HARLEY DAVIDSON INC
Form 10-Q
August 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 28, 2015

.. 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	39-1382325
(State of organization)	(I.R.S. Employer Identification No.)
3700 West Juneau Avenue Milwaukee, Wisconsin	53208
(Address of principal executive offices)	(Zip code)

Registrants telephone number: (414) 342-4680

None

(Former name, former address and former fiscal year, if changed since last report)

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 requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

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

Number of shares of the registrant’s common stock outstanding at July 31, 2015: 205,966,792 shares

Harley-Davidson, Inc.

Form 10-Q

For The Quarter Ended June 28, 2015

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
HARLEY-DAVIDSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three months ended		Six months ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Revenue:				
Motorcycles and Related Products	$1,650,783	$1,834,285	$3,161,353	$3,405,973
Financial Services	173,609	166,414	335,984	320,774
Total revenue	1,824,392	2,000,699	3,497,337	3,726,747
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	1,003,569	1,110,146	1,923,864	2,089,703
Financial Services interest expense	41,188	40,741	79,724	79,598
Financial Services provision for credit losses	15,175	15,961	41,422	36,292
Selling, administrative and engineering expense	301,944	286,156	579,693	562,577
Total costs and expenses	1,361,876	1,453,004	2,624,703	2,768,170
Operating income	462,516	547,695	872,634	958,577
Investment income	1,450	1,772	2,772	3,431
Interest expense	9	393	18	4,070
Income before provision for income taxes	463,957	549,074	875,388	957,938
Provision for income taxes	164,147	194,921	305,724	337,868
Net income	$299,810	$354,153	$569,664	$620,070
Earnings per common share:				
Basic	$1.44	$1.63	$2.72	$2.84
Diluted	$1.44	$1.62	$2.71	$2.82
Cash dividends per common share	$0.310	$0.275	$0.620	$0.550

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

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HARLEY-DAVIDSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three months ended		Six months ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net income	$299,810	$354,153	$569,664	$620,070
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments	4,251	5,733	(22,770)	8,681
Derivative financial instruments	(13,286)	3,150	(2,214)	2,923
Marketable securities	(128)	(74)	(195)	(116)
Pension and postretirement benefit plans	8,798	6,069	17,596	12,137
Total other comprehensive (loss) income, net of tax	$(365)	$14,878	$(7,583)	$23,625
Comprehensive income	$299,445	$369,031	$562,081	$643,695

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

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HARLEY-DAVIDSON, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	(Unaudited) June 28, 2015	December 31, 2014	(Unaudited) June 29, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$1,247,579	$906,680	$999,346
Marketable securities	52,516	57,325	57,814
Accounts receivable, net	277,569	247,621	289,940
Finance receivables, net	2,331,723	1,916,635	2,281,512
Inventories	395,044	448,871	371,597
Restricted cash	136,760	98,627	154,681
Deferred income taxes	94,778	89,916	90,348
Other current assets	160,421	182,420	128,460
Total current assets	4,696,390	3,948,095	4,373,698
Finance receivables, net	4,816,772	4,516,246	4,537,405
Property, plant and equipment, net	873,007	883,077	826,467
Prepaid pension costs	—	—	256,279
Goodwill	26,105	27,752	30,252
Deferred income taxes	66,755	77,835	2,915
Other long-term assets	85,843	75,092	49,280
	$10,564,872	$9,528,097	$10,076,296
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$407,636	$196,868	$388,342
Accrued liabilities	448,737	449,317	500,769
Short-term debt	114,983	731,786	619,622
Current portion of long-term debt	1,551,368	1,011,315	944,915
Total current liabilities	2,522,724	2,389,286	2,453,648
Long-term debt	4,560,349	3,761,528	3,794,396
Pension liability	66,786	76,186	38,174
Postretirement healthcare liability	196,369	203,006	209,312
Deferred income taxes	—	—	38,919
Other long-term liabilities	195,017	188,805	175,587
Commitments and contingencies (Note 16)			
Shareholders' equity:			
Preferred stock, none issued	—	—	—
Common stock	3,448	3,442	3,439
Additional paid-in-capital	1,304,855	1,265,257	1,231,913
Retained earnings	8,898,959	8,459,040	8,352,168
Accumulated other comprehensive loss	(522,526)	(514,943)	(309,051)
Treasury stock, at cost	(6,661,109)	(6,303,510)	(5,912,209)
Total shareholders' equity	3,023,627	2,909,286	3,366,260
	$10,564,872	$9,528,097	$10,076,296

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HARLEY-DAVIDSON, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)
(In thousands)

	(Unaudited) June 28, 2015	December 31, 2014	(Unaudited) June 29, 2014
Balances held by consolidated variable interest entities (Note 5)			
Current finance receivables, net	$409,198	$312,645	$359,085
Other assets	$3,067	$3,409	$2,521
Non-current finance receivables, net	$1,740,420	$1,113,801	$1,495,171
Restricted cash - current and non-current	$149,418	$110,017	$141,146
Current portion of long-term debt	$462,008	$366,889	$403,891
Long-term debt	$1,555,071	$904,644	$1,308,964

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

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HARLEY-DAVIDSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended	
	June 28, 2015	June 29, 2014
Net cash provided by operating activities (Note 3)	$613,944	$570,592
Cash flows from investing activities:		
Capital expenditures	(85,180)	(74,523)
Origination of finance receivables	(1,976,563)	(1,904,577)
Collections on finance receivables	1,570,431	1,518,186
Sales and redemptions of marketable securities	4,500	41,010
Other	5,111	145
Net cash used by investing activities	(481,701)	(419,759)
Cash flows from financing activities:		
Repayments of senior unsecured notes	—	(303,000)
Proceeds from issuance of medium-term notes	595,386	—
Repayments of medium-term notes	—	(7,220)
Proceeds from securitization debt	1,195,668	847,126
Repayments of securitization debt	(454,332)	(393,655)
Net decrease in credit facilities and unsecured commercial paper	(616,586)	(48,134)
Borrowings of asset-backed commercial paper	40,209	36,800
Repayments of asset-backed commercial paper	(35,730)	(37,317)
Net change in restricted cash	(40,159)	(9,874)
Dividends paid	(129,745)	(120,631)
Purchase of common stock for treasury	(358,425)	(223,736)
Excess tax benefits from share-based payments	2,401	8,652
Issuance of common stock under employee stock option plans	15,664	27,907
Net cash provided by (used by) financing activities	214,351	(223,082)
Effect of exchange rate changes on cash and cash equivalents	(5,695)	4,983
Net increase (decrease) in cash and cash equivalents	$340,899	$(67,266)
Cash and cash equivalents:		
Cash and cash equivalents—beginning of period	$906,680	$1,066,612
Net increase (decrease) in cash and cash equivalents	340,899	(67,266)
Cash and cash equivalents—end of period	$1,247,579	$999,346

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

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HARLEY-DAVIDSON, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Use of Estimates

The condensed 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 material intercompany transactions are eliminated.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the condensed consolidated balance sheets as of June 28, 2015 and June 29, 2014, the condensed consolidated statements of income for the three and six month periods then ended, the condensed consolidated statements of comprehensive income for the three and six month periods then ended and the condensed consolidated statements of cash flows for the six month periods then ended.

Certain information and footnote disclosures normally included in complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and U.S. generally accepted accounting principles (U.S. GAAP) for interim financial reporting. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

2. New Accounting Standards

Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (ASU No. 2014-09). ASU No. 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. In July 2015, the FASB decided to defer the effective date of the new revenue recognition standard by one year to fiscal years beginning after December 15, 2017 and for interim periods therein. The Company is currently evaluating the impact of adoption.

In February 2015, the FASB issued ASU No. 2015-02 Amendments to the Consolidation Analysis (ASU 2015-02). ASU No. 2015-02 amends the guidance within Accounting Standards Codification (ASC) Topic 810, "Consolidation,” to change the analysis that a reporting entity must perform to determine whether it should consolidate certain legal entities. The Company is required to adopt ASU No, 2015-02 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company believes the adoption of ASU No. 2015-02 will not have an impact on its financial results and will only impact the content of the current disclosure.

In April 2015, the FASB issued ASU No. 2015-03 Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU No. 2015-03 amends the guidance within ASC Topic 835, "Interest", to require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt premiums and discounts. The Company is required to adopt ASU No, 2015-03 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015 on a retrospective basis. Upon adoption, the Company will reclassify its debt issuance costs from other assets to debt on the balance sheet. At June 28, 2015, the Company had $18.4 million of debt issuance costs recorded as assets on the balance sheet.

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3. Additional Balance Sheet and Cash Flow Information

Marketable Securities

The Company’s marketable securities consisted of the following (in thousands):

	June 28, 2015	December 31, 2014	June 29, 2014
Available-for-sale: Corporate bonds	$52,516	$57,325	$57,814
Trading securities: Mutual funds	37,698	33,815	33,567
	$90,214	$91,140	$91,381

The Company’s available-for-sale securities are carried at fair value with any unrealized gains or losses reported in other comprehensive income. During the first half of 2015 and 2014, the Company recognized gross unrealized losses of approximately $310,000 and $184,000, respectively, or $195,000 and $116,000 net of taxes, respectively, to adjust amortized cost to fair value. The marketable securities have contractual maturities that generally come due over the next 3 to 22 months.

The Company's trading securities relate to investments held by the Company to fund certain deferred compensation obligations. The trading securities are carried at fair value with gains and losses recorded in net income and investments are included in other long-term assets on the consolidated balance sheets.

Inventories

Inventories are valued at the lower of cost or market. Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventories consist of the following (in thousands):

	June 28, 2015	December 31, 2014	June 29, 2014
Components at the lower of FIFO cost or market			
Raw materials and work in process	$137,151	$151,254	$118,720
Motorcycle finished goods	186,326	230,309	179,314
Parts and accessories and general merchandise	121,469	117,210	122,289
Inventory at lower of FIFO cost or market	444,946	498,773	420,323
Excess of FIFO over LIFO cost	(49,902)	(49,902)	(48,726)
	$395,044	$448,871	$371,597

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Operating Cash Flow

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

	Six months ended	
	June 28, 2015	June 29, 2014
Cash flows from operating activities:		
Net income	$569,664	$620,070
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	93,640	87,123
Amortization of deferred loan origination costs	47,524	45,713
Amortization of financing origination fees	4,820	4,284
Provision for employee long-term benefits	24,635	16,854
Contributions to pension and postretirement plans	(12,725)	(14,035)
Stock compensation expense	16,734	20,768
Net change in wholesale finance receivables related to sales	(418,969)	(510,200)
Provision for credit losses	41,422	36,292
Loss on debt extinguishment	—	1,145
Deferred income taxes	(1,195)	(3,894)
Foreign currency adjustments	11,041	(5,084)
Other, net	(1,964)	9,332
Changes in current assets and liabilities:		
Accounts receivable, net	(43,309)	(25,643)
Finance receivables—accrued interest and other	(270)	(993)
Inventories	38,012	58,741
Accounts payable and accrued liabilities	232,357	226,233
Derivative instruments	1,185	968
Other	11,342	2,918
Total adjustments	44,280	(49,478)
Net cash provided by operating activities	$613,944	$570,592

4. Finance Receivables

The Company provides retail financial services to customers of the Company's independent dealers in the United States 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 sales contracts. The Company holds either titles or liens on titles to vehicles financed by promissory notes and installment sales contracts.

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.

Finance receivables, net, consisted of the following (in thousands):

	June 28, 2015	December 31, 2014	June 29, 2014
Retail	$5,962,685	$5,607,924	$5,603,187
Wholesale	1,325,041	952,321	1,338,085
	7,287,726	6,560,245	6,941,272
Allowance for credit losses	(139,231)	(127,364)	(122,355)
	$7,148,495	$6,432,881	$6,818,917

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A provision for credit losses on finance receivables is charged or credited to earnings in amounts that the Company believes are sufficient to maintain the allowance for credit losses at a level that is adequate to cover losses of principal inherent in the existing portfolio. The allowance for credit losses represents management's estimate of probable losses inherent in the finance receivable portfolio as of the balance sheet date. However, due to the use of projections and assumptions in estimating the losses, the amount of losses actually incurred by the Company could differ from the amounts estimated.

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

	Three months ended June 28, 2015		
	Retail	Wholesale	Total
Balance, beginning of period	$123,777	$9,043	$132,820
Provision for credit losses	16,890	(1,715)	15,175
Charge-offs	(21,003)	—	(21,003)
Recoveries	12,239	—	12,239
Balance, end of period	$131,903	$7,328	$139,231
	Three months ended June 29, 2014		
	Retail	Wholesale	Total
Balance, beginning of period	$106,776	$7,753	$114,529
Provision for credit losses	16,258	(297)	15,961
Charge-offs	(19,018)	—	(19,018)
Recoveries	10,883	—	10,883
Balance, end of period	$114,899	$7,456	$122,355
	Six months ended June 28, 2015		
	Retail	Wholesale	Total
Balance, beginning of period	$122,025	$5,339	$127,364
Provision for credit losses	39,433	1,989	41,422
Charge-offs	(53,736)	—	(53,736)
Recoveries	24,181	—	24,181
Balance, end of period	$131,903	$7,328	$139,231
	Six months ended June 29, 2014		
	Retail	Wholesale	Total
Balance, beginning of period	$106,063	$4,630	$110,693
Provision for credit losses	33,466	2,826	36,292
Charge-offs	(46,361)	—	(46,361)
Recoveries	21,731	—	21,731
Balance, end of period	$114,899	$7,456	$122,355

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. Portions of the allowance for credit losses are established to cover estimated losses on finance receivables specifically identified for impairment. The unspecified portion of the allowance for credit losses covers estimated losses on finance receivables which are collectively reviewed for impairment.

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 evaluation for the wholesale allowance for credit losses 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

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borrower will not be able to make full payment of the 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 considered impaired on an individual basis are segregated, based on similar risk characteristics, according to the Company's internal risk rating system and collectively evaluated for impairment. The related allowance for credit losses is based on factors such as the specific borrower's financial performance and ability to repay, the Company's past loan loss experience, current economic conditions, and the value of the underlying collateral.

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 finance receivables in troubled debt restructurings. Total restructured finance receivables are not significant.

