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

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

For the quarterly period ended September 27, 2020

☐ **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)**

Registrant's telephone number, including area code: (414) 342-4680

None

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock Par Value $.01 PER SHARE	HOG	New York Stock Exchange

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 ☒ No ☐

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

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

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The registrant had outstanding 153,278,729 shares of common stock as of October 30, 2020.

HARLEY-DAVIDSON, INC.

Form 10-Q

For The Quarter Ended September 27, 2020

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Revenue:				
Motorcycles and Related Products	$ 964,029	$ 1,068,942	$ 2,733,091	$ 3,698,583
Financial Services	201,655	203,577	596,064	590,935
	1,165,684	1,272,519	3,329,155	4,289,518
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	676,796	748,878	2,019,310	2,576,342
Financial Services interest expense	67,533	53,390	182,193	158,387
Financial Services provision for credit losses	7,835	33,747	178,433	94,621
Selling, administrative and engineering expense	231,721	309,031	734,057	885,273
Restructuring expense	43,915	7,629	85,864	31,682
	1,027,800	1,152,675	3,199,857	3,746,305
Operating income	137,884	119,844	129,298	543,213
Other income, net	155	3,160	466	11,857
Investment income	2,672	2,041	3,082	11,970
Interest expense	7,783	7,789	23,307	23,304
Income before provision for income taxes	132,928	117,256	109,539	543,736
Provision for income taxes	12,710	30,693	11,843	133,597
Net income	$ 120,218	$ 86,563	$ 97,696	$ 410,139
Earnings per share:				
Basic	$ 0.78	$ 0.55	$ 0.64	$ 2.59
Diluted	$ 0.78	$ 0.55	$ 0.64	$ 2.58
Cash dividends per share	$ 0.020	$ 0.375	$ 0.420	$ 1.125

The accompanying notes are integral to the consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Net income	$ 120,218	$ 86,563	$ 97,696	$ 410,139
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	12,737	(15,321)	(275)	(3,720)
Derivative financial instruments	(2,101)	6,284	(28,255)	(6,080)
Pension and postretirement benefit plans	11,959	7,744	35,876	23,230
	22,595	(1,293)	7,346	13,430
Comprehensive income	$ 142,813	$ 85,270	$ 105,042	$ 423,569

The accompanying notes are integral to the consolidated financial statements.

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

	(Unaudited) September 27, 2020	December 31, 2019	(Unaudited) September 29, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,560,950	$ 833,868	$ 862,381
Accounts receivable, net	232,845	259,334	307,616
Finance receivables, net of allowance of $74,111, $43,006, and $39,964	1,701,478	2,272,522	2,210,001
Inventories, net	322,375	603,571	489,098
Restricted cash	160,155	64,554	79,115
Other current assets	178,931	168,974	140,786
	6,156,734	4,202,823	4,088,997
Finance receivables, net of allowance of $334,591, $155,575, and $158,612	5,142,014	5,101,844	5,305,579
Property, plant and equipment, net	785,165	847,382	844,446
Prepaid pension costs	82,378	56,014	—
Goodwill	64,884	64,160	63,727
Deferred income taxes	137,960	101,204	132,019
Lease assets	47,599	61,618	55,905
Other long-term assets	115,541	93,114	85,557
	$ 12,532,275	$ 10,528,159	$ 10,576,230
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 289,103	$ 294,380	$ 348,951
Accrued liabilities	591,281	582,288	556,990
Short-term debt	1,227,763	571,995	1,013,137
Current portion of long-term debt, net	2,109,284	1,748,109	1,779,673
	4,217,431	3,196,772	3,698,751
Long-term debt, net	6,171,676	5,124,826	4,607,041
Lease liabilities	31,225	44,447	39,408
Pension liabilities	57,853	56,138	82,561
Postretirement healthcare liabilities	68,379	72,513	89,032
Other long-term liabilities	215,813	229,464	223,218
Commitments and contingencies (Note 17)			
Shareholders' equity:			
Preferred stock, none issued	—	—	—
Common stock	1,835	1,828	1,827
Additional paid-in-capital	1,501,410	1,491,004	1,482,669
Retained earnings	2,148,462	2,193,997	2,238,313
Accumulated other comprehensive loss	(529,603)	(536,949)	(616,254)
Treasury stock, at cost	(1,352,206)	(1,345,881)	(1,270,336)
	1,769,898	1,803,999	1,836,219
	$ 12,532,275	$ 10,528,159	$ 10,576,230

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

	(Unaudited) September 27, 2020	December 31, 2019	(Unaudited) September 29, 2019
Balances held by consolidated variable interest entities (Note 13):			
Finance receivables, net - current	$ 576,750	$ 291,444	$ 308,568
Other assets	$ 3,129	$ 2,420	$ 1,618
Finance receivables, net - non-current	$ 2,177,875	$ 1,027,179	$ 1,175,086
Restricted cash - current and non-current	$ 170,925	$ 63,812	$ 78,334
Current portion of long-term debt, net	$ 677,099	$ 317,607	$ 346,350
Long-term debt, net	$ 1,886,594	$ 937,212	$ 1,079,278

The accompanying notes are integral to the consolidated financial statements.

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

	Nine months ended	
	September 27, 2020	September 29, 2019
Net cash provided by operating activities (Note 7)	$ 1,135,068	$ 848,649
Cash flows from investing activities:		
Capital expenditures	(92,295)	(121,161)
Origination of finance receivables	(2,873,259)	(3,141,626)
Collections on finance receivables	2,730,166	2,695,918
Sales and redemptions of marketable securities	—	10,007
Acquisition of business	—	(7,000)
Other investing activities	334	12,388
Net cash used by investing activities	(235,054)	(551,474)
Cash flows from financing activities:		
Proceeds from issuance of medium-term notes	1,396,602	546,655
Repayments of medium-term notes	(1,400,000)	(1,350,000)
Proceeds from securitization debt	2,064,450	1,021,353
Repayments of securitization debt	(735,885)	(244,250)
Borrowings of asset-backed commercial paper	225,187	177,950
Repayments of asset-backed commercial paper	(236,846)	(240,008)
Net increase (decrease) in unsecured commercial paper	509,978	(120,707)
Net increase in credit facilities	150,000	—
Deposits	29,992	—
Dividends paid	(65,002)	(179,409)
Repurchase of common stock	(7,895)	(217,454)
Issuance of common stock under share-based plans	96	2,180
Net cash provided (used) by financing activities	1,930,677	(603,690)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6,071	(4,110)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 2,836,762	$ (310,625)
Cash, cash equivalents and restricted cash:		
Cash, cash equivalents and restricted cash, beginning of period	$ 905,366	$ 1,259,748
Net increase (decrease) in cash, cash equivalents and restricted cash	2,836,762	(310,625)
Cash, cash equivalents and restricted cash, end of period	$ 3,742,128	$ 949,123
Reconciliation of cash, cash equivalents and restricted cash on the Consolidated balance sheets to the Consolidated statements of cash flows:		
Cash and cash equivalents	$ 3,560,950	$ 862,381
Restricted cash	160,155	79,115
Restricted cash included in Other long-term assets	21,023	7,627
Cash, cash equivalents and restricted cash per the Consolidated statements of cash flows	$ 3,742,128	$ 949,123

The accompanying notes are integral to the consolidated financial statements.

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Common Stock Issued Shares	Common Stock Balance	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2019	182,816,536	$ 1,828	$ 1,491,004	$ 2,193,997	$ (536,949)	$ (1,345,881)	$ 1,803,999
Net income	—	—	—	69,695	—	—	69,695
Other comprehensive loss, net of tax (Note 18)	—	—	—	—	(42,341)	—	(42,341)
Dividends ($0.380 per share)	—	—	—	(58,817)	—	—	(58,817)
Repurchase of common stock	—	—	—	—	—	(7,071)	(7,071)
Share-based compensation	585,053	6	4,137	—	—	604	4,747
Cumulative effect of change in accounting (Note 2)	—	—	—	(78,229)	—	—	(78,229)
Balance, March 29, 2020	183,401,589	1,834	1,495,141	2,126,646	(579,290)	(1,352,348)	1,691,983
Net loss	—	—	—	(92,217)	—	—	(92,217)
Other comprehensive income, net of tax (Note 18)	—	—	—	—	27,092	—	27,092
Dividends ($0.020 per share)	—	—	—	(3,100)	—	—	(3,100)
Repurchase of common stock	—	—	—	—	—	(85)	(85)
Share-based compensation	9,615	—	(882)	—	—	914	32
Balance, June 28, 2020	183,411,204	1,834	1,494,259	2,031,329	(552,198)	(1,351,519)	1,623,705
Net income	—	—	—	120,218	—	—	120,218
Other comprehensive income, net of tax (Note 18)	—	—	—	—	22,595	—	22,595
Dividends ($0.020 per share)	—	—	—	(3,085)	—	—	(3,085)
Repurchase of common stock	—	—	—	—	—	(739)	(739)
Share-based compensation	82,329	1	7,151	—	—	52	7,204
Balance, September 27, 2020	183,493,533	$ 1,835	$ 1,501,410	$ 2,148,462	$ (529,603)	$ (1,352,206)	$ 1,769,898

	Common Stock Issued Shares	Common Stock Balance	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2018	181,931,225	$ 1,819	$ 1,459,620	$ 2,007,583	$ (629,684)	$ (1,065,389)	$ 1,773,949
Net income	—	—	—	127,945	—	—	127,945
Other comprehensive income, net of tax (Note 18)	—	—	—	—	7,633	—	7,633
Dividends ($0.375 per share)	—	—	—	(60,859)	—	—	(60,859)
Repurchase of common stock	—	—	—	—	—	(61,712)	(61,712)
Share-based compensation	702,687	7	5,961	—	—	4,687	10,655
Balance, March 31, 2019	182,633,912	1,826	1,465,581	2,074,669	(622,051)	(1,122,414)	1,797,611
Net income	—	—	—	195,631	—	—	195,631
Other comprehensive income, net of tax (Note 18)	—	—	—	—	7,090	—	7,090
Dividends ($0.375 per share)	—	—	—	(59,982)	—	—	(59,982)
Repurchase of common stock	—	—	—	—	—	(42,908)	(42,908)
Share-based compensation	9,338	1	9,238	—	—	3,960	13,199
Balance, June 30, 2019	182,643,250	1,827	1,474,819	2,210,318	(614,961)	(1,161,362)	1,910,641
Net income	—	—	—	86,563	—	—	86,563
Other comprehensive loss, net of tax (Note 18)	—	—	—	—	(1,293)	—	(1,293)
Dividends ($0.375 per share)	—	—	—	(58,568)	—	—	(58,568)
Repurchase of common stock	—	—	—	—	—	(112,834)	(112,834)
Share-based compensation	80,249	—	7,850	—	—	3,860	11,710
Balance, September 29, 2019	182,723,499	$ 1,827	$ 1,482,669	$ 2,238,313	$ (616,254)	$ (1,270,336)	$ 1,836,219

The accompanying notes are integral to the consolidated financial statements.

