. dollar denominated Note):

N/A

Calculation Agent (if other than the Trustee): N/A

Interest Payment Period: N/A

Harley-Davidson Financial Services, Inc., a corporation duly organized under the laws of the State of Delaware (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the Principal Amount specified above, as revised by the Schedule of Increases and Decreases in the Global Note attached hereto, on the Maturity Date specified above and to pay to the registered holder of this Note (the "Holder") interest on said Principal Amount at a rate per annum specified above and upon the terms provided below under either the heading "Provisions Applicable to Fixed Rate Notes Only" or "Provisions Applicable to Floating Rate Notes Only."

This Note is one of the Company's duly authorized issue of notes in the series titled Floating Rate Medium-Term Notes due 2021 (herein referred to as the "Notes"), all issued or to be issued under an indenture, dated as of March 4, 2011 (as may be supplemented from time to time, the "Indenture"), among the Company, Harley-Davidson Credit Corp. (the "Guarantor") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company, the Guarantor and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. The Notes of this series are limited (except as otherwise provided in the Indenture) to the aggregate principal amount established from time to time by the Company Board of Directors. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest at different rates and may otherwise vary, all as provided in the Indenture. The Notes of this series may be subject to redemption upon notice and in accordance with the provisions of this Note and the Indenture. The Company and the Guarantor may defease the Notes of this series in accordance with the provisions of the Indenture.

To secure the due and punctual payment of principal, any premium, any interest and Additional Amounts (as defined in the Indenture) on this Note by the Company under the Indenture, when and as the same shall become due and payable, whether at the Maturity Date, by

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

declaration of acceleration, call for redemption or otherwise, the Guarantor has unconditionally guaranteed this Note pursuant to the terms of the Guarantee endorsed hereon and in Section 1401 of the Indenture (the "Guarantee").

As used herein, the term "Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday which is not a day when banking institutions in the Place of Payment are authorized or obligated by law or executive order to be closed that is also a London Business Day (as defined below).

"London Business Day" means any day on which dealings in United States dollars are transacted in the London interbank market.

Provisions Applicable To Fixed Rate Notes Only:

If the "Fixed Rate" line above is checked, the Company will pay interest on the dates set forth on such Fixed Rate Note (each such date fixed for the payment of interest, an "Interest Payment Date") and ending on the Maturity Date or upon earlier redemption or repayment to the person to whom principal is payable. Interest shall accrue from the Original Issue Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for on this Note to, but excluding, the next following Interest Payment Date, Maturity Date, or earlier date of redemption or repayment, as the case may be. Interest on such Fixed Rate Note will be computed by the Company on the basis of a 360-day year consisting of twelve 30-day months.

If any Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment) of such Fixed Rate Note falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

Provisions Applicable To Floating Rate Notes Only:

If the "Floating Rate" line above is checked, the Company will pay interest on the Interest Payment Dates shown specified above at the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions hereinafter set forth under the headings "Determination of CD Rate," "Determination of CMT Rate," "Determination of Commercial Paper Rate," "Determination of Federal Funds Rate," "Determination of LIBOR," "Determination of Prime Rate" or "Determination of Treasury Rate," depending on whether the Interest Rate Basis is the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate or other Interest Rate Basis.

An interest payment shall be the amount of interest accrued from and including the Original Issue Date, or from and including the last Interest Payment Date to which interest has been paid, to, but excluding, the next following Interest Payment Date, Maturity Date, or date of earlier redemption or repayment, as the case may be (an "Interest Period"). Notwithstanding any

provision herein to the contrary, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above.

If any Interest Payment Date for any Floating Rate Note, other than an Interest Payment Date at maturity, would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day, and interest will continue to accrue to the following Business Day, except that if LIBOR is the applicable Interest Rate Basis, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding day that is a Business Day. If the Maturity Date (or date of earlier redemption or repayment) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date (or the date of earlier redemption or repayment).

Commencing with the first Interest Reset Date specified above following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified above under "Interest Reset Dates."

The interest rate borne by this Note will be determined as follows:

(i) Unless the Interest Category of this Note is specified above as a "Floating Rate/Fixed Rate Note" or an "Inverse Floating Rate Note" or in the event either "Other Provisions" or an Addendum hereto applies, in each case, relating to a different interest rate formula, this Note shall be designated as a "Regular Floating Rate Note" and, except as set forth below or specified above under "Other Provisions" or in an Addendum hereto, shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date specified above; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

(ii) If the Interest Category of this Note is specified above as a "Floating Rate/Fixed Rate Note" then, except as set forth below or specified above under "Other Provisions" or in an Addendum hereto, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any, in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on, and including, the Fixed Rate Commencement Date specified above to the Maturity Date (or date of earlier redemption or repayment) shall be the Fixed Interest Rate specified above or, if no Fixed Interest Rate is so specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If the Interest Category of this Note is specified above as an “Inverse Floating Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at (a) the Fixed Interest Rate specified above minus (b) the rate determined by reference to the applicable Interest Rate Basis or Bases:

(x) plus or minus the applicable Spread, if any, and/or

(y) multiplied by the applicable Spread Multiplier, if any, in each case as specified above;

provided, however, that, unless otherwise specified above under “Other Provisions” or in an Addendum hereto, the interest rate hereon shall not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset on each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate set forth above.

The “Spread” is the number of basis points (one basis point equals one-hundredth of a percentage point) specified above to be added to or subtracted from the Interest Rate Basis for a Floating Rate Note, and the “Spread Multiplier” is the percentage specified above by which the Interest Rate Basis for such Floating Rate Note will be multiplied. Both a Spread and/or a Spread Multiplier may be applicable to the Interest Rate Basis for a particular Floating Rate Note, as set forth above.

Each such adjusted Interest Rate Basis shall be applicable on and after the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date. If any Interest Reset Date is a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that if the rate of interest on this Note shall be determined by reference to LIBOR and such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. In addition, if the Treasury Rate is the applicable Interest Rate Basis and the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date will be postponed to the next succeeding Business Day. Subject to applicable provisions of law (including usury laws) and except as specified in this Note, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

With respect to a Floating Rate Note, accrued interest shall be calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period or from the last date from which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, in the cases of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the cases of CMT Rate Notes and Treasury Rate Notes. The interest rate applicable to any day that is an Interest Reset Date will be the interest rate effective on such Interest Reset Date. The interest rate applicable to any other day

will be the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate, as specified above).

The “Calculation Date,” where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

For Floating Rate Notes, The Bank of New York Mellon Trust Company, N.A. shall be the calculation agent unless another calculation agent is specified above (the “Calculation Agent”). The interest rate applicable to each interest period will be determined by the Calculation Agent on or prior to the applicable Calculation Date. At the request of the Holder, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

All percentages resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent (.0000001), with five one-millionths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

Determination of CD Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CD Rate, unless otherwise specified above, the “CD Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CD Interest Determination Date”) and shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified above as published in H.15(519) (as defined below) on such CD Interest Determination Date under the heading “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified above as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date calculated by the Calculation Agent on the Notes as the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on the applicable CD Interest Determination Date, of three leading non-bank dealers in negotiable United States dollar certificates of deposit in the City of New York (which may include an agent or its affiliates) selected by the Company for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified above in an amount that is representative for a single transaction in that market at that time. If the dealers selected by the

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Company as provided in the preceding sentence are not quoting as mentioned in such sentence, the CD Rate shall be the CD Rate in effect on the applicable CD Interest Determination Date.

“H.15(519)” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

Determination of CMT Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CMT Rate, unless otherwise specified above, the “CMT Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CMT Interest Determination Date”) and shall be, if “CMT Reuters Page FRBCMT” is specified above, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor or similar service), on page FRBCMT (or any other page as may replace the specified page on that service under the caption “Treasury Constant Maturities”) (“Reuters Page FRBCMT”). If the rate referred to in the preceding sentence does not appear on Reuters Page FRBCMT, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the applicable CMT Interest Determination Date as published in H.15(519) under the caption “Treasury Constant Maturities.” In the event the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the rate on the applicable CMT Interest Determination Date for the period of the Index Maturity specified above, as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). In the event the rate referred to in the preceding sentence is not published, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three leading primary United States government securities dealers in the City of New York, which may include an agent of the Company or such agent’s affiliates (each a “Reference Dealer”), selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, a remaining term to maturity no more than one year shorter than the Index Maturity specified above and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to in the above sentence are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated; *provided, however*, that if fewer than

three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company from five Reference Dealers selected by the Company and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. However, if fewer than five but more than two prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated. If fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If the CMT Reuters Page FEDCMT is specified above, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, and will be the average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace that specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the rate referred to in the preceding sentence does not appear on Reuters Page FEDCMT, then the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the week or month, as applicable, preceding the applicable CMT Interest Determination Date as published in H.15(519) opposite the caption “Treasury Constant Maturities.” If the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish the rate referred to above, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, and a remaining term to maturity no more than one year shorter than the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the

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prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated. If fewer than three prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation or (in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above and will be in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two prices referred to above are provided as requested, the rate will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated, or if fewer than three prices referred to above are provided as requested, the CMT Rate will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity as specified above have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

Determination of Commercial Paper Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Commercial Paper Rate, unless otherwise specified above, the “Commercial Paper Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “Commercial Paper Interest Determination Date”) and shall be the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity as indicated above, as such rate shall be published in H.15(519) under the caption “Commercial Paper-Nonfinancial.” In the event that such rate is not published prior to 3:00 p.m., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate shall be calculated by the Calculation Agent as the Money Market Yield of the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified above, published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Commercial Paper-Nonfinancial.” If by 3:00 p.m., New York City time, on the applicable Calculation Date, such rate is not yet published as provided in the preceding sentence, then the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time, on the applicable Commercial Paper Interest Determination Date of three leading dealers of United States dollar commercial paper in the City of New York, which may include an agent of the Company or such agent’s affiliates, selected by the Calculation Agent for commercial paper having the Index Maturity specified above, placed for industrial issuers whose bond rating is “Aa,” or the equivalent, from a

nationally recognized statistical rating organization; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting offered rates as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on the applicable Commercial Paper Interest Determination Date.

“Money Market Yield” shall be a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Determination of Federal Funds Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Federal Funds Rate, unless otherwise specified above, the “Federal Funds Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Federal Funds Interest Determination Date”) and shall be the rate on that date for United States dollar Federal Funds as published in H.15(519) under the heading “Federal Funds (Effective),” as displayed on Reuters, Inc. (or any successor service) on page FEDFUND01 (or any other page as may replace the applicable page on that service) (“Reuters Page FEDFUND01”) or, if such rate does not appear on Reuters Page FEDFUND01, or is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the rate on the applicable Federal Funds Interest Determination Date for United States dollar Federal Funds will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Federal Funds (Effective).” If such rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the Federal Funds Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds arranged by three leading brokers of United States dollar Federal Funds transactions in the City of New York, which may include an agent of the Company or such agent’s affiliates, selected by the Company before 9:00 a.m., New York City time, on the applicable Federal Funds Interest Determination Date; *provided, however*, that if the brokers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on the applicable Federal Funds Interest Determination Date.

Determination of LIBOR. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, LIBOR, unless otherwise specified above, “LIBOR” for each Interest Reset Date will be determined by the Calculation Agent as of the second London Business Day prior to such Interest Reset Date (a “LIBOR Interest Determination Date”) and shall be the rate for deposits in United States dollars having a maturity of three months commencing on the first day of the applicable interest period that appears on Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on that LIBOR Interest Determination Date. If no rate appears or such rate is

unavailable, then LIBOR, in respect of that LIBOR Interest Determination Date, will be determined in accordance with the provisions described below. With respect to a LIBOR Interest Determination Date on which no rate appears on Reuters Screen LIBOR01 Page or such rate is unavailable on a LIBOR Interest Determination Date, as specified above, the Company will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Company, to provide the Calculation Agent with its offered quotation for deposits in United States dollars for the period of three months, commencing on the first day of the applicable interest period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time. If at least two quotations are provided, then LIBOR on that LIBOR Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on the LIBOR Interest Determination Date by three major banks in New York City selected by the Company for loans in United States dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; provided that if the banks selected by the Company are not providing quotations in the manner described by this sentence, LIBOR will be the same as the rate determined for the immediately preceding LIBOR Interest Determination Date or if there is no immediately preceding LIBOR Interest Determination Date, LIBOR will be the same as the rate determined for the Initial Interest Period.

Notwithstanding the foregoing, if the Company determines that three-month LIBOR has been permanently discontinued or that it is no longer a widely recognized benchmark rate for such Floating Rate Notes, the Calculation Agent will use, as directed by the Company, a substitute for LIBOR and for each future LIBOR Interest Determination Date, a reasonably comparable successor or alternative benchmark or rate for deposits in United States dollars (having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars) that is, at such time, customarily accepted in market practice as a benchmark or rate for such Floating Rate Notes, which may include an alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) (the “Alternative Rate”). As part of such substitution, the Calculation Agent will, as directed by the Company, make such adjustments (positive or negative) (“Adjustments”) to the Alternative Rate or the spread thereon, as well as the Business Day convention, interest determination dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such Alternative Rate for debt obligations such as the Floating Rate Notes to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to the Holders of Floating Rate Notes as a result of the replacement of LIBOR with the Alternative Rate. If the Company determines that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage or what Adjustments are appropriate, the Company may appoint in its sole discretion an independent financial advisor (the “IFA”) to determine an appropriate Alternative Rate, and any Adjustments, in accordance with the provisions of this paragraph, and the decision of the IFA will be binding on the Company, the

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Calculation Agent, the Trustee and the Holders in the absence of demonstrable error. Until such time as an Alternative Rate and any Adjustments have been determined, LIBOR will be the same as the rate determined for the immediately preceding LIBOR Interest Determination Date or if there is no immediately preceding LIBOR Interest Determination Date, LIBOR will be the same as the rate determined for the Initial Interest Period.

The Company will, promptly following the determination of any Alternative Rate or Adjustments, as applicable, give notice thereof, which shall specify the effective date(s) for such Alternative Rate or Adjustments, as applicable, and of any changes to the terms and conditions of the Floating Rate Notes, to the Trustee, the Calculation Agent, any paying agent and DTC or the Holders of the Floating Rate Notes, as applicable; provided that failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such determination.

“Reuters Screen LIBOR01 Page” means the display designated on page “LIBOR01” on Reuters (or such other page as may replace the LIBOR01 page on that service or any successor or similar service for the purpose of displaying London interbank offered rates for U.S. dollar deposits of major banks).

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 8.986865% (or 0.08986865) being rounded to 8.98687% (or 0.0898687)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States laws of general application. The Calculation Agent will, upon the request of any Holder, provide the interest rate then in effect. All calculations made by the Calculation Agent in the absence of demonstrable error will be conclusive for all purposes and binding on the Company and the Holders.

Determination of Prime Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Prime Rate, unless otherwise specified above, the “Prime Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Prime Interest Determination Date”) and shall be the rate set forth on such date as published in H.15(519) under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as the particular bank’s prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Prime Interest Determination Date. If fewer than four such rates are so published by 3:00 p.m.,

New York City time, on the applicable Calculation Date as shown on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Prime Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the City of New York selected by the Company. However, if the banks selected by the Company are not quoting as mentioned in the preceding sentence, the Prime Rate will be the Prime Rate in effect on the applicable Prime Interest Determination Date.