The allowance for credit losses and finance receivables by portfolio, segregated by those amounts that are individually evaluated for impairment and those that are collectively evaluated for impairment, was as follows (in thousands):

	June 28, 2015		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	$—	$—	$—
Collectively evaluated for impairment	131,903	7,328	139,231
Total allowance for credit losses	$131,903	$7,328	$139,231
Finance receivables, ending balance:			
Individually evaluated for impairment	$—	$—	$—
Collectively evaluated for impairment	5,962,685	1,325,041	7,287,726
Total finance receivables	$5,962,685	$1,325,041	$7,287,726
	December 31, 2014		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	$—	$—	$—
Collectively evaluated for impairment	122,025	5,339	127,364
Total allowance for credit losses	$122,025	$5,339	$127,364
Finance receivables, ending balance:			
Individually evaluated for impairment	$—	$—	$—
Collectively evaluated for impairment	5,607,924	952,321	6,560,245
Total finance receivables	$5,607,924	$952,321	$6,560,245
	June 29, 2014		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	$—	$—	$—
Collectively evaluated for impairment	114,899	7,456	122,355
Total allowance for credit losses	$114,899	$7,456	$122,355
Finance receivables, ending balance:			
Individually evaluated for impairment	$—	$—	$—
Collectively evaluated for impairment	5,603,187	1,338,085	6,941,272
Total finance receivables	$5,603,187	$1,338,085	$6,941,272

There were no wholesale finance receivables at June 28, 2015, December 31, 2014, or June 29, 2014 that were individually deemed to be impaired under ASC Topic 310, "Receivables."

Retail finance receivables are contractually delinquent if the minimum payment is not received by the specified due date. Retail finance receivables are generally charged-off when the receivable is 120 days or more delinquent, the related asset is repossessed or the receivable is otherwise deemed uncollectible. All retail finance receivables accrue interest until either

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collected or charged-off. Accordingly, as of June 28, 2015, December 31, 2014 and June 29, 2014, all retail finance receivables were accounted for as interest-earning receivables, of which $18.3 million, $28.7 million and $14.7 million, respectively, were 90 days or more past due.

Wholesale finance receivables are delinquent if the minimum payment is not received by the contractual due date. Interest continues to accrue on past due finance receivables until the date the finance receivable becomes uncollectible and the finance receivable is placed on non-accrual status. The Company will resume accruing interest on these accounts when payments are current according to the terms of the loans and future payments are reasonably assured. While on non-accrual status, all cash received is applied to principal or interest as appropriate. Wholesale finance receivables are written down once management determines that the specific borrower does not have the ability to repay the loan in full. There were no wholesale receivables on non-accrual status at June 28, 2015, December 31, 2014 or June 29, 2014. At June 28, 2015, December 31, 2014 and June 29, 2014, $0.2 million, $0.2 million, and $0.03 million of wholesale finance receivables were 90 days or more past due and accruing interest, respectively.

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

	June 28, 2015					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	$5,819,279	$96,982	$28,150	$18,274	$143,406	$5,962,685
Wholesale	1,324,174	513	181	173	867	1,325,041
Total	$7,143,453	$97,495	$28,331	$18,447	$144,273	$7,287,726
	December 31, 2014					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	$5,427,719	$113,007	$38,486	$28,712	$180,205	$5,607,924
Wholesale	951,660	383	72	206	661	952,321
Total	$6,379,379	$113,390	$38,558	$28,918	$180,866	$6,560,245
	June 29, 2014					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	$5,469,796	$90,617	$28,088	$14,686	$133,391	$5,603,187
Wholesale	1,337,437	501	113	34	648	1,338,085
Total	$6,807,233	$91,118	$28,201	$14,720	$134,039	$6,941,272

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, was as follows (in thousands):

	June 28, 2015	December 31, 2014	June 29, 2014
Prime	$4,718,363	$4,435,352	$4,407,364
Sub-prime	1,244,322	1,172,572	1,195,823
Total	$5,962,685	$5,607,924	$5,603,187

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

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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 individually 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 borrowers' 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, was as follows (in thousands):

	June 28, 2015	December 31, 2014	June 29, 2014
Doubtful	$—	$954	$4,916
Substandard	7,739	7,025	4,192
Special Mention	15,343	—	—
Medium Risk	3,245	11,557	16,202
Low Risk	1,298,714	932,785	1,312,775
Total	$1,325,041	$952,321	$1,338,085

5. Asset-Backed Financing

The Company participates in asset-backed financing through both term asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. The Company treats these transactions as secured borrowings because either they are transferred to consolidated variable interest entities (VIEs) or the Company maintains effective control over the assets and does not meet the accounting sale requirements under ASC Topic 860, "Transfers and Servicing" (ASC Topic 860). 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 is required to consolidate any VIE in which it is deemed to be the primary beneficiary through having power over the significant activities of the entity and having an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. The Company is considered to have the power over the significant activities of its term asset-backed securitization and asset-backed U.S. commercial paper conduit facility VIEs due to its role as servicer. Servicing fees are typically not considered potentially significant variable interests in a VIE. However, the Company retains a residual interest in the VIEs in the form of a debt security, which gives the Company the right to receive benefits that could be potentially significant to the VIE. Therefore, the Company is the primary beneficiary and consolidates all of these VIEs within its consolidated financial statements.

The Company is not the primary beneficiary of the asset-backed Canadian commercial paper conduit facility VIE; therefore, the Company does not consolidate this 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 under ASC Topic 860. As such, the Company retains the transferred assets and the related debt within its Consolidated Balance Sheet.

Servicing fees paid by VIEs to the Company are eliminated in consolidation and therefore are not recorded on a consolidated basis. The Company is not required, and does not currently intend, to provide any additional financial support to its VIEs. Investors and creditors only have recourse to the assets held by the VIEs.

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The following table shows the assets and liabilities related to the asset-backed financings that were included in the financial statements (in thousands):

	June 28, 2015					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities						
Consolidated VIEs						
Term asset-backed securitizations	$2,199,018	$(49,400)	$149,418	$2,857	$2,301,893	$2,017,079
Asset-backed U.S. commercial paper conduit facility	—	—	—	210	210	—
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	176,730	(2,657)	12,793	340	187,206	160,940
Total on-balance sheet assets and liabilities	$2,375,748	$(52,057)	$162,211	$3,407	$2,489,309	$2,178,019

	December 31, 2014					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities						
Consolidated VIEs						
Term asset-backed securitizations	$1,458,602	$(32,156)	$110,017	$2,987	$1,539,450	$1,271,533
Asset-backed U.S. commercial paper conduit facility	—	—	—	422	422	—
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	185,099	(2,965)	12,035	262	194,431	166,912
Total on-balance sheet assets and liabilities	$1,643,701	$(35,121)	$122,052	$3,671	$1,734,303	$1,438,445

	June 29, 2014					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities						
Consolidated VIEs						
Term asset-backed securitizations	$1,893,585	$(39,329)	$141,146	$2,342	$1,997,744	$1,712,855
Asset-backed U.S. commercial paper conduit facility	—	—	—	179	179	—
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	203,800	(3,235)	13,535	240	214,340	173,224
Total on-balance sheet assets and liabilities	$2,097,385	$(42,564)	$154,681	$2,761	$2,212,263	$1,886,079

Term 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 term asset-backed securitization SPE is a separate legal entity and the U.S. retail motorcycle finance receivables included in the term asset-backed securitizations are only available for payment of the

secured debt and other obligations arising from the term asset-backed securitization transaction 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 ranging from 2015 to 2022.

During the second quarter of 2015, the Company issued $500.0 million of secured notes through one term asset-backed securitization transaction. The Company also issued $700.0 million of secured notes through one term asset-backed securitization transaction during the first quarter of 2015. During the second quarter of 2014, the Company issued $850.0

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million of secured notes through one term asset-backed securitization transaction. There were no other term asset-backed securitization transactions during the six months ended June 29, 2014.

Asset-Backed U.S. Commercial Paper Conduit Facility VIE

In September 2014, the Company amended and restated its facility (U.S. Conduit) with a third-party bank sponsored asset-backed commercial paper conduit, which provides for a total aggregate commitment of $600.0 million based on, among other things, the amount of eligible U.S. retail motorcycle loans held by a SPE as collateral. Under the facility, the Company may transfer U.S. retail motorcycle finance receivables to a SPE, which in turn may issue debt to third-party bank-sponsored asset-backed commercial paper conduits.

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 generally based on prevailing commercial paper rates plus a program fee based on outstanding principal, or LIBOR plus a specified margin to the extent the advance is not funded by a conduit lender through the issuance of commercial paper. The U.S. Conduit also provides for an unused commitment fee based on the unused portion of the total aggregate commitment of $600.0 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 U.S. Conduit, any outstanding principal will continue to be reduced monthly through available collections. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the U.S. Conduit has an expiration date of October 30, 2015.

The SPE had no borrowings outstanding under the U.S. Conduit at June 28, 2015, December 31, 2014 or June 29, 2014; therefore, U.S. Conduit assets are restricted as collateral for the payment of fees associated with the unused portion of the total aggregate commitment.

Asset-Backed Canadian Commercial Paper Conduit Facility

In June 2014, the Company amended 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$200.0 million. The transferred assets are restricted as collateral for the payment of the 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$200.0 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. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of June 28, 2015, the Canadian Conduit had an expiration date of June 30, 2015. The Canadian Conduit was renewed on June 30, 2015 with similar terms and a borrowing amount of up to C$240.0 million with an expiration date of June 30, 2016. The contractual maturity of the debt is approximately 5 years.

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, was $26.3 million at June 28, 2015. The maximum exposure is not an indication of the Company's expected loss exposure.

During the second and first quarters of 2015, the Company transferred $26.8 million and $19.2 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of $23.4 million and $16.8 million, respectively. During the second and first quarters of 2014, HDFS transferred $26.4 million and $15.7 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of $23.1 million and $13.8 million, respectively. The transferred assets are restricted as collateral for the payment of the debt.

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6. Fair Value Measurements

Certain assets and liabilities are recorded at fair value in the financial statements; some of these are measured on a recurring basis while others are measured on a non-recurring basis. Assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. Assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when required by particular events or circumstances. In determining the fair value of assets and liabilities, the Company uses various valuation techniques. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment. The Company assesses the inputs used to measure fair value using a three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market. 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 and commodity prices. 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 interest rates are valued using current quoted forward rates and prices; and investments in marketable securities and cash equivalents are valued using publicly 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. The use of observable and unobservable inputs is reflected in the hierarchy assessment disclosed in the following tables.

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Recurring Fair Value Measurements

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

	June 28, 2015			
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$1,030,928	$ 558,660	$472,268	$—
Marketable securities	90,214	37,698	52,516	—
Derivatives	26,501	—	26,501	—
	$1,147,643	$ 596,358	$551,285	$—
Liabilities:				
Derivatives	$986	$ —	$986	$—

	December 31, 2014			
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$737,024	$ 482,686	$254,338	$—
Marketable securities	91,140	33,815	57,325	—
Derivatives	32,244	—	32,244	—
	$860,408	$ 516,501	$343,907	$—
Liabilities:				
Derivatives	$2,027	$ —	$2,027	$—

	June 29, 2014			
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$660,520	$ 482,780	$177,740	$—
Marketable securities	91,381	33,567	57,814	—
Derivatives	3,159	—	3,159	—
	$755,060	$ 516,347	$238,713	$—
Liabilities:				
Derivatives	$1,478	$ —	$1,478	$—

Nonrecurring Fair Value Measurements

Repossessed inventory is recorded at the lower of cost or net realizable value through a nonrecurring fair value measurement. The nonrecurring fair value measurement represents the loss recognized to adjust the related finance receivable to the fair value of the repossessed inventory. Repossessed inventory was $13.1 million, $13.4 million and $11.2 million at June 28, 2015, December 31, 2014 and June 29, 2014, for which the fair value adjustment was $1.9 million, $5.0 million and $2.4 million at June 28, 2015, December 31, 2014 and June 29, 2014, respectively. Fair value is estimated using Level 2 inputs based on the recent market values of repossessed inventory.

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7. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, trade receivables, finance receivables, net, trade payables, debt, and foreign currency exchange and commodity contracts (derivative instruments are discussed further in Note 8).

The following table summarizes the fair value and carrying value of the Company's financial instruments (in thousands):

	June 28, 2015		December 31, 2014		June 29, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:						
Cash and cash equivalents	$1,247,579	$ 1,247,579	$906,680	$ 906,680	$999,346	$ 999,346
Marketable securities	$90,214	$ 90,214	$91,140	$ 91,140	$91,381	$ 91,381
Derivatives	$26,501	$ 26,501	$32,244	$ 32,244	$3,159	$ 3,159
Finance receivables, net	$7,251,671	$ 7,148,495	$6,519,500	$ 6,432,881	$6,917,698	$ 6,818,917
Restricted cash	$162,211	$ 162,211	$122,052	$ 122,052	$154,681	$ 154,681
Liabilities:						
Derivatives	$986	$ 986	$2,027	$ 2,027	$1,478	$ 1,478
Unsecured commercial paper	$114,983	$ 114,983	$731,786	$ 731,786	$619,622	$ 619,622
Asset-backed Canadian commercial paper conduit facility	$160,940	$ 160,940	$166,912	$ 166,912	$173,224	$ 173,224
Medium-term notes	$4,077,952	$ 3,933,698	$3,502,536	$ 3,334,398	$3,049,735	$ 2,853,232
Term asset-backed securitization debt	$2,016,232	$ 2,017,079	$1,270,656	$ 1,271,533	$1,717,287	$ 1,712,855

Cash and Cash Equivalents and Restricted Cash – With the exception of certain cash equivalents, the carrying values of these items in the financial statements are based on historical cost. The historical cost basis for these amounts is estimated to approximate their respective fair values due to the short maturity of these instruments. Fair value is based on Level 1 or Level 2 inputs.

Marketable Securities – The carrying value of marketable securities in the financial statements is based on fair value. The fair value of marketable securities is determined primarily based on quoted prices for identical instruments or on quoted market prices of similar financial assets. Fair value is based on Level 1 or Level 2 inputs.

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.

Derivatives – Forward contracts for foreign currency exchange, interest rates and commodities are derivative financial instruments and are carried at fair value on the balance sheet. The fair value of these contracts is determined using quoted forward rates and prices. Fair value is calculated using Level 2 inputs.