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

1. Basis of Presentation and Use of Estimates

The consolidated financial statements include the accounts of Harley-Davidson, Inc. and its subsidiaries, all of which are wholly-owned (the Company), including the accounts of the groups of companies referred to 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 have been eliminated.

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

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the *Consolidated balance sheets* as of September 27, 2020 and September 29, 2019, the *Consolidated statements of operations* for the three and nine month periods then ended, the *Consolidated statements of comprehensive income* for the three and nine month periods then ended, the *Consolidated statements of cash flows* for the nine month periods then ended, and the *Consolidated statements of shareholders' equity* for the three and nine month periods then ended.

Certain information and 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. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

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

During the first quarter of 2020, the outbreak of a novel strain of coronavirus (COVID-19) spread throughout the world, and was recognized as a pandemic in March 2020. The COVID-19 pandemic has severely restricted the level of economic activity in the U.S. and around the world. The COVID-19 pandemic has led to supply chain destabilization, facility closures, workforce disruption, and volatility in the economy, and its full impact is not yet known. These impacts may continue to expand in scope, type and severity.

The Company’s operations and demand for its products have been adversely impacted as a result of the COVID-19 pandemic. The Company acted quickly and in alignment with government efforts to protect the safety and health of its employees and the Harley-Davidson community. The Company implemented travel restrictions, enhanced sanitation practices, cancelled events and closed facilities including temporarily suspending its global manufacturing. While the Company's global manufacturing has resumed and the impacts on demand, facility closures and other restrictions resulting from the pandemic are expected to be temporary, the duration of the pandemic and its financial impact to the Company are unknown at this time. This uncertainty could have an impact in future periods on certain estimates used in the preparation of financial results for the period ending September 27, 2020, including, but not limited to, the allowance for credit losses, goodwill, long-lived assets, fair value measurements, the provision for income tax and hedge accounting with respect to forecasted future transactions.

2. New Accounting Standards

Accounting Standards Recently Adopted

In July 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 changes how a company recognizes expected credit losses on financial instruments by requiring recognition of the full lifetime expected credit losses upon initial recognition of the financial instrument. ASU 2016-13 replaced the incurred loss methodology. The Company adopted ASU 2016-13 on January 1, 2020 using a modified retrospective approach for financial instruments measured at amortized cost.

On January 1, 2020, the Company remeasured the allowance for credit losses on financial instruments under the new accounting standard. The difference was recorded as a cumulative effect adjustment to *Retained earnings*, net of income taxes. The initial adoption of ASU 2016-13 did not impact the Company's *Consolidated statements of operations*. The effect of adopting ASU 2016-13 on the Company's *Consolidated balance sheets* was as follows (in thousands):

	December 31, 2019	Effect of Adoption	January 1, 2020
ASSETS			
Finance receivables[a]	$ 7,572,947	$ —	$ 7,572,947
Allowance for credit losses on finance receivables[a]	$ (198,581)	$ (100,604)	$ (299,185)
Deferred income taxes	$ 101,204	$ 22,484	$ 123,688
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accrued liabilities	$ 582,288	$ 109	$ 582,397
Retained earnings	$ 2,193,997	$ (78,229)	$ 2,115,768

(a) Reported as *Finance receivables, net* on the *Consolidated balance sheets*, allocated between current and non-current

Financial Statement Comparability to Prior Periods – Beginning in 2020, under ASU 2016-13, the Company recognized full lifetime expected credit losses upon initial recognition of the associated financial instrument. Under ASU 2016-13, changes in the allowance for credit losses and the impact on the provision for credit losses will be affected by the size and composition of the Company's finance receivables portfolios, economic conditions, reasonable and supportable forecasts, and other appropriate factors at each reporting period. Prior periods have not been restated and will continue to be reported in accordance with the previously applicable U.S. GAAP, which generally required that a credit loss be incurred before it was recognized. As such, prior periods will not be comparable to the current period. Additional information on the Company's finance receivables is discussed further in Note 8.

In January 2017, the FASB issued ASU No. 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04). ASU 2017-04 simplified the subsequent measurement of goodwill by eliminating the requirement to calculate the implied fair value of goodwill. Rather, the goodwill impairment is calculated by comparing the fair value of a reporting unit to its carrying value, and an impairment loss is recognized for the amount by which the carrying amount exceeds the fair value, limited to the total goodwill allocated to the reporting unit. All reporting units apply the same impairment test under the new standard. The Company adopted ASU 2017-04 on January 1, 2020 on a prospective basis. The adoption of ASU 2017-04 did not have a material impact to the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13). ASU 2018-13 amended *Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements* to eliminate, modify, and add certain disclosure requirements for fair value measurements. The amendments were required to be applied retrospectively, with the exception of a few disclosure additions, which were to be applied on a prospective basis. The Company adopted ASC 2018-13 on January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the Company's disclosures.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) (ASU 2018-15). The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the existing internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. The Company adopted ASU 2018-15 on January 1, 2020 on a prospective basis. The adoption of ASU 2018-15 did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (ASU No. 2019-12). The new guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for fiscal years beginning after December 15, 2020 and for interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2019-12.

3. Revenue

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

Disaggregated revenue by major source was as follows (in thousands):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Motorcycles and Related Products Revenue:				
Motorcycles	$ 684,344	$ 779,344	$ 2,030,447	$ 2,871,982
Parts & Accessories	209,808	203,173	513,201	584,134
General Merchandise	49,356	60,334	136,321	180,379
Licensing	8,894	8,611	21,826	27,099
Other	11,627	17,480	31,296	34,989
	964,029	1,068,942	2,733,091	3,698,583
Financial Services Revenue:				
Interest income	174,464	175,840	512,726	502,721
Other	27,191	27,737	83,338	88,214
	201,655	203,577	596,064	590,935
	$ 1,165,684	$ 1,272,519	$ 3,329,155	$ 4,289,518

The Company maintains certain deferred revenue balances related to payments received at contract inception in advance of the Company’s performance under the contract and generally relates to the sale of Harley Owners Group® memberships and extended service plan contracts. Deferred revenue is recognized as revenue as the Company performs under the contract. Deferred revenue, included in *Accrued liabilities* and *Other long-term liabilities* on the *Consolidated balance sheets*, was as follows (in thousands):

	September 27, 2020	September 29, 2019
Balance, beginning of period	$ 29,745	$ 29,055
Balance, end of period	$ 31,209	$ 32,374

Previously deferred revenue recognized as revenue in the three months ended September 27, 2020 and September 29, 2019 was $6.3 million and $6.0 million, respectively, and $19.6 million and $18.3 million in the nine months ended September 27, 2020 and September 29, 2019. The Company expects to recognize approximately $15.3 million of the remaining unearned revenue over the next 12 months and $15.9 million thereafter.

4. Restructuring Activities

Expenses associated with the Company's restructuring activities are included in *Restructuring expense* on the *Consolidated statements of operations*.

2020 Restructuring Activities – In 2020, the Company initiated restructuring activities including a workforce reduction, the termination of certain current and future products, facility changes, optimizing its global independent dealer network, exiting certain international markets, and discontinuing its sales and manufacturing operations in India. The workforce reduction will result in the elimination of approximately 700 positions globally, including the termination of approximately 500 employees. In addition, the India action will result in the termination of approximately 70 employees.

Restructuring expenses related to the 2020 restructuring activities, by segment, were as follows (in millions):

	Amount Incurred	
	Three months ended September 27, 2020	Nine months ended September 27, 2020
Motorcycles and Related Products	$ 43.6	$ 84.6
Financial Services	0.3	1.3
	$ 43.9	$ 85.9

The Company expects restructuring expenses of approximately $169 million, primarily in 2020. This includes approximately $155 million and $14 million expected to be in incurred in the Motorcycles and Financial Services segments, respectively. Total expected restructuring expenses under the 2020 restructuring activities include approximately $34 million related to employee termination benefits, $103 million related to contract termination and other costs and $32 million related to non-current asset adjustments, including accelerated depreciation and other adjustments to the carrying value of non-current assets.

Changes in accrued restructuring expenses for the 2020 restructuring activities initiated in the second quarter of 2020, which are included in *Accrued liabilities* on the *Consolidated balance sheets,* were as follows (in thousands):

	Three months ended September 27, 2020				Nine months ended September 27, 2020			
	Employee Termination Benefits	Contract Terminations & Other	Non-Current Asset Adjustments	Total	Employee Termination Benefits	Contract Terminations & Other	Non-Current Asset Adjustments	Total
Balance, beginning of period	$ 25,298	$ 14,270	$ —	$ 39,568	$ —	$ —	$ —	$ —
Restructuring expense	4,493	23,422	16,000	43,915	29,814	37,692	18,358	85,864
Utilized – cash	(11,940)	(5,899)	—	(17,839)	(11,940)	(5,899)	—	(17,839)
Utilized – non cash	—	—	(16,000)	(16,000)	—	—	(18,358)	(18,358)
Foreign currency changes	166	(54)	—	112	143	(54)	—	89
Balance, end of period	$ 18,017	$ 31,739	$ —	$ 49,756	$ 18,017	$ 31,739	$ —	$ 49,756

2018 Restructuring Activities – In 2018, the Company initiated a plan to further improve its manufacturing operations and cost structure by commencing a multi-year manufacturing optimization plan which included the consolidation of its motorcycle assembly plant in Kansas City, Missouri, into its plant in York, Pennsylvania, and the closure of its wheel operations in Adelaide, Australia (Manufacturing Optimization Plan). The consolidation of operations included the elimination of approximately 800 jobs at the Kansas City facility and the addition of approximately 450 jobs at the York facility through 2019. The Adelaide facility closure included the elimination of approximately 90 jobs. Through December 31, 2019, the Motorcycles segment incurred cumulative restructuring expenses of $122.2 million and other costs related to temporary inefficiencies of $23.2 million under the Manufacturing Optimization Plan. The Manufacturing Optimization Plan was completed in 2019.