“Reuters Screen US PRIME 1 Page” means the display on the Reuter Money 3000 Service or any successor service on the “US PRIME 1 Page” or other page as may replace US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Determination of Treasury Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Treasury Rate, unless otherwise specified above, the “Treasury Rate” for each Interest Reset Date will be the rate from the auction held on the applicable Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity, as specified above, as published under the caption “INVESTMENT RATE” on the display on Reuters, Inc. or any successor or similar service on page USAUCTION 10 or any other page as may replace page USAUCTION 10 on that service (“Reuters Page USAUCTION 10”) or page USAUCTION 11 on that service (“Reuters Page USAUCTION 11”), or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date (as defined below), the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills announced by the United States Department of the Treasury, or, if the rate is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Determination Date of Treasury Bills having the Index Maturity specified above, published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the rate on the applicable Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.” In the event that the results of the auction of Treasury Bills having the applicable Index Maturity specified above are not published or reported, as provided above, by 3:00 p.m., New York City time, on the applicable Calculation Date or if no such auction is held on such Treasury Rate Determination Date, then the Treasury Rate on the applicable Treasury Rate Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic

mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Determination Date, of three primary United States government securities dealers, which may include the agent or its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified above; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

The “Treasury Rate Determination Date” for any Interest Reset Date will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

“Bond Equivalent Yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Provisions Applicable To Both Fixed Rate Notes And Floating Rate Notes:

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; *provided, however*, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the day or days set forth on such Fixed Rate Note, whether or not a Business Day, immediately preceding the related Interest Payment Date. If this Note bears interest at a Floating Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the fifteenth calendar

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day next preceding such Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; *provided, however*, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire transfer of immediately available funds to an account with a bank designated by the Holder hereof at least 15 calendar days prior to the Maturity Date or such earlier redemption or repayment date, as the case may be, provided that such bank has appropriate facilities therefor and that this Note is presented and surrendered at the Place of Payment specified above in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Payment of interest due on any Interest Payment Date, other than the Maturity Date or any earlier redemption or repayment date, will be made at the Place of Payment specified above.

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

The Company is obligated to make payment of principal, premium, if any, and interest in respect of this Note in United States dollars or, if a Specified Currency is indicated above, in such Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts of the country issuing such currency or, in the case of the Euro, in the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, such other currency which is then such legal tender in such country or in the adopting member states of the European Union, as the case may be). If a Specified Currency is specified above, except as otherwise provided below, any such amounts so payable by the Company will be converted by a New York clearing house bank designated by the Company (the “Exchange Rate Agent”) into United States dollars for payment to the Holder of this Note.

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in the City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent)

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selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. The Holder of this Note may elect to receive all or a specified portion of all future payments in the Specified Currency in respect of such principal, premium, if any, and/or interest and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be.

If a Specified Currency is specified above and the Holder of this Note shall have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, but such Specified Currency is not available for such payment due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to the Holder of this Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below) determined by the Exchange Rate Agent on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate on or before the date on which such payment is due. The “Market Exchange Rate” for the Specified Currency means the noon dollar buying rate in the City of New York for cable transfers of the Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances shall not constitute an Event of Default (as defined in the Indenture).

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided

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in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantor and the rights of the Holders of the Securities (as defined in the Indenture) of each series to be affected by such modification under the Indenture at any time by the Company and the Guarantor with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities (as defined in the Indenture) of each series to be affected by such modification. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Guarantor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

This Note is issuable only in registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof or other Authorized Denomination specified above.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered in the Security Register of this series upon surrender of this Note for registration of transfer at the Place of Payment specified above, duly endorsed by or accompanied by, a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon a new Note or Notes of this series of Authorized Denomination and for the same aggregate principal amount, with the Guarantee endorsed thereon, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer, exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trustee, and any agent of the Company or the Trustee may treat the person in whose name this Note is registered in the Security Register as the owner of this Note for all purposes (other than for the determination of any Additional Amounts payable) and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary.

If so specified above, this Note will be redeemable at the Company's option on the date or dates specified prior to the Maturity Date at a price or prices, each as specified above, together with accrued interest to the date of redemption. This Note will not be subject to any sinking fund. If so redeemable, the Company may redeem this Note either in whole or from time to time in part, upon not less than 30, nor more than 60, days' notice before the date of redemption. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

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If so specified above, this Note will be subject to redemption at the option of the Company, in whole or in part, at any time prior to the Maturity Date, at a redemption price equal to the greater of (i) 100% of the principal amount of this Note to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on this Note to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus such number of basis points as specified above, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption.

If any redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are obtained by the Quotation Agent, the average of all such quotations.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means (1) each of Citigroup Global Markets Inc. and Mizuho Securities USA LLC (and their respective successors), (2) one Primary Treasury Dealer (as defined herein) selected by Lloyds Securities Inc. (or its successor) and (3) two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its address as such address shall appear in the Security Register of the Company, except that redemption notices may be provided more than 60 days prior to the redemption date if the notice is issued in connection with the defeasance or discharge of the Notes and/or the Indenture. Unless the Company defaults in the payment of the redemption price on and after the redemption date, interest will cease to accrue on the principal amount of this Note called for redemption. Notwithstanding anything to the contrary in the foregoing, notice of any redemption to the Holder hereof may, in the Company's discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption will describe each such condition and, if applicable, will state that, in the Company's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Subject to Section 403 of the Indenture, if an HDI Change of Control Triggering Event (as defined below) occurs, unless the Company has exercised its option to redeem this Note as described above, the Company will be required to make an offer (the "Change of Control Offer") to each Holder of the Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such Holder's Notes on the terms set forth herein. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (the "Change of Control Payment").

Subject to Section 403 of the Indenture, within 30 days following any HDI Change of Control Triggering Event or, at the Company's option, prior to any HDI Change of Control (as defined below), but after public announcement by HDI (as defined below) of the transaction that constitutes, or would constitute upon consummation thereof, an HDI Change of Control, a notice will be delivered to Holders of the Notes describing the transaction that constitutes, or would constitute upon consummation thereof, the HDI Change of Control Triggering Event and offering to repurchase such Notes on the date specified in the notice. Such date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, other than as may be required by law (the "Change of Control Payment Date"). The notice will, if delivered prior to the date of consummation of the HDI Change of Control, state that the offer to purchase is conditioned on the HDI Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

If any Change of Control Payment Date falls on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not validly withdrawn pursuant to the Change of Control Offer; (ii) deposit with the paying agent an amount equal to

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the Change of Control Payment in respect of all such Notes or portions of Notes properly tendered and not validly withdrawn; and (iii) deliver or cause to be delivered to the Trustee such Notes properly accepted together with a Company Officers' Certificate (as defined in the Indenture) stating the aggregate principal amount of such Notes or portions of Notes being repurchased.

The Company will not be required to comply with the obligations relating to repurchasing the Notes if a third-party instead satisfies them.

The Company must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations applicable to the repurchase of the Notes. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such compliance.

If Holders of not less than 95% in aggregate principal amount of the outstanding Notes properly tender and do not validly withdraw such amount of the Notes in a Change of Control Offer, and the Company, or any third-party making an offer to purchase the Notes in connection with an HDI Change of Control Triggering Event in lieu of the Company, purchase such amount of the Notes properly tendered and not validly withdrawn by such Holders, then the Company will have the right, upon notice described above, given not more than 30 days following the Change of Control Payment Date, to redeem all (but not less than all) of the aggregate principal amount of the Notes that remains outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record as of the close of business on the relevant Regular Record Date to receive interest on the applicable Interest Payment Date). If the redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

For purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

"Below Investment Grade Rating Event" means the Notes cease to be rated an Investment Grade Rating by each of the Rating Agencies on any day within the 60-day period after the earlier of (1) the occurrence of an HDI Change of Control and (2) the first public announcement by Harley-Davidson, Inc. ("HDI") of the intention of HDI to effect an HDI Change of Control (which 60-day period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible downgrade of the rating of the notes of such series); *provided* that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular HDI Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of HDI Change of Control Triggering Event

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hereunder) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable HDI Change of Control (whether or not the applicable HDI Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Trustee has no obligation to monitor the ratings of the Notes for purposes of determining the occurrence of a Below Investment Grade Rating Event.

“Fitch” means Fitch Ratings, Inc. and its successors.

“HDI Change of Control” means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than HDI or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of HDI or other Voting Stock into which the Voting Stock of HDI is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or as a pledge for security purposes only), in one or a series of related transactions, of all or substantially all of the assets of HDI and the assets of the subsidiaries of HDI, taken as a whole, to one or more “persons” (as that term is defined in the Indenture), other than HDI or one of its subsidiaries and other than any such transaction or series of related transactions where holders of Voting Stock of HDI outstanding immediately prior thereto hold voting stock of the transferee person representing a majority of the voting power of the transferee person's voting stock immediately after giving effect thereto. Notwithstanding the foregoing, a transaction will not be deemed to be an HDI Change of Control if (1) HDI becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of HDI immediately prior to that transaction or (B) immediately following that transaction no “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“HDI Change of Control Triggering Event” means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event. Notwithstanding anything to the contrary, no HDI Change of Control Triggering Event will be deemed to have occurred in connection with any particular HDI Change of Control unless and until such HDI Change of Control has actually been consummated.

“Investment Grade Rating” means a rating equal to or higher than Baa3 by Moody's (or its equivalent under any successor rating category of Moody's), BBB- by S&P (or its equivalent under any successor rating category of S&P) and BBB- by Fitch (or its equivalent under any

successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Rating Agencies” means (1) each of Moody’s, S&P and Fitch, and (2) if any of Moody’s, S&P or Fitch (or in each case any replacement thereof appointed pursuant to this definition) ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency for Moody’s, S&P and/or Fitch, as the case may be; provided that the Company shall give notice of any such replacement to the Trustee.

“S&P” means S&P Global Ratings, a division of S&P Global Inc. and its successors.

“Voting Stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act), as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

In lieu of Section 1005 of the Indenture, the following covenant shall apply:

Limitation on Liens. The Company and the Guarantor will not, nor will they permit any Subsidiary of the Company or the Guarantor to, issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantor or any such Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that the Notes (together with, if the Company or the Guarantor shall so determine, any other Indebtedness of the Company or the Guarantor or any such Subsidiary ranking equally with the Notes then existing or thereafter created) shall be secured equally and ratably with such Indebtedness. The restrictions set forth in the immediately preceding sentence will not, however, apply if the aggregate amount of Indebtedness issued or assumed by the Company, the Guarantor or such Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantor or such Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to such restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (xiv) of the immediately following paragraph, does not at the time such secured Indebtedness is incurred exceed 15% of the Consolidated Net Tangible Assets.

The restrictions set forth above shall not apply to Indebtedness secured by:

(i) Liens existing on the date of the original issuance of the Notes;

(ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Company or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Company or the Guarantor;

(iii) Liens on any Property existing at the time such Property is acquired by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company, the Guarantor or a Subsidiary of the Company or the Guarantor of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of the Company, a Subsidiary of the Company or the Guarantor owing to the Company, the Guarantor or to another Subsidiary of the Company or the Guarantor;

(v) Liens created in connection with a securitization or other asset-based financing;

(vi) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith;

(vii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith;

(viii) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds;

(ix) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Company, the Guarantor or any of their respective Subsidiaries;

(x) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the Company, the Guarantor or any of their respective Subsidiaries;

(xi) Liens arising from leases, subleases or licenses granted to others which do not interfere in any material respect with the business of the Company, the Guarantor or any of their respective Subsidiaries;

(xii) any interest or title of the lessor in the Property subject to any operating lease (as determined in accordance with GAAP as in effect as of the date of the Indenture without giving

effect to any subsequent change thereto) entered into by the Company, the Guarantor or any of their respective Subsidiaries in the ordinary course of business;

(xiii) Liens, if any, in connection with any sale/leaseback transaction;

(xiv) Liens on assets pledged in respect of Indebtedness that has been defeased in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness); and

(xv) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (i) - (xiv); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or replacement is not increased.

The Company may “reopen” a previously issued tranche of Notes and issue additional Notes of such tranche or establish additional terms of such tranche or issue notes with the same terms as previously issued Notes (except for the Original Issue Date, Issue Price and, if applicable, the initial Interest Payment Date).

The Company may at any time purchase this Note at any price in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

For the avoidance of doubt, Article 4 of the Indenture, including without limitation Section 403 thereof, shall apply to the Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligations of the Company and the Guarantor, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note, at the times, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

By acceptance of this Note, the Holder hereof agrees to be bound by the provisions of the Indenture. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture. This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under the Indenture.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or by facsimile by an authorized signatory.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By: /s/ J. Darrell Thomas
Name: James Darrell Thomas
Title: Vice President, Chief Financial Officer
and Treasurer

Attest:

By: /s/ Perry A. Glassgow
Name: Perry A. Glassgow
Title: Vice President

Dated: November 28, 2018

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By: _____
Authorized Signatory

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

GUARANTEE

For value received, undersigned hereby fully, irrevocably and unconditionally guarantees, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, to the Holder of this Note and to the Trustee, on behalf of the Holder, the due and punctual payment of the principal of, and any premium, interest and any Additional Amounts on, this Note, when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of this Note and the Indenture. This Guarantee will not be valid or obligatory for any purpose until the Trustee duly executes the certificate of authentication on the Note upon which this Guarantee is endorsed.

Dated: November 28, 2018

HARLEY-DAVIDSON CREDIT CORP.,
a Nevada corporation

By: /s/ J. Darrell Thomas
Name: James Darrell Thomas
Title: Vice President, Chief Financial Officer
and Treasurer

Attest:

By: /s/ Perry A. Glassgow
Name: Perry A. Glassgow
Title: Vice President

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

TEN ENT - as tenants by the entireties

under Uniform Gifts to Minors Act

JT TEN - as joint tenants with right of
survivorship and not as tenant
in common

(State)

Additional abbreviations may also be used though not in the above list.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

(Name and address of assignee, including zip code,
must be printed or typewritten)

the within Note, and all rights thereunder, hereby irrevocably constituting and appointing
_____ attorney to transfer said Note on the books of the within Company, with full
power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as it appears upon the within Note in every particular, without alteration or enlargement or any change whatever and must be guaranteed.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made

Date of Exchange	Amount of increase in Principal Amount of this Global Note	Amount of decrease in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee
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[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
FLOATING RATE MEDIUM-TERM NOTES DUE 2021**

ACTIVE 236594216v.7

**Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.**

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY (AS DEFINED IN THE INDENTURE) OR A NOMINEE THEREOF. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY, OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY BE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE HOLDER OF THIS SECURITY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR DEFINITIVE NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), UNLESS SUCH TRANSACTION IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
FLOATING RATE MEDIUM-TERM NOTES DUE 2021

Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.

No. S001 Principal Amount \$0
CUSIP No. U24652 AN6 as revised by the Schedule of
ISIN USU24652AN64 Increases and Decreases in Global
Common Code No. 191788052 Note attached hereto

Issue Price: 100.000%

Maturity Date: March 2, 2021

Original Issue Date: November 28, 2018

Index Maturity:

Original Issue Discount Note

Total Amount of OID:

Yield to Maturity: %

Initial Accrual Period OID:

Fixed Rate

Interest Rate:

Floating Rate

Interest Rate Basis:

CD Rate

Specified Currency (if other than U.S. dollars): N/A

CMT Rate

CMT Reuters Page FRBCMT:

CMT Reuters Page FEDCMT:

Option To Receive Payments In Specified Currency (non-
U.S. dollar denominated Note): N/A

Commercial Paper Rate

Federal Funds Rate

LIBOR

Authorized Denomination: Minimum denominations of
\$2,000 and integral multiples of \$1,000 in excess thereof

Prime Rate

Place of Payment (if other than as set forth in the Indenture):
N/A

___ Treasury Rate

___ Other

Spread (Plus Or Minus): +94 basis points

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

Repayment Date:

Spread Multiplier: %

Renewable: Yes No

Extendible: Yes No

Interest Category:

Regular Floating Rate Note

Final Maturity Date:

Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date:

Fixed Interest Rate: %

Inverse Floating Rate Note

Initial Interest Rate: 3-month LIBOR on November 26, 2018 plus 94 basis points

Initial Interest Reset Date: March 2, 2019

Maximum Interest Rate: %

Interest Reset Dates: March 2, June 2, September 2 and December 2

Minimum Interest Rate: %

Interest Payment Dates (in the case of a Floating Rate Note and, in the case of a Fixed Rate Note, other than as set forth below): March 2, June 2, September 2 and December 2

Regular Record Dates (if other than as set forth below): February 15, May 18, August 18 and November 17

Interest Determination Dates (if other than as set forth below): for any interest period, the second London Business Day preceding such interest period, which, in the case of the initial interest period, is November 26, 2018

Additional Amounts applicable for Company:

Yes

No

Additional Amounts applicable for Guarantor:

Yes

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

No

Addendum Attached

Other Provisions: The optional redemption provisions described below shall not apply to the Note.