Debt – The carrying value of debt in the financial statements is generally amortized cost. The carrying value of unsecured commercial paper approximates fair value due to its short maturity. Fair value is calculated using Level 2 inputs.

The carrying value of debt provided under the Canadian Conduit approximates fair value since the interest rates charged under the facility are tied directly to market rates and fluctuate as market rates change. Fair value is calculated using Level 2 inputs.

The fair values of the medium-term notes are estimated based upon rates currently available for debt with similar terms and remaining maturities. Fair value is calculated using Level 2 inputs.

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The fair value of the debt related to term asset-backed securitization transactions is estimated based on pricing currently available for transactions with similar terms and maturities. Fair value is calculated using Level 2 inputs.

8. 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 (see Note 6). 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’s most significant foreign currency risk relates to the Euro, the Australian dollar, the Japanese yen and the Brazilian real. The Company utilizes foreign currency exchange contracts to mitigate the effects of these currencies’ fluctuations on earnings. 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.

During the second quarter of 2015, the Company entered into treasury rate locks to hedge the underlying U.S. treasury rate related to its anticipated issuance of senior unsecured debt during the third quarter of 2015. To the extent effective, gains and losses on the fair value of the treasury rate locks will be deferred until the forecasted debt is issued and will be amortized to earnings over the life of the debt.

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The following table summarizes the fair value of the Company's derivative financial instruments (in thousands):

	June 28, 2015			December 31, 2014			June 29, 2014		
Derivatives Designated As Hedging Instruments Under ASC Topic 815	Notional Value	Asset Fair Value[a]	Liability Fair Value[b]	Notional Value	Asset Fair Value[a]	Liability Fair Value[b]	Notional Value	Asset Fair Value[a]	Liability Fair Value[b]
Foreign currency contracts[c]	$367,309	$23,136	$—	$339,077	$32,244	$—	$398,338	$3,091	$1,461
Commodity contracts[c]	1,166	—	98	1,728	—	414	1,411	—	17
Treasury rate locks[c]	300,000	3,365	—	—	—	—	—	—	—
Total	$668,475	$26,501	$98	$340,805	$32,244	$414	$399,749	$3,091	$1,478

	June 28, 2015			December 31, 2014			June 29, 2014		
Derivatives Not Designated As Hedging Instruments Under ASC Topic 815	Notional Value	Asset Fair Value[a]	Liability Fair Value[b]	Notional Value	Asset Fair Value[a]	Liability Fair Value[b]	Notional Value	Asset Fair Value[a]	Liability Fair Value[b]
Commodity contracts	$8,218	$—	$888	$11,804	$—	$1,613	$7,754	$68	$—
	$8,218	$—	$888	$11,804	$—	$1,613	$7,754	$68	$—

(a) Foreign currency and commodity contract fair value included in other current assets and Treasury rate lock fair value included in other long-term assets

(b) Included in accrued liabilities

(c) Derivative designated as a cash flow hedge

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

	Amount of Gain/(Loss) Recognized in OCI, before tax			
	Three months ended		Six months ended	
Cash Flow Hedges	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Foreign currency contracts	$(4,458)	$3,931	$28,210	$2,493
Commodity contracts	(3)	(24)	(123)	191
Treasury rate locks	3,365	—	3,365	—
Total	$(1,096)	$3,907	$31,452	$2,684

	Amount of Gain/(Loss) Reclassified from AOCL into Income				
	Three months ended		Six months ended		Expected to be Reclassified
Cash Flow Hedges	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014	Over the Next Twelve Months
Foreign currency contracts[a]	$20,131	$(1,183)	$35,407	$(2,241)	$ 23,461
Commodity contracts[a]	(125)	87	(439)	283	(98)
Treasury rate locks[b]	—	—	—	—	191
Total	$20,006	$(1,096)	$34,968	$(1,958)	$ 23,554

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

(b) Gain/(loss) reclassified from accumulated other comprehensive loss (AOCL) to income will be included in interest expense

For the three and six months ended June 28, 2015 and June 29, 2014, 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.

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The following tables summarize the amount of gains and losses related to derivative financial instruments not designated as hedging instruments (in thousands):

	Amount of Gain/(Loss) Recognized in Income on Derivative			
	Three months ended		Six months ended	
Derivatives Not Designated As Hedges	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Commodity contracts[(a)]	$14	$184	$(526)	$(144)
Total	$14	$184	$(526)	$(144)

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

The Company is exposed to credit loss risk in the event of non-performance by counterparties to these derivative financial instruments. Although no assurances can be given, the Company does not expect any of the counterparties to these derivative financial instruments to fail to meet its obligations. To manage credit loss risk, the Company evaluates counterparties based on credit ratings and, on a quarterly basis, evaluates each hedge's net position relative to the counterparty's ability to cover its position.

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9. Accumulated Other Comprehensive Loss

The following tables set forth the changes in accumulated other comprehensive loss (AOCL) (in thousands):

	Three months ended June 28, 2015				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$(30,503)	$(767)	$30,114	$(521,005)	$(522,161)
Other comprehensive income (loss) before reclassifications	5,040	(204)	(1,096)	—	3,740
Income tax	(789)	76	406	—	(307)
Net other comprehensive income (loss) before reclassifications	4,251	(128)	(690)	—	3,433
Reclassifications:					
Realized (gains) losses - foreign currency contracts[a]	—	—	(20,131)	—	(20,131)
Realized (gains) losses - commodities contracts[a]	—	—	125	—	125
Prior service credits[b]	—	—	—	(695)	(695)
Actuarial losses[b]	—	—	—	14,670	14,670
Total before tax	—	—	(20,006)	13,975	(6,031)
Income tax expense (benefit)	—	—	7,410	(5,177)	2,233
Net reclassifications	—	—	(12,596)	8,798	(3,798)
Other comprehensive income (loss)	4,251	(128)	(13,286)	8,798	(365)
Balance, end of period	$(26,252)	$(895)	$16,828	$(512,207)	$(522,526)

	Three months ended June 29, 2014				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$36,274	$(318)	$(1,907)	$(357,978)	$(323,929)
Other comprehensive income (loss) before reclassifications	6,945	(117)	3,907	—	10,735
Income tax	(1,212)	43	(1,448)	—	(2,617)
Net other comprehensive income (loss) before reclassifications	5,733	(74)	2,459	—	8,118
Reclassifications:					
Realized (gains) losses - foreign currency contracts[a]	—	—	1,183	—	1,183
Realized (gains) losses - commodities contracts[a]	—	—	(87)	—	(87)
Prior service credits[b]	—	—	—	(684)	(684)
Actuarial losses[b]	—	—	—	10,323	10,323
Total before tax	—	—	1,096	9,639	10,735
Income tax benefit	—	—	(405)	(3,570)	(3,975)
Net reclassifications	—	—	691	6,069	6,760
Other comprehensive income (loss)	5,733	(74)	3,150	6,069	14,878

Balance, end of period	$42,007	$(392)	$1,243	$(351,909)	$(309,051)

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	Six months ended June 28, 2015				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$(3,482)	$(700)	$19,042	$(529,803)	$(514,943)
Other comprehensive (loss) income before reclassifications	(24,951)	(310)	31,452	—	6,191
Income tax	2,181	115	(11,650)	—	(9,354)
Net other comprehensive (loss) income before reclassifications	(22,770)	(195)	19,802	—	(3,163)
Reclassifications:					
Realized (gains) losses - foreign currency contracts[a]	—	—	(35,407)	—	(35,407)
Realized (gains) losses - commodities contracts[a]	—	—	439	—	439
Prior service credits[b]	—	—	—	(1,390)	(1,390)
Actuarial losses[b]	—	—	—	29,340	29,340
Total before tax	—	—	(34,968)	27,950	(7,018)
Income tax expense (benefit)	—	—	12,952	(10,354)	2,598
Net reclassifications	—	—	(22,016)	17,596	(4,420)
Other comprehensive (loss) income	(22,770)	(195)	(2,214)	17,596	(7,583)
Balance, end of period	$(26,252)	$(895)	$16,828	$(512,207)	$(522,526)

	Six months ended June 29, 2014				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$33,326	$(276)	$(1,680)	$(364,046)	$(332,676)
Other comprehensive income (loss) before reclassifications	8,700	(184)	2,684	—	11,200
Income tax	(19)	68	(994)	—	(945)
Net other comprehensive income (loss) before reclassifications	8,681	(116)	1,690	—	10,255
Reclassifications:					
Realized (gains) losses - foreign currency contracts[a]	—	—	2,241	—	2,241
Realized (gains) losses - commodities contracts[a]	—	—	(283)	—	(283)
Prior service credits[b]	—	—	—	(1,368)	(1,368)
Actuarial losses[b]	—	—	—	20,645	20,645
Total before tax	—	—	1,958	19,277	21,235
Income tax benefit	—	—	(725)	(7,140)	(7,865)
Net reclassifications	—	—	1,233	12,137	13,370
Other comprehensive income (loss)	8,681	(116)	2,923	12,137	23,625
Balance, end of period	$42,007	$(392)	$1,243	$(351,909)	$(309,051)

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

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

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10. Debt

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

	June 28, 2015	December 31, 2014	June 29, 2014
Unsecured commercial paper	$114,983	$731,786	$619,622

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

	June 28, 2015	December 31, 2014	June 29, 2014
Secured debt			
Asset-backed Canadian commercial paper conduit facility	$160,940	$166,912	$173,224
Term asset-backed securitization debt	2,017,079	1,271,533	1,712,855
Unsecured notes			
5.75% Medium-term notes due in 2014 ($500.0 million par value)	—	—	499,946
1.15% Medium-term notes due in 2015 ($600.0 million par value)	599,954	599,817	599,680
3.88% Medium-term notes due in 2016 ($450.0 million par value)	449,964	449,937	449,910
2.70% Medium-term notes due in 2017 ($400.0 million par value)	399,972	399,963	399,955
1.55% Medium-term notes due in 2017 ($400.0 million par value)	399,557	399,464	—
6.80% Medium-term notes due in 2018 ($888.0 million par value)	887,467	887,381	903,741
2.40% Medium-term notes due in 2019 ($600.0 million par value)	598,066	597,836	—
2.15% Medium-term notes due in 2020 ($600.0 million par value)	598,718	—	—
Gross long-term debt	6,111,717	4,772,843	4,739,311
Less: current portion of long-term debt	(1,551,368)	(1,011,315)	(944,915)
Long-term debt	$4,560,349	$3,761,528	$3,794,396

During the first and second quarters of 2015, the Company issued $700.0 million and $500.0 million, respectively, of secured notes through term asset-backed securitization transactions. During the second quarter of 2014, the Company issued $850.0 million of secured notes through one term asset-backed securitization transaction. There were no other term asset-backed securitization transactions during the six months ended June 29, 2014. The term asset-backed securitization transactions are further discussed in Note 5.

There were no medium-term notes issued or repurchased during the second quarter of 2015. During the first quarter of 2015, the Company issued $600.0 million of medium-term notes which mature in February 2020 and have an annual interest rate of 2.15%. There were no medium-term notes issued during the six months ended June 29, 2014. During the second quarter of 2014, HDFS repurchased an aggregate of $6.1 million of its 6.80% medium-term notes which mature in June 2018. As a result, HDFS recognized in financial services interest expense $1.1 million of loss on the extinguishment of debt, which included unamortized discounts and fees.

11. Income Taxes

The Company’s 2015 income tax rate for the six months ended June 28, 2015 was 34.9% compared to 35.3% for the same period last year.

12. Product Warranty and Recall Campaigns

The Company currently provides a standard two-year limited warranty on all new motorcycles sold worldwide, except for Japan, where the Company currently provides a standard three-year limited warranty on all new motorcycles sold. In addition, the Company provides 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 maintains reserves for future warranty claims using an estimated cost, which is based primarily on historical Company claim information. Additionally, the Company has from time to time initiated voluntary recall campaigns. The Company reserves for all estimated costs associated with recalls in the period that management approves and commits to the recall.

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

	Three months ended		Six months ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Balance, beginning of period	$71,073	$69,336	$69,250	$64,120
Warranties issued during the period	21,843	19,824	36,954	37,186
Settlements made during the period	(23,554)	(16,921)	(37,119)	(28,494)
Recalls and changes to pre-existing warranty liabilities	14,054	3,798	14,331	3,225
Balance, end of period	$83,416	$76,037	$83,416	$76,037

The liability for recall campaigns was $16.6 million, $9.8 million and $6.8 million as of June 28, 2015, December 31, 2014 and June 29, 2014, respectively.

13. Earnings Per Share

The following table sets forth the computation for basic and diluted earnings per share (in thousands, except per share amounts):

	Three months ended		Six months ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Numerator:				
Net income used in computing basic and diluted earnings per share	$299,810	$354,153	$569,664	$620,070
Denominator:				
Denominator for basic earnings per share - weighted-average common shares	207,650	217,762	209,115	218,367
Effect of dilutive securities - employee stock compensation plan	940	1,399	1,050	1,453
Denominator for diluted earnings per share - adjusted weighted-average shares outstanding	208,590	219,161	210,165	219,820
Earnings per common share:				
Basic	$1.44	$1.63	$2.72	$2.84
Diluted	$1.44	$1.62	$2.71	$2.82

Outstanding options to purchase 1.0 million and 0.4 million shares of common stock for the three months ended June 28, 2015 and June 29, 2014, respectively and 0.8 million and 0.5 million shares of common stock for the six months ended June 28, 2015 and June 29, 2014 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 shares of restricted stock and restricted stock units (RSUs). Non-forfeitable dividends are paid on unvested shares of restricted stock and non-forfeitable dividend equivalents are paid on unvested RSUs. As such, shares of restricted stock and 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 for the three and six month periods ended June 28, 2015 and June 29, 2014, respectively.