In 2018, the Company initiated a reorganization of its workforce (Reorganization Plan), which was completed in 2019. As a result, approximately 70 employees left the Company on an involuntary basis.

Changes in accrued restructuring expenses for the 2018 restructuring activities which are included in *Accrued liabilities* on the *Consolidated balance sheets* during 2019 were as follows (in thousands). The changes in accrued restructuring expenses for the 2018 restructuring activities during the three and nine months ended September 27, 2020 were immaterial.

	Three months ended September 29, 2019					
	Manufacturing Optimization Plan				Reorganization Plan	
	Employee Termination Benefits	Accelerated Depreciation	Other	Total	Employee Termination Benefits	Total
Balance, beginning of period	$ 9,661	$ —	$ 23	$ 9,684	$ 144	$ 9,828
Restructuring (benefit) expense	(1)	719	6,850	7,568	61	7,629
Utilized – cash	(6,617)	—	(6,535)	(13,152)	(205)	(13,357)
Utilized – non cash	(2)	(719)	(336)	(1,057)	—	(1,057)
Foreign currency changes	(26)	—	—	(26)	—	(26)
Balance, end of period	$ 3,015	$ —	$ 2	$ 3,017	$ —	$ 3,017

	Nine months ended September 29, 2019					
	Manufacturing Optimization Plan				Reorganization Plan	
	Employee Termination Benefits	Accelerated Depreciation	Other	Total	Employee Termination Benefits	Total
Balance, beginning of period	$ 24,958	$ —	$ 79	$ 25,037	$ 3,461	$ 28,498
Restructuring expense (benefit)	16	14,684	17,316	32,016	(334)	31,682
Utilized – cash	(21,951)	—	(16,357)	(38,308)	(3,101)	(41,409)
Utilized – non cash	(2)	(14,684)	(1,032)	(15,718)	—	(15,718)
Foreign currency changes	(6)	—	(4)	(10)	(26)	(36)
Balance, end of period	$ 3,015	$ —	$ 2	$ 3,017	$ —	$ 3,017

The Company incurred incremental *Motorcycles and Related Products cost of goods sold* due to temporary inefficiencies resulting from implementing the Manufacturing Optimization Plan during the three and nine months ended September 29, 2019 of $2.5 million and $10.0 million, respectively.

5. Income Taxes

The Company’s effective income tax rate for the nine months ended September 27, 2020 was 10.8% compared to 24.6% for the nine months ended September 29, 2019. The decrease in the 2020 effective income tax rate as compared to 2019 was due primarily to net discrete income tax benefits recorded during the nine months ended September 27, 2020, including favorable settlements with taxing authorities. The effective income tax rate for the nine months ended September 27, 2020 was determined based on the Company's current projections for full-year 2020 financial results. Given uncertainty surrounding the impact of the COVID-19 pandemic, the Company's projection for full-year 2020 financial results, in total and across its numerous tax jurisdictions, may evolve and ultimately impact the Company's 2020 full-year effective income tax rate.

6. Earnings Per Share

The computation of basic and diluted earnings per share was as follows (in thousands, except per share amounts):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Net income	$ 120,218	$ 86,563	$ 97,696	$ 410,139
Basic weighted-average shares outstanding	153,252	156,239	153,153	158,117
Effect of dilutive securities – employee stock compensation plan	663	705	637	677
Diluted weighted-average shares outstanding	153,915	156,944	153,790	158,794
Net earnings per share:				
Basic	$ 0.78	$ 0.55	$ 0.64	$ 2.59
Diluted	$ 0.78	$ 0.55	$ 0.64	$ 2.58

Shares of common stock related to share-based compensation that were not included in the effect of dilutive securities because the effect would have been anti-dilutive include 1.3 million and 1.1 million shares for the three months ended September 27, 2020 and September 29, 2019, respectively, and 1.6 million and 1.2 million shares for the nine months ended September 27, 2020 and September 29, 2019, respectively.

7. Additional Balance Sheet and Cash Flow Information

Investments in Marketable Securities – The Company's investments in marketable securities consisted of the following (in thousands):

	September 27, 2020	December 31, 2019	September 29, 2019
Mutual funds	$ 48,845	$ 52,575	$ 49,821

Mutual funds, included in *Other long-term assets* on the *Consolidated balance sheets*, are carried at fair value with gains and losses recorded in income. Mutual funds are held to support certain deferred compensation obligations.

Inventories, net – Substantially all inventories located in the U.S. are valued using the last-in, first-out (LIFO) method. Other inventories are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. *Inventories, net* consisted of the following (in thousands):

	September 27, 2020	December 31, 2019	September 29, 2019
Raw materials and work in process	$ 152,740	$ 235,433	$ 189,144
Motorcycle finished goods	125,930	280,306	206,324
Parts & Accessories and General Merchandise	100,131	144,258	152,269
Inventory at lower of FIFO cost or net realizable value	378,801	659,997	547,737
Excess of FIFO over LIFO cost	(56,426)	(56,426)	(58,639)
	$ 322,375	$ 603,571	$ 489,098

Operating Cash Flow – The reconciliation of *Net income* to *Net cash provided by operating activities* was as follows (in thousands):

	Nine months ended	
	September 27, 2020	September 29, 2019
Cash flows from operating activities:		
Net income	$ 97,696	$ 410,139
Adjustments to reconcile Net income to Net cash provided by operating activities:		
Depreciation and amortization	140,057	174,609
Amortization of deferred loan origination costs	52,374	57,303
Amortization of financing origination fees	10,628	7,032
Provision for long-term employee benefits	23,557	10,888
Employee benefit plan contributions and payments	(5,456)	(11,166)
Stock compensation expense	12,076	25,323
Net change in wholesale finance receivables related to sales	330,793	683
Provision for credit losses	178,433	94,621
Deferred income taxes	(18,978)	3,535
Other, net	(9,320)	7,839
Changes in current assets and liabilities:		
Accounts receivable, net	29,630	(7,833)
Finance receivables – accrued interest and other	5,097	(4,574)
Inventories, net	273,668	62,870
Accounts payable and accrued liabilities	(16,922)	13,138
Derivative financial instruments	(1,543)	2,537
Other	33,278	1,705
	1,037,372	438,510
Net cash provided by operating activities	$ 1,135,068	$ 848,649

8. Finance Receivables

The Company provides retail financial services to customers of its independent dealers in the U.S. and Canada. The origination of retail loans is a separate and distinct transaction between the Company and the retail customer, unrelated to the Company's sale of product to its dealers. Retail finance receivables consist of secured promissory notes and secured installment sales contracts and are primarily related to independent dealer sales of motorcycles to retail customers. 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 its independent dealers in the U.S. and Canada. Wholesale finance receivables are related primarily to the Company's sale of motorcycles and related parts and accessories to dealers. Wholesale loans to dealers are generally secured by financed inventory or property.

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

	September 27, 2020	December 31, 2019	September 29, 2019
Retail finance receivables	$ 6,585,298	$ 6,416,428	$ 6,642,809
Wholesale finance receivables	666,896	1,156,519	1,071,347
	7,252,194	7,572,947	7,714,156
Allowance for credit losses	(408,702)	(198,581)	(198,576)
	$ 6,843,492	$ 7,374,366	$ 7,515,580

On January 1, 2020, the Company adopted ASU 2016-13, which requires an entity to recognize expected lifetime losses on finance receivables upon origination. The allowance for credit losses as of September 27, 2020 represents the Company's estimate of lifetime losses for its finance receivables. Prior to the adoption of ASU 2016-13, the Company maintained an allowance for credit losses based on the Company's estimate of probable losses inherent in its finance receivables as of the balance sheet date.

Under ASU 2016-13, the Company's finance receivables are reported at amortized cost, net of the allowance for credit losses. Amortized cost includes the principal outstanding, accrued interest, and deferred loan fees and costs. Based on differences in the nature of the finance receivables and the underlying methodology for calculating the allowance for loan losses, the Company segments its finance receivables into the retail and wholesale portfolios. The Company further disaggregates each portfolio by credit quality indicators. As the credit risk varies between the retail and wholesale portfolios, the Company utilizes different credit quality indicators for each portfolio. Prior to the adoption of ASU 2016-13, the Company's investment in finance receivables included the same components as the amortized cost under the new accounting guidance.

The retail portfolio primarily consists of a large number of small balance, homogeneous finance receivables. The Company performs a collective evaluation of the adequacy of the retail allowance for credit losses. For periods after January 1, 2020, the Company utilizes a vintage-based loss forecast methodology that includes decompositions for probability of default, exposure at default, attrition rate, and recovery balance rate. Reasonable and supportable economic forecasts for a two-year period are incorporated into the methodology to reflect the estimated impact of changes in future economic conditions, such as unemployment rates, household obligations or other relevant factors, over the two-year reasonable and supportable period. For periods beyond the Company's reasonable and supportable forecasts, the Company reverts to its average historical loss experience using a mean-reversion process over a three-year period. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or term as well as other relevant factors. For periods prior to January 1, 2020, the Company performed a periodic and systematic collective evaluation of the adequacy of the retail allowance for credit losses. The Company utilized loss forecast models which considered 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.

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 to determine whether the loans share similar risk characteristics. The Company individually evaluates loans that do not share risk characteristics. Loans identified as those for which foreclosure is probable are classified as Non-Performing, and a specific allowance for credit losses is established when appropriate. The specific allowance is determined based on the amortized cost of the related finance receivable and the estimated fair value of the collateral, less selling costs and the cash that the Company expects to receive. Finance receivables in the wholesale portfolio not individually assessed are aggregated, based on similar risk characteristics, according to the Company's internal risk rating system and measured collectively. For periods after January 1, 2020, 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, reasonable and supportable economic forecasts, and the value of the underlying collateral and expected recoveries. For periods prior to January 1, 2020, the related allowance for credit losses was 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.