Yes

No

Authorized Denomination (only if non-U.S. dollar denominated Note):

N/A

Calculation Agent (if other than the Trustee): N/A

Interest Payment Period: N/A

Harley-Davidson Financial Services, Inc., a corporation duly organized under the laws of the State of Delaware (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the Principal Amount specified above, as revised by the Schedule of Increases and Decreases in the Global Note attached hereto, on the Maturity Date specified above and to pay to the registered holder of this Note (the "Holder") interest on said Principal Amount at a rate per annum specified above and upon the terms provided below under either the heading "Provisions Applicable to Fixed Rate Notes Only" or "Provisions Applicable to Floating Rate Notes Only."

This Note is one of the Company's duly authorized issue of notes in the series titled Floating Rate Medium-Term Notes due 2021 (herein referred to as the "Notes"), all issued or to be issued under an indenture, dated as of March 4, 2011 (as may be supplemented from time to time, the "Indenture"), among the Company, Harley-Davidson Credit Corp. (the "Guarantor") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company, the Guarantor and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. The Notes of this series are limited (except as otherwise provided in the Indenture) to the aggregate principal amount established from time to time by the Company Board of Directors. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest at different rates and may otherwise vary, all as provided in the Indenture. The Notes of this series may be subject to redemption upon notice and in accordance with the provisions of this Note and the Indenture. The Company and the Guarantor may defease the Notes of this series in accordance with the provisions of the Indenture.

To secure the due and punctual payment of principal, any premium, any interest and Additional Amounts (as defined in the Indenture) on this Note by the Company under the Indenture, when and as the same shall become due and payable, whether at the Maturity Date, by

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

declaration of acceleration, call for redemption or otherwise, the Guarantor has unconditionally guaranteed this Note pursuant to the terms of the Guarantee endorsed hereon and in Section 1401 of the Indenture (the "Guarantee").

As used herein, the term "Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday which is not a day when banking institutions in the Place of Payment are authorized or obligated by law or executive order to be closed that is also a London Business Day (as defined below).

"London Business Day" means any day on which dealings in United States dollars are transacted in the London interbank market.

Provisions Applicable To Fixed Rate Notes Only:

If the "Fixed Rate" line above is checked, the Company will pay interest semiannually on the dates set forth on such Fixed Rate Note (each such date fixed for the payment of interest, an "Interest Payment Date") and ending on the Maturity Date or upon earlier redemption or repayment to the person to whom principal is payable. Interest shall accrue from the Original Issue Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for on this Note to, but excluding, the next following Interest Payment Date, Maturity Date, or earlier date of redemption or repayment, as the case may be. Interest on such Fixed Rate Note will be computed by the Company on the basis of a 360-day year consisting of twelve 30-day months.

If any Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment) of such Fixed Rate Note falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

Provisions Applicable To Floating Rate Notes Only:

If the "Floating Rate" line above is checked, the Company will pay interest on the Interest Payment Dates shown specified above at the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions hereinafter set forth under the headings "Determination of CD Rate," "Determination of CMT Rate," "Determination of Commercial Paper Rate," "Determination of Federal Funds Rate," "Determination of LIBOR," "Determination of Prime Rate" or "Determination of Treasury Rate," depending on whether the Interest Rate Basis is the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate or other Interest Rate Basis.

An interest payment shall be the amount of interest accrued from and including the Original Issue Date, or from and including the last Interest Payment Date to which interest has been paid, to, but excluding, the next following Interest Payment Date, Maturity Date, or date of earlier redemption or repayment, as the case may be (an "Interest Period"). Notwithstanding any

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

provision herein to the contrary, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above.

If any Interest Payment Date for any Floating Rate Note, other than an Interest Payment Date at maturity, would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day, and interest will continue to accrue to the following Business Day, except that if LIBOR is the applicable Interest Rate Basis, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding day that is a Business Day. If the Maturity Date (or date of earlier redemption or repayment) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date (or the date of earlier redemption or repayment).

Commencing with the first Interest Reset Date specified above following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified above under "Interest Reset Dates."

The interest rate borne by this Note will be determined as follows:

(i) Unless the Interest Category of this Note is specified above as a "Floating Rate/Fixed Rate Note" or an "Inverse Floating Rate Note" or in the event either "Other Provisions" or an Addendum hereto applies, in each case, relating to a different interest rate formula, this Note shall be designated as a "Regular Floating Rate Note" and, except as set forth below or specified above under "Other Provisions" or in an Addendum hereto, shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date specified above; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

(ii) If the Interest Category of this Note is specified above as a "Floating Rate/Fixed Rate Note" then, except as set forth below or specified above under "Other Provisions" or in an Addendum hereto, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any, in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on, and including, the Fixed Rate Commencement Date specified above to the Maturity Date (or date of earlier redemption or repayment) shall be the Fixed Interest Rate specified above or, if no Fixed Interest Rate is so specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If the Interest Category of this Note is specified above as an “Inverse Floating Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at (a) the Fixed Interest Rate specified above minus (b) the rate determined by reference to the applicable Interest Rate Basis or Bases:

(x) plus or minus the applicable Spread, if any, and/or

(y) multiplied by the applicable Spread Multiplier, if any, in each case as specified above;

provided, however, that, unless otherwise specified above under “Other Provisions” or in an Addendum hereto, the interest rate hereon shall not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset on each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate set forth above.

The “Spread” is the number of basis points (one basis point equals one-hundredth of a percentage point) specified above to be added to or subtracted from the Interest Rate Basis for a Floating Rate Note, and the “Spread Multiplier” is the percentage specified above by which the Interest Rate Basis for such Floating Rate Note will be multiplied. Both a Spread and/or a Spread Multiplier may be applicable to the Interest Rate Basis for a particular Floating Rate Note, as set forth above.

Each such adjusted Interest Rate Basis shall be applicable on and after the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date. If any Interest Reset Date is a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that if the rate of interest on this Note shall be determined by reference to LIBOR and such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. In addition, if the Treasury Rate is the applicable Interest Rate Basis and the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date will be postponed to the next succeeding Business Day. Subject to applicable provisions of law (including usury laws) and except as specified in this Note, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

With respect to a Floating Rate Note, accrued interest shall be calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period or from the last date from which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, in the cases of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the cases of CMT Rate Notes and Treasury Rate Notes. The interest rate applicable to any day that is an Interest Reset Date will be the interest rate effective on such Interest Reset Date. The interest rate applicable to any other day

[HDFS Officers’ Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

will be the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate, as specified above).

The “Calculation Date,” where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

For Floating Rate Notes, The Bank of New York Mellon Trust Company, N.A. shall be the calculation agent unless another calculation agent is specified above (the “Calculation Agent”). The interest rate applicable to each interest period will be determined by the Calculation Agent on or prior to the applicable Calculation Date. At the request of the Holder, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

All percentages resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent (.0000001), with five one-millionths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

Determination of CD Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CD Rate, unless otherwise specified above, the “CD Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CD Interest Determination Date”) and shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified above as published in H.15(519) (as defined below) on such CD Interest Determination Date under the heading “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified above as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date calculated by the Calculation Agent on the Notes as the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on the applicable CD Interest Determination Date, of three leading non-bank dealers in negotiable United States dollar certificates of deposit in the City of New York (which may include an agent or its affiliates) selected by the Company for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified above in an amount that is representative for a single transaction in that market at that time. If the dealers selected by the

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

Company as provided in the preceding sentence are not quoting as mentioned in such sentence, the CD Rate shall be the CD Rate in effect on the applicable CD Interest Determination Date.

“H.15(519)” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

Determination of CMT Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CMT Rate, unless otherwise specified above, the “CMT Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CMT Interest Determination Date”) and shall be, if “CMT Reuters Page FRBCMT” is specified above, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor or similar service), on page FRBCMT (or any other page as may replace the specified page on that service under the caption “Treasury Constant Maturities”) (“Reuters Page FRBCMT”). If the rate referred to in the preceding sentence does not appear on Reuters Page FRBCMT, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the applicable CMT Interest Determination Date as published in H.15(519) under the caption “Treasury Constant Maturities.” In the event the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the rate on the applicable CMT Interest Determination Date for the period of the Index Maturity specified above, as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). In the event the rate referred to in the preceding sentence is not published, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three leading primary United States government securities dealers in the City of New York, which may include an agent of the Company or such agent’s affiliates (each a “Reference Dealer”), selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, a remaining term to maturity no more than one year shorter than the Index Maturity specified above and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to in the above sentence are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated; *provided, however*, that if fewer than

three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company from five Reference Dealers selected by the Company and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. However, if fewer than five but more than two prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated. If fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If the CMT Reuters Page FEDCMT is specified above, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, and will be the average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace that specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the rate referred to in the preceding sentence does not appear on Reuters Page FEDCMT, then the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the week or month, as applicable, preceding the applicable CMT Interest Determination Date as published in H.15(519) opposite the caption “Treasury Constant Maturities.” If the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish the rate referred to above, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, and a remaining term to maturity no more than one year shorter than the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the

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prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated. If fewer than three prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation or (in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above and will be in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two prices referred to above are provided as requested, the rate will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated, or if fewer than three prices referred to above are provided as requested, the CMT Rate will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity as specified above have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

Determination of Commercial Paper Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Commercial Paper Rate, unless otherwise specified above, the “Commercial Paper Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “Commercial Paper Interest Determination Date”) and shall be the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity as indicated above, as such rate shall be published in H.15(519) under the caption “Commercial Paper-Nonfinancial.” In the event that such rate is not published prior to 3:00 p.m., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate shall be calculated by the Calculation Agent as the Money Market Yield of the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified above, published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Commercial Paper-Nonfinancial.” If by 3:00 p.m., New York City time, on the applicable Calculation Date, such rate is not yet published as provided in the preceding sentence, then the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time, on the applicable Commercial Paper Interest Determination Date of three leading dealers of United States dollar commercial paper in the City of New York, which may include an agent of the Company or such agent’s affiliates, selected by the Calculation Agent for commercial paper having the Index Maturity specified above, placed for industrial issuers whose bond rating is “Aa,” or the equivalent, from a

nationally recognized statistical rating organization; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting offered rates as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on the applicable Commercial Paper Interest Determination Date.

“Money Market Yield” shall be a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Determination of Federal Funds Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Federal Funds Rate, unless otherwise specified above, the “Federal Funds Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Federal Funds Interest Determination Date”) and shall be the rate on that date for United States dollar Federal Funds as published in H.15(519) under the heading “Federal Funds (Effective),” as displayed on Reuters, Inc. (or any successor service) on page FEDFUND01 (or any other page as may replace the applicable page on that service) (“Reuters Page FEDFUND01”) or, if such rate does not appear on Reuters Page FEDFUND01, or is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the rate on the applicable Federal Funds Interest Determination Date for United States dollar Federal Funds will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Federal Funds (Effective).” If such rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the Federal Funds Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds arranged by three leading brokers of United States dollar Federal Funds transactions in the City of New York, which may include an agent of the Company or such agent’s affiliates, selected by the Company before 9:00 a.m., New York City time, on the applicable Federal Funds Interest Determination Date; *provided, however*, that if the brokers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on the applicable Federal Funds Interest Determination Date.

Determination of LIBOR. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, LIBOR, unless otherwise specified above, “LIBOR” for each Interest Reset Date will be determined by the Calculation Agent as of the second London Business Day prior to such Interest Reset Date (a “LIBOR Interest Determination Date”) and shall be the rate for deposits in United States dollars having a maturity of three months commencing on the first day of the applicable interest period that appears on Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on that LIBOR Interest Determination Date. If no rate appears or such rate is

unavailable, then LIBOR, in respect of that LIBOR Interest Determination Date, will be determined in accordance with the provisions described below. With respect to a LIBOR Interest Determination Date on which no rate appears on Reuters Screen LIBOR01 Page or such rate is unavailable on a LIBOR Interest Determination Date, as specified above, the Company will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Company, to provide the Calculation Agent with its offered quotation for deposits in United States dollars for the period of three months, commencing on the first day of the applicable interest period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time. If at least two quotations are provided, then LIBOR on that LIBOR Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on the LIBOR Interest Determination Date by three major banks in New York City selected by the Company for loans in United States dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; provided that if the banks selected by the Company are not providing quotations in the manner described by this sentence, LIBOR will be the same as the rate determined for the immediately preceding LIBOR Interest Determination Date or if there is no immediately preceding LIBOR Interest Determination Date, LIBOR will be the same as the rate determined for the Initial Interest Period.

Notwithstanding the foregoing, if the Company determines that three-month LIBOR has been permanently discontinued or that it is no longer a widely recognized benchmark rate for such Floating Rate Notes, the Calculation Agent will use, as directed by the Company, a substitute for LIBOR and for each future LIBOR Interest Determination Date, a reasonably comparable successor or alternative benchmark or rate for deposits in United States dollars (having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars) that is, at such time, customarily accepted in market practice as a benchmark or rate for such Floating Rate Notes, which may include an alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) (the “Alternative Rate”). As part of such substitution, the Calculation Agent will, as directed by the Company, make such adjustments (positive or negative) (“Adjustments”) to the Alternative Rate or the spread thereon, as well as the Business Day convention, interest determination dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such Alternative Rate for debt obligations such as the Floating Rate Notes to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to the Holders of Floating Rate Notes as a result of the replacement of LIBOR with the Alternative Rate. If the Company determines that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage or what Adjustments are appropriate, the Company may appoint in its sole discretion an independent financial advisor (the “IFA”) to determine an appropriate Alternative Rate, and any Adjustments, in accordance with the provisions of this paragraph, and the decision of the IFA will be binding on the Company, the

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Calculation Agent, the Trustee and the Holders in the absence of demonstrable error. Until such time as an Alternative Rate and any Adjustments have been determined, LIBOR will be the same as the rate determined for the immediately preceding LIBOR Interest Determination Date or if there is no immediately preceding LIBOR Interest Determination Date, LIBOR will be the same as the rate determined for the Initial Interest Period.

The Company will, promptly following the determination of any Alternative Rate or Adjustments, as applicable, give notice thereof, which shall specify the effective date(s) for such Alternative Rate or Adjustments, as applicable, and of any changes to the terms and conditions of the Floating Rate Notes, to the Trustee, the Calculation Agent, any paying agent and DTC or the Holders of the Floating Rate Notes, as applicable; provided that failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such determination.

“Reuters Screen LIBOR01 Page” means the display designated on page “LIBOR01” on Reuters (or such other page as may replace the LIBOR01 page on that service or any successor or similar service for the purpose of displaying London interbank offered rates for U.S. dollar deposits of major banks).

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 8.986865% (or 0.08986865) being rounded to 8.98687% (or 0.0898687)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States laws of general application. The Calculation Agent will, upon the request of any Holder, provide the interest rate then in effect. All calculations made by the Calculation Agent in the absence of demonstrable error will be conclusive for all purposes and binding on the Company and the Holders.

Determination of Prime Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Prime Rate, unless otherwise specified above, the “Prime Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Prime Interest Determination Date”) and shall be the rate set forth on such date as published in H.15(519) under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as the particular bank’s prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Prime Interest Determination Date. If fewer than four such rates are so published by 3:00 p.m.,

New York City time, on the applicable Calculation Date as shown on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Prime Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the City of New York selected by the Company. However, if the banks selected by the Company are not quoting as mentioned in the preceding sentence, the Prime Rate will be the Prime Rate in effect on the applicable Prime Interest Determination Date.