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14. Employee Benefit Plans

The Company has a defined benefit pension plan and postretirement healthcare benefit plans that cover certain 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. Net periodic benefit costs are allocated among selling, administrative and engineering expense, cost of goods sold and inventory. Amounts capitalized in inventory are not significant. Components of net periodic benefit costs were as follows (in thousands):

	Three months ended		Six months ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Pension and SERPA Benefits				
Service cost	$10,010	$7,874	$20,020	$15,748
Interest cost	21,836	21,731	43,672	43,462
Expected return on plan assets	(36,232)	(34,184)	(72,465)	(68,368)
Amortization of unrecognized:				
Prior service cost	109	279	218	558
Net loss	13,677	9,141	27,354	18,281
Net periodic benefit cost	$9,400	$4,841	$18,799	$9,681
Postretirement Healthcare Benefits				
Service cost	$2,065	$1,754	$4,130	$3,508
Interest cost	3,541	4,220	7,082	8,439
Expected return on plan assets	(2,877)	(2,607)	(5,754)	(5,215)
Amortization of unrecognized:				
Prior service credit	(804)	(963)	(1,608)	(1,927)
Net loss	993	1,182	1,986	2,364
Net periodic benefit cost	$2,918	$3,586	$5,836	$7,169

No pension contributions to qualified plans are required in 2015. The Company expects it will continue to make on-going contributions related to current benefit payments for SERPA and postretirement healthcare plans.

15. Business 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 & 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. Selected segment information is set forth below (in thousands):

	Three months ended		Six months ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Motorcycles net revenue	$1,650,783	$1,834,285	$3,161,353	$3,405,973
Gross profit	647,214	724,139	1,237,489	1,316,270
Selling, administrative and engineering expense	266,611	250,883	511,432	495,322
Operating income from Motorcycles	380,603	473,256	726,057	820,948
Financial Services revenue	173,609	166,414	335,984	320,774
Financial Services expense	91,696	91,975	189,407	183,145
Operating income from Financial Services	81,913	74,439	146,577	137,629
Operating income	$462,516	$547,695	$872,634	$958,577

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16. Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in 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 discussions with the EPA. Since that time, the EPA has delivered various additional requests for information to which the Company has responded. It is probable that a result of the EPA's investigation will be some form of enforcement action by the EPA that will seek a fine and/or other relief. The Company has a reserve associated with this matter which is included in accrued liabilities in the Consolidated Balance Sheet. However, given the uncertainty that still exists concerning the resolution of this matter, there is a possibility that the actual loss incurred may be materially different than the Company's current reserve. At this time, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter, if any.

York Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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. Although the Company is not certain as to the full extent of the environmental contamination at the York facility, it has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 in undertaking environmental investigation and remediation activities, including an ongoing 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 future 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 a reserve for its estimate of its share of the future Response Costs at the York facility which is included in accrued liabilities in the Condensed Consolidated Balance Sheets. As noted above, the RI/FS is still underway and given the uncertainty that exists concerning the nature and scope of additional environmental investigation and remediation that may ultimately be required under the RI/FS or otherwise at the York facility, 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. Response Costs are expected to be paid primarily over a period of several years ending in 2017 although certain Response Costs may continue for some time beyond 2017.

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.

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17. 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.

	Three months ended June 28, 2015			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	$1,653,759	$ —	$(2,976)	$1,650,783
Financial Services	—	174,147	(538)	173,609
Total revenue	1,653,759	174,147	(3,514)	1,824,392
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	1,003,569	—	—	1,003,569
Financial Services interest expense	—	41,188	—	41,188
Financial Services provision for credit losses	—	15,175	—	15,175
Selling, administrative and engineering expense	267,149	38,309	(3,514)	301,944
Total costs and expenses	1,270,718	94,672	(3,514)	1,361,876
Operating income	383,041	79,475	—	462,516
Investment income	1,450	—	—	1,450
Interest expense	9	—	—	9
Income before provision for income taxes	384,482	79,475	—	463,957
Provision for income taxes	134,633	29,514	—	164,147
Net income	$249,849	$ 49,961	$—	$299,810

	Six months ended June 28, 2015			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	$3,166,641	$ —	$(5,288)	$3,161,353
Financial Services	—	336,837	(853)	335,984
Total revenue	3,166,641	336,837	(6,141)	3,497,337
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	1,923,864	—	—	1,923,864
Financial Services interest expense	—	79,724	—	79,724
Financial Services provision for credit losses	—	41,422	—	41,422
Selling, administrative and engineering expense	512,284	73,550	(6,141)	579,693
Total costs and expenses	2,436,148	194,696	(6,141)	2,624,703
Operating income	730,493	142,141	—	872,634
Investment income	102,772	—	(100,000)	2,772
Interest expense	18	—	—	18
Income before provision for income taxes	833,247	142,141	(100,000)	875,388
Provision for income taxes	256,149	49,575	—	305,724

Net income	$577,098	$ 92,566	$(100,000)	$569,664

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	Three months ended June 29, 2014			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	$1,836,974	$ —	$(2,689)	$1,834,285
Financial Services	—	166,963	(549)	166,414
Total revenue	1,836,974	166,963	(3,238)	2,000,699
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	1,110,146	—	—	1,110,146
Financial Services interest expense	—	40,741	—	40,741
Financial Services provision for credit losses	—	15,961	—	15,961
Selling, administrative and engineering expense	251,432	37,962	(3,238)	286,156
Total costs and expenses	1,361,578	94,664	(3,238)	1,453,004
Operating income	475,396	72,299	—	547,695
Investment income	1,772	—	—	1,772
Interest expense	393	—	—	393
Income before provision for income taxes	476,775	72,299	—	549,074
Provision for income taxes	168,303	26,618	—	194,921
Net income	$308,472	$ 45,681	$—	$354,153

	Six months ended June 29, 2014			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	$3,410,941	$ —	$(4,968)	$3,405,973
Financial Services	—	321,649	(875)	320,774
Total revenue	3,410,941	321,649	(5,843)	3,726,747
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	2,089,703	—	—	2,089,703
Financial Services interest expense	—	79,598	—	79,598
Financial Services provision for credit losses	—	36,292	—	36,292
Selling, administrative and engineering expense	496,197	72,223	(5,843)	562,577
Total costs and expenses	2,585,900	188,113	(5,843)	2,768,170
Operating income	825,041	133,536	—	958,577
Investment income	123,431	—	(120,000)	3,431
Interest expense	4,070	—	—	4,070
Income before provision for income taxes	944,402	133,536	(120,000)	957,938
Provision for income taxes	288,876	48,992	—	337,868
Net income	$655,526	$ 84,544	$(120,000)	$620,070

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	June 28, 2015			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$828,289	$ 419,290	$—	$1,247,579
Marketable securities	52,516	—	—	52,516
Accounts receivable, net	743,341	—	(465,772)	277,569
Finance receivables, net	—	2,331,723	—	2,331,723
Inventories	395,044	—	—	395,044
Restricted cash	—	136,760	—	136,760
Deferred income taxes	51,667	43,111	—	94,778
Other current assets	126,856	40,441	(6,876)	160,421
Total current assets	2,197,713	2,971,325	(472,648)	4,696,390
Finance receivables, net	—	4,816,772	—	4,816,772
Property, plant and equipment, net	841,361	31,646	—	873,007
Goodwill	26,105	—	—	26,105
Deferred income taxes	57,587	10,861	(1,693)	66,755
Other long-term assets	121,264	43,842	(79,263)	85,843
	$3,244,030	$ 7,874,446	$(553,604)	$10,564,872
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$306,335	$ 567,073	$(465,772)	$407,636
Accrued liabilities	369,467	87,839	(8,569)	448,737
Short-term debt	—	114,983	—	114,983
Current portion of long-term debt	—	1,551,368	—	1,551,368
Total current liabilities	675,802	2,321,263	(474,341)	2,522,724
Long-term debt	—	4,560,349	—	4,560,349
Pension liability	66,786	—	—	66,786
Postretirement healthcare benefits	196,369	—	—	196,369
Other long-term liabilities	168,043	26,974	—	195,017
Shareholders' equity	2,137,030	965,860	(79,263)	3,023,627
	$3,244,030	$ 7,874,446	$(553,604)	$10,564,872

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	December 31, 2014			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$573,895	$ 332,785	$—	$906,680
Marketable securities	57,325	—	—	57,325
Accounts receivable, net	658,735	—	(411,114)	247,621
Finance receivables, net	—	1,916,635	—	1,916,635
Inventories	448,871	—	—	448,871
Restricted cash	—	98,627	—	98,627
Deferred income taxes	50,015	39,901	—	89,916
Other current assets	142,278	43,125	(2,983)	182,420
Total current assets	1,931,119	2,431,073	(414,097)	3,948,095
Finance receivables, net	—	4,516,246	—	4,516,246
Property, plant and equipment, net	848,661	34,416	—	883,077
Goodwill	27,752	—	—	27,752
Deferred income taxes	75,121	4,863	(2,149)	77,835
Other long-term assets	113,727	39,309	(77,944)	75,092
	$2,996,380	$ 7,025,907	$(494,190)	$9,528,097
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$171,098	$ 436,884	$(411,114)	$196,868
Accrued liabilities	370,652	83,797	(5,132)	449,317
Short-term debt	—	731,786	—	731,786
Current portion of long-term debt	—	1,011,315	—	1,011,315
Total current liabilities	541,750	2,263,782	(416,246)	2,389,286
Long-term debt	—	3,761,528	—	3,761,528
Pension liability	76,186	—	—	76,186
Postretirement healthcare benefits	203,006	—	—	203,006
Other long-term liabilities	164,060	24,745	—	188,805
Shareholders' equity	2,011,378	975,852	(77,944)	2,909,286
	$2,996,380	$ 7,025,907	$(494,190)	$9,528,097

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	June 29, 2014			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$635,705	$ 363,641	$—	$999,346
Marketable securities	57,814	—	—	57,814
Accounts receivable, net	1,317,297	—	(1,027,357)	289,940
Finance receivables, net	—	2,281,512	—	2,281,512
Inventories	371,597	—	—	371,597
Restricted cash	—	154,681	—	154,681
Deferred income taxes	52,348	38,000	—	90,348
Other current assets	95,429	33,031	—	128,460
Total current assets	2,530,190	2,870,865	(1,027,357)	4,373,698
Finance receivables, net	—	4,537,405	—	4,537,405
Property, plant and equipment, net	792,642	33,825	—	826,467
Prepaid pension costs	256,279	—	—	256,279
Goodwill	30,252	—	—	30,252
Deferred income taxes	2,915	—	—	2,915
Other long-term assets	111,229	14,506	(76,455)	49,280
	$3,723,507	$ 7,456,601	$(1,103,812)	$10,076,296
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$316,707	$ 1,098,992	$(1,027,357)	$388,342
Accrued liabilities	423,312	79,205	(1,748)	500,769
Short-term debt	—	619,622	—	619,622
Current portion of long-term debt	—	944,915	—	944,915
Total current liabilities	740,019	2,742,734	(1,029,105)	2,453,648
Long-term debt	—	3,794,396	—	3,794,396
Pension liability	38,174	—	—	38,174
Postretirement healthcare liability	209,312	—	—	209,312
Deferred income taxes	35,597	1,574	1,748	38,919
Other long-term liabilities	152,862	22,725	—	175,587
Shareholders' equity	2,547,543	895,172	(76,455)	3,366,260
	$3,723,507	$ 7,456,601	$(1,103,812)	$10,076,296

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	Six months ended June 28, 2015			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations & Adjustments	Consolidated
Cash flows from operating activities:				
Net income	$577,098	$92,566	$ (100,000)	$569,664
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation	88,996	4,644	—	93,640
Amortization of deferred loan origination costs	—	47,524	—	47,524
Amortization of financing origination fees	—	4,820	—	4,820
Provision for employee long-term benefits	24,635	—	—	24,635
Contributions to pension and postretirement plans	(12,725)	—	—	(12,725)
Stock compensation expense	15,415	1,319	—	16,734
Net change in wholesale finance receivables related to sales	—	—	(418,969)	(418,969)
Provision for credit losses	—	41,422	—	41,422
Deferred income taxes	5,832	(7,027)	—	(1,195)
Foreign currency adjustments	11,041	—	—	11,041
Other, net	(2,671)	707	—	(1,964)
Change in current assets and current liabilities:				
Accounts receivable	(347,967)	—	304,658	(43,309)
Finance receivables—accrued interest and other	—	(270)	—	(270)
Inventories	38,012	—	—	38,012
Accounts payable and accrued liabilities	144,784	385,999	(298,426)	232,357
Derivative instruments	1,185	—	—	1,185
Other	9,625	1,717	—	11,342
Total adjustments	(23,838)	480,855	(412,737)	44,280
Net cash provided by operating activities	553,260	573,421	(512,737)	613,944

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	Six months ended June 28, 2015			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations & Adjustments	Consolidated
Cash flows from investing activities:				
Capital expenditures	(83,282)	(1,898)	—	(85,180)
Origination of finance receivables	—	(4,526,313)	2,549,750	(1,976,563)
Collections of finance receivables	—	3,707,444	(2,137,013)	1,570,431
Sales and redemptions of marketable securities	4,500	—	—	4,500
Other	5,111	—	—	5,111
Net cash used by investing activities	(73,671)	(820,767)	412,737	(481,701)
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	595,386	—	595,386
Intercompany borrowing activity	250,000	(250,000)	—	—
Proceeds from securitization debt	—	1,195,668	—	1,195,668
Repayments of securitization debt	—	(454,332)	—	(454,332)
Net decrease in credit facilities and unsecured commercial paper	—	(616,586)	—	(616,586)
Borrowings of asset-backed commercial paper	—	40,209	—	40,209
Repayments of asset-backed commercial paper	—	(35,730)	—	(35,730)
Net change in restricted cash	—	(40,159)	—	(40,159)
Dividends paid	(129,745)	(100,000)	100,000	(129,745)
Purchase of common stock for treasury	(358,425)	—	—	(358,425)
Excess tax benefits from share-based payments	2,401	—	—	2,401
Issuance of common stock under employee stock option plans	15,664	—	—	15,664
Net cash (used by) provided by financing activities	(220,105)	334,456	100,000	214,351
Effect of exchange rate changes on cash and cash equivalents	(5,090)	(605)	—	(5,695)
Net increase in cash and cash equivalents	$254,394	$86,505	$ —	$340,899
Cash and cash equivalents:				
Cash and cash equivalents—beginning of period	$573,895	$332,785	$ —	$906,680
Net increase in cash and cash equivalents	254,394	86,505	—	340,899
Cash and cash equivalents—end of period	$828,289	$419,290	$ —	$1,247,579