The Company considers various economic forecast scenarios as part of estimating the allowance for expected credit losses and applies a probability-weighting to those economic forecast scenarios. Changes in the Company's outlook on economic conditions impacted the retail and wholesale estimates for expected credit losses at September 27, 2020. As part of the January 1, 2020 adoption of ASU 2016-13, the Company expected to be operating in a negative economic environment throughout 2020. The Company's economic forecast worsened during the first and second quarters of 2020 as a result of the impact of the COVID-19 pandemic. During the third quarter of 2020, the Company's outlook on economic conditions improved modestly from the second quarter of 2020; however, significant uncertainty still exists surrounding future economic outcomes. As such, the Company's economic outlook at the end of the third quarter of 2020 included some economic improvement with a heavier emphasis on deteriorating economic trend assumptions as the COVID-19 pandemic continues to restrain the U.S. economy as evidenced by continued high unemployment rates and a slow U.S. Gross Domestic Product (GDP) recovery.

The historical experience incorporated into the portfolio-specific models does not fully reflect the Company's comprehensive expectations regarding the future. As such, the Company incorporated qualitative factors to produce reasonable and supportable allowance balances. These factors include motorcycle recovery value considerations, delinquency adjustments and specific problem loan trends.

Due to the use of projections and assumptions in estimating the losses, the amount of losses actually incurred by the Company in either portfolio could differ from the amounts estimated. Further, the Company's allowance for credit losses incorporates management's expectations surrounding the economic forecasts and known conditions at the balance sheet date. The Company's expectations surrounding its economic forecasts may change in future periods as additional information becomes available.

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

	Three months ended September 27, 2020		
	Retail	Wholesale	Total
Balance, beginning of period	$ 389,758	$ 21,257	$ 411,015
Provision for credit losses	8,024	(189)	7,835
Charge-offs	(20,378)	(2,442)	(22,820)
Recoveries	12,672	—	12,672
Balance, end of period	$ 390,076	$ 18,626	$ 408,702

	Three months ended September 29, 2019		
	Retail	Wholesale	Total
Balance, beginning of period	$ 186,722	$ 8,274	$ 194,996
Provision for credit losses	35,071	(1,324)	33,747
Charge-offs	(41,076)	—	(41,076)
Recoveries	10,909	—	10,909
Balance, end of period	$ 191,626	$ 6,950	$ 198,576

	Nine months ended September 27, 2020		
	Retail	Wholesale	Total
Balance, beginning of period	$ 188,501	$ 10,080	$ 198,581
Cumulative effect of change in accounting[(a)]	95,558	5,046	100,604
Provision for credit losses	172,491	5,942	178,433
Charge-offs	(105,452)	(2,442)	(107,894)
Recoveries	38,978	—	38,978
Balance, end of period	$ 390,076	$ 18,626	$ 408,702

	Nine months ended September 29, 2019		
	Retail	Wholesale	Total
Balance, beginning of period	$ 182,098	$ 7,787	$ 189,885
Provision for credit losses	95,458	(837)	94,621
Charge-offs	(121,538)	—	(121,538)
Recoveries	35,608	—	35,608
Balance, end of period	$ 191,626	$ 6,950	$ 198,576

(a) On January 1, 2020, the Company adopted ASU 2016-13 and increased the allowance for loan loss through *Retained earnings*, net of income taxes, to establish an allowance that represents expected lifetime credit losses on the finance receivable portfolios at date of adoption.

The Company manages retail credit risk through its credit approval process 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. For the Company's U.S. and Canadian retail finance receivables, the Company determines the credit quality indicator for each loan at origination and does not update the credit quality indicator subsequent to the loan origination date.

As loan performance by credit quality indicator differs between the U.S. and Canadian retail loans, the Company's credit quality indicators vary for the two portfolios. For U.S. retail finance receivables, those with a FICO score of 740 or above at origination are generally considered super prime, loans with a FICO score between 640 and 740 are generally categorized as prime, and loans with FICO score below 640 are generally considered sub-prime. For Canadian retail finance receivables, those with a FICO score of 700 or above at origination are generally considered super prime, loans with a FICO score between 620 and 700 are generally categorized as prime, and loans with FICO score below 620 are generally considered sub-prime.

The amortized cost of the Company's U.S. and Canadian retail finance receivables by credit quality indicator and vintage, as of September 27, 2020, was as follows (in thousands):

	2020	2019	2018	2017	2016	2015 & Prior	Total
U.S. Retail:							
Super prime	$ 730,539	$ 649,174	$ 408,201	$ 196,050	$ 90,179	$ 39,749	$ 2,113,892
Prime	993,429	877,714	570,851	336,134	187,067	101,403	3,066,598
Sub-prime	387,766	326,537	196,001	124,312	82,975	64,537	1,182,128
	2,111,734	1,853,425	1,175,053	656,496	360,221	205,689	6,362,618
Canadian Retail:							
Super prime	48,974	51,939	31,351	16,013	6,526	2,723	157,526
Prime	17,053	14,681	10,630	7,285	3,555	2,489	55,693
Sub-prime	2,790	2,630	1,706	1,171	685	479	9,461
	68,817	69,250	43,687	24,469	10,766	5,691	222,680
	$ 2,180,551	$ 1,922,675	$ 1,218,740	$ 680,965	$ 370,987	$ 211,380	$ 6,585,298

Prior to the adoption of ASU 2016-13, retail loans with a FICO score of 640 or above at origination were generally considered prime, and loans with a FICO score below 640 were generally considered sub-prime. These credit quality indicators were determined at the time of loan origination and were not updated subsequent to the loan origination date. The recorded investment in retail finance receivables, by credit quality indicator, was as follows (in thousands):

	December 31, 2019	September 29, 2019
Prime	$ 5,278,093	$ 5,454,920
Sub-prime	1,138,335	1,187,889
	$ 6,416,428	$ 6,642,809

The Company's credit risk on the wholesale portfolio is different from that of the retail portfolio. Whereas the retail portfolio represents a relatively homogeneous pool of retail finance receivables that exhibit more consistent loss patterns, the wholesale portfolio exposures are less consistent. The Company utilizes an internal credit risk rating system to manage credit risk exposure consistently across wholesale borrowers and 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 the Company’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 Company classifies dealers identified as those in which foreclosure is probable as Non-Performing. The internal rating system considers factors such as the specific borrower's ability to repay and the estimated value of any collateral. Dealer risk rating classifications are reviewed and updated on a quarterly basis.

The amortized cost of wholesale financial receivables, by credit quality indicator and vintage, was as follows as of September 27, 2020 (in thousands):

	2020	2019	2018	2017	2016	2015 & Prior	Total
Non-Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Doubtful	—	—	14	—	—	—	14
Substandard	277	238	—	—	—	—	515
Special Mention	2,316	1,213	160	—	—	1,139	4,828
Medium Risk	1,283	448	33	—	—	—	1,764
Low Risk	505,328	118,466	18,602	8,551	5,525	3,303	659,775
	$ 509,204	$ 120,365	$ 18,809	$ 8,551	$ 5,525	$ 4,442	$ 666,896

Dealer risk rating categories prior to the adoption of ASU 2016-13 were consistent with the current risk rating categories with the exception of the Non-Performing category for dealers identified as those in which foreclosure is probable, which was established in connection with the January 1, 2020 adoption. The recorded investment in wholesale finance receivables, by internal credit quality indicator, was as follows (in thousands):

	December 31, 2019	September 29, 2019
Doubtful	$ 11,664	$ 4,964
Substandard	6,122	752
Special Mention	16,125	14,813
Medium Risk	16,800	11,544
Low Risk	1,105,808	1,039,274
	$ 1,156,519	$ 1,071,347

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. The Company reverses accrued interest related to charged-off accounts against interest income when the account is charged-off. The Company reversed $3.1 million and $14.5 million of accrued interest against interest income during the three and nine months ended September 27, 2020, respectively. All retail finance receivables accrue interest until either collected or charged-off. Due to the timely write-off of accrued interest, the Company made the election provided under ASU 2016-13 to exclude accrued interest from its allowance for credit losses. Accordingly, as of September 27, 2020, December 31, 2019 and September 29, 2019, all retail finance receivables were accounted for as interest-earning receivables, of which $22.9 million, $48.0 million and $35.6 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. Wholesale finance receivables are written down once the Company determines that the specific borrower does not have the ability to repay the loan in full. Interest continues to accrue on past due finance receivables until the date the Company determines that foreclosure is probable, 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. Once an account is charged-off, the Company will reverse the associated accrued interest against interest income. As the Company follows a non-accrual policy for interest, the allowance for credit losses excludes accrued interest for the wholesale portfolio. The Company reversed $0.4 million of accrued interest related to the charge-off of Non-Performing dealer loans during the three and nine months ended September 27, 2020. There were no dealers on non-accrual status at September 27, 2020. Wholesale finance receivables 90 days or more past due and accruing interest at September 27, 2020, December 31, 2019 and September 29, 2019 were $0.3 million, $2.6 million, and $2.0 million, respectively.

The aging analysis of finance receivables was as follows (in thousands):

	September 27, 2020					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total
Retail finance receivables	$ 6,434,642	$ 96,243	$ 31,467	$ 22,946	$ 150,656	$ 6,585,298
Wholesale finance receivables	666,335	244	3	314	561	666,896
	$ 7,100,977	$ 96,487	$ 31,470	$ 23,260	$ 151,217	$ 7,252,194
	December 31, 2019					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total
Retail finance receivables	$ 6,171,930	$ 142,479	$ 53,995	$ 48,024	$ 244,498	$ 6,416,428
Wholesale finance receivables	1,152,416	1,145	384	2,574	4,103	1,156,519
	$ 7,324,346	$ 143,624	$ 54,379	$ 50,598	$ 248,601	$ 7,572,947
	September 29, 2019					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total
Retail finance receivables	$ 6,425,097	$ 134,074	$ 48,033	$ 35,605	$ 217,712	$ 6,642,809
Wholesale finance receivables	1,068,510	615	209	2,013	2,837	1,071,347
	$ 7,493,607	$ 134,689	$ 48,242	$ 37,618	$ 220,549	$ 7,714,156

Prior to the Company's January 1, 2020 adoption of ASU 2016-13, finance receivables were considered impaired when management determined it was probable that the Company would not be able to collect all amounts due according to the terms of the loan agreement. Portions of the allowance for credit losses were established to cover estimated losses on finance receivables specifically identified for impairment. The unspecified portion of the allowance for credit losses covered estimated losses on finance receivables which were collectively reviewed for impairment.