“Reuters Screen US PRIME 1 Page” means the display on the Reuter Money 3000 Service or any successor service on the “US PRIME 1 Page” or other page as may replace US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Determination of Treasury Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Treasury Rate, unless otherwise specified above, the “Treasury Rate” for each Interest Reset Date will be the rate from the auction held on the applicable Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity, as specified above, as published under the caption “INVESTMENT RATE” on the display on Reuters, Inc. or any successor or similar service on page USAUCTION 10 or any other page as may replace page USAUCTION 10 on that service (“Reuters Page USAUCTION 10”) or page USAUCTION 11 on that service (“Reuters Page USAUCTION 11”), or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date (as defined below), the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills announced by the United States Department of the Treasury, or, if the rate is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Determination Date of Treasury Bills having the Index Maturity specified above, published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the rate on the applicable Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.” In the event that the results of the auction of Treasury Bills having the applicable Index Maturity specified above are not published or reported, as provided above, by 3:00 p.m., New York City time, on the applicable Calculation Date or if no such auction is held on such Treasury Rate Determination Date, then the Treasury Rate on the applicable Treasury Rate Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic

mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Determination Date, of three primary United States government securities dealers, which may include the agent or its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified above; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

The “Treasury Rate Determination Date” for any Interest Reset Date will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

“Bond Equivalent Yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Provisions Applicable To Both Fixed Rate Notes And Floating Rate Notes:

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; *provided, however*, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be set forth on such Fixed Rate Note, whether or not a Business Day, immediately preceding the related Interest Payment Date. If this Note bears interest at a Floating Rate, as specified above, the “Regular

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Record Date” with respect to any Interest Payment Date shall be the fifteenth calendar day next preceding such Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; *provided, however*, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire transfer of immediately available funds to an account with a bank designated by the Holder hereof at least 15 calendar days prior to the Maturity Date or such earlier redemption or repayment date, as the case may be, provided that such bank has appropriate facilities therefor and that this Note is presented and surrendered at the Place of Payment specified above in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Payment of interest due on any Interest Payment Date, other than the Maturity Date or any earlier redemption or repayment date, will be made at the Place of Payment specified above.

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

The Company is obligated to make payment of principal, premium, if any, and interest in respect of this Note in United States dollars or, if a Specified Currency is indicated above, in such Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts of the country issuing such currency or, in the case of the Euro, in the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, such other currency which is then such legal tender in such country or in the adopting member states of the European Union, as the case may be). If a Specified Currency is specified above, except as otherwise provided below, any such amounts so payable by the Company will be converted by a New York clearing house bank designated by the Company (the “Exchange Rate Agent”) into United States dollars for payment to the Holder of this Note.

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in the City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent)

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selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. The Holder of this Note may elect to receive all or a specified portion of all future payments in the Specified Currency in respect of such principal, premium, if any, and/or interest and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be.

If a Specified Currency is specified above and the Holder of this Note shall have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, but such Specified Currency is not available for such payment due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to the Holder of this Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below) determined by the Exchange Rate Agent on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate on or before the date on which such payment is due. The “Market Exchange Rate” for the Specified Currency means the noon dollar buying rate in the City of New York for cable transfers of the Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances shall not constitute an Event of Default (as defined in the Indenture).

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided

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in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantor and the rights of the Holders of the Securities (as defined in the Indenture) of each series to be affected by such modification under the Indenture at any time by the Company and the Guarantor with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities (as defined in the Indenture) of each series to be affected by such modification. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Guarantor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

This Note is issuable only in registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof or other Authorized Denomination specified above.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered in the Security Register of this series upon surrender of this Note for registration of transfer at the Place of Payment specified above, duly endorsed by or accompanied by, a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon a new Note or Notes of this series of Authorized Denomination and for the same aggregate principal amount, with the Guarantee endorsed thereon, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer, exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trustee, and any agent of the Company or the Trustee may treat the person in whose name this Note is registered in the Security Register as the owner of this Note for all purposes (other than for the determination of any Additional Amounts payable) and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary.

If so specified above, this Note will be redeemable at the Company's option on the date or dates specified prior to the Maturity Date at a price or prices, each as specified above, together with accrued interest to the date of redemption. This Note will not be subject to any sinking fund. If so redeemable, the Company may redeem this Note either in whole or from time to time in part, upon not less than 30, nor more than 60, days' notice before the date of redemption. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

If so specified above, this Note will be subject to redemption at the option of the Company, in whole or in part, at any time prior to the Maturity Date, at a redemption price equal to the greater of (i) 100% of the principal amount of this Note to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on this Note to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus such number of basis points as specified above, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption.

If any redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are obtained by the Quotation Agent, the average of all such quotations.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means (1) each of Citigroup Global Markets Inc. and Mizuho Securities USA LLC (and their respective successors), (2) one Primary Treasury Dealer (as defined herein) selected by Lloyds Securities Inc. (or its successor) and (3) two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its address as such address shall appear in the Security Register of the Company, except that redemption notices may be provided more than 60 days prior to the redemption date if the notice is issued in connection with the defeasance or discharge of the Notes and/or the Indenture. Unless the Company defaults in the payment of the redemption price on and after the redemption date, interest will cease to accrue on the principal amount of this Note called for redemption. Notwithstanding anything to the contrary in the foregoing, notice of any redemption to the Holder hereof may, in the Company's discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption will describe each such condition and, if applicable, will state that, in the Company's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Subject to Section 403 of the Indenture, if an HDI Change of Control Triggering Event (as defined below) occurs, unless the Company has exercised its option to redeem this Note as described above, the Company will be required to make an offer (the "Change of Control Offer") to each Holder of the Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such Holder's Notes on the terms set forth herein. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (the "Change of Control Payment").

Subject to Section 403 of the Indenture, within 30 days following any HDI Change of Control Triggering Event or, at the Company's option, prior to any HDI Change of Control (as defined below), but after public announcement by HDI (as defined below) of the transaction that constitutes, or would constitute upon consummation thereof, an HDI Change of Control, a notice will be delivered to Holders of the Notes describing the transaction that constitutes, or would constitute upon consummation thereof, the HDI Change of Control Triggering Event and offering to repurchase such Notes on the date specified in the notice. Such date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, other than as may be required by law (the "Change of Control Payment Date"). The notice will, if delivered prior to the date of consummation of the HDI Change of Control, state that the offer to purchase is conditioned on the HDI Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

If any Change of Control Payment Date falls on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not validly withdrawn pursuant to the Change of Control Offer; (ii) deposit with the paying agent an amount equal to

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

the Change of Control Payment in respect of all such Notes or portions of Notes properly tendered and not validly withdrawn; and (iii) deliver or cause to be delivered to the Trustee such Notes properly accepted together with a Company Officers' Certificate (as defined in the Indenture) stating the aggregate principal amount of such Notes or portions of Notes being repurchased.

The Company will not be required to comply with the obligations relating to repurchasing the Notes if a third-party instead satisfies them.

The Company must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations applicable to the repurchase of the Notes. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such compliance.

If Holders of not less than 95% in aggregate principal amount of the outstanding Notes properly tender and do not validly withdraw such amount of the Notes in a Change of Control Offer, and the Company, or any third-party making an offer to purchase the Notes in connection with an HDI Change of Control Triggering Event in lieu of the Company, purchase such amount of the Notes properly tendered and not validly withdrawn by such Holders, then the Company will have the right, upon notice described above, given not more than 30 days following the Change of Control Payment Date, to redeem all (but not less than all) of the aggregate principal amount of the Notes that remains outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record as of the close of business on the relevant Regular Record Date to receive interest on the applicable Interest Payment Date). If the redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

For purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

"Below Investment Grade Rating Event" means the Notes cease to be rated an Investment Grade Rating by each of the Rating Agencies on any day within the 60-day period after the earlier of (1) the occurrence of an HDI Change of Control and (2) the first public announcement by Harley-Davidson, Inc. ("HDI") of the intention of HDI to effect an HDI Change of Control (which 60-day period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible downgrade of the rating of the notes of such series); *provided* that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular HDI Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of HDI Change of Control Triggering Event

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

hereunder) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable HDI Change of Control (whether or not the applicable HDI Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Trustee has no obligation to monitor the ratings of the Notes for purposes of determining the occurrence of a Below Investment Grade Rating Event.

“Fitch” means Fitch Ratings, Inc. and its successors.

“HDI Change of Control” means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than HDI or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of HDI or other Voting Stock into which the Voting Stock of HDI is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or as a pledge for security purposes only), in one or a series of related transactions, of all or substantially all of the assets of HDI and the assets of the subsidiaries of HDI, taken as a whole, to one or more “persons” (as that term is defined in the Indenture), other than HDI or one of its subsidiaries and other than any such transaction or series of related transactions where holders of Voting Stock of HDI outstanding immediately prior thereto hold voting stock of the transferee person representing a majority of the voting power of the transferee person's voting stock immediately after giving effect thereto. Notwithstanding the foregoing, a transaction will not be deemed to be an HDI Change of Control if (1) HDI becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of HDI immediately prior to that transaction or (B) immediately following that transaction no “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“HDI Change of Control Triggering Event” means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event. Notwithstanding anything to the contrary, no HDI Change of Control Triggering Event will be deemed to have occurred in connection with any particular HDI Change of Control unless and until such HDI Change of Control has actually been consummated.

“Investment Grade Rating” means a rating equal to or higher than Baa3 by Moody's (or its equivalent under any successor rating category of Moody's), BBB- by S&P (or its equivalent under any successor rating category of S&P) and BBB- by Fitch (or its equivalent under any

successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Rating Agencies” means (1) each of Moody’s, S&P and Fitch, and (2) if any of Moody’s, S&P or Fitch (or in each case any replacement thereof appointed pursuant to this definition) ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency for Moody’s, S&P and/or Fitch, as the case may be; provided that the Company shall give notice of any such replacement to the Trustee.

“S&P” means S&P Global Ratings, a division of S&P Global Inc. and its successors.

“Voting Stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act), as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

In lieu of Section 1005 of the Indenture, the following covenant shall apply:

Limitation on Liens. The Company and the Guarantor will not, nor will they permit any Subsidiary of the Company or the Guarantor to, issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantor or any such Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that the Notes (together with, if the Company or the Guarantor shall so determine, any other Indebtedness of the Company or the Guarantor or any such Subsidiary ranking equally with the Notes then existing or thereafter created) shall be secured equally and ratably with such Indebtedness. The restrictions set forth in the immediately preceding sentence will not, however, apply if the aggregate amount of Indebtedness issued or assumed by the Company, the Guarantor or such Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantor or such Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to such restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (xiv) of the immediately following paragraph, does not at the time such secured Indebtedness is incurred exceed 15% of the Consolidated Net Tangible Assets.

The restrictions set forth above shall not apply to Indebtedness secured by:

(i) Liens existing on the date of the original issuance of the Notes;

(ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Company or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Company or the Guarantor;

(iii) Liens on any Property existing at the time such Property is acquired by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company, the Guarantor or a Subsidiary of the Company or the Guarantor of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of the Company, a Subsidiary of the Company or the Guarantor owing to the Company, the Guarantor or to another Subsidiary of the Company or the Guarantor;

(v) Liens created in connection with a securitization or other asset-based financing;

(vi) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith;

(vii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith;

(viii) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds;

(ix) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Company, the Guarantor or any of their respective Subsidiaries;

(x) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the Company, the Guarantor or any of their respective Subsidiaries;

(xi) Liens arising from leases, subleases or licenses granted to others which do not interfere in any material respect with the business of the Company, the Guarantor or any of their respective Subsidiaries;

(xii) any interest or title of the lessor in the Property subject to any operating lease (as determined in accordance with GAAP as in effect as of the date of the Indenture without giving

effect to any subsequent change thereto) entered into by the Company, the Guarantor or any of their respective Subsidiaries in the ordinary course of business;

(xiii) Liens, if any, in connection with any sale/leaseback transaction;

(xiv) Liens on assets pledged in respect of Indebtedness that has been defeased in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness); and

(xv) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (i) - (xiv); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or replacement is not increased.

The Company may “reopen” a previously issued tranche of Notes and issue additional Notes of such tranche or establish additional terms of such tranche or issue notes with the same terms as previously issued Notes (except for the Original Issue Date, Issue Price and, if applicable, the initial Interest Payment Date).

The Company may at any time purchase this Note at any price in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

For the avoidance of doubt, Article 4 of the Indenture, including without limitation Section 403 thereof, shall apply to the Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligations of the Company and the Guarantor, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note, at the times, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

By acceptance of this Note, the Holder hereof agrees to be bound by the provisions of the Indenture. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture. This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under the Indenture.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture (Floating Rate Notes)]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or by facsimile by an authorized signatory.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By: /s/ J. Darrell Thomas
Name: James Darrell Thomas
Title: Vice President, Chief Financial Officer
and Treasurer

Attest:

By: /s/ Perry A. Glassgow
Name: Perry A. Glassgow
Title: Vice President

Dated: November 28, 2018

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By: _____
Authorized Signatory

GUARANTEE

For value received, undersigned hereby fully, irrevocably and unconditionally guarantees, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, to the Holder of this Note and to the Trustee, on behalf of the Holder, the due and punctual payment of the principal of, and any premium, interest and any Additional Amounts on, this Note, when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of this Note and the Indenture. This Guarantee will not be valid or obligatory for any purpose until the Trustee duly executes the certificate of authentication on the Note upon which this Guarantee is endorsed.

Dated: November 28, 2018

HARLEY-DAVIDSON CREDIT CORP.,
a Nevada corporation

By: /s/ J. Darrell Thomas
Name: James Darrell Thomas
Title: Vice President, Chief Financial Officer
and Treasurer

Attest:

By: /s/ Perry A. Glassgow
Name: Perry A. Glassgow
Title: Vice President

ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

TEN ENT - as tenants by the entireties

under Uniform Gifts to Minors Act

JT TEN - as joint tenants with right of
survivorship and not as tenant
in common

(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

(Name and address of assignee, including zip code,
must be printed or typewritten)

the within Note, and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the within Company, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the within Note in every particular, without alteration or enlargement or any change whatever and must be guaranteed.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made

Date of Exchange	Amount of increase in Principal Amount of this Global Note	Amount of decrease in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee
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**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement (Standard)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan (the "Plan").

Subject to accelerated vesting and forfeiture as described in Exhibit A, a portion of the Restricted Stock Units (Restricted Stock Units with the same scheduled vesting date are referred to as a "Tranche") shall vest in accordance with the following schedule:

Restricted Stock Units Tranche	Vesting Date
One-third of the Restricted Stock Units (Tranche #1)	The first anniversary of the Grant Date
An additional one-third of the Restricted Stock Units (Tranche #2)	The second anniversary of the Grant Date
The final one-third of the Restricted Stock Units (Tranche #3)	The third anniversary of the Grant Date

If application of the above schedule on the first vesting date or the second vesting date would produce vesting in a fraction of a Restricted Stock Unit, then the number of Restricted Stock Units that become vested on that vesting date shall be rounded down to the next lower whole number of Restricted Stock Units, and the fractional Restricted Stock Unit shall be carried forward into the next Tranche of Restricted Stock Units.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If you cease to be employed by the Company for reasons other than Cause (as defined in the Plan) on or after age fifty-five (55) and if such cessation of employment occurred after the first anniversary of the Grant Date, then, effective immediately prior to the time of cessation of employment, any Restricted Stock Units that were not previously vested will become vested.