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	Six months ended June 29, 2014			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations & Adjustments	Consolidated
Cash flows from operating activities:				
Net income	$655,526	$84,544	$ (120,000)	$620,070
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation	83,348	3,775	—	87,123
Amortization of deferred loan origination costs	—	45,713		45,713
Amortization of financing origination fees	59	4,225	—	4,284
Provision for employee long-term benefits	16,854	—	—	16,854
Contributions to pension and postretirement plans	(14,035)	—	—	(14,035)
Stock compensation expense	19,393	1,375	—	20,768
Net change in wholesale finance receivables related to sales	—	—	(510,200)	(510,200)
Provision for credit losses	—	36,292	—	36,292
Loss on extinguishment of debt	—	1,145	—	1,145
Deferred income taxes	(3,894)	—	—	(3,894)
Foreign currency adjustments	939	(6,023)	—	(5,084)
Other, net	4,712	4,620	—	9,332
Change in current assets and current liabilities:				
Accounts receivable	(363,817)	—	338,174	(25,643)
Finance receivables—accrued interest and other	—	(993)	—	(993)
Inventories	58,741	—	—	58,741
Accounts payable and accrued liabilities	189,117	375,290	(338,174)	226,233
Derivative instruments	968	—	—	968
Other	4,962	(2,044)	—	2,918
Total adjustments	(2,653)	463,375	(510,200)	(49,478)
Net cash provided by operating activities	652,873	547,919	(630,200)	570,592

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	Six months ended June 29, 2014			
	Motorcycles & Related Products Operations	Financial Services Operations	Eliminations & Adjustments	Consolidated
Cash flows from investing activities:				
Capital expenditures	(71,395)	(3,128)	—	(74,523)
Origination of finance receivables	—	(4,580,910)	2,676,333	(1,904,577)
Collections of finance receivables	—	3,684,319	(2,166,133)	1,518,186
Sales and redemptions of marketable securities	41,010	—	—	41,010
Other	145	—	—	145
Net cash used by investing activities	(30,240)	(899,719)	510,200	(419,759)
Cash flows from financing activities:				
Repayments of senior unsecured notes	(303,000)	—	—	(303,000)
Repayments of medium-term notes	—	(7,220)	—	(7,220)
Intercompany borrowing activity	(100,000)	100,000	—	—
Proceeds from securitization debt	—	847,126	—	847,126
Repayments of securitization debt	—	(393,655)	—	(393,655)
Net decrease in credit facilities and unsecured commercial paper	—	(48,134)	—	(48,134)
Borrowings of asset-backed commercial paper	—	36,800	—	36,800
Repayments of asset-backed commercial paper	—	(37,317)	—	(37,317)
Net change in restricted cash	—	(9,874)	—	(9,874)
Dividends paid	(120,631)	(120,000)	120,000	(120,631)
Purchase of common stock for treasury	(223,736)	—	—	(223,736)
Excess tax benefits from share-based payments	8,652	—	—	8,652
Issuance of common stock under employee stock option plans	27,907	—	—	27,907
Net cash (used by) provided by financing activities	(710,808)	367,726	120,000	(223,082)
Effect of exchange rate changes on cash and cash equivalents	4,968	15	—	4,983
Net (decrease) increase in cash and cash equivalents	$(83,207)	$15,941	$ —	$(67,266)
Cash and cash equivalents:				
Cash and cash equivalents—beginning of period	$718,912	$347,700	$ —	$1,066,612
Net (decrease) increase in cash and cash equivalents	(83,207)	15,941	—	(67,266)
Cash and cash equivalents—end of period	$635,705	$363,641	$ —	$999,346

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18. Subsequent Events

In July 2015, the Company issued $750.0 million of senior unsecured notes in an underwritten offering. The senior unsecured notes provided for semi-annual interest payments and principal due at maturity. Senior unsecured notes of $450.0 million 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%. In June 2015, the Company announced that it would use the proceeds from the debt to repurchase shares of its common stock.

On August 4, 2015, the Company completed its previously announced purchase of certain assets from Fred Deeley Imports, Ltd. (Deeley Imports) and certain of its affiliates including, among other things, the acquisition of the exclusive right to distribute the Company's motorcycles and other products in Canada (Transaction). The Company will operate in Canada through a newly established, Company owned subsidiary (H-D Canada, L.P.) based in Concord, Ontario. H-D Canada, L.P. paid $62 million to Deeley Imports for the Canadian distribution rights, inventory and accounts receivable, net of amounts due, and other assets. H-D Canada, L.P. also indemnified Deeley Imports for certain expenses and liabilities, including employee severance costs.

Item 2. 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 business segments: Motorcycles & Related Products (Motorcycles) and Financial Services. 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 street-legal Harley-Davidson motorcycles as well as a line of 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 North America, Europe/Middle East/Africa (EMEA), Asia-Pacific and Latin America.

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

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.

Overview

The Company’s net income was $299.8 million, or $1.44 per diluted share, for the second quarter of 2015 compared to $354.2 million, or $1.62 per diluted share, in the second quarter of 2014. Operating income from Motorcycles decreased $92.7 million or 19.6% compared to last year’s second quarter driven by lower shipments, unfavorable foreign currency exchange rates and higher selling, administrative and engineering expenses. Operating income from Financial Services in the second quarter of 2015 was $81.9 million, up 10.0% compared to $74.4 million in the year-ago quarter driven by higher interest income.

During the second quarter of 2015, independent dealer retail sales of new Harley-Davidson motorcycles were lower compared to the prior year second quarter in both the U.S. and international markets. Worldwide retail sales of new Harley-Davidson motorcycles were down 1.4% in the second quarter of 2015 compared to the second quarter of 2014. Although retail sales were lower, the Company believes that the second quarter 2015 worldwide retail sales continued to reflect a positive consumer response to its latest Rushmore models launched in August 2014 and its Street motorcycles.

In the second quarter of 2015, U.S. retail sales comparisons were impacted by challenging prior year results which included the enthusiastic consumer reception for the initial Project Rushmore™ models and sales of Street motorcycles related to rider-training fleets in the second quarter of 2014. The Company believes U.S. retail sales in the second quarter of 2015 were also impacted by foreign exchange-driven discounting by competitors. Internationally, the Company believes retail sales were negatively impacted primarily by new, low-priced models from competitors in Europe, currency-driven volume declines in markets where the Company sells in non-local

currencies and challenging economic conditions in certain international markets.

During the second quarter of 2015, the company initiated a market action plan in the U.S. and certain international markets in an effort to counter the impacts of competitive activity in the market. The Company's market action plan includes

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lifestyle and brand advertising and marketing, targeted finance offers and a plan to leverage its other competitive advantages such as Riding Academy and its dealer network. The Company believes that these activities had a positive impact on its June retail sales resulting in its highest June retail sales in the U.S. since 2008.

(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 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 “Cautionary Statements” and in Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. 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 July 21, 2015 and the remaining forward looking statements in this report are only made as of the date of the filing of this report (August 6, 2015) and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Outlook[(1)]

On July 21, 2015, the Company provided the following information concerning its expectations for the remainder of 2015, which did not reflect the potential impact of the Canada Distributor Transaction discussed below. Please refer to the "Canada Distributor Transaction" section for additional information concerning 2015 expectations.

The Company reaffirmed its expectation to ship 276,000 to 281,000 Harley-Davidson motorcycles to dealers and distributors worldwide in 2015, an increase of approximately 2% to 4% over 2014. In addition, the Company announced that its full-year shipment estimate includes expected shipments of 54,000 to 59,000 motorcycles in the third quarter of 2015 compared to 50,670 motorcycles shipped in the third quarter of 2014. The Company will rely on its flexible manufacturing capabilities to balance production between the third and fourth quarters of 2015 to improve overall efficiencies.

As the Company exited the second quarter, its business remains under pressure from increased competitive activity, including aggressive price discounting in the U.S. enabled by the dramatic shift in world currencies. The Company continues to believe it is critical for it to support a healthy retail channel and protect its premium brand by aggressively managing supply in line with demand. The Company will not take a short-term view and compete with what it believes to be brand-damaging price discounting. The Company will continue to manage its brand for the long-term.

The Company believes it has taken appropriate action around the world to help mitigate the impact of competitive activity in a manner that will reinforce its premium brand. The Company believes retail sales of new Harley-Davidson motorcycles in the second half of 2015 will be driven by its continued demand-driving market actions that it initiated in various world markets, the continued worldwide roll-out of its Street motorcycles, ongoing international dealer expansion, the introduction of its 2016 model-year motorcycles in late August 2015 and the Company's brand strength.

The Company continues to expect 2015 operating margin percent for the Motorcycles segment to be between 18.0% and 19.0% compared to 18.0% in 2014. The Company now expects gross margin to be up modestly compared to 2014. The Company expects gross margin to be favorably impacted by motorcycle pricing and productivity gains, partially offset by unfavorable foreign currency exchange and increased pension expense. The Company now expects selling, administrative and engineering expenses to be up modestly in 2015 in absolute spending and as a percent of revenue due to recall expenses and expenses associated with its market action plan.

The Company’s earnings related to its operations outside the U.S. are impacted by changes in foreign currency exchange rates. The majority of the Company’s exposure relates to the Euro, the Australian dollar, the Japanese yen

and the Brazilian real. The Company refers to these as its key foreign currencies. A weakening in foreign currencies relative to the U.S. dollar will generally have an adverse effect on revenue related to sales made in those foreign currencies offset by a corresponding positive impact from natural hedges created by the operating costs incurred in those same foreign currencies. In addition, to the extent the Company carries foreign-denominated cash, receivables or accounts payable, those amounts are also exposed to foreign currency revaluations that can impact the Company's earnings.

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Since the majority of the Company's manufacturing occurs in the U.S., the Company's operating expenses paid in foreign currencies generally include limited manufacturing costs and the selling and administrative costs incurred at the Company's international locations. The Company uses derivative financial instruments to hedge a portion of the forecasted cash flows in its key foreign currencies. These instruments generally have terms of up to 12 months and are purchased over time so that at any point in time some portion of the next 12 months of expected foreign currency exposure is hedged. The hedging instruments allow the Company to lock in the exchange rate on future foreign currency cash flows based on the forward rates available at the time of purchase.

If foreign currency exchange rates on July 20, 2015 remained constant throughout the remainder of 2015, the Company estimates the adverse impact to its expected Motorcycles segment full-year revenue from currency exchange would be approximately 4.25%. Taking into account the Company's natural hedges and the fact that it has a significant portion its 2015 foreign currency exposure hedged at favorable rates, it expects about half of the unfavorable revenue dollar impact to translate into lower gross profit for the full year and reduce gross margin by approximately 0.75 percentage points, which is reflected in the operating margin guidance above.

If foreign currency exchange rates on July 20, 2015 remained constant throughout the third quarter of 2015, the Company estimates the adverse impact to its expected Motorcycles segment revenue from currency exchange in the third quarter to be approximately 5%. Taking into account the Company's natural hedges and the fact that it has a significant portion its 2015 foreign currency exposure hedged at favorable rates, it expects about 40% of the unfavorable revenue dollar impact to translate into lower gross profit and reduce gross margin by approximately 1 percentage point for the third quarter.

The Company now expects operating income for the Financial Services segment to be up modestly in 2015 as compared to 2014.

The Company continues to estimate capital expenditures for 2015 to be between $240 million and $260 million as it increases its investment in product development focused on bringing exciting new products to market and as it continues to invest in its systems infrastructure. The Company anticipates it will have the ability to fund all capital expenditures in 2015 with cash flows generated by operations.

The Company continues to expect its full-year 2015 effective income tax rate will be approximately 35.5% compared to 34.2% in 2014. The higher effective tax rate in 2015 compared to 2014 primarily reflects the absence of the U.S. Federal Research and Development tax credit that expired at the end of 2014.

Canada Distributor Transaction

On August 4, 2015, the Company purchased the assets of Fred Deeley Imports, Ltd. (Deeley Imports) and certain of its affiliates (Transaction), including among other things, the exclusive right to distribute the Company's motorcycles and other products in Canada. The Company expects the financial impact of the Transaction and the new direct distribution model to be dilutive to 2015 earnings per share by approximately $0.04, due to upfront transition costs, with most of the impact anticipated to occur in the third quarter.[(1)] The Company expects the impact of the new direct distribution model to be accretive to earnings per share beginning in 2016 and beyond.[(1)] The potential financial impact of the Transaction and the potential new direct distribution model in Canada is not reflected in the guidance included in the "Outlook" section above.

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Results of Operations for the Three Months Ended June 28, 2015
Compared to the Three Months Ended June 29, 2014
Consolidated Results

(in thousands, except earnings per share)	Three months ended June 28, 2015	June 29, 2014	(Decrease) Increase	% Change
Operating income from Motorcycles & Related Products	$380,603	$473,256	$(92,653)	(19.6)%
Operating income from Financial Services	81,913	74,439	7,474	10.0
Operating income	462,516	547,695	(85,179)	(15.6)
Investment income	1,450	1,772	(322)	(18.2)
Interest expense	9	393	(384)	(97.7)
Income before income taxes	463,957	549,074	(85,117)	(15.5)
Provision for income taxes	164,147	194,921	(30,774)	(15.8)
Net income	$299,810	$354,153	$(54,343)	(15.3)%
Diluted earnings per share	$1.44	$1.62	$(0.18)	(11.1)%

Consolidated operating income was down 15.6% in the second quarter of 2015 due to a decrease in operating income from the Motorcycles & Related Products segment which declined by $92.7 million, or 19.6%, compared to the second quarter of 2014. Operating income from the Financial Services segment was higher during the second quarter of 2015 compared to the second quarter of 2014, increasing $7.5 million or 10.0%. 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 the second quarter of 2015 was 35.4% compared to 35.5% for the second quarter of 2014.

Diluted earnings per share was $1.44 in the second quarter of 2015, down 11.1% compared to the same period in the prior year. Diluted earnings per share decreased following the 15.3% decrease in net income, but benefited from lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 219.2 million in the second quarter of 2014 to 208.6 million in the second quarter of 2015, 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.

Harley-Davidson Motorcycle Worldwide Retail Sales[(a)]

Worldwide independent dealer retail sales of Harley-Davidson motorcycles during the second quarter of 2015 decreased 1.4% compared to the second quarter of 2014. Retail sales of Harley-Davidson motorcycles decreased 0.7% in the United States and 2.7% internationally in the second quarter of 2015.