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

	December 31, 2019		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	$ —	$ 2,100	$ 2,100
Collectively evaluated for impairment	188,501	7,980	196,481
	$ 188,501	$ 10,080	$ 198,581
Finance receivables, ending balance:			
Individually evaluated for impairment	$ —	$ 4,601	$ 4,601
Collectively evaluated for impairment	6,416,428	1,151,918	7,568,346
	$ 6,416,428	$ 1,156,519	$ 7,572,947

	September 29, 2019		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	$ —	$ —	$ —
Collectively evaluated for impairment	191,626	6,950	198,576
	$ 191,626	$ 6,950	$ 198,576
Finance receivables, ending balance:			
Individually evaluated for impairment	$ —	$ —	$ —
Collectively evaluated for impairment	6,642,809	1,071,347	7,714,156
	$ 6,642,809	$ 1,071,347	$ 7,714,156

At September 29, 2019, there were no wholesale receivables that were individually deemed to be impaired under *ASC Topic 310, Receivables.* Additional information related to the wholesale finance receivables that were individually deemed to be impaired at December 31, 2019 included the following (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Wholesale:					
No related allowance recorded	$ —	$ —	$ —	$ —	$ —
Related allowance recorded	4,994	4,601	2,100	4,976	—
	$ 4,994	$ 4,601	$ 2,100	$ 4,976	$ —

Retail finance receivables were not evaluated individually for impairment prior to charge-off at December 31, 2019 or September 29, 2019.

Generally, it is the Company’s policy not to change the terms and conditions of finance receivables. However, to minimize economic loss, the Company may modify certain finance receivables in troubled debt restructurings. Total finance receivables in troubled debt restructurings were not significant as of September 27, 2020, December 31, 2019 and September 29, 2019. Additionally, in certain situations, the Company may offer short-term adjustments to customer payment due dates without affecting the associated interest rate or loan term. During the second and into the first part of the third quarter of 2020, the Company offered an increased amount of short-term payment due date extensions on eligible retail loans to help retail customers get through financial difficulties associated with the COVID-19 pandemic.

9. Goodwill, Intangible and Long-Lived Assets

Goodwill is tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company also periodically evaluates whether there are indicators that the carrying value of long-lived assets to be held and used may not be recoverable. The Company has assessed the changes in events and circumstances related to the COVID-19 pandemic and determined there was no impairment of goodwill or long-lived assets during the three and nine months ended September 27, 2020.

On March 4, 2019, the Company purchased certain assets and liabilities of StaCyc, Inc. for total consideration of $14.9 million including cash paid at acquisition of $7.0 million. The primary assets acquired and included in the Motorcycles segment were goodwill of $9.5 million, which was tax deductible, and intangible assets of $5.3 million.

10. Derivative Financial Instruments and Hedging Activities

The Company is exposed to risks from fluctuations in foreign currency exchange rates, interest rates and commodity prices. 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.

The Company sells products in foreign currencies and utilizes foreign currency exchange contracts to mitigate the effects of foreign currency exchange rate fluctuations related to the Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar, Mexican peso, Chinese yuan, Thai baht, Indian rupee, Singapore dollar, and Pound sterling. The Company's foreign currency exchange contracts generally have maturities of less than one year.

The Company utilizes commodity contracts to mitigate the effects of commodity price fluctuations related to metals and fuel consumed in the Company’s motorcycle operations. The Company's commodity contracts generally have maturities of less than one year.

The Company periodically utilizes treasury rate lock contracts to fix the interest rate on a portion of the principal related to an anticipated issuance of long-term debt, interest rate swaps to reduce the impact of fluctuations in interest rates on medium-term notes with floating interest rates, and cross-currency swaps to mitigate the effect of foreign currency exchange rate fluctuations on foreign currency-denominated debt. The Company also utilizes interest rate caps to facilitate certain asset-backed securitization transactions.

All derivative financial instruments are recognized on the *Consolidated balance sheets* at fair value. In accordance with *ASC Topic 815, Derivatives and Hedging* (ASC Topic 815), the accounting for changes in the fair value of a derivative financial 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 derivative financial instruments that are designated as cash flow hedges are initially recorded in *Other comprehensive income (loss)* (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 ongoing basis, whether the derivative financial instruments that are designated as cash flow hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. No component of a designated hedging derivative financial instrument’s gain or loss is excluded from the assessment of hedge effectiveness. Derivative financial instruments not designated as hedges are not speculative and are used to manage the Company’s exposure to foreign currency, commodity risks, and interest rate risks. Changes in the fair value of derivative financial instruments not designated as hedging instruments are recorded directly in income.

The notional and fair values of the Company's derivative financial instruments under ASC Topic 815 were as follows (in thousands):

	Derivative Financial Instruments Designated as Cash Flow Hedging Instruments								
	September 27, 2020			December 31, 2019			September 29, 2019		
	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities
Foreign currency contracts	$ 352,933	$ 2,334	$ 6,132	$ 434,321	$ 3,505	$ 3,661	$ 441,131	$ 11,459	$ 790
Commodity contracts	801	95	—	616	—	80	744	—	56
Cross-currency swaps	1,367,460	57,787	292	660,780	8,326	—	—	—	—
Interest rate swap	450,000	—	6,184	900,000	—	9,181	900,000	—	11,164
	$ 2,171,194	$ 60,216	$ 12,608	$ 1,995,717	$ 11,831	$ 12,922	$ 1,341,875	$ 11,459	$ 12,010

	Derivative Financial Instruments Not Designated as Hedging Instruments								
	September 27, 2020			December 31, 2019			September 29, 2019		
	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities
Foreign currency contracts	$ 284,991	$ 342	$ 574	$ 220,139	$ 721	$ 865	$ 193,959	$ 278	$ 219
Commodity contracts	6,854	231	215	8,270	95	147	9,485	230	360
Interest rate caps	1,124,260	60	—	375,980	2	—	427,530	4	—
	$ 1,416,105	$ 633	$ 789	$ 604,389	$ 818	$ 1,012	$ 630,974	$ 512	$ 579

The amounts of gains and losses related to derivative financial instruments designated as cash flow hedges were as follows (in thousands):

	Gain/(Loss) Recognized in OCI				Gain/(Loss) Reclassified from AOCL into Income			
	Three months ended		Nine months ended		Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Foreign currency contracts	$ (6,587)	$ 13,135	$ 6,250	$ 14,422	$ 3,027	$ 5,826	$ 11,732	$ 15,947
Commodity contracts	131	(15)	(26)	(55)	(12)	(28)	(201)	(45)
Cross-currency swaps	63,182	—	49,168	—	59,625	—	83,634	—
Treasury rate lock contracts	—	—	—	—	(124)	(124)	(370)	(369)
Interest rate swap	(994)	(708)	(7,503)	(9,569)	(3,931)	(1,463)	(10,500)	(2,899)
	$ 55,732	$ 12,412	$ 47,889	$ 4,798	$ 58,585	$ 4,211	$ 84,295	$ 12,634

The location and amount of gains and losses recognized in income related to derivative financial instruments designated as cash flow hedges were as follows (in thousands):

	Motorcycles cost of goods sold	Selling, administrative & engineering expense	Interest expense	Financial Services interest expense
	Three months ended September 27, 2020			
Line item on the Consolidated statements of operations in which the effects of cash flow hedges are recorded	$ 676,796	$ 231,721	$ 7,783	$ 67,533
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	$ 3,027	$ —	$ —	$ —
Commodity contracts	$ (12)	$ —	$ —	$ —
Cross-currency swaps	$ —	$ 59,625	$ —	$ —
Treasury rate lock contracts	$ —	$ —	$ (91)	$ (33)
Interest rate swap	$ —	$ —	$ —	$ (3,931)
	Three months ended September 29, 2019			
Line item on the Consolidated statements of operations in which the effects of cash flow hedges are recorded	$ 748,878	$ 309,031	$ 7,789	$ 53,390
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	$ 5,826	$ —	$ —	$ —
Commodity contracts	$ (28)	$ —	$ —	$ —
Treasury rate lock contracts	$ —	$ —	$ (91)	$ (33)
Interest rate swap	$ —	$ —	$ —	$ (1,463)

	Motorcycles cost of goods sold	Selling, administrative & engineering expense	Interest expense	Financial Services interest expense
	Nine months ended September 27, 2020			
Line item on the Consolidated statements of operations in which the effects of cash flow hedges are recorded	$ 2,019,310	$ 734,057	$ 23,307	$ 182,193
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	$ 11,732	$ —	$ —	$ —
Commodity contracts	$ (201)	$ —	$ —	$ —
Cross-currency swaps	$ —	$ 83,634	$ —	$ —
Treasury rate lock contracts	$ —	$ —	$ (272)	$ (98)
Interest rate swap	$ —	$ —	$ —	$ (10,500)
	Nine months ended September 29, 2019			
Line item on the Consolidated statements of operations in which the effects of cash flow hedges are recorded	$ 2,576,342	$ 885,273	$ 23,304	$ 158,387
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	$ 15,947	$ —	$ —	$ —
Commodity contracts	$ (45)	$ —	$ —	$ —
Treasury rate lock contracts	$ —	$ —	$ (272)	$ (97)
Interest rate swap	$ —	$ —	$ —	$ (2,899)

The amount of net loss included in *Accumulated other comprehensive loss* (AOCL) at September 27, 2020, estimated to be reclassified into income over the next 12 months was $23.8 million.