(2) Subject to clause (1), if your employment with the Company is terminated for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

(3) Subject to clause (1), if you cease to be employed by the Company by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock Units in each Tranche will vest, which portion will be equal to the number of unvested Restricted Stock Units in that Tranche multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), and the denominator of which is the number of Months from the Grant Date to the applicable anniversary of the Grant Date on which such Tranche would otherwise have vested if your employment had continued, and you will forfeit the remaining Restricted Stock Units that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Restricted Stock Units. You will receive cash payments equivalent to any dividends and other distributions paid with respect to the Shares underlying your Restricted Stock Units, to be paid on or promptly following the payment date of the dividend or other distribution, so long as the applicable record date occurs before you forfeit such Restricted Stock Units. If, however, any dividends or distributions with respect to the Shares underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units with respect to which they were credited. Amounts credited to you in the form of additional Restricted Stock Units will be settled (if vested) at the same time as the Restricted Stock Units with respect to which they were credited.

Settlement: Your Restricted Stock Units will be settled at the following times, to the extent then vested, by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Restricted Stock Unit:

- The Tranche #1 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the first anniversary of the Grant Date;
- The Tranche #2 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the second anniversary of the Grant Date; and
- The Tranche #3 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the third anniversary of the Grant Date;

provided that all then-vested Restricted Stock Units that have not previously been settled will be settled upon your "separation from service" within the meaning of Code Section 409A; provided further that, if you are a "specified employee" within the meaning of Code Section 409A at the time of your separation from service, then, to the extent required to avoid the income inclusion, interest and additional tax imposed by Code Section 409A, settlement of your Restricted Stock Units on account of such separation from service shall be made on the first date that is six (6) months after the date of the separation from service. Cash will be paid in satisfaction of any fractional Restricted Stock Unit settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units, your receipt of payments in respect of Restricted Stock Units or the delivery of Shares to you in respect of Restricted Stock Units results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Restricted Stock Units, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement
(Standard International)**

Harley-Davidson, Inc.
or Subsidiaries

ID: 39-1805420



[Grant Type]

Plan:

[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI"). This grant is made under HDI's 2014 Incentive Stock Plan (the "Plan").

Subject to accelerated vesting and forfeiture as described in Exhibit A, a portion of the Restricted Stock Units (Restricted Stock Units with the same scheduled vesting date are referred to as a "Tranche") shall become fully unrestricted (or "vest") in accordance with the following schedule:

Restricted Stock Units Tranche	Vesting Date
One-third of the Restricted Stock Units (Tranche #1)	The first anniversary of the Grant Date
An additional one-third of the Restricted Stock Units (Tranche #2)	The second anniversary of the Grant Date
The final one-third of the Restricted Stock Units (Tranche #3)	The third anniversary of the Grant Date

As soon as practicable following the date on which the Restricted Stock Units vest, the Company will make a cash payment to you in your local currency using the spot rate on the vesting date, less applicable withholding, equal to the product obtained by multiplying the Fair Market Value of a share of Common Stock of HDI on the vesting date by the number of Restricted Stock Units that have become vested on such date.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan. Without limitation, "Committee" means the Human Resources Committee of the Board or its delegate in accordance with the Plan.

HARLEY-DAVIDSON, INC. and Subsidiaries



Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being

generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If you cease to be employed by the Company for reasons other than Cause (as defined in the Plan) on or after age fifty-five (55) and if such cessation of employment occurred after the first anniversary of the Grant Date, then, effective immediately prior to the time of cessation of employment, any Restricted Stock Units that were not previously vested will become vested.

(2) Subject to clause (1), if your employment with the Company is terminated for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

(3) Subject to clause (1), if you cease to be employed by the Company by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock Units in each Tranche will vest, which portion will be equal to the number of unvested Restricted Stock Units in that Tranche multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), and the denominator of which is the number of Months from the Grant Date to the anniversary date on which such Tranche would otherwise have become unrestricted if your employment had continued, and you will forfeit the remaining Restricted Stock Units that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date, or the anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Common Stock of HDI underlying your Restricted Stock Units. You will receive a cash payment equivalent to any dividends and other distributions paid with respect to the Common Stock of HDI underlying your Restricted Stock Units (reduced for any tax withholding due), so long as the applicable record date occurs before you forfeit such Restricted Stock Units, which will be paid in your local currency using the spot rate on the date the dividend or other distribution is paid to shareholders. If, however, any dividends or distributions with respect to the Common Stock of HDI underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement. Any amounts due to you under this provision shall be paid to you, in cash, no later than the end of the calendar year in which the dividend or other distribution is paid to shareholders or, if later, the 15th day of the third month following the date the dividends are paid to shareholders; provided that in the case of any distribution with respect to which you are credited with additional Restricted Stock Units that are subject to a risk of forfeiture, distribution shall be made at the same time as payment is made in respect of the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units or your receipt of payments in respect of Restricted Stock Units results in income to you for federal or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the

Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement (Special)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan (the "Plan").

Subject to accelerated vesting and forfeiture as described in Exhibit A, the Restricted Stock Units shall vest on the third (3rd) anniversary of the Grant Date.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.

A handwritten signature in blue ink, appearing to read "Gary A. Gray", is positioned above the title.

Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment: If your employment with the Company is terminated for any reason (including without limitation death or Disability), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Restricted Stock Units. You will receive cash payments equivalent to any dividends and other distributions paid with respect to the Shares underlying your Restricted Stock Units, to be paid on or promptly following the payment date of the dividend or other distribution, so long as the applicable record date occurs before you forfeit such Restricted Stock Units. If, however, any dividends or distributions with respect to the Shares underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units with respect to which they were credited. Amounts credited to you in the form of additional Restricted Stock Units will be settled (if vested) at the same time as the Restricted Stock Units with respect to which they were credited.

Settlement: Your Restricted Stock Units will be settled by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Restricted Stock Unit. The Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the third anniversary of the Grant Date;

provided that all then-vested Restricted Stock Units that have not previously been settled will be settled upon your "separation from service" within the meaning of Code Section 409A; provided further that, if you are a "specified employee" within the meaning of Code Section 409A at the time of your separation from service, then, to the extent required to avoid the income inclusion, interest and additional tax imposed by Code Section 409A, settlement of your Restricted Stock Units on account of such separation from service shall be made on the first date that is six (6) months after the date of the separation from service. Cash will be paid in satisfaction of any fractional Restricted Stock Unit settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units, your receipt of payments in respect of Restricted Stock Units or the delivery of Shares to you in respect of Restricted Stock Units results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Restricted Stock Units, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted

Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement (Special Retention)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan (the "Plan").

Subject to forfeiture as described in Exhibit A, a portion of the Restricted Stock Units (Restricted Stock Units with the same scheduled vesting date are referred to as a "Tranche") shall vest in accordance with the following schedule:

<u>Restricted Stock Units Tranche</u>	<u>Vesting Date</u>
One-half of the Restricted Stock Units (Tranche #1)	The second anniversary of the Grant Date
The second half of the Restricted Stock Units (Tranche #2)	The third anniversary of the Grant Date

If application of the above schedule on the first vesting date would produce vesting in a fraction of a Restricted Stock Unit, then the number of Restricted Stock Units that become vested on that vesting date shall be rounded down to the next lower whole number of Restricted Stock Units, and the fractional Restricted Stock Unit shall be carried forward into the second Tranche of Restricted Stock Units.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment: If your employment with the Company is terminated for any reason (including without limitation death or Disability), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Restricted Stock Units. You will receive cash payments equivalent to any dividends and other distributions paid with respect to the Shares underlying your Restricted Stock Units, to be paid on or promptly following the payment date of the dividend or other distribution, so long as the applicable record date occurs before you forfeit such Restricted Stock Units. If, however, any dividends or distributions with respect to the Shares underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units with respect to which they were credited. Amounts credited to you in the form of additional Restricted Stock Units will be settled (if vested) at the same time as the Restricted Stock Units with respect to which they were credited.

Settlement: Your Restricted Stock Units will be settled by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Restricted Stock Unit. The Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the third anniversary of the Grant Date;

provided that all then-vested Restricted Stock Units that have not previously been settled will be settled upon your "separation from service" within the meaning of Code Section 409A; provided further that, if you are a "specified employee" within the meaning of Code Section 409A at the time of your separation from service, then, to the extent required to avoid the income inclusion, interest and additional tax imposed by Code Section 409A, settlement of your Restricted Stock Units on account of such separation from service shall be made on the first date that is six (6) months after the date of the separation from service. Cash will be paid in satisfaction of any fractional Restricted Stock Unit settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units, your receipt of payments in respect of Restricted Stock Units or the delivery of Shares to you in respect of Restricted Stock Units results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Restricted Stock Units, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted

Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement (Transition Agreement)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan (the "Plan").

Subject to accelerated vesting and forfeiture as described in Exhibit A, a portion of the Restricted Stock Units (Restricted Stock Units with the same scheduled vesting date are referred to as a "Tranche") shall vest in accordance with the following schedule:

Restricted Stock Units Tranche	Vesting Date
One-third of the Restricted Stock Units (Tranche #1)	The first anniversary of the Grant Date
An additional one-third of the Restricted Stock Units (Tranche #2)	The second anniversary of the Grant Date
The final one-third of the Restricted Stock Units (Tranche #3)	The third anniversary of the Grant Date

If application of the above schedule on the first vesting date or the second vesting date would produce vesting in a fraction of a Restricted Stock Unit, then the number of Restricted Stock Units that become vested on that vesting date shall be rounded down to the next lower whole number of Restricted Stock Units, and the fractional Restricted Stock Unit shall be carried forward into the next Tranche of Restricted Stock Units.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If you cease to be employed by the Company for reasons other than Cause (as defined in the Plan) on or after age fifty-five (55) and if such cessation of employment occurred after the first anniversary of the Grant Date, then, effective immediately prior to the time of cessation of employment, any Restricted Stock Units that were not previously vested will become vested.

(2) Subject to clause (1), if your employment with the Company is terminated for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

(3) Subject to clause (1), if you cease to be employed by the Company by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock Units in each Tranche will vest, which portion will be equal to the number of unvested Restricted Stock Units in that Tranche multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), and the denominator of which is the number of Months from the Grant Date to the applicable anniversary of the Grant Date on which such Tranche would otherwise have vested if your employment had continued, and you will forfeit the remaining Restricted Stock Units that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Change of Control: The occurrence of a Change of Control (as defined in the Plan) shall not, in and of itself, cause otherwise unvested Restricted Stock Units to become vested. Unless the Committee (as defined in the Plan) has exercised its discretion under Section 17(c) of the Plan to provide a result more favorable to you, whether or not the vesting of otherwise unvested Restricted Stock Units is accelerated following such Change of Control shall be determined in accordance with the provisions of the Transition Agreement then in effect between you and Harley-Davidson, Inc. (or, if you had been but are not then a party to a Transition Agreement, the provisions of the Transition Agreement that would have applied if the last such Transition Agreement to which you were a party had continued).

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Restricted Stock Units. You will receive cash payments equivalent to any dividends and other distributions paid with respect to the Shares underlying your Restricted Stock Units, to be paid on or promptly following the payment date of the dividend or other distribution, so long as the applicable record date occurs before you forfeit such Restricted Stock Units. If, however, any dividends or distributions with respect to the Shares underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units with respect to which they were credited. Amounts credited to you in the form of additional Restricted Stock Units will be settled (if vested) at the same time as the Restricted Stock Units with respect to which they were credited.

Settlement: Your Restricted Stock Units will be settled at the following times, to the extent then vested, by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Restricted Stock Unit:

- The Tranche #1 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the first anniversary of the Grant Date;
- The Tranche #2 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the second anniversary of the Grant Date; and
- The Tranche #3 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the third anniversary of the Grant Date;

provided that all then-vested Restricted Stock Units that have not previously been settled will be settled upon your "separation from service" within the meaning of Code Section 409A; provided further that, if you are a "specified employee" within the meaning of Code Section 409A at the time or your separation from service, then, to the extent required to avoid the income inclusion, interest and additional tax imposed by Code Section 409A, settlement of your Restricted Stock Units on account of such separation from service shall be made on the first date that is six (6) months after the date of the separation from service. Cash will be paid in satisfaction of any fractional Restricted Stock Unit settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units, your receipt of payments in respect of Restricted Stock Units or the delivery of Shares to you in respect of Restricted Stock Units results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Restricted Stock Units, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Performance Shares
and Performance Shares Agreement (Standard)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted [Number of Performance Shares Granted] Performance Shares with respect to shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan (the "Plan").

Net Income. The performance measure that will determine the number of Shares you earn in respect of 50% of your Performance Shares ("Net Income Performance Shares") will be HDI's aggregate Net Income for the year in which the Grant Date occurs and the following two years. "Net Income" shall mean consolidated net income from continuing operations. "Target Aggregate Net Income" shall mean the aggregate Net Income for such period as reflected in HDI's strategic plan approved by the Board of Directors of HDI as of the Grant Date.

The number of Net Income Performance Shares earned will be as follows:

Aggregate Net Income at 70% of Target Aggregate Net Income = 50% Net Income Performance Shares
Aggregate Net Income at 100% of Target Aggregate Net Income = 100% Net Income Performance Shares
Aggregate Net Income at 105% of Target Aggregate Net Income = 200% Net Income Performance Shares

No Net Income Performance Shares will be earned if aggregate Net Income is less than 70% of Target Aggregate Net Income. The number of Net Income Performance Shares earned will be interpolated between (i) 50% Net Income Performance Shares and 100% Net Income Performance Shares for aggregate Net Income between 70% and 100% of Target Aggregate Net Income and (ii) 100% Net Income Performance Shares and 200% Net Income Performance Shares for aggregate Net Income between 100% and 105% of Target Aggregate Net Income.

ROIC. The performance measure that will determine the number of Shares you earn in respect of 50% of your Performance Shares (“ROIC Performance Shares”) will be the three year average HDMC ROIC for the year in which the Grant Date occurs and the following two years. “HDMC ROIC” shall mean the sum of the quotient obtained by dividing (i) HDMC Net Operating Income After Tax by (ii) HDMC Invested Capital for each year in the performance period, divided by the number of years in the performance period. “HDMC Net Operating Income After Tax” shall mean the amount of operating income of HDMC reduced for taxes for the relevant year in the performance period. “HDMC Invested Capital” shall mean the average amount of HDMC debt plus the average amount of HDMC shareholder’s equity, excluding accumulated other comprehensive income or loss for pension and post-retirement plans, for the relevant year in the performance period. “HDMC” shall mean Harley-Davidson Motor Company. “Target ROIC” shall mean the average HDMC ROIC for such period as reflected in HDI’s strategic plan approved by the Board of Directors of HDI as of the Grant Date.

The number of ROIC Performance Shares earned will be as follows:

Average HDMC ROIC at 70% of Target ROIC = 50% ROIC Performance Shares
Average HDMC ROIC at 100% of Target ROIC = 100% ROIC Performance Shares
Average HDMC ROIC at 105% of Target ROIC = 200% ROIC Performance Shares

No ROIC Performance Shares will be earned if average HDMC ROIC is less than 70% of Target ROIC. The number of ROIC Performance Shares earned will be interpolated between (i) 50% ROIC Performance Shares and 100% ROIC Performance Shares for average HDMC ROIC between 70% and 100% of Target ROIC and (ii) 100% ROIC Performance Shares and 200% ROIC Performance Shares for average HDMC ROIC between 100% and 105% of Target ROIC.

Any Performance Shares that are earned based on performance will be earned on the date that the Administrator certifies the achievement of the applicable level of performance. Any Performance Shares that are not earned on such date shall be forfeited.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Performance Shares.

The Performance Shares are granted under and governed by the terms and conditions of the Plan and this Performance Shares Agreement including Exhibit A. Additional provisions regarding your Performance Shares and definitions of capitalized terms used and not defined in this Performance Shares Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Performance Shares Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If your employment with the Company is terminated prior to the third December 31 following the Grant Date for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee), then you will forfeit any Performance Shares as of the date your employment is terminated.