As the Company expected, it believes that U.S. retail sales growth comparison was negatively impacted by a challenging prior year due to the very enthusiastic consumer reception for the initial Project Rushmore™ launch. Retail sales of touring models in the second quarter of 2014 were up 31% compared to the second quarter of 2013. In addition, retail sales in the second quarter of 2014 included sales of Street 500 motorcycles sold to U.S. dealers for use in the Company's Riding Academy. The Company also believes U.S. retail sales continued to be negatively impacted by pressure from significant price discounting by most of the Company's competition. As a result of the dramatic strengthening in the U.S. dollar against world currencies, the Company believes its competitors located outside the U.S. have experienced a significant favorable financial impact allowing them to offer discounted prices to U.S. consumers. The Company expects aggressive discounting from its competition to continue for some time based on levels of competitive inventories in the retail channel coupled with foreign exchange rates that are favorable for its competitors[(1)].

Although retail sales were lower in the second quarter of 2015, the Company has continued to experience success from its latest Project Rushmore™ models launched in August 2014 and with sales of its Street motorcycles as the Company continued its global rollout of these models.

The Company's U.S. market share of 601+cc motorcycles for the second quarter of 2015 was 47.5%, down 2.8 percentage points compared to the same period last year (Source: Motorcycle Industry Council). The Company anticipated some level of market share loss following the 13.4 percentage point increase in recent years; however, the Company's market share over the last three quarters was more severely impacted than it expected, as a result of increased price discounting by its competition and

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the inclusion of autocycles in the industry numbers. The Company is pleased to see a moderation in market share loss from the first quarter of 2015 decline of 4.7 percentage points. The Company believes the improvement was driven by its strong brand strategy and its recent market actions to drive demand in this tough competitive environment.

Retail sales in Canada were 9.9% lower in the second quarter of 2015 compared to the second quarter of 2014 which the Company believes was driven by a highly competitive environment coinciding with the pending transition of the business from the independent distributor to direct distribution by the Company in the transaction that was completed August 4.

In the EMEA region, retail sales of Harley-Davidson motorcycles in the second quarter of 2015 decreased 8.9% compared to the prior year as the region experienced the impact of several low-priced models introduced by competitive brands and a challenging prior year comparison due to strong year-ago retail sales growth of 7.0%. The Company also experienced currency-driven volume declines in markets where it sold its motorcycles to dealers in non-local currencies, such as Russia. At the end of the second quarter of 2015, the Company's market share of 601+cc models in Europe was 10.4%, down 2.2 percentage points compared to the same period last year (Source: Association des Constructeurs Europeens de Motocycles). The Company believes the decline in its market share in Europe is due to the introduction of several low-priced models by some of its competition in the performance and standard segments, market segments where the Company's motorcycles do not compete.

Second quarter 2015 retail sales in the Asia Pacific region were up 16.6% compared to the second quarter of 2014. The region experienced growth in all major markets and, in particular, emerging markets led by India and China. The growth was driven by Street motorcycles, which were launched in several Asia Pacific markets in the first half of 2015. Retail sales in Japan were impacted by the restructuring of distribution in the market; including a new pipeline distribution process and rationalization of the dealer network to improve the customer experience. Under the new pipeline distribution process, dealer orders are fulfilled as needed through local Company-owned inventory allowing dealers to carry lower inventory levels.

The Latin America region retail sales were down 2.6% in the second quarter of 2015 compared to the prior year as a result of lower retail sales in Brazil partially offset by growth in Mexico. Retail sales in the Brazil market continued to be impacted by a slowing economy, consumer uncertainty and very aggressive price competition.

While the Company remains cautious in its near-term outlook given the economic challenges in some international markets, it is confident in its current market efforts and it remains focused on its long-term growth strategies. Despite the volatility in global retail sales, the Company believes it can continue to realize international growth by prudently expanding its distribution network, building its brand experience across the world, and delivering exceptional products that the Company believes will inspire riders.[1]

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

	Three months ended			
	June 30, 2015	June 30, 2014	(Decrease) Increase	% Change
North America Region				
United States	57,790	58,225	(435)	(0.7)%
Canada	3,737	4,146	(409)	(9.9)%
Total North America Region	61,527	62,371	(844)	(1.4)%
Europe, Middle East and Africa Region (EMEA)				
Europe[b]	14,150	15,726	(1,576)	(10.0)%
Other	2,029	2,038	(9)	(0.4)%
Total EMEA Region	16,179	17,764	(1,585)	(8.9)%
Asia Pacific Region				
Japan	2,580	2,510	70	2.8 %
Other	5,937	4,792	1,145	23.9 %
Total Asia Pacific Region	8,517	7,302	1,215	16.6 %
Latin America Region	2,708	2,781	(73)	(2.6)%
Total Worldwide Retail Sales	88,931	90,218	(1,287)	(1.4)%

Total International Retail Sales	31,141	31,993	(852)	(2.7)%

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(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 retail sales and 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.

Motorcycles & Related Products Segment

Motorcycle Unit Shipments

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

	Three months ended					
	June 28, 2015		June 29, 2014		Unit (Decrease) Increase	Unit % Change
	Units	Mix %	Units	Mix %		
United States	55,128	64.7 %	63,043	68.4 %	(7,915)	(12.6)%
International	30,044	35.3 %	29,174	31.6 %	870	3.0
Harley-Davidson motorcycle units	85,172	100.0 %	92,217	100.0 %	(7,045)	(7.6)%
Touring motorcycle units	34,563	40.6 %	41,095	44.6 %	(6,532)	(15.9)%
Cruiser motorcycle units[a]	29,952	35.2 %	32,231	34.9 %	(2,279)	(7.1)
Sportster® / Street motorcycle units	20,657	24.2 %	18,891	20.5 %	1,766	9.3
Harley-Davidson motorcycle units	85,172	100.0 %	92,217	100.0 %	(7,045)	(7.6)%

(a) Category previously referred to as "Custom" motorcycle units, as used in this table, include Dyna®, Softail®, V-Rod® and CVO models.

The Company shipped 85,172 Harley-Davidson motorcycles worldwide during the second quarter of 2015, which was 7.6% lower than the second quarter of 2014 and in line with Company expectations.

Shipments of Sportster® / Street motorcycles as a percentage of total shipments increased in the second quarter of 2015 compared to the prior year while shipments of Touring and Cruiser motorcycles as a percentage of total shipments decreased. The higher shipment mix of Sportster® / Street motorcycles was driven by shipments of the Company's Street models as it continues its global roll-out of these models.

U.S. dealer retail inventory of Harley-Davidson motorcycles was approximately 1,600 units lower at the end of the second quarter of 2015 compared to the same time last year. Excluding incremental retail dealer fill of Street motorcycles, second quarter 2015 retail inventory of Harley-Davidson motorcycles was down significantly, as the Company expected. The Company believes the overall U.S. retail inventory of Harley-Davidson motorcycles was appropriate and reflects its flexible manufacturing capabilities and its commitment to manage supply in line with demand.

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Segment Results

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

	Three months ended			
	June 28, 2015	June 29, 2014	(Decrease) Increase	% Change
Revenue:				
Motorcycles	$1,308,837	$1,480,914	$(172,077)	(11.6)%
Parts & Accessories	256,840	271,572	(14,732)	(5.4)
General Merchandise	77,518	76,386	1,132	1.5
Other	7,588	5,413	2,175	40.2
Total revenue	1,650,783	1,834,285	(183,502)	(10.0)
Cost of goods sold	1,003,569	1,110,146	(106,577)	(9.6)
Gross profit	647,214	724,139	(76,925)	(10.6)
Selling & administrative expense	228,148	218,410	9,738	4.5
Engineering expense	38,463	32,473	5,990	18.4
Operating expense	266,611	250,883	15,728	6.3
Operating income from Motorcycles	$380,603	$473,256	$(92,653)	(19.6)%

The following table includes the estimated impact of significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from the second quarter of 2014 to the second quarter of 2015 (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
Three months ended June 29, 2014	$1,834.3	$1,110.2	$724.1
Volume	(119.3)	(73.3)	(46.0)
Price, net of related cost	20.4	1.8	18.6
Foreign currency exchange rates and hedging	(80.0)	(43.9)	(36.1)
Shipment mix	(4.6)	11.9	(16.5)
Raw material prices	—	(4.3)	4.3
Manufacturing and other costs	—	1.2	(1.2)
Total	(183.5)	(106.6)	(76.9)
Three months ended June 28, 2015	$1,650.8	$1,003.6	$647.2

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from the second quarter of 2014 to the second quarter of 2015:

- Volume decreases were driven by the planned decrease in wholesale motorcycle shipments and lower parts and accessories sales, partially offset by higher sales volumes for general merchandise.
- On average, wholesale prices for the Company's 2015 model-year motorcycles are higher than the prior model-year resulting in the favorable impact on revenue during the period. The impact of revenue favorability resulting from model-year price increases on gross profit was partially offset by an increase in cost related to the additional content added to the 2015 model-year motorcycles.
- Gross profit was negatively impacted by changes in foreign currency exchange rates during the second quarter of 2015 compared to the second quarter of 2014. Revenue was negatively impacted by a devaluation in the Euro, Japanese yen, Brazilian real and Australian dollar. On a weighted average basis, these key currencies were weaker by 19% in the second quarter of 2015 compared to the second quarter of 2014. The negative impact to revenue was partially offset by a positive impact to cost of goods sold as a result of natural hedges, benefits of foreign currency exchange contracts and the revaluation of foreign-denominated assets on the balance sheet.
- As expected, shipment mix changes negatively impacted net revenue and gross profit in the second quarter of 2015 primarily as a result of the shift in mix between motorcycle families.
- Raw material prices were slightly lower in the second quarter of 2015 relative to the second quarter of 2014.

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- Manufacturing costs in the second quarter of 2015 were higher primarily due to an increase in the cost per unit resulting from the lower production volumes partially offset by strong productivity gains and the absence of Street motorcycle start-up costs that were incurred in the second quarter of 2014.

The net increase in operating expenses was primarily due to increased marketing costs as the Company addressed the highly competitive environment. Operating expense in the second quarter of 2015 also included recall costs of $16.4 million.

Financial Services Segment

Segment Results

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

	Three months ended			
	June 28, 2015	June 29, 2014	Increase (Decrease)	% Change
Interest income	$150,284	$145,202	$5,082	3.5 %
Other income	23,325	21,212	2,113	10.0
Financial Services revenue	173,609	166,414	7,195	4.3
Interest expense	41,188	40,741	447	1.1
Provision for credit losses	15,175	15,961	(786)	(4.9)
Operating expenses	35,333	35,273	60	0.2
Financial Services expense	91,696	91,975	(279)	(0.3)
Operating income from Financial Services	$81,913	$74,439	$7,474	10.0 %

Interest income for the second quarter of 2015 increased primarily due to higher average receivables in the wholesale and retail portfolios, partially offset by lower yields primarily on retail finance receivables due to increased competition. Other income was favorable primarily due to increased credit card licensing and insurance revenue. Other income now includes international income which had previously been reported in interest income. Prior period amounts, which were not material, have been adjusted for comparability.

Interest expense for the second quarter of 2015 increased slightly due to higher average outstanding debt, partially offset by a lower cost of funds and a $1.1 million loss on the extinguishment of medium-term notes recorded in the second quarter of 2014.

The provision for credit losses decreased $0.8 million in second quarter of 2015 as compared to the second quarter of 2014. The retail motorcycle provision increased $0.5 million in the second quarter of 2015 primarily as a result of higher credit losses. Credit losses were impacted by increased sub-prime originations in recent years, as well as changing consumer credit behavior. The wholesale provision decreased by $1.4 million due to a decrease in receivables and lower reserve rates.

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

	Three months ended	
	June 28, 2015	June 29, 2014
Balance, beginning of period	$132,820	$114,529
Provision for finance credit losses	15,175	15,961
Charge-offs	(21,003)	(19,018)
Recoveries	12,239	10,883
Balance, end of period	$139,231	$122,355

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Results of Operations for the Six Months Ended June 28, 2015
Compared to the Six Months Ended June 29, 2014
Consolidated Results

(in thousands, except earnings per share)	Six months ended June 28, 2015	June 29, 2014	(Decrease) Increase	% Change
Operating income from Motorcycles & Related Products	$726,057	$820,948	$(94,891)	(11.6)%
Operating income from Financial Services	146,577	137,629	8,948	6.5
Operating income	872,634	958,577	(85,943)	(9.0)
Investment income	2,772	3,431	(659)	(19.2)
Interest expense	18	4,070	(4,052)	(99.6)
Income before income taxes	875,388	957,938	(82,550)	(8.6)
Provision for income taxes	305,724	337,868	(32,144)	(9.5)
Net income	$569,664	$620,070	$(50,406)	(8.1)%
Diluted earnings per share	$2.71	$2.82	$(0.11)	(3.9)%

Consolidated operating income was down 9.0% in the first six months of 2015 led by a decrease in operating income from the Motorcycles segment which declined by $94.9 million, or 11.6%, compared to the first six months of 2014. Operating income for the Financial Services segment improved by $8.9 million in the first six months of 2015 compared to the first six months of 2014. 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.

Interest expense was lower in the first six months of 2015 compared to the first six months of 2014 due to the repayment of $303 million of senior unsecured long-term debt in February 2014.

The effective income tax rate for the first six months of 2015 was 34.9% compared to 35.3% for the first six months of 2014. The lower effective tax rate in 2015 primarily reflects a higher projected tax benefit from the U.S. manufacturing deduction.

Diluted earnings per share was $2.71 in the first six months of 2015, down 3.9% from the same period in the prior year. The decrease in diluted earnings per share was driven by the 8.1% decrease in net income. Diluted earnings per share benefited from lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 219.8 million in the first six months of 2014 to 210.2 million in the first six months of 2015, 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.

Motorcycles Retail Sales and Registration Data

Worldwide independent dealer retail sales of Harley-Davidson motorcycles decreased 1.4% during the first half of 2015 compared to the first half of 2014, during which retail sales were up 4.2% compared to 2013. Retail sales of Harley-Davidson motorcycles decreased 0.7% in the United States and decreased 2.5% internationally in the first half of 2015.