The amount of gains and losses recognized in income related to derivative financial instruments not designated as hedging instruments were as follows (in thousands). Gains and losses on foreign currency contracts and commodity contracts were recorded in *Motorcycles cost of goods sold* and the interest rate caps were recorded in *Financial Services interest expense.*

	Amount of Gain/(Loss) Recognized in Income			
	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Foreign currency contracts	$ (3,569)	$ 1,719	$ (1,897)	$ 1,602
Commodity contracts	134	(15)	(859)	(8)
Interest rate caps	92	(1)	519	(142)
	$ (3,343)	$ 1,703	$ (2,237)	$ 1,452

The Company is exposed to credit loss risk in the event of non-performance by counterparties to its derivative financial instruments. Although no assurances can be given, the Company does not expect any of the counterparties to its derivative financial instruments to fail to meet their 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 their position.

11. Leases

The Company determines if an arrangement is or contains a lease at contract inception. Right-of-use (ROU) assets related to the Company's leases are recorded in *Lease assets* and lease liabilities are recorded in *Accrued liabilities* and *Lease liabilities* on the *Consolidated balance sheets*.

ROU assets represent the Company’s right to use an underlying asset over the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU asset also includes prepaid lease payments and initial direct costs and is reduced for lease incentives paid by the lessor. The discount rate used to determine the present value is generally the Company's incremental borrowing rate because the implicit rate in the lease is not readily determinable. The lease term used to calculate the ROU asset and lease liabilities includes periods covered by options to extend or terminate when the Company is reasonably certain the lease term will include these optional periods.

In accordance with *ASC Topic 842, Leases* (ASC Topic 842), the Company elected the short-term lease practical expedient that allows entities to recognize lease payments on a straight-line basis over the lease term for leases with a term of 12 months or less. The Company has also elected the practical expedient under ASC Topic 842 allowing entities to not separate non-lease components from lease components, but instead account for such components as a single lease component for all leases except leases involving assets operated by a third-party.

The Company has operating lease arrangements for sales and administrative offices, manufacturing and distribution facilities, product testing facilities, equipment and vehicles. The Company’s leases have remaining lease terms ranging from 1 to 12 years, some of which include options to extend the lease term for periods generally not greater than 5 years and some of which include options to terminate the leases within 1 year. Certain leases also include options to purchase the leased asset. The Company's leases do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense for the three months ended September 27, 2020 and September 29, 2019 was $7.1 million and $7.4 million, respectively, and $20.9 million and $20.1 million for the nine months ended September 27, 2020 and September 29, 2019, respectively. This includes variable lease costs related to leases involving assets operated by a third party of approximately $2.1 million and $1.6 million for the three months ended September 27, 2020 and September 29, 2019, respectively, and $5.2 million and $4.8 million for the nine months ended September 27, 2020 and September 29, 2019, respectively. Other variable and short-term lease costs were not material.

Balance sheet information related to the Company's leases was as follows (in thousands):

	September 27, 2020	December 31, 2019	September 29, 2019
Lease assets	$ 47,599	$ 61,618	$ 55,905
Accrued liabilities	$ 17,704	$ 19,013	$ 18,421
Lease liabilities	31,225	44,447	39,408
	$ 48,929	$ 63,460	$ 57,829

Future maturities of the Company's operating lease liabilities as of September 27, 2020 were as follows (in thousands):

	Operating Leases
2020	$ 5,090
2021	18,024
2022	12,808
2023	6,369
2024	4,443
Thereafter	4,927
Future lease payments	51,661
Present value discount	(2,732)
Lease liabilities	$ 48,929

Other lease information surrounding the Company's operating leases was as follows (dollars in thousands):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Cash outflows for amounts included in the measurement of lease liabilities	$ 5,274	$ 6,073	$ 15,893	$ 15,944
ROU assets obtained in exchange for lease obligations, net of modifications	$ (1,327)	$ 6,724	$ 327	$ 10,986

	September 27, 2020	December 31, 2019	September 29, 2019
Weighted-average remaining lease term (in years)	3.92	4.68	4.23
Weighted-average discount rate	3.1 %	2.1 %	3.3 %

12. Debt

Debt with a contractual term less than 12 months is generally classified as short-term and consisted of the following (in thousands):

	September 27, 2020	December 31, 2019	September 29, 2019
Unsecured commercial paper	$ 1,077,763	$ 571,995	$ 1,013,137
364-day credit facility borrowings	150,000	—	—
	$ 1,227,763	$ 571,995	$ 1,013,137

Debt with a contractual term greater than 12 months is generally classified as long-term and consisted of the following (in thousands):

		September 27, 2020	December 31, 2019	September 29, 2019
Secured debt:				
Asset-backed Canadian commercial paper conduit facility		$ 127,500	$ 114,693	$ 128,368
Asset-backed U.S. commercial paper conduit facilities		467,338	490,427	552,757
Asset-backed securitization debt		2,106,258	766,965	875,966
Unamortized discounts and debt issuance costs		(9,903)	(2,573)	(3,095)
		2,691,193	1,369,512	1,553,996
Unsecured notes (at par value):				
Medium-term notes:				
Due in 2020, issued February 2015	2.15 %	—	600,000	600,000
Due in 2020, issued May 2018	LIBOR + 0.50%	—	450,000	450,000
Due in 2020, issued March 2017	2.40 %	—	350,000	350,000
Due in 2021, issued January 2016	2.85 %	600,000	600,000	600,000
Due in 2021, issued November 2018	LIBOR + 0.94%	450,000	450,000	450,000
Due in 2021, issued May 2018	3.55 %	350,000	350,000	350,000
Due in 2022, issued February 2019	4.05 %	550,000	550,000	550,000
Due in 2022, issued June 2017	2.55 %	400,000	400,000	400,000
Due in 2023, issued February 2018	3.35 %	350,000	350,000	350,000
Due in 2023, issued May 2020[a]	4.94 %	760,890	—	—
Due in 2024, issued November 2019[b]	3.14 %	702,360	672,936	—
Due in 2025, issued June 2020	3.35 %	700,000	—	—
Unamortized discounts and debt issuance costs		(17,289)	(12,809)	(10,409)
		4,845,961	4,760,127	4,089,591

		September 27, 2020	December 31, 2019	September 29, 2019
Senior notes:				
Due in 2025, issued July 2015	3.50 %	450,000	450,000	450,000
Due in 2045, issued July 2015	4.625 %	300,000	300,000	300,000
Unamortized discounts and debt issuance costs		(6,194)	(6,704)	(6,873)
		743,806	743,296	743,127
		5,589,767	5,503,423	4,832,718
Long-term debt		8,280,960	6,872,935	6,386,714
Current portion of long-term debt, net		(2,109,284)	(1,748,109)	(1,779,673)
Long-term debt, net		$ 6,171,676	$ 5,124,826	$ 4,607,041

(a) Euro denominated, €650.0 million par value remeasured to U.S. dollar at September 27, 2020
(b) Euro denominated, €600.0 million par value remeasured to U.S. dollar at September 27, 2020 and December 31, 2019, respectively

13. Asset-Backed Financing

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

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

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

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

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

The assets and liabilities related to the on-balance sheet asset-backed financings included in the *Consolidated balance sheets* were as follows (in thousands):

	September 27, 2020					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities:						
Consolidated VIEs:						
Asset-backed securitizations	$ 2,422,841	$ (143,775)	$ 138,276	$ 1,923	$ 2,419,265	$ 2,096,355
Asset-backed U.S. commercial paper conduit facilities	505,507	(29,948)	32,649	1,206	509,414	467,338
Unconsolidated VIEs:						
Asset-backed Canadian commercial paper conduit facility	219,466	(6,878)	10,253	142	222,983	127,500
	$ 3,147,814	$ (180,601)	$ 181,178	$ 3,271	$ 3,151,662	$ 2,691,193

	December 31, 2019					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities:						
Consolidated VIEs:						
Asset-backed securitizations	$ 826,047	$ (24,935)	$ 36,037	$ 778	$ 837,927	$ 764,392
Asset-backed U.S. commercial paper conduit facilities	533,587	(16,076)	27,775	1,642	546,928	490,427
Unconsolidated VIEs:						
Asset-backed Canadian commercial paper conduit facility	232,699	(2,786)	7,686	296	237,895	114,693
	$ 1,592,333	$ (43,797)	$ 71,498	$ 2,716	$ 1,622,750	$ 1,369,512

	September 29, 2019					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities:						
Consolidated VIEs:						
Asset-backed securitizations	$ 929,773	$ (27,517)	$ 45,096	$ 469	$ 947,821	$ 872,871
Asset-backed U.S. commercial paper conduit facilities	599,099	(17,701)	33,238	1,149	615,785	552,757
Unconsolidated VIEs:						
Asset-backed Canadian commercial paper conduit facility	242,244	(3,182)	8,408	258	247,728	128,368
	$ 1,771,116	$ (48,400)	$ 86,742	$ 1,876	$ 1,811,334	$ 1,553,996

On-Balance Sheet Asset-Backed Securitization VIEs – The Company transfers U.S. retail motorcycle finance receivables to SPEs which in turn issue secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. Each on-balance sheet asset-backed securitization SPE is a separate legal entity, and the U.S. retail motorcycle finance receivables included in the asset-backed securitizations are only available for payment of the secured debt and other obligations arising from the asset-backed securitization 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 have various contractual maturities ranging from 2021 to 2028.

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

Quarterly transfers of U.S. retail motorcycle finance receivables to SPEs, the respective proceeds, and the respective proceeds, net of discounts and issuance costs were as follows (in thousands):

	2020			2019		
	Transfers	Proceeds	Proceeds, net	Transfers	Proceeds	Proceeds, net
First quarter	$ 580,200	$ 525,000	$ 522,700	$ —	$ —	$ —
Second quarter	1,840,500	1,550,200	$ 1,541,800	1,120,000	1,025,000	1,021,300
Third quarter	—	—	—	—	—	—
	$ 2,420,700	$ 2,075,200	$ 2,064,500	$ 1,120,000	$ 1,025,000	$ 1,021,300

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE – The Company has two separate agreements, a $300.0 million revolving facility agreement and a $600.0 million revolving facility agreement, with third-party bank-sponsored asset-backed U.S. commercial paper conduits under which it may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to those third-party bank-sponsored asset-backed U.S. commercial paper conduits. In May 2019, the Company amended its $300.0 million revolving facility agreement to allow for incremental borrowings, at the lender's discretion, of up to an additional $300.0 million in excess of the $300.0 million commitment. In November 2019, the Company renewed its existing $600.0 million and the amended $300.0 million revolving facility agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits. Availability under the revolving facilities (together, the U.S. Conduit Facilities) is based on, among other things, the amount of eligible U.S. retail motorcycle finance receivables held by the SPE as collateral.