(2) If you cease to be employed by the Company prior to the third December 31 following the Grant Date by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan), then you will receive a portion of the number of Performance Shares that you would have received had you not ceased to be employed by the Company, which portion will be equal to such number of Performance Shares multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan), and the denominator of which is the number of Months from the Grant Date to the third December 31 following the Grant Date, and you will forfeit any remaining Performance Shares. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Performance Shares. You will not receive cash payments relating to any dividends and other distributions paid with respect to the Shares underlying your Performance Shares at the time of the payment date of the dividend or other distribution. If, however, any dividends or distributions with respect to the Shares underlying your Performance Shares are paid in Shares rather than cash, you will be credited with additional Performance Shares equal to the number of shares that you would have received had your Performance Shares been actual Shares, and such Performance Shares will be subject to the same risk of forfeiture and other terms of this Performance Shares Agreement as are the Performance Shares with respect to which they were credited. Amounts credited to you in the form of additional Performance Shares will be settled (if vested) at the same time as the Performance Shares with respect to which they were credited. Further, at the time Performance Shares are settled, you will receive a dividend equivalent cash payment in respect of any dividends and other distributions paid in cash with respect to Shares for which the record date is on or after the Grant Date and before the settlement date which payment will be in an amount equal to the product of the number of Shares payable to you on settlement of your Performance Shares and the total amount of dividends and other distributions paid in cash with respect to a Share during such period.

Settlement: Your Performance Shares will be settled by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Performance Share that you earn. The Performance Shares will be settled (and any dividend equivalent cash payment will be paid to you) as soon as practicable following the third December 31 following the Grant Date and no later than March 15 of the third year after the year in which the Grant Date occurs. Cash will be paid in satisfaction of any fractional Performance Share settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Performance Shares, the vesting of Performance Shares, your receipt of payments in respect of Performance Shares or the delivery of Shares to you in respect of Performance Shares results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Performance Shares) an amount, and/or to treat you as having surrendered vested Performance Shares having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Performance Shares, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to

have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Performance Shares granted herein shall be automatically forfeited. If you choose to accept this Performance Shares Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Performance Share Units
and Performance Share Unit Agreement (Standard International)**
Harley-Davidson, Inc.
or Subsidiaries

ID: 39-1805420



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]
2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted [Number of Performance Share Units Granted] Performance Share Units with respect to shares of Common Stock of Harley-Davidson, Inc. ("HDI"). This grant is made under HDI's 2014 Incentive Stock Plan (the "Plan").

Net Income. The performance measure that will determine the number of Shares as to which you will receive a payment in respect of 50% of your Performance Share Units ("Net Income Performance Share Units") will be the HDI's aggregate Net Income for the year in which the Grant Date occurs and the following two years. "Net Income" shall mean consolidated net income from continuing operations. "Target Aggregate Net Income" shall mean the aggregate Net Income for such period as reflected in the HDI's strategic plan approved by the Board of Directors of HDI as of the Grant Date.

The number of Net Income Performance Share Units earned will be as follows:

Aggregate Net Income at 70% of Target Aggregate Net Income = 50% Net Income Performance Share Units
Aggregate Net Income at 100% of Target Aggregate Net Income = 100% Net Income Performance Share Units

Aggregate Net Income at 105% of Target Aggregate Net Income = 200% Net Income Performance Share Units

No Net Income Performance Share Units will be earned if aggregate Net Income is less than 70% of Target Aggregate Net Income. The number of Net Income Performance Share Units earned will be interpolated between (i) 50% Net Income Performance Share Units and 100% Net Income Performance Share Units for aggregate Net Income between 70% and 100% of Target Aggregate Net Income and (ii) 100% Net Income Performance Share Units and 200% Net Income Performance Share Units for aggregate Net Income between 100% and 105% of Target Aggregate Net Income.

ROIC. The performance measure that will determine the number of Shares as to which you will receive a payment in respect of 50% of your Performance Share Units ("ROIC Performance Share Units") will be the three year average HDMC ROIC for the year in which the Grant Date occurs and the following two years. "HDMC ROIC" shall mean the sum of the quotient obtained by dividing (i) HDMC Net Operating Income After Tax by (ii) HDMC Invested Capital for each year in the performance period, divided by the number of years in the performance period. "HDMC Net Operating Income After Tax" shall mean the amount of operating income of HDMC reduced for taxes for the relevant year in the performance period. "HDMC Invested Capital" shall mean the average amount of HDMC debt plus the average amount of HDMC shareholder's equity, excluding accumulated other comprehensive income or loss for pension and post-retirement plans, for the relevant year in the performance period. "HDMC" shall mean Harley-Davidson Motor Company. "Target ROIC" shall mean the average HDMC ROIC for such period as reflected in HDI's strategic plan approved by the Board of Directors of HDI as of the Grant Date.

The number of ROIC Performance Share Units earned will be as follows:

Average HDMC ROIC at 70% of Target ROIC = 50% ROIC Performance Share Units
Average HDMC ROIC at 100% of Target ROIC = 100% ROIC Performance Share Units
Average HDMC ROIC at 105% of Target ROIC = 200% ROIC Performance Share Units

No ROIC Performance Share Units will be earned if average HDMC ROIC is less than 70% of Target ROIC. The number of ROIC Performance Share Units earned will be interpolated between (i) 50% ROIC Performance Share Units and 100% ROIC Performance Share Units for average HDMC ROIC between 70% and 100% of Target ROIC and (ii) 100% ROIC Performance Share Units and 200% ROIC Performance Share Units for average HDMC ROIC between 100% and 105% of Target ROIC.

Any Performance Share Units that are earned based on performance will be earned on the date that the Administrator certifies the achievement of the applicable level of performance. Any Performance Share Units that are not earned on such date shall be forfeited.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Performance Share Units.

The Performance Share Units are granted under and governed by the terms and conditions of the Plan and this Performance Share Unit Agreement including Exhibit A. Additional provisions regarding your Performance Share Units and definitions of capitalized terms used and not defined in this Performance Share Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC. and Subsidiaries



Vice President and Controller

Exhibit A to Performance Share Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to

maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If your employment with the Company is terminated prior to the third December 31 following the Grant Date for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term

in the Plan, which requires the consent of the Committee), then you will forfeit any Performance Share Units as of the date your employment is terminated.

(2) If you cease to be employed by the Company prior to the third December 31 following the Grant Date by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan), then you will receive a portion of the number of Performance Share Units that you would have received had you not ceased to be employed by the Company, which portion will be equal to such number of Performance Share Units multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan), and the denominator of which is the number of Months from the Grant Date to the third December 31 following the Grant Date, and you will forfeit any remaining Performance Share Units. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Common Stock of HDI underlying your Performance Share Units. You will not receive cash payments relating to any dividends and other distributions paid with respect to the Shares underlying your Performance Share Units at the time of the payment date of the dividend or other distribution. If, however, any dividends or distributions with respect to the Common Stock of HDI underlying your Performance Share Units are paid in Shares rather than cash, you will be credited with additional Performance Share Units equal to the number of shares that you would have received had your Performance Share Units been actual Shares, and such Performance Share Units will be subject to the same risk of forfeiture and other terms of this Performance Share Unit Agreement as are the Performance Share Units that are granted contemporaneously with this Performance Share Unit Agreement. Amounts credited to you in the form of additional Performance Share Units will be settled (if vested) at the same time as the Performance Share Units with respect to which they were credited. Further, at the time Performance Share Units are settled, you will receive a dividend equivalent cash payment in respect of any dividends and other distributions paid in cash with respect to Shares for which the record date is on or after the Grant Date and before the settlement date which payment will be in an amount equal to the product of the number of Shares in respect of which payment will be made to you on settlement of your Performance Share Units and the total amount of dividends and other distributions paid in cash with respect to a Share during such period.

Settlement: Your Performance Share Units will be settled by delivery to you of a cash payment in respect of Shares on a one-for-one basis, with payment for one Share being made for each Performance Share Unit that you earn. As soon as practicable following the date on which the Performance Share Units are earned, the Company will make a cash payment to you equal to the product obtained by multiplying the Fair Market Value of a Share on the date your Performance Share Units are earned by the number of Performance Share Units that you have earned, plus any dividend equivalent amount due, which payment will be made in your local currency using the spot rate on the date your Performance Share Units are earned, less applicable withholding.

Tax Withholding: To the extent that your receipt of Performance Share Units, the vesting of Performance Share Units or your receipt of payments in respect of Performance Share Units results in income to you for federal or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Performance Share Units) an amount, and/or to treat you as having surrendered vested Performance Share Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Performance Share Units granted herein shall be automatically forfeited. If you choose to accept this Performance Share Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2009 Incentive Stock Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Performance Shares
and Performance Shares Agreement (Transition Agreement)**

Harley-Davidson, Inc.

ID: 39-1805420

3700 West Juneau Avenue

Milwaukee, WI 53208



[Grant Type]

Plan:

[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted [Number of Performance Shares Granted] Performance Shares with respect to shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan (the "Plan").

Net Income. The performance measure that will determine the number of Shares you earn in respect of 50% of your Performance Shares ("Net Income Performance Shares") will be HDI's aggregate Net Income for the year in which the Grant Date occurs and the following two years. "Net Income" shall mean consolidated net income from continuing operations. "Target Aggregate Net Income" shall mean the aggregate Net Income for such period as reflected in HDI's strategic plan approved by the Board of Directors of HDI as of the Grant Date.

The number of Net Income Performance Shares earned will be as follows:

Aggregate Net Income at 70% of Target Aggregate Net Income = 50% Net Income Performance Shares
Aggregate Net Income at 100% of Target Aggregate Net Income = 100% Net Income Performance Shares
Aggregate Net Income at 105% of Target Aggregate Net Income = 200% Net Income Performance Shares

No Net Income Performance Shares will be earned if aggregate Net Income is less than 70% of Target Aggregate Net Income. The number of Net Income Performance Shares earned will be interpolated between (i) 50% Net Income Performance Shares and 100% Net Income Performance Shares for aggregate Net Income between 70% and 100% of Target Aggregate Net Income and (ii) 100% Net Income Performance Shares and 200% Net Income Performance Shares for aggregate Net Income between 100% and 105% of Target Aggregate Net Income.

ROIC. The performance measure that will determine the number of Shares you earn in respect of 50% of your Performance Shares (“ROIC Performance Shares”) will be the three year average HDMC ROIC for the year in which the Grant Date occurs and the following two years. “HDMC ROIC” shall mean the sum of the quotient obtained by dividing (i) HDMC Net Operating Income After Tax by (ii) HDMC Invested Capital for each year in the performance period, divided by the number of years in the performance period. “HDMC Net Operating Income After Tax” shall mean the amount of operating income of HDMC reduced for taxes for the relevant year in the performance period. “HDMC Invested Capital” shall mean the average amount of HDMC debt plus the average amount of HDMC shareholder’s equity, excluding accumulated other comprehensive income or loss for pension and post-retirement plans, for the relevant year in the performance period. “HDMC” shall mean Harley-Davidson Motor Company. “Target ROIC” shall mean the average HDMC ROIC for such period as reflected in HDI’s strategic plan approved by the Board of Directors of HDI as of the Grant Date.

The number of ROIC Performance Shares earned will be as follows:

Average HDMC ROIC at 70% of Target ROIC = 50% ROIC Performance Shares
Average HDMC ROIC at 100% of Target ROIC = 100% ROIC Performance Shares
Average HDMC ROIC at 105% of Target ROIC = 200% ROIC Performance Shares

No ROIC Performance Shares will be earned if average HDMC ROIC is less than 70% of Target ROIC. The number of ROIC Performance Shares earned will be interpolated between (i) 50% ROIC Performance Shares and 100% ROIC Performance Shares for average HDMC ROIC between 70% and 100% of Target ROIC and (ii) 100% ROIC Performance Shares and 200% ROIC Performance Shares for average HDMC ROIC between 100% and 105% of Target ROIC.

Any Performance Shares that are earned based on performance will be earned on the date that the Administrator certifies the achievement of the applicable level of performance. Any Performance Shares that are not earned on such date shall be forfeited.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Performance Shares.

The Performance Shares are granted under and governed by the terms and conditions of the Plan and this Performance Shares Agreement including Exhibit A. Additional provisions regarding your Performance Shares and definitions of capitalized terms used and not defined in this Performance Shares Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Performance Shares Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If your employment with the Company is terminated prior to the third December 31 following the Grant Date for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee), then you will forfeit any Performance Shares as of the date your employment is terminated.

(2) If you cease to be employed by the Company prior to the third December 31 following the Grant Date by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan), then you will receive a portion of the number of Performance Shares that you would have received had you not ceased to be employed by the Company, which portion will be equal to such number of Performance Shares multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan), and the denominator of which is the number of Months from the Grant Date to the third December 31 following the Grant Date, and you will forfeit any remaining Performance Shares. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Change of Control: The occurrence of a Change of Control (as defined in the Plan) shall not, in and of itself, cause otherwise unvested Performance Shares to become vested. Unless the Committee (as defined in the Plan) has exercised its discretion under Section 17(c) of the Plan to provide a result more favorable to you, whether or not the vesting of otherwise unvested Performance Shares is accelerated following such Change of Control shall be determined in accordance with the provisions of the Transition Agreement then in effect between you and HDI (or, if you had been but are not then a party to a Transition Agreement, the provisions of the Transition Agreement that would have applied if the last such Transition Agreement to which you were a party had continued).

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Performance Shares. You will not receive cash payments relating to any dividends and other distributions paid with respect to the Shares underlying your Performance Shares at the time of the payment date of the dividend or other distribution. If, however, any dividends or distributions with respect to the Shares underlying your Performance Shares are paid in Shares rather than cash, you will be credited with additional Performance Shares equal to the number of shares that you would have received had your Performance Shares been actual Shares, and such Performance Shares will be subject to the same risk of forfeiture and other terms of this Performance Shares Agreement as are the Performance Shares with respect to which they were credited. Amounts credited to you in the form of additional Performance Shares will be settled (if vested) at the same time as the Performance Shares with respect to which they were credited. Further, at the time Performance Shares are settled, you will receive a dividend equivalent cash payment in respect of any dividends and other distributions paid in cash with respect to Shares for which the record date is on or after the Grant Date and before the settlement date which payment will be in an amount equal to the product of the number of Shares payable to you on settlement of your Performance Shares and the total amount of dividends and other distributions paid in cash with respect to a Share during such period.

Settlement: Your Performance Shares will be settled by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Performance Share that you earn. The Performance Shares will be settled (and any dividend equivalent cash payment will be paid to you) as soon as practicable following the third December 31 following the Grant Date and no later than March 15 of the third year after the year in which the Grant Date occurs. Cash will be paid in satisfaction of any fractional Performance Share settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Performance Shares, the vesting of Performance Shares, your receipt of payments in respect of Performance Shares or the delivery of Shares to you in respect of Performance Shares results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Performance Shares) an amount, and/or to treat you as having

surrendered vested Performance Shares having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Performance Shares, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Performance Shares granted herein shall be automatically forfeited. If you choose to accept this Performance Shares Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement (Standard)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan, as amended and restated (the "Plan").

Subject to accelerated vesting and forfeiture as described in Exhibit A, a portion of the Restricted Stock Units (Restricted Stock Units with the same scheduled vesting date are referred to as a "Tranche") shall vest in accordance with the following schedule:

Restricted Stock Units Tranche	Vesting Date
One-third of the Restricted Stock Units (Tranche #1)	The first anniversary of the Grant Date
An additional one-third of the Restricted Stock Units (Tranche #2)	The second anniversary of the Grant Date
The final one-third of the Restricted Stock Units (Tranche #3)	The third anniversary of the Grant Date

If application of the above schedule on the first vesting date or the second vesting date would produce vesting in a fraction of a Restricted Stock Unit, then the number of Restricted Stock Units that become vested on that vesting date shall be rounded down to the next lower whole number of Restricted Stock Units, and the fractional Restricted Stock Unit shall be carried forward into the next Tranche of Restricted Stock Units.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If you cease to be employed by the Company for reasons other than Cause (as defined in the Plan) on or after age fifty-five (55) and if such cessation of employment occurred after the first anniversary of the Grant Date, then, effective immediately prior to the time of cessation of employment, any Restricted Stock Units that were not previously vested will become vested.