U.S. retail sales were negatively impacted by continued pressure from significant price discounting by most of the Company's competition. As the Company expected, it also believes that the U.S. retail sales year-over-year growth comparison was negatively impacted by the very enthusiastic consumer reception in 2014 for the initial Project Rushmore™ launch.

The Company continued to experience success in the first half of 2015 with its latest Project Rushmore™ models launched in August 2014 and with U.S. retail sales of its Street motorcycles.

The Company's U.S. market share of 601+cc models at the end of the first six months of 2015 was 48.8%, down 3.5 percentage points compared to the same period last year (Source: Motorcycle Industry Council). The Company anticipated some level of market share loss following the 13.4 percentage point increase in recent years; however, the Company's market share over the last three quarters was more severely impacted than it expected, as a result of increased price discounting by its competition and the inclusion of autocycles in the industry numbers.

Retail sales in the first six months of 2015 in the EMEA region were down 7.7% compared to the first six months of 2014 due to a strong increase in 2014 which was up 7.5% compared to the first six months of 2013. The Company believes that the

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lower 2015 retail sales were primarily due to new low-priced models introduced by competitive brands and currency driven volume declines in markets where the Company sold its motorcycles to dealers in non-local currencies, such as in Russia. At the end of the first six months of 2015, the Company's market share of 601+cc models in Europe was 10.2%, down 1.9 percentage points compared to the same period last year (Source: Association des Constructeurs Europeens de Motocycles). The Company believes the decline in its market share in Europe is due to the introduction of several low-priced models by some of its competition in the standard and performance segments, market segments where the Company's motorcycles do not compete.

In the Asia-Pacific region, retail sales increased 7.8% in the first six months of 2015 compared to the same period last year following prior year retail sales growth of 10.1%. The increase in 2015 was driven by growth in emerging markets led by India and China. The increase was driven by Street motorcycles which launched in several Asia Pacific markets in the first half of 2015. Retail sales in Japan were impacted by the restructuring of distribution in the market.

Latin America region retail sales in the first six months of 2015 were down 1.2% compared to the first six months of 2014 primarily due to a decline in Brazil, largely offset by growth in Mexico. The Company believes retail sales in Brazil in the first six months of 2015 were negatively impacted by a slowing economy, consumer uncertainty and aggressive price competition.

Retail sales in Canada were down 4.8% in the first six months of 2015 compared to the same period last year. The Company believes the decrease is a result of a highly competitive environment coinciding with the pending transition of the business from the independent distributor to direct distribution by the Company that was completed on August 4.

Worldwide Harley-Davidson Motorcycle Retail Sales[(a)]

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

	Six months ended			
	June 30, 2015	June 30, 2014	(Decrease) Increase	% Change
North America Region				
United States	93,278	93,955	(677)	(0.7)%
Canada	5,860	6,155	(295)	(4.8)
Total North America Region	99,138	100,110	(972)	(1.0)
Europe, Middle East and Africa Region (EMEA)				
Europe[(b)]	22,279	24,121	(1,842)	(7.6)
Other	3,288	3,583	(295)	(8.2)
Total EMEA Region	25,567	27,704	(2,137)	(7.7)
Asia Pacific Region				
Japan	4,552	5,403	(851)	(15.8)
Other	11,062	9,077	1,985	21.9
Total Asia Pacific Region	15,614	14,480	1,134	7.8
Latin America Region	5,273	5,339	(66)	(1.2)
Total Worldwide Retail Sales	145,592	147,633	(2,041)	(1.4)%
Total International Retail Sales	52,314	53,678	(1,364)	(2.5)%

(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 retail sales and 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.

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Motorcycle Registration Data[a]

The following table includes industry retail motorcycle registration data:

	Six months ended				
	June 30, 2015	June 30, 2014	Increase	% Change	
United States[b]	187,163	173,960	13,203	7.6	%
Europe[c]	229,469	209,218	20,251	9.7	%

(a) Data includes on-road 601+cc models. On-road 601+cc models include on-highway, dual purpose models and three-wheeled vehicles. 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 & Related Products Segment

Motorcycle Unit Shipments

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

	Six months ended							
	June 28, 2015		June 29, 2014		Unit (Decrease) Increase	Unit % Change		
	Units	Mix %	Units	Mix %				
United States	111,792	67.9 %	117,334	67.9 %	(5,542)	(4.7)	%	
International	52,969	32.1 %	55,565	32.1 %	(2,596)	(4.7)		
Harley-Davidson motorcycle units	164,761	100.0 %	172,899	100.0 %	(8,138)	(4.7)	%	
Touring motorcycle units	73,360	44.5 %	77,273	44.7 %	(3,913)	(5.1)	%	
Cruiser motorcycle units[a]	53,348	32.4 %	61,380	35.5 %	(8,032)	(13.1)		
Sportster® / Street motorcycle units[b]	38,053	23.1 %	34,246	19.8 %	3,807	11.1		
Harley-Davidson motorcycle units	164,761	100.0 %	172,899	100.0 %	(8,138)	(4.7)	%	

(a) Category previously referred to as "Custom" motorcycle units, as used in this table, include Dyna®, Softail®, V-Rod® and CVO models.

(b) Initial shipments of Street motorcycle units began during the first quarter of 2014.

The Company shipped 164,761 motorcycles worldwide during the first half of 2015, which was 4.7% lower than the first half of 2014. International shipments as a percent of total shipments was 32.1% in the first six months of 2015 and for the first six months of 2014. The Company continues to believe that international retail sales will grow at a faster rate than domestic retail sales over the next few years.[(1)]

The shipment mix percentage of Touring motorcycles in the first six months of 2015 was largely flat while shipment mix percentage of Sportster® / Street motorcycles increased in the first six months of 2015 offset by a decrease in Cruiser motorcycles compared to the same period last year.

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Segment Results

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

	Six months ended			
	June 28, 2015	June 29, 2014	(Decrease) Increase	% Change
Revenue:				
Motorcycles	$2,563,958	$2,785,953	$(221,995)	(8.0)%
Parts & Accessories	440,712	469,707	(28,995)	(6.2)
General Merchandise	143,946	140,500	3,446	2.5
Other	12,737	9,813	2,924	29.8
Total revenue	3,161,353	3,405,973	(244,620)	(7.2)
Cost of goods sold	1,923,864	2,089,703	(165,839)	(7.9)
Gross profit	1,237,489	1,316,270	(78,781)	(6.0)
Selling & administrative expense	433,655	429,585	4,070	0.9
Engineering expense	77,777	65,737	12,040	18.3
Operating expense	511,432	495,322	16,110	3.3
Operating income from Motorcycles	$726,057	$820,948	$(94,891)	(11.6)%

The following table includes the estimated impact of significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from the first half of 2014 to the first half of 2015 (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
Six months ended June 29, 2014	$3,406.0	$2,089.7	$1,316.3
Volume	(143.0)	(88.7)	(54.3)
Price, net of related costs	38.6	4.0	34.6
Foreign currency exchange rates and hedging	(133.7)	(58.2)	(75.5)
Shipment mix	(6.5)	0.9	(7.4)
Raw material prices	—	(6.4)	6.4
Manufacturing and other costs	—	(17.4)	17.4
Total	(244.6)	(165.8)	(78.8)
Six months ended June 28, 2015	$3,161.4	$1,923.9	$1,237.5

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from the first half of 2014 to first half of 2015:

- Volume decreases were driven by the decrease in wholesale motorcycle shipments and parts and accessories sales, partially offset by higher sales volumes for general merchandise.
- On average, wholesale prices for the Company’s 2015 model-year motorcycles are higher than the prior model-year resulting in the favorable impact on revenue during the period. The impact of revenue favorability resulting from model-year price increases on gross profit was partially offset by increases in costs related to the additional content added to the 2015 model-year motorcycles.
- Gross profit was negatively impacted by changes in foreign currency exchange rates during the first six months of 2015 compared to the first six months of 2014. Revenue was negatively impacted by a devaluation in the Euro, Japanese yen, Brazilian real and Australian dollar. The negative impact to revenue was partially offset by a positive impact to cost of goods sold as a result of natural hedges and benefits of foreign currency exchange contracts, partially offset by an unfavorable impact due to the revaluation of foreign-denominated assets on the balance sheet.
- Shipment mix changes negatively impacted gross profit primarily due to changes in motorcycle family mix, driven by higher shipments of Street motorcycles. The negative motorcycle family mix was partially offset by positive mix changes within parts and accessories and general merchandise.
- Raw material prices were lower in the first half of 2015 relative to the first half of 2014.

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- Manufacturing costs in the first six months of 2015 benefited from increased manufacturing efficiencies and the absence of Street motorcycle start-up costs that were incurred in the first six months of 2014, partially offset by a higher cost per unit resulting from lower production volumes.

The net increase in operating expense was primarily due to increased marketing costs as the Company responded to the highly competitive environment and higher recall costs.

Financial Services Segment

Segment Results

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

	Six months ended				
	June 28, 2015	June 29, 2014	Increase (Decrease)	% Change	
Interest income	$293,852	$284,254	$9,598	3.4	%
Other income	42,132	36,520	5,612	15.4	
Financial Services revenue	335,984	320,774	15,210	4.7	
Interest expense	79,724	79,598	126	0.2	
Provision for credit losses	41,422	36,292	5,130	14.1	
Operating expenses	68,261	67,255	1,006	1.5	
Financial Services expense	189,407	183,145	6,262	3.4	
Operating income from Financial Services	$146,577	$137,629	$8,948	6.5	%

Interest income was higher in the first six months of 2015 due to higher average receivables in the retail and wholesale portfolios compared to the first six months of 2014, partially offset by lower yields primarily due to increased competition. Other income was favorable primarily due to increased credit card licensing and insurance revenue. Other income now includes international income which had previously been reported in interest income. Prior period amounts, which were not material, have been adjusted for comparability.

Interest expense increased slightly primarily due to higher average outstanding debt, partially offset by a lower cost of funds and a $1.1 million loss on the extinguishment of medium-term notes recorded during the first six months of 2014.

The provision for credit losses increased $5.1 million in the first six months of 2015. The retail motorcycle provision increased $5.9 million in the first six months of 2015 primarily as a result of higher credit losses and an increase in retail receivables. Credit losses were higher as a result of increased sub-prime originations in recent years, as well as changing consumer credit behavior. The wholesale provision was favorable by $0.8 million due primarily to a smaller increase in receivables in the first six months of 2015 as compared to 2014.

On a year-to-date basis, retail loan originations were comprised of approximately 80% prime loans and 20% sub-prime. Sub-prime originations represent a significant amount of retail sales to the Company at attractive returns which further reinforces the competitive advantage that HDFS brings to the Company.

Annualized losses on HDFS' retail motorcycle loans were 1.08% through June 28, 2015 compared to 0.97% through June 29, 2014. The 30-day delinquency rate for retail motorcycle loans at June 28, 2015 was 2.71% compared to 2.68% at June 29, 2014.

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

	Six months ended	
	June 28, 2015	June 29, 2014
Balance, beginning of period	$127,364	$110,693
Provision for credit losses	41,422	36,292
Charge-offs	(53,736)	(46,361)
Recoveries	24,181	21,731
Balance, end of period	$139,231	$122,355

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Other Matters

Contractual Obligations

The Company has updated the contractual obligations table under the caption “Contractual Obligations” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 as of June 28, 2015 to reflect the new projected principal and interest payments for the remainder of 2015 and beyond as follows (in thousands):

	2015	2016 - 2017	2018 - 2019	Thereafter	Total
Principal payments on debt	$1,216,387	$1,951,101	$2,367,006	$692,206	$6,226,700
Interest payments on debt	87,666	227,144	94,906	1,940	411,656
	$1,304,053	$2,178,245	$2,461,912	$694,146	$6,638,356

Interest obligations for floating rate instruments, as calculated above, assume rates in effect at June 28, 2015 remain constant.

As of June 28, 2015, there have been no other material changes to the Company’s summary of expected payments for significant contractual obligations in the contractual obligations table.

Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in 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 discussions with the EPA. Since that time, the EPA has delivered various additional requests for information to which the Company has responded. It is probable that a result of the EPA’s investigation will be some form of enforcement action by the EPA that will seek a fine and/or other relief. The Company has a reserve associated with this matter which is included in accrued liabilities in the Consolidated Balance Sheet. However, given the uncertainty that still exists concerning the resolution of this matter, there is a possibility that the actual loss incurred may be materially different from the Company’s current reserve. At this time, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter, if any.

York Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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. Although the Company is not certain as to the full extent of the environmental contamination at the York facility, it has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 in undertaking environmental investigation and remediation activities, including an ongoing 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 future 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 a reserve for its estimate of its share of the future Response Costs at the York facility which is included in accrued liabilities in the Condensed Consolidated Balance Sheets. As noted above, the RI/FS is still underway and given the uncertainty that exists concerning the nature and scope of additional environmental investigation and remediation that may ultimately be required under the RI/FS or otherwise at the York facility, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

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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. Response Costs are expected to be paid primarily over a period of several years ending in 2017 although certain Response Costs may continue for some time beyond 2017.

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]

Liquidity and Capital Resources as of June 28, 2015[1]

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 will evaluate opportunities to enhance value for its shareholders through increasing dividends and repurchasing shares. The Company believes the Motorcycles operations will continue to be primarily funded through cash flows generated by operations[1]. The Financial Services operations have been funded with unsecured debt, unsecured commercial paper, asset-backed commercial paper conduit facilities, committed unsecured bank facilities, term asset-backed securitizations, and intercompany borrowings.

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

	June 28, 2015
Cash and cash equivalents	$1,247,579
Current marketable securities	52,516
Total cash and cash equivalents and marketable securities	1,300,095
Global credit facilities	1,235,017
Asset-backed U.S. commercial paper conduit facility[a]	600,000
Asset-backed Canadian commercial paper conduit facility[b]	10
Total availability under credit facilities	1,835,027
Total	$3,135,122

(a) The U.S. commercial paper conduit facility expires on October 30, 2015. The Company anticipates that it will renew this facility prior to expiration[1].

(b) The Canadian commercial paper conduit facility was due to expire on June 30, 2015 and is limited to Canadian-denominated borrowings. The Company renewed this facility and the new facility expires June 30, 2016.