Under the U.S. Conduit Facilities, the assets of the SPE are restricted as collateral for the payment of the debt or other obligations arising in the transaction and are not available to pay other obligations or claims of the Company's creditors. The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates if funded by a conduit lender through the issuance of commercial paper. If not funded by a conduit lender through the issuance of commercial paper, the terms of the interest are based on LIBOR. In each of these cases, a program fee is assessed based on the outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment. When calculating the unused fee, the aggregate commitment for the $300.0 million agreement does not include any unused portion of the $300.0 million incremental borrowings allowed. 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 Facilities, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables held by the SPE is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of September 27, 2020, the U.S. Conduit Facilities have an expiration date of November 25, 2020.

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

Quarterly transfers of U.S. retail motorcycle finance receivables to the U.S. Conduit Facilities and the respective proceeds were as follows (in thousands):

	2020		2019	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	$ 195,300	$ 163,600	$ —	$ —
Second quarter	—	—	—	—
Third quarter	—	—	174,400	154,600
	$ 195,300	$ 163,600	$ 174,400	$ 154,600

On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility – In June 2020, the Company renewed its facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase eligible Canadian retail motorcycle finance receivables for proceeds up to C$220.0 million. The transferred assets are restricted as collateral for the payment of the associated debt. The terms for this debt provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables is approximately 4 years. Unless earlier terminated or extended by mutual agreement between the Company and the lenders, as of September 27, 2020, the Canadian Conduit has an expiration date of June 25, 2021.

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

As the Company participates in and does not consolidate the Canadian bank-sponsored, multi-seller conduit VIE, the maximum exposure to loss associated with this VIE, which would only be incurred in the unlikely event that all the finance receivables and underlying collateral have no residual value, was $95.5 million at September 27, 2020. The maximum exposure is not an indication of the Company's expected loss exposure.

Quarterly transfers of Canadian retail motorcycle finance receivables to the Canadian Conduit and the respective proceeds were as follows (in thousands):

	2020		2019	
	Transfers	**Proceeds**	**Transfers**	**Proceeds**
First quarter	$ 77,900	$ 61,600	$ —	$ —
Second quarter	—	—	28,200	23,400
Third quarter	—	—	—	—
	$ 77,900	$ 61,600	$ 28,200	$ 23,400

Off-Balance Sheet Asset-Backed Securitization VIE – There were no off-balance sheet asset-backed securitization transactions during the nine months ended September 27, 2020 or September 29, 2019. During the second quarter of 2016, the Company sold retail motorcycle finance receivables with a principal balance of $301.8 million into a securitization VIE that was not consolidated, recognized a gain of $9.3 million and received cash proceeds of $312.6 million. The gain on sale was included in *Financial Services revenue* on the *Consolidated statements of operations*. In April 2020, the Company repurchased this off-balance sheet asset-backed securitization VIE for $27.4 million.

Similar to an on-balance sheet asset-backed securitization, the Company transferred U.S. retail motorcycle finance receivables to an SPE which in turn issued secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. The off-balance sheet asset-backed securitization SPE was a separate legal entity, and the U.S. retail motorcycle finance receivables included in the asset-backed securitization were only available for payment of the secured debt and other obligations arising from the asset-backed securitization transaction and were not available to pay other obligations or claims of the Company's creditors. In an on-balance sheet asset-backed securitization, the Company retains a financial interest in the VIE in the form of a debt security. As part of this off-balance sheet securitization, the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants.

The Company was not the primary beneficiary of the off-balance sheet asset-backed securitization VIE because it only retained servicing rights and did not have the obligation to absorb losses or the right to receive benefits from the VIE which could potentially be significant to the VIE. Accordingly, this transaction met the accounting sale requirements under ASC Topic 860 and was recorded as a sale for accounting purposes. Upon the sale in 2016, the retail motorcycle finance receivables were removed from the Company's *Consolidated balance sheets* and a gain was recognized for the difference between the cash proceeds received, the assets derecognized and the liabilities recognized as part of the transaction.

Servicing Activities – The Company services all retail motorcycle finance receivables that it originates. When the Company transfers retail motorcycle finance receivables to SPEs through asset-backed financings, the Company retains the right to service the finance receivables and receives servicing fees based on the securitized finance receivables balance and certain ancillary fees. In on-balance sheet asset-backed financings, servicing fees are eliminated in consolidation and therefore are not recorded on a consolidated basis. In off-balance sheet asset-backed financings, servicing fees and ancillary fees are recorded in *Financial Services revenue* on the *Consolidated statements of operations*. The fees the Company is paid for servicing represent adequate compensation, and consequently, the Company does not recognize a servicing asset or liability. The Company recognized servicing fee income of $0.1 million and $0.5 million during the nine months ended September 27, 2020 and September 29, 2019, respectively.

The unpaid principal balance of retail motorcycle finance receivables serviced by the Company was as follows (in thousands):

	September 27, 2020	December 31, 2019	September 29, 2019
On-balance sheet retail motorcycle finance receivables	$ 6,423,104	$ 6,274,551	$ 6,500,938
Off-balance sheet retail motorcycle finance receivables	—	35,197	43,938
	$ 6,423,104	$ 6,309,748	$ 6,544,876

The unpaid principal balance of retail motorcycle finance receivables serviced by the Company 30 days or more delinquent was as follows (in thousands):

	September 27, 2020	December 31, 2019	September 29, 2019
On-balance sheet retail motorcycle finance receivables	$ 150,656	$ 244,498	$ 217,712
Off-balance sheet retail motorcycle finance receivables	—	885	954
	$ 150,656	$ 245,383	$ 218,666

Credit losses, net of recoveries for the retail motorcycle finance receivables serviced by the Company were as follows (in thousands):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
On-balance sheet retail motorcycle finance receivables	$ 7,706	$ 30,167	$ 66,474	$ 85,930
Off-balance sheet retail motorcycle finance receivables	—	(18)	13	375
	$ 7,706	$ 30,149	$ 66,487	$ 86,305

14. Fair Value

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

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

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

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

Recurring Fair Value Measurements – The Company’s assets and liabilities measured at fair value on a recurring basis were as follows (in thousands):

	September 27, 2020		
	Balance	Level 1	Level 2
Assets:			
Cash equivalents	$ 3,250,891	$ 3,150,891	$ 100,000
Marketable securities	48,845	48,845	—
Derivative financial instruments	60,849	—	60,849
	$ 3,360,585	$ 3,199,736	$ 160,849
Liabilities:			
Derivative financial instruments	$ 13,397	$ —	$ 13,397

	December 31, 2019		
	Balance	Level 1	Level 2
Assets:			
Cash equivalents	$ 624,832	$ 459,885	$ 164,947
Marketable securities	52,575	52,575	—
Derivative financial instruments	12,649	—	12,649
	$ 690,056	$ 512,460	$ 177,596
Liabilities:			
Derivative financial instruments	$ 13,934	$ —	$ 13,934

	September 29, 2019		
	Balance	Level 1	Level 2
Assets:			
Cash equivalents	$ 624,789	$ 496,900	$ 127,889
Marketable securities	49,821	49,821	—
Derivative financial instruments	11,971	—	11,971
	$ 686,581	$ 546,721	$ 139,860
Liabilities:			
Derivative financial instruments	$ 12,589	$ —	$ 12,589

Nonrecurring Fair Value Measurements – Repossessed inventory is recorded at the lower of cost or net realizable value through a nonrecurring fair value measurement. Repossessed inventory was $17.1 million, $21.4 million and $19.4 million at September 27, 2020, December 31, 2019 and September 29, 2019, respectively, for which the fair value adjustment was $2.9 million, $11.9 million and $8.8 million, respectively. Fair value is estimated using Level 2 inputs based on the recent market values of repossessed inventory.

Fair Value of Financial Instruments Measured at Cost – The carrying value of the Company's *Cash and cash equivalents* and *Restricted cash* approximates their fair values. The fair value and carrying value of the Company's remaining financial instruments that are measured at cost or amortized cost were as follows (in thousands):

	September 27, 2020		December 31, 2019		September 29, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:						
Finance receivables, net	$ 6,954,661	$ 6,843,492	$ 7,419,627	$ 7,374,366	$ 7,561,797	$ 7,515,580
Liabilities:						
Deposits	$ 29,999	$ 29,999	$ —	$ —	$ —	$ —
Debt:						
Unsecured commercial paper	$ 1,077,763	$ 1,077,763	$ 571,995	$ 571,995	$ 1,013,137	$ 1,013,137
364-day credit facility borrowings	$ 150,000	$ 150,000	$ —	$ —	$ —	$ —
Asset-backed U.S. commercial paper conduit facilities	$ 467,338	$ 467,338	$ 490,427	$ 490,427	$ 552,757	$ 552,757
Asset-backed Canadian commercial paper conduit facility	$ 127,500	$ 127,500	$ 114,693	$ 114,693	$ 128,368	$ 128,368
Asset-backed securitization debt	$ 2,123,715	$ 2,096,355	$ 768,094	$ 764,392	$ 877,423	$ 872,871
Medium-term notes	$ 4,895,006	$ 4,845,961	$ 4,816,153	$ 4,760,127	$ 4,138,941	$ 4,089,591
Senior notes	$ 798,411	$ 743,806	$ 774,949	$ 743,296	$ 773,434	$ 743,127

Finance Receivables, net – The carrying value of retail and wholesale finance receivables 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 are generally either short-term or have interest rates that adjust with changes in market interest rates.

Deposits – The carrying value of deposits is amortized cost. The fair value is calculated using Level 2 inputs and approximates carrying value due to its short maturity.