(2) Subject to clause (1), if your employment with the Company is terminated for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

(3) Subject to clause (1), if you cease to be employed by the Company by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock Units in each Tranche will vest, which portion will be equal to the number of unvested Restricted Stock Units in that Tranche multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), and the denominator of which is the number of Months from the Grant Date to the applicable anniversary of the Grant Date on which such Tranche would otherwise have vested if your employment had continued, and you will forfeit the remaining Restricted Stock Units that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Restricted Stock Units. You will receive cash payments equivalent to any dividends and other distributions paid with respect to the Shares underlying your Restricted Stock Units, to be paid on or promptly following the payment date of the dividend or other distribution, so long as the applicable record date occurs before you forfeit such Restricted Stock Units. If, however, any dividends or distributions with respect to the Shares underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units with respect to which they were credited. Amounts credited to you in the form of additional Restricted Stock Units will be settled (if vested) at the same time as the Restricted Stock Units with respect to which they were credited.

Settlement: Your Restricted Stock Units will be settled at the following times, to the extent then vested, by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Restricted Stock Unit:

- The Tranche #1 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the first anniversary of the Grant Date;
- The Tranche #2 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the second anniversary of the Grant Date; and
- The Tranche #3 Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the third anniversary of the Grant Date;

provided that all then-vested Restricted Stock Units that have not previously been settled will be settled upon your "separation from service" within the meaning of Code Section 409A; provided further that, if you are a "specified employee" within the meaning of Code Section 409A at the time or your separation from service, then, to the extent required to avoid the income inclusion, interest and additional tax imposed by Code Section 409A, settlement of your Restricted Stock Units on account of such separation from service shall be made on the first date that is six (6) months after the date of the separation from service. Cash will be paid in satisfaction of any fractional Restricted Stock Unit settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units, your receipt of payments in respect of Restricted Stock Units or the delivery of Shares to you in respect of Restricted Stock Units results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Restricted Stock Units, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement
(Standard International)**
Harley-Davidson, Inc.
or Subsidiaries

ID: 39-1805420



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]
2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI"). This grant is made under HDI's 2014 Incentive Stock Plan, as amended and restated (the "Plan").

Subject to accelerated vesting and forfeiture as described in Exhibit A, a portion of the Restricted Stock Units (Restricted Stock Units with the same scheduled vesting date are referred to as a "Tranche") shall become fully unrestricted (or "vest") in accordance with the following schedule:

Restricted Stock Units Tranche	Vesting Date
One-third of the Restricted Stock Units (Tranche #1)	The first anniversary of the Grant Date
An additional one-third of the Restricted Stock Units (Tranche #2)	The second anniversary of the Grant Date
The final one-third of the Restricted Stock Units (Tranche #3)	The third anniversary of the Grant Date

As soon as practicable following the date on which the Restricted Stock Units vest, the Company will make a cash payment to you in your local currency using the spot rate on the vesting date, less applicable withholding, equal to the product obtained by multiplying the Fair Market Value of a share of Common Stock of HDI on the vesting date by the number of Restricted Stock Units that have become vested on such date.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan. Without limitation, "Committee" means the Human Resources Committee of the Board or its delegate in accordance with the Plan.

HARLEY-DAVIDSON, INC. and Subsidiaries



Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being

generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If you cease to be employed by the Company for reasons other than Cause (as defined in the Plan) on or after age fifty-five (55) and if such cessation of employment occurred after the first anniversary of the Grant Date, then, effective immediately prior to the time of cessation of employment, any Restricted Stock Units that were not previously vested will become vested.

(2) Subject to clause (1), if your employment with the Company is terminated for any reason other than death, Disability or Retirement (based solely on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

(3) Subject to clause (1), if you cease to be employed by the Company by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock Units in each Tranche will vest, which portion will be equal to the number of unvested Restricted Stock Units in that Tranche multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based solely on clause (ii) of the definition of such term), and the denominator of which is the number of Months from the Grant Date to the anniversary date on which such Tranche would otherwise have become unrestricted if your employment had continued, and you will forfeit the remaining Restricted Stock Units that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date, or the anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Common Stock of HDI underlying your Restricted Stock Units. You will receive a cash payment equivalent to any dividends and other distributions paid with respect to the Common Stock of HDI underlying your Restricted Stock Units (reduced for any tax withholding due), so long as the applicable record date occurs before you forfeit such Restricted Stock Units, which will be paid in your local currency using the spot rate on the date the dividend or other distribution is paid to shareholders. If, however, any dividends or distributions with respect to the Common Stock of HDI underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement. Any amounts due to you under this provision shall be paid to you, in cash, no later than the end of the calendar year in which the dividend or other distribution is paid to shareholders or, if later, the 15th day of the third month following the date the dividends are paid to shareholders; provided that in the case of any distribution with respect to which you are credited with additional Restricted Stock Units that are subject to a risk of forfeiture, distribution shall be made at the same time as payment is made in respect of the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units or your receipt of payments in respect of Restricted Stock Units results in income to you for federal or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the

Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement (Special)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan, as amended and restated (the "Plan").

Subject to accelerated vesting and forfeiture as described in Exhibit A, the Restricted Stock Units shall vest on the third (3rd) anniversary of the Grant Date.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.

A handwritten signature in blue ink, appearing to read "Greg A. Hargy".

Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment: If your employment with the Company is terminated for any reason (including without limitation death or Disability), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Restricted Stock Units. You will receive cash payments equivalent to any dividends and other distributions paid with respect to the Shares underlying your Restricted Stock Units, to be paid on or promptly following the payment date of the dividend or other distribution, so long as the applicable record date occurs before you forfeit such Restricted Stock Units. If, however, any dividends or distributions with respect to the Shares underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units with respect to which they were credited. Amounts credited to you in the form of additional Restricted Stock Units will be settled (if vested) at the same time as the Restricted Stock Units with respect to which they were credited.

Settlement: Your Restricted Stock Units will be settled by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Restricted Stock Unit. The Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the third anniversary of the Grant Date; provided that all then-vested Restricted Stock Units that have not previously been settled will be settled upon your "separation from service" within the meaning of Code Section 409A; provided further that, if you are a "specified employee" within the meaning of Code Section 409A at the time of your separation from service, then, to the extent required to avoid the income inclusion, interest and additional tax imposed by Code Section 409A, settlement of your Restricted Stock Units on account of such separation from service shall be made on the first date that is six (6) months after the date of the separation from service. Cash will be paid in satisfaction of any fractional Restricted Stock Unit settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units, your receipt of payments in respect of Restricted Stock Units or the delivery of Shares to you in respect of Restricted Stock Units results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Restricted Stock Units, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted

Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement (Special Retention)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted Restricted Stock Units with respect to [Number of Shares Granted] shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan, as amended and restated (the "Plan").

Subject to forfeiture as described in Exhibit A, a portion of the Restricted Stock Units (Restricted Stock Units with the same scheduled vesting date are referred to as a "Tranche") shall vest in accordance with the following schedule:

<u>Restricted Stock Units Tranche</u>	<u>Vesting Date</u>
One-half of the Restricted Stock Units (Tranche #1)	The second anniversary of the Grant Date
The second half of the Restricted Stock Units (Tranche #2)	The third anniversary of the Grant Date

If application of the above schedule on the first vesting date would produce vesting in a fraction of a Restricted Stock Unit, then the number of Restricted Stock Units that become vested on that vesting date shall be rounded down to the next lower whole number of Restricted Stock Units, and the fractional Restricted Stock Unit shall be carried forward into the second Tranche of Restricted Stock Units.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Restricted Stock Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment: If your employment with the Company is terminated for any reason (including without limitation death or Disability), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Restricted Stock Units. You will receive cash payments equivalent to any dividends and other distributions paid with respect to the Shares underlying your Restricted Stock Units, to be paid on or promptly following the payment date of the dividend or other distribution, so long as the applicable record date occurs before you forfeit such Restricted Stock Units. If, however, any dividends or distributions with respect to the Shares underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units with respect to which they were credited. Amounts credited to you in the form of additional Restricted Stock Units will be settled (if vested) at the same time as the Restricted Stock Units with respect to which they were credited.

Settlement: Your Restricted Stock Units will be settled by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Restricted Stock Unit. The Restricted Stock Units will be settled as soon as practicable, and by no later than 2 ½ months, following the third anniversary of the Grant Date; provided that all then-vested Restricted Stock Units that have not previously been settled will be settled upon your "separation from service" within the meaning of Code Section 409A; provided further that, if you are a "specified employee" within the meaning of Code Section 409A at the time of your separation from service, then, to the extent required to avoid the income inclusion, interest and additional tax imposed by Code Section 409A, settlement of your Restricted Stock Units on account of such separation from service shall be made on the first date that is six (6) months after the date of the separation from service. Cash will be paid in satisfaction of any fractional Restricted Stock Unit settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units, your receipt of payments in respect of Restricted Stock Units or the delivery of Shares to you in respect of Restricted Stock Units results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Restricted Stock Units, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Restricted Stock Units granted herein shall be automatically forfeited. If you choose to accept this Restricted

Stock Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Performance Shares
and Performance Shares Agreement (Standard)**

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208



Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]

2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted [Number of Performance Shares Granted] Performance Shares with respect to shares of Common Stock of Harley-Davidson, Inc. ("HDI") under HDI's 2014 Incentive Stock Plan, as amended and restated (the "Plan").

ROIC. The performance measure that will determine the number of Shares you earn in respect of 40% of your Performance Shares ("ROIC Performance Shares") will be the three year average HDMC ROIC for the year in which the Grant Date occurs and the following two years. "HDMC ROIC" shall mean the sum of the quotient obtained by dividing (i) HDMC Net Operating Income After Tax by (ii) HDMC Invested Capital for each year in the performance period, divided by the number of years in the performance period. "HDMC Net Operating Income After Tax" shall mean the amount of operating income of HDMC reduced for taxes for the relevant year in the performance period. "HDMC Invested Capital" shall mean the average amount of HDMC debt plus the average amount of HDMC shareholder's equity, excluding accumulated other comprehensive income or loss

for pension and post-retirement plans, for the relevant year in the performance period. "HDMC" shall mean Harley-Davidson Motor Company.

The number of ROIC Performance Shares earned will be determined based on a scale approved by the Human Resources Committee for awards effective on the Grant Date as reflected in minutes of the Committee.

The maximum number of ROIC Performance Shares earned will be 200% of the ROIC Performance Shares.

Net Income. The performance measure that will determine the number of Shares you earn in respect of 35% of your Performance Shares ("Net Income Performance Shares") will be HDI's cumulative Net Income for the year in which the Grant Date occurs and the following two years. "Net Income" shall mean consolidated net income from continuing operations.

The number of Net Income Performance Shares earned will be determined based on a scale approved by the Human Resources Committee for awards effective on the Grant Date as reflected in minutes of the Committee.

The maximum number of Net Income Performance Shares earned will be 200% of the Net Income Performance Shares.

Strategic. The performance measure that will determine the number of Shares you earn in respect of 25% of your Performance Shares ("Strategic Performance Shares") will be the strategy measure approved by the Human Resources Committee of the Board of Directors of the Company for awards effective on the Grant Date as reflected in minutes of the Committee.

The number of Strategic Performance Shares earned will be determined based on a scale approved by the Human Resources Committee for awards effective on the Grant Date as reflected in minutes of the Committee.

The maximum number of Strategic Performance Shares earned will be 200% of the Strategic Performance Shares.

Any Performance Shares that are earned based on performance will be earned on the date that the Administrator certifies the achievement of the applicable level of performance. Any Performance Shares that are not earned on such date shall be forfeited.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Performance Shares.

The Performance Shares are granted under and governed by the terms and conditions of the Plan and this Performance Shares Agreement including Exhibit A. Additional provisions regarding your Performance Shares and definitions of capitalized terms used and not defined in this Performance Shares Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC.



Vice President and Controller

Exhibit A to Performance Shares Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic

value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If your employment with the Company is terminated prior to the third December 31 following the Grant Date for any reason other than death, Disability or Retirement (based on clause (ii) of the definition of such term in the Plan, which requires the consent of the Committee, or, if such termination occurred after the first anniversary of the Grant Date, based on clause (i) of the definition of such term in the Plan), then you will forfeit any Performance Shares as of the date your employment is terminated.

(2) If you cease to be employed by the Company prior to the third December 31 following the Grant Date by reason of death, Disability or Retirement (based on clause (ii) of the definition of such term in the Plan, or, if such termination occurred after the first anniversary of the Grant Date, based on clause (i) of the definition of such term in the Plan), then you will receive a portion of the number of Performance Shares that you would have received had you not ceased to be employed by the Company, which portion will be equal to such number of Performance Shares multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based on clause (ii) of the definition of such term in the Plan, or, if such termination occurred after the first anniversary of the Grant Date, based on clause (i) of the definition of such term in the Plan), and the denominator of which is the number of Months from the Grant Date to the third December 31 following the Grant Date, and you will forfeit any remaining Performance Shares. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Shares underlying your Performance Shares. You will not receive cash payments relating to any dividends and other distributions paid with respect to the Shares underlying your Performance Shares at the time of the payment date of the dividend or other distribution. If, however, any dividends or distributions with respect to the Shares underlying your Performance Shares are paid in Shares rather than cash, you will be credited with additional Performance Shares equal to the number of shares that you would have received had your Performance Shares been actual Shares, and such Performance Shares will be subject to the same risk of forfeiture and other terms of this Performance Shares Agreement as are the Performance Shares with respect to which they were credited. Amounts credited to you in the form of additional Performance Shares will be settled (if vested) at the same time as the Performance Shares with respect to which they were credited. Further, at the time Performance Shares are settled, you will receive a dividend equivalent cash payment in respect of any dividends and other distributions paid in cash with respect to Shares for which the record date is on or after the Grant Date and before the settlement date which payment will be in an amount equal to the product of the number of Shares payable to you on settlement of your Performance Shares and the total amount of dividends and other distributions paid in cash with respect to a Share during such period.

Settlement: Your Performance Shares will be settled by delivery to you of Shares on a one-for-one basis, with one Share being delivered for each Performance Share that you earn. The Performance Shares will be settled (and any dividend equivalent cash payment will be paid to you) as soon as practicable following the third December 31 following the Grant Date and no later than March 15 of the third year after the year in which the Grant Date occurs. Cash will be paid in satisfaction of any fractional Performance Share settled pursuant to this paragraph.

Issuance of Share Certificates: In lieu of issuing in your name certificate(s) evidencing your Shares, HDI may cause its transfer agent or other agent to reflect on its records your ownership of such Shares.

Tax Withholding: To the extent that your receipt of Performance Shares, the vesting of Performance Shares, your receipt of payments in respect of Performance Shares or the delivery of Shares to you in respect of Performance Shares results in a withholding obligation to the Company with respect to federal, state or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Performance Shares) an amount, and/or to treat you as having surrendered vested Performance Shares having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting,

as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

When income results from the delivery of Shares to you in respect of Performance Shares, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of Shares having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the delivery of such Shares. If you would be left with a fractional share after satisfying the withholding obligation, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept Shares, or if you want to keep all of the Shares that will be delivered, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the date of delivery of the Shares, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept Shares as described above.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Performance Shares granted herein shall be automatically forfeited. If you choose to accept this Performance Shares Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan and the Harley-Davidson, Inc. 2009 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

**Notice of Award of Performance Share Units
and Performance Share Unit Agreement (Standard International)**

Harley-Davidson, Inc.
or Subsidiaries

ID: 39-1805420



[Grant Type]

Plan:
[Signed Electronically]

Acceptance Date: [Acceptance Date]

ID:

[Participant Name]
2014 Incentive Stock Plan

[Participant ID]

Effective [Grant Date] (the "Grant Date"), you have been granted [Number of Performance Share Units Granted] Performance Share Units with respect to shares of Common Stock of Harley-Davidson, Inc. ("HDI"). This grant is made under HDI's 2014 Incentive Stock Plan, as amended and restated (the "Plan").