The Company continues to monitor and adjust to changes in the lending environment for its Financial Services operations. 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. The Financial Services operations could be negatively affected by higher costs of funding and increased difficulty of raising or potential unsuccessful efforts to raise funding in the short-term and long-term capital markets. 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.

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Cash Flow Activity

The following table summarizes the cash flow activity for the periods indicated (in thousands):

	Six months ended	
	June 28, 2015	June 29, 2014
Net cash provided by operating activities	$613,944	$570,592
Net cash used by investing activities	(481,701)	(419,759)
Net cash provided by (used by) financing activities	214,351	(223,082)
Effect of exchange rate changes on cash and cash equivalents	(5,695)	4,983
Net increase (decrease) in cash and cash equivalents	$340,899	$(67,266)

Operating Activities

The increase in cash provided by operating activities for the first six months of 2015 compared to the first six months of 2014 was due in part to lower net cash outflows for wholesale lending. No contributions to qualified pension plans are required or planned in 2015[(1)]. The Company expects it will continue to make on-going contributions related to current benefit payments for SERPA and postretirement healthcare plans.

Investing Activities

The Company's investing activities consist primarily of capital expenditures, net changes in finance receivables and short-term investment activity. Capital expenditures were $85.2 million in the first six months of 2015 compared to $74.5 million in the same period last year. Net cash outflows for finance receivables for the first six months of 2015 were $19.7 million higher than in the same period last year as a result of an increase in retail motorcycle loan originations during the first six months of 2014. A net decrease in marketable securities during the first six months of 2014 resulted in higher investing cash inflows of approximately $36.5 million compared to the first six months of 2015.

Financing Activities

The Company's financing activities consist primarily of share repurchases, dividend payments and debt activity. Cash outflows for share repurchases were $358.4 million in the first six months of 2015 compared to $223.7 million in the same period last year. Share repurchases during the first six months of 2015 included 5.9 million shares of common stock related to discretionary share repurchases as well as shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock awards. As of June 28, 2015, there were 31.0 million shares remaining on board-approved share repurchase authorizations.

The Company paid dividends of $0.620 and $0.550 per share totaling $129.7 million and $120.6 million during the first six months of 2015 and 2014, respectively.

Financing cash flows related to debt activity resulted in net cash inflows of $724.6 million in the first six months of 2015 compared to net cash inflows of $94.6 million in the first six months of 2014. During the second quarter of 2015, the Company issued $500.0 million of secured notes through a term asset-backed securitization transaction. During the second quarter of 2014, the Company issued $850.0 million of secured notes through a term asset-backed securitization transaction. The Company's total outstanding debt consisted of the following (in thousands):

	June 28, 2015	June 29, 2014
Unsecured commercial paper	$114,983	$619,622
Asset-backed Canadian commercial paper conduit facility	160,940	173,224
Medium-term notes	3,933,698	2,853,232
Term asset-backed securitization debt	2,017,079	1,712,855
Total debt	$6,226,700	$5,358,933

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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 June 28, 2015 were as follows:

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

Global Credit Facilities – On April 7, 2014, the Company entered into a new $675.0 million five-year credit facility to refinance and replace a $675.0 million four-year credit facility that was due to mature in April 2015. The new five-year credit facility matures in April 2019. The Company also has a $675.0 million five-year credit facility which matures in April 2017. The new five-year credit facility and the existing five-year credit facility (together, the Global Credit Facilities) bear interest at variable interest 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 and primarily used to support the Company's unsecured commercial paper program.

Unsecured Commercial Paper – Subject to limitations, the Company could issue unsecured commercial paper of up to $1.35 billion as of June 28, 2015 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 facility or through the use of operating cash flow and cash on hand.[(1)]

Medium-Term Notes – The Company had the following medium-term notes (collectively, the Notes) issued and outstanding at June 28, 2015 (in thousands):

Principal Amount	Rate	Issue Date	Maturity Date
$600,000	1.15%	September 2012	September 2015
$450,000	3.88%	March 2011	March 2016
$400,000	2.70%	January 2012	March 2017
$400,000	1.55%	November 2014	November 2017
$887,958	6.80%	May 2008	June 2018
$600,000	2.40%	September 2014	September 2019
$600,000	2.15%	February 2015	February 2020

The Notes provide for semi-annual interest payments and principal due at maturity. Unamortized discounts on the Notes reduced the outstanding balance by $4.3 million and $1.2 million at June 28, 2015 and June 29, 2014, respectively.

There were no medium-term notes issued or repurchased during the second quarter of 2015. During the first quarter of 2015, the Company issued $600.0 million of medium-term notes which mature in 2020 and have an annual interest rate of 2.15%. There were no medium-term notes issued during the first half of 2014. During the second quarter of 2014, HDFS repurchased an aggregate of $6.1 million of its 6.80% medium-term notes which mature in June 2018. As a result, HDFS recognized in financial services interest expense $1.1 million in loss on the extinguishment of debt, which included unamortized discounts and fees.

Senior Unsecured Notes – In February 2009, the Company issued $600.0 million of senior unsecured notes in an underwritten offering. The senior unsecured notes provided for semi-annual interest payments and principal due at maturity. During the fourth quarter of 2010, the Company repurchased $297.0 million of the $600.0 million senior unsecured notes at a price of $380.8 million. The senior unsecured notes matured in February 2014 and the Company repaid the remaining senior unsecured notes outstanding.

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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 intends to use the proceeds from the debt to repurchase shares of its common stock.[1] The Company expects to complete the share repurchases by the end of 2015.[1] The share repurchases will be in addition to repurchases under the Company's ongoing share repurchase plan which it expects to be in line with the second half of 2014 repurchases of $392 million.[1]

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$200 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$200 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. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of June 28, 2015, the Canadian Conduit had an expiration date of June 30, 2015. The Canadian Conduit was renewed on June 30, 2015 with similar terms and a borrowing amount of up to C$240 million with an expiration date of June 30, 2016. The contractual maturity of the debt is approximately 5 years.

During the first and second quarters of 2015, the Company transferred $19.2 million and $26.8 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of $16.8 million and $23.4 million, respectively. During the first and second quarters of 2014, HDFS transferred $15.7 million and $26.4 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of$13.8 million and $23.1 million, respectively.

Asset-Backed U.S. Commercial Paper Conduit Facility VIE – In September 2014, the Company amended and restated its revolving facility (U.S. Conduit) with an asset-backed U.S. commercial paper conduit, which provides for a total aggregate commitment of $600.0 million. At June 28, 2015 and June 29, 2014, the Company had no outstanding borrowings under the U.S. Conduit.

This debt provides for interest on outstanding principal based generally on prevailing commercial paper rates plus a program fee based on outstanding principal, or LIBOR plus a specified margin to the extent the advance is not funded by a conduit lender through the issuance of commercial paper. The U.S. Conduit also provides for an unused commitment fee based on the unused portion of the total aggregate commitment of $600.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivable collateral are applied to outstanding principal. Upon expiration of the U.S. Conduit, any outstanding principal will continue to be reduced monthly through available collections. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of June 28, 2015, the U.S. Conduit expires October 30, 2015.

Term Asset-Backed Securitization VIEs – For all of the term asset-backed securitization transactions, the Company transferred U.S. retail motorcycle finance receivables to separate VIEs, which in turn issued 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 term 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 securitizations. 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 ranging from 2015 to 2022.

During the first quarter of 2015, the Company issued $700.0 million of secured notes through one term asset-backed securitization transaction. During the second quarter of 2015, the Company issued $500.0 million of secured notes

through one term asset-backed securitization transaction. During the second quarter of 2014, the Company issued $850.0 million of secured notes through one term asset-backed securitization transaction. There were no other term asset-backed securitization transactions during the six months ended June 29, 2014.

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Intercompany Borrowing – HDFS and the Company have had in effect term loan agreements under which HDFS borrowed from the Company. During the six months ended June 28, 2015, there were no new intercompany loans made and the intercompany loan balance of $250 million outstanding as of December 31, 2014 was repaid. At June 29, 2014, the outstanding intercompany term loan balance was $550 million. The term loan balances and related interest are eliminated in the Company's consolidated financial statements.

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 Global 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, consolidations, liquidations or dissolutions; and
- purchase or hold margin stock.

Under the current financial covenants of the Global Credit Facilities, the consolidated debt to equity ratio of HDFS 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 equity, in each case excluding the debt of HDFS and its subsidiaries, cannot exceed 0.65 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 June 28, 2015, HDFS and the Company remained in compliance with all of the then existing covenants. There are no new covenants associated with the new senior unsecured debt issued in July 2015.

Cautionary Statements

The Company's ability to meet the targets and expectations noted depends upon, among other factors, the Company's ability to:

(i) execute its business strategy,

(ii) manage through changes in general economic conditions, including changing capital, credit and retail markets, and political events,

(iii) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices,

(iv) balance production volumes for its new motorcycles with consumer demand, including in circumstances where competitors may be supplying new motorcycles to the market in excess of demand at reduced prices,

(v) continue to develop the capabilities of its distributors and dealers and manage the risks that our independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand,

(vi) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the Company and within its expectations,

(vii) effect repurchases of its common stock at share prices that are within its expectations,

(viii) consummate the Canada Distributor Transaction and complete the transition to the new direct distribution model in Canada on the timing for the costs and at the foreign currency exchange rates that are within its expectations,

(ix) prevent a cybersecurity breach involving digital consumer, employee or dealer personal data,

(x) manage the impact that prices for used motorcycles may have on retail sales of new motorcycles,

(xi) manage risks that arise through expanding international manufacturing, operations and sales,

(xii) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles,

(xiii) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations,

(xiv)

manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters,

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(xv) prevent and detect any issues with the Company's products, components purchased from suppliers, and its suppliers' manufacturing processes to avoid delays in new model launches, recall campaigns, increased warranty costs or litigation, and adverse affects on the Company's reputation and brand strength,
(xvi) develop and introduce products, services and experiences that are successful in the marketplace,
(xvii) develop and implement sales and marketing plans that retain existing retail customers and attract new retail customers in an increasingly competitive marketplace,
(xviii) implement and manage enterprise-wide information technology solutions, including solutions at its manufacturing facilities,
(xix) continue to realize production efficiencies at its production facilities and manage operating costs including materials, labor and overhead,
(xx) execute its flexible production strategy,
(xxi) continue to manage the relationships and agreements that it has with its labor unions to help drive long-term competitiveness,
(xxii) adjust to healthcare inflation and reform, pension reform and tax changes,
(xxiii) retain and attract talented employees,
(xxiv) continue to have access to reliable sources of capital funding and adjust to fluctuations in the cost of capital, and
(xxv) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio

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 in risk factors that the Company has disclosed in documents previously filed with the Securities and Exchange Commission.

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 and distributors to develop and implement effective retail sales plans to create demand for the motorcycles and related products and services they purchase from the Company.

In addition, the Company's independent dealers and distributors may experience difficulties in operating their businesses and selling Harley-Davidson motorcycles and related products and services as a result of weather, economic conditions or other factors.

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 in the sub-prime lending environment.

Refer to "Risk Factors" under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for a complete discussion of the Company's market risk. There have been no material changes to the market risk information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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Item 4. 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 Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q 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 Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Changes in Internal Controls

There was no change in the Company's internal control over financial reporting during the quarter ended June 28, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

The information required under this Item 1 of Part II is contained in Item 1 of Part I of this Quarterly report on Form 10-Q in Note 16 of the Notes to Condensed Consolidated Financial Statements, and such information is incorporated herein by reference in this Item 1 of Part II.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains detail related to the repurchase of common stock based on the date of trade during the quarter ended June 28, 2015:

2015 Fiscal Month	Total Number of Shares Purchased (a)	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
March 30 to May 3	1,448,410	60	1,448,410	17,200,902
May 4 to May 31	1,405,461	56	1,405,461	15,929,045
June 1 to June 28	—	—	—	30,952,335
Total	2,853,871	58	2,853,871	

(a) Includes 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 Company has an authorization (originally adopted in December 1997) by its Board of Directors to repurchase shares of its outstanding common stock under which the cumulative number of shares repurchased, at the time of any repurchase, shall not exceed the sum of (1) the number of shares issued in connection with the exercise of stock options occurring on or after January 1, 2004 plus (2) one percent of the issued and outstanding common stock of the Company on January 1 of the current year, adjusted for any stock split. The Company made discretionary share repurchases of 0.1 million shares during the quarter ended June 28, 2015 under this authorization. As of June 28, 2015, 23,290 shares remained under this authorization.

In December 2007, 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. The Company made no discretionary share repurchases during the quarter ended June 28, 2015 under this authorization. As of June 28, 2015, no shares remained under this authorization.

In February 2014, 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. The Company made discretionary share repurchases of 2.7 million shares during the quarter ended June 28, 2015 under this authorization. As of June 28, 2015, 15.9 million shares remained under this authorization.

Additionally, in June 2015, the Company disclosed that its Board of Directors authorized the Company to repurchase up to 15.0 million shares of its common stock with no dollar limit or expiration date. The Company made no discretionary share repurchases during the quarter ended June 28, 2015 under this authorization. As of June 28, 2015, 15.0 million shares remained under this authorization.

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 second quarter of 2015, the Company acquired 16,660 shares of common stock that

employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock awards.

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Item 6 – Exhibits
Refer to the Exhibit Index on page 62 of this report.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HARLEY-DAVIDSON, INC.

Date: 8/6/2015	/s/ John A. Olin John A. Olin Senior Vice President and Chief Financial Officer (Principal financial officer)
Date: 8/6/2015	/s/ Mark R. Kornetzke Mark R. Kornetzke Chief Accounting Officer (Principal accounting officer)

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Harley-Davidson, Inc.
Exhibit Index to Form 10-Q

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.
10.1*	Form of Non-competition and Non-solicitation Agreement between Harley-Davidson Canada LP and each of Donald A. James and Fred Deeley Imports Ltd., effective August 4, 2015
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32.1	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. §1350
101	Financial statements from the quarterly report on Form 10-Q of Harley-Davidson, Inc. for the quarter ended June 28, 2015, filed on August 6, 2015, formatted in XBRL: (i) the Condensed Consolidated Statements of Income; (ii) the Condensed Consolidated Statements of Comprehensive Income; (iii) the Condensed Consolidated Balance Sheets; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Condensed Consolidated Financial Statements.

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