ROIC. The performance measure that will determine the number of Shares you earn in respect of 40% of your Performance Share Units ("ROIC Performance Shares") will be the three year average HDMC ROIC for the year in which the Grant Date occurs and the following two years. "HDMC ROIC" shall mean the sum of the quotient obtained by dividing (i) HDMC Net Operating Income After Tax by (ii) HDMC Invested Capital for each year in the performance period, divided by the number of years in the performance period. "HDMC Net Operating Income After Tax" shall mean the amount of operating income of HDMC reduced for taxes for the relevant year in the performance period. "HDMC Invested Capital" shall mean the average amount of HDMC debt plus the average amount of HDMC shareholder's equity, excluding accumulated other comprehensive income or loss for pension and post-retirement plans, for the relevant year in the performance period. "HDMC" shall mean Harley-Davidson Motor Company.

The number of ROIC Performance Share Units earned will be determined based on a scale approved by the Human Resources Committee for awards effective on the Grant Date as reflected in minutes of the Committee.

The maximum number of ROIC Performance Shares earned will be 200% of the ROIC Performance Shares.

Net Income. The performance measure that will determine the number of Shares you earn in respect of 35% of your Performance Share Units ("Net Income Performance Shares") will be HDI's cumulative Net Income for the year in which the Grant Date occurs and the following two years. "Net Income" shall mean consolidated net income from continuing operations.

The number of Net Income Performance Share Units earned will be determined based on a scale approved by the Human Resources Committee for awards effective on the Grant Date as reflected in minutes of the Committee.

The maximum number of Net Income Performance Share Units earned will be 200% of the Net Income Performance Shares.

Strategic. The performance measure that will determine the number of Shares you earn in respect of 25% of your Performance Share Units ("Strategic Performance Shares") will be the strategy measure approved by the Human Resources Committee of the Board of Directors of the Company for awards effective on the Grant Date as reflected in minutes of the Committee.

The number of Strategic Performance Share Units earned will be determined based on a scale approved by the Human Resources Committee for awards effective on the Grant Date as reflected in minutes of the Committee.

The maximum number of Strategic Performance Share Units earned will be 200% of the Strategic Performance Shares.

Any Performance Share Units that are earned based on performance will be earned on the date that the Administrator certifies the achievement of the applicable level of performance. Any Performance Share Units that are not earned on such date shall be forfeited.

You may not sell, transfer or otherwise convey an interest in or pledge any of your Performance Share Units.

The Performance Share Units are granted under and governed by the terms and conditions of the Plan and this Performance Share Unit Agreement including Exhibit A. Additional provisions regarding your Performance Share Units and definitions of capitalized terms used and not defined in this Performance Share Unit Agreement can be found in the Plan.

HARLEY-DAVIDSON, INC. and Subsidiaries

A handwritten signature in blue ink, appearing to read "Dwight A. Hays", is centered on the page.

Vice President and Controller

Exhibit A to Performance Share Unit Agreement

Confidential Information: In consideration of your agreement to the terms of this Restricted Stock Unit Agreement by your acceptance of this Restricted Stock Unit Agreement, the Company promises to disclose to you from time to time confidential and competitively sensitive information concerning, among other things, the Company and its strategies, objectives, performance and business prospects. You may use this information to perform your duties to the Company as well as in determining whether to accept an equity award. You shall not use this information for any purpose prohibited by the Company's policies and guidelines concerning insider trading and unauthorized disclosure or use of information.

Certain Definitions: The following definitions apply in this Restricted Stock Unit Agreement:

(1) "Company" or "the Company" means HDI and all of its subsidiaries and affiliates engaged in the development, manufacture, procurement, marketing, financing, or selling of two- or three-wheeled motorcycles; motorcycle parts, accessories, and clothing; or other motorcycle-related or motorcycle brand-identified products or services including financial services.

(2) "Competitive Business" as used in this Restricted Stock Unit Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above.

(3) "Confidential Information" means any information that is not generally known outside the Company relating to any phase of business of the Company, whether existing or foreseeable, including information conceived, discovered or developed by you. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the Company under an obligation of confidentiality to a third party.

(4) "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from the date of this Restricted Stock Unit Agreement through the last day of your employment with the Company, (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned).

(5) "Trade Secrets" means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the Company and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic value from their disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to

maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

(6) Neither Confidential Information nor Trade Secrets include general skills or knowledge or skills that you obtained prior to your employment with the Company.

Confidentiality:

(1) During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not use or disclose any Confidential Information except for the benefit of the Company in the course of your employment by the Company and shall not use or disclose any Confidential Information in competition with or to the detriment of the Company, or for your benefit or the benefit of anyone else other than the Company.

(2) During the time period from the date of this Restricted Stock Unit Agreement and for so long thereafter as such information is not generally known to, and not readily ascertainable by proper means to, other persons who can obtain economic value from its disclosure or use, you will maintain all Trade Secrets to which you have received access while employed by the Company as confidential and as the property of the Company.

(3) Upon termination of your employment with the Company, you will turn over immediately to the Company all Confidential Information and Trade Secrets (including all paper and electronic copies), and you shall retain no copies thereof. You shall attend an exit interview at or around the time of termination and sign a written statement certifying your compliance with the terms of this Restricted Stock Unit Agreement.

Competitive Employment: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member, or otherwise, in any position or capacity in which your knowledge of Confidential Information or Trade Secrets of the Company or personal association with the goodwill of the Company could reasonably be considered useful.

No Solicitation of Certain Employees: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether the termination of your employment is voluntary or involuntary or the reason therefor, you shall not, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any employee of the Company who was subject to your direct supervision or about whom you received any Confidential Information, in either event during any part of the last two years of your employment with the Company, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business.

No Solicitation of Certain Customers: During the time period from the date of this Restricted Stock Unit Agreement through the date that is two years after the last day of your employment with the Company, regardless of whether your termination of employment is voluntary or involuntary or the reason therefor, you shall not on behalf of or in connection with any Competitive Business, directly or indirectly, solicit or induce, or assist in any manner in the solicitation or inducement of any customer, distributor or dealer of the Company's products or services to terminate its relationship with the Company or to purchase or deal in products or services competitive with the Company's products or services, if you had any material contact with or learned any Confidential Information about the customer, distributor or dealer, in either event through performance of your job duties and responsibilities or through otherwise performing services on behalf of the Company during any part of the last two years of your employment with the Company.

Termination of Employment:

(1) If your employment with the Company is terminated prior to the third December 31 following the Grant Date for any reason other than death, Disability or Retirement (based on clause (ii) of the definition of such term in the

Plan, which requires the consent of the Committee, or, if such termination occurred after the first anniversary of the Grant Date, based on clause (i) of the definition of such term in the Plan), then you will forfeit any Performance Share Units as of the date your employment is terminated.

(2) If you cease to be employed by the Company prior to the third December 31 following the Grant Date by reason of death, Disability or Retirement (based on clause (ii) of the definition of such term in the Plan, or, if such termination occurred after the first anniversary of the Grant Date, based on clause (i) of the definition of such term in the Plan), then you will receive a portion of the number of Performance Share Units that you would have received had you not ceased to be employed by the Company, which portion will be equal to such number of Performance Share Units multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Retirement (based on clause (ii) of the definition of such term in the Plan, or, if such termination occurred after the first anniversary of the Grant Date, based on clause (i) of the definition of such term in the Plan), and the denominator of which is the number of Months from the Grant Date to the third December 31 following the Grant Date, and you will forfeit any remaining Performance Share Units. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date or the applicable anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Common Stock of HDI underlying your Performance Share Units. You will not receive cash payments relating to any dividends and other distributions paid with respect to the Shares underlying your Performance Share Units at the time of the payment date of the dividend or other distribution. If, however, any dividends or distributions with respect to the Common Stock of HDI underlying your Performance Share Units are paid in Shares rather than cash, you will be credited with additional Performance Share Units equal to the number of shares that you would have received had your Performance Share Units been actual Shares, and such Performance Share Units will be subject to the same risk of forfeiture and other terms of this Performance Share Unit Agreement as are the Performance Share Units that are granted contemporaneously with this Performance Share Unit Agreement. Amounts credited to you in the form of additional Performance Share Units will be settled (if vested) at the same time as the Performance Share Units with respect to which they were credited. Further, at the time Performance Share Units are settled, you will receive a dividend equivalent cash payment in respect of any dividends and other distributions paid in cash with respect to Shares for which the record date is on or after the Grant Date and before the settlement date which payment will be in an amount equal to the product of the number of Shares in respect of which payment will be made to you on settlement of your Performance Share Units and the total amount of dividends and other distributions paid in cash with respect to a Share during such period.

Settlement: Your Performance Share Units will be settled by delivery to you of a cash payment in respect of Shares on a one-for-one basis, with payment for one Share being made for each Performance Share Unit that you earn. As soon as practicable following the date on which the Performance Share Units are earned, the Company will make a cash payment to you equal to the product obtained by multiplying the Fair Market Value of a Share on the date your Performance Share Units are earned by the number of Performance Share Units that you have earned, plus any dividend equivalent amount due, which payment will be made in your local currency using the spot rate on the date your Performance Share Units are earned, less applicable withholding.

Tax Withholding: To the extent that your receipt of Performance Share Units, the vesting of Performance Share Units or your receipt of payments in respect of Performance Share Units results in income to you for federal or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Performance Share Units) an amount, and/or to treat you as having surrendered vested Performance Share Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

Rejection/Acceptance: You have ninety (90) days following the Grant Date to accept this Award through your Fidelity account. If you have not accepted this Award within ninety (90) days following the Grant Date, the Performance Share Units granted herein shall be automatically forfeited. If you choose to accept this

Performance Share Unit Agreement, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan, the Harley-Davidson, Inc. 2009 Incentive Stock Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

HARLEY-DAVIDSON, INC.
SUBSIDIARIES

<u>Name</u>	<u>State/Country Of Incorporation</u>
H-D U.S.A., LLC	Wisconsin
Harley-Davidson Motor Company Group, LLC	Wisconsin
Harley-Davidson Motor Company Operations, Inc.	Wisconsin
H-D Franklin, LLC	Wisconsin
H-D Tomahawk Somo, LLC	Wisconsin
H-D Tomahawk Industrial Park, LLC	Wisconsin
H-D Tomahawk Kaphaem Road, LLC	Wisconsin
H-D Capitol Drive, LLC	Wisconsin
H-D Pilgrim Road, LLC	Wisconsin
Harley-Davidson Motor Company, Inc.	Wisconsin
Harley-Davidson Museum, LLC	Wisconsin
Buell Distribution Company, LLC	Wisconsin
H-D F&R, LLC	Wisconsin
Harley-Davidson Asia Pacific, LLC	Wisconsin
Buell Motorcycle Company, LLC	Wisconsin
HDWA, LLC	Wisconsin
H-D LiveWire Labs, LLC	California
Harley-Davidson Dealer Systems, Inc.	Ohio
H-D International Holding Co., Inc.	Wisconsin
Harley-Davidson Holding Co., Inc.	Delaware
Harley-Davidson Benelux B.V.	Netherlands
Harley-Davidson France SAS	France
Harley-Davidson Germany GmbH	Germany
Harley-Davidson Italia S.r.l.	Italy
Harley-Davidson Japan KK	Japan
Harley-Davidson Europe Limited	England
Harley-Davidson do Brazil Ltda.	Brazil
Harley-Davidson do Brazil Fabricacao De Componentes Ltda.	Brazil
Harley-Davidson Australia Pty. Limited	Australia
Harley-Davidson (Shanghai) Commercial and Trading Co., Ltd.	China
H-D Hong Kong Limited	Hong Kong
Harley-Davidson Espana S.L.	Spain
Harley-Davidson Switzerland GmbH	Switzerland
New Castalloy Pty. Limited	Australia
Harley-Davidson De Mexico, S. De R.L. De C.V.	Mexico
Harley-Davidson De Mexico Management, S. De R.L. De C.V.	Mexico
Harley-Davidson Africa (Pty) Limited	South Africa
Harley-Davidson Asia Pacific Pte. Ltd.	Singapore
Harley-Davidson Central and Eastern Europe s.r.o.	Czech Republic
H-D Motor Company India Private Limited	India
Harley-Davidson Austria GmbH	Austria

Harley-Davidson RUS LLC	Russia
Harley-Davidson MENA DMCC	Dubai
Harley-Davidson South East Europe Single Member E.P.E.	Greece
Harley-Davidson (Thailand) Company Limited	Thailand
HDMC (Thailand) Ltd.	Thailand
H-D Motor (Thailand) Limited	Thailand
H-D Motorcycle (Thailand) Limited	Thailand
Harley-Davidson Indonesia PT	Indonesia
Harley-Davidson Canada GP Inc.	Canada
Harley-Davidson Canada Holdings ULC	Canada
Harley-Davidson Canada LP	Canada
HR, LLC	Indiana
HR Holding Corp.	Wisconsin
Harley-Davidson Financial Services, Inc.	Delaware
Harley-Davidson Insurance Services, Inc.	Nevada
Harley-Davidson Credit Corp.	Nevada
Harley-Davidson Insurance Services of Illinois, Inc.	Illinois
Harley-Davidson Customer Funding Corp	Nevada
Harley-Davidson Motorcycle Trust 2015-1	Delaware
Harley-Davidson Motorcycle Trust 2015-2	Delaware
Eaglemark Savings Bank	Nevada
Harley-Davidson Leasing, Inc.	Nevada
Harley-Davidson Warehouse Funding Corp.	Nevada
Harley-Davidson Financial Services International, Inc.	Delaware
Harley-Davidson Financial Services Europe Limited	England
Harley-Davidson Financial Services Canada, Inc.	Canada

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-51741) pertaining to the Harley-Davidson, Inc. Director Stock Plan;
- (2) Registration Statement (Form S-8 No. 333-123405) pertaining to the Harley-Davidson, Inc. 2004 Incentive Stock Plan;
- (3) Registration Statement (Form S-8 No. 333-166549) pertaining to the Harley-Davidson, Inc. 2009 Incentive Stock Plan;
- (4) Registration Statement (Form S-8 No. 333-171813) pertaining to the Harley-Davidson, Inc. Stock Purchase Plan;
- (5) Registration Statement (Form S-8 Nos. 333-181761) of Harley-Davidson, Inc. pertaining to the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for Kansas City Hourly Bargaining Unit Employees, and the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees; and
- (6) Registration Statement (Form S-8 No. 333-199972) pertaining to the Harley-Davidson, Inc. 2014 Incentive Stock Plan

of our reports dated February 28, 2019, with respect to the consolidated financial statements and schedule of Harley-Davidson, Inc. and the effectiveness of internal control over financial reporting of Harley-Davidson, Inc., included in this Annual Report (Form 10-K) of Harley-Davidson for the year ended December 31, 2018.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
February 28, 2019

Chief Executive Officer Certification
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Matthew S. Levatich, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/S/ Matthew S. Levatich

Matthew S. Levatich

President and Chief Executive Officer

Chief Financial Officer Certification
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, John A. Olin, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/S/ John A. Olin

John A. Olin
Senior Vice President and
Chief Financial Officer

Written Statement of the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. sec. 1350

Solely for the purpose of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Harley-Davidson, Inc. (the “Company”), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2019

/S/ Matthew S. Levatic

Matthew S. Levatic

President and Chief Executive Officer

/S/ John A. Olin

John A. Olin

Senior Vice President and
Chief Financial Officer