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

15. Product Warranty and Recall Campaigns

The Company currently provides a standard two-year limited warranty on all new motorcycles sold worldwide, except in Japan, where the Company currently provides a standard three-year limited warranty. The Company also provides a five-year unlimited warranty on the battery for new electric motorcycles. In addition, the Company provides a one-year warranty for parts and accessories. The warranty coverage for the retail customer generally begins when the product is sold to a retail customer. The Company accrues for future warranty claims at the time of sale using an estimated cost based primarily on historical Company claim information.

Additionally, the Company has from time to time initiated certain voluntary recall campaigns. The Company records estimated recall costs when the liability is both probable and estimable. This generally occurs when the Company's management approves and commits to a recall. Changes in the Company’s warranty and recall liabilities were as follows (in thousands):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Balance, beginning of period	$ 83,513	$ 108,804	$ 89,793	$ 131,740
Warranties issued during the period	8,564	12,988	25,821	41,955
Settlements made during the period	(12,886)	(26,906)	(37,780)	(73,291)
Recalls and changes to pre-existing warranty liabilities	239	1,990	1,596	(3,528)
Balance, end of period	$ 79,430	$ 96,876	$ 79,430	$ 96,876

The liability for recall campaigns was $29.8 million, $36.4 million and $40.5 million at September 27, 2020, December 31, 2019 and September 29, 2019, respectively. Additionally, during the nine months ended September 29, 2019 the Company recorded supplier recoveries within operating expenses separate from the amounts disclosed above of $28.0 million.

16. Employee Benefit Plans

The Company has a qualified pension plan and postretirement healthcare benefit plans. The plans cover certain eligible employees and retirees of the Motorcycles segment. The Company also has unfunded supplemental employee retirement plan agreements (SERPA) with certain employees. Service cost is allocated among *Selling, administrative and engineering expense, Motorcycles cost of goods sold* and *Inventories, net*. Amounts capitalized in inventory are not significant. Non-service cost components of net periodic benefit cost are presented in *Other income, net*. Components of net periodic benefit cost for the Company's defined benefit plans were as follows (in thousands):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Pension and SERPA Benefits:				
Service cost	$ 6,806	$ 6,072	$ 20,418	$ 19,336
Interest cost	19,112	21,371	57,335	64,113
Expected return on plan assets	(33,764)	(35,581)	(101,292)	(106,743)
Amortization of unrecognized:				
Prior service credit	(272)	(483)	(816)	(1,449)
Net loss	16,372	11,128	49,116	33,384
Settlement loss	—	1,500	—	1,500
Net periodic benefit cost	$ 8,254	$ 4,007	$ 24,761	$ 10,141
Postretirement Healthcare Benefits:				
Service cost	$ 1,202	$ 1,040	$ 3,605	$ 3,409
Interest cost	2,336	2,938	7,008	8,814
Expected return on plan assets	(3,467)	(3,507)	(10,401)	(10,521)
Amortization of unrecognized:				
Prior service credit	(595)	(595)	(1,785)	(1,785)
Net loss	123	69	369	207
Special retirement benefit cost	—	—	—	1,583
Curtailment gain	—	—	—	(960)
Net periodic benefit cost	$ (401)	$ (55)	$ (1,204)	$ 747

There are no required or planned qualified pension plan contributions for 2020. The Company expects it will continue to make ongoing benefit payments under the SERPA and postretirement healthcare plans.

17. Commitments and Contingencies

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

Environmental Protection Agency Notice – In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the Department of Justice (DOJ), on behalf of the EPA, filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. On September 14, 2020, the U.S. District Court for the District of Columbia approved the Settlement. The Company has an accrual for this matter recorded in *Accrued liabilities* on the *Consolidated balance sheets*. The payment of the settlement amount will not have a material adverse effect on the Company's financial condition or results of operations. The Company will continue to comply with the non-monetary terms of the consent decree entered into with the EPA.

York Environmental Matter – The Company is involved with government agencies and the U.S. Navy related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. The Company has an agreement with the U.S. Navy which calls for the U.S. Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and remediation activities at the York facility (Response Costs). A site wide remedial investigation/feasibility study and a proposed final remedy for the York facility have been completed and approved by the Pennsylvania Department of Environmental Protection and the EPA. The associated cleanup plan documents were approved in February 2020 and the remaining cleanup activities are expected to begin in late 2020 or early 2021. The Company has an accrual for its share of the estimated future Response Costs recorded in *Other long-term liabilities* on the *Consolidated balance sheets*.

Product Liability Matters – The Company is periodically 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.

18. Accumulated Other Comprehensive Loss

Changes in *Accumulated other comprehensive loss* were as follows (in thousands):

	Three months ended September 27, 2020			
	Foreign currency translation adjustments	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$ (53,825)	$ (40,740)	$ (457,633)	$ (552,198)
Other comprehensive income, before reclassifications	13,331	55,732	—	69,063
Income tax expense	(594)	(12,299)	—	(12,893)
	12,737	43,433	—	56,170
Reclassifications:				
Net gains on derivative financial instruments	—	(58,585)	—	(58,585)
Prior service credits[a]	—	—	(867)	(867)
Actuarial losses[a]	—	—	16,495	16,495
Reclassifications before tax	—	(58,585)	15,628	(42,957)
Income tax benefit (expense)	—	13,051	(3,669)	9,382
	—	(45,534)	11,959	(33,575)
Other comprehensive income (loss)	12,737	(2,101)	11,959	22,595
Balance, end of period	$ (41,088)	$ (42,841)	$ (445,674)	$ (529,603)

	Three months ended September 29, 2019			
	Foreign currency translation adjustments	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$ (38,007)	$ (10,579)	$ (566,375)	$ (614,961)
Other comprehensive (loss) income, before reclassifications	(15,451)	12,412	—	(3,039)
Income tax benefit (expense)	130	(2,923)	—	(2,793)
	(15,321)	9,489	—	(5,832)
Reclassifications:				
Net gains on derivative financial instruments	—	(4,211)	—	(4,211)
Prior service credits[a]	—	—	(1,078)	(1,078)
Actuarial losses[a]	—	—	11,197	11,197
Reclassifications before tax	—	(4,211)	10,119	5,908
Income tax benefit (expense)	—	1,006	(2,375)	(1,369)
	—	(3,205)	7,744	4,539
Other comprehensive (loss) income	(15,321)	6,284	7,744	(1,293)
Balance, end of period	$ (53,328)	$ (4,295)	$ (558,631)	$ (616,254)

	Nine months ended September 27, 2020			
	Foreign currency translation adjustments	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$ (40,813)	$ (14,586)	$ (481,550)	$ (536,949)
Other comprehensive (loss) income, before reclassifications	(434)	47,889	—	47,455
Income tax benefit (expense)	159	(10,718)	—	(10,559)
	(275)	37,171	—	36,896
Reclassifications:				
Net gains on derivative financial instruments	—	(84,295)	—	(84,295)
Prior service credits[a]	—	—	(2,601)	(2,601)
Actuarial losses[a]	—	—	49,485	49,485
Reclassifications before tax	—	(84,295)	46,884	(37,411)
Income tax benefit (expense)	—	18,869	(11,008)	7,861
	—	(65,426)	35,876	(29,550)
Other comprehensive (loss) income	(275)	(28,255)	35,876	7,346
Balance, end of period	$ (41,088)	$ (42,841)	$ (445,674)	$ (529,603)

	Nine months ended September 29, 2019			
	Foreign currency translation adjustments	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$ (49,608)	$ 1,785	$ (581,861)	$ (629,684)
Other comprehensive (loss) income, before reclassifications	(3,693)	4,798	—	1,105
Income tax expense	(27)	(1,247)	—	(1,274)
	(3,720)	3,551	—	(169)
Reclassifications:				
Net gains on derivative financial instruments	—	(12,634)	—	(12,634)
Prior service credits[(a)]	—	—	(3,234)	(3,234)
Actuarial losses[(a)]	—	—	33,591	33,591
Reclassifications before tax	—	(12,634)	30,357	17,723
Income tax benefit (expense)	—	3,003	(7,127)	(4,124)
	—	(9,631)	23,230	13,599
Other comprehensive (loss) income	(3,720)	(6,080)	23,230	13,430
Balance, end of period	$ (53,328)	$ (4,295)	$ (558,631)	$ (616,254)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 16

19. Business Segments

Harley-Davidson, Inc. is the parent company for the groups of companies referred to as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). The Company operates in two business segments: Motorcycles and 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 Harley-Davidson motorcycles as well as motorcycle parts, accessories, general merchandise and services. The Company's products are sold to retail customers primarily through a network of independent dealers.

The Financial Services segment consists of HDFS which is engaged in the business of financing and servicing wholesale inventory receivables and retail consumer loans, primarily for the purchase of Harley-Davidson motorcycles. HDFS also works with certain unaffiliated insurance companies to provide motorcycle insurance and protection products to motorcycle owners.

Select segment information is set forth below (in thousands):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Motorcycles and Related Products:				
Motorcycles revenue	$ 964,029	$ 1,068,942	$ 2,733,091	$ 3,698,583
Gross profit	287,233	320,064	713,781	1,122,241
Selling, administrative and engineering expense	196,912	265,464	618,912	754,479
Restructuring expense	43,581	7,629	84,586	31,682
Operating income	46,740	46,971	10,283	336,080
Financial Services:				
Financial Services revenue	201,655	203,577	596,064	590,935
Financial Services expense	110,177	130,704	475,771	383,802
Restructuring expense	334	—	1,278	—
Operating income	91,144	72,873	119,015	207,133
Operating income	$ 137,884	$ 119,844	$ 129,298	$ 543,213

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20. Supplemental Consolidating Data

The supplemental consolidating data is presented for informational purposes and is different than segment information due to the allocation of consolidating reporting adjustments to the reportable segments. Supplemental consolidating data is as follows (in thousands):

	Three months ended September 27, 2020			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	$ 969,399	$ —	$ (5,370)	$ 964,029
Financial Services	—	200,448	1,207	201,655
	969,399	200,448	(4,163)	1,165,684
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	676,796	—	—	676,796
Financial Services interest expense	—	67,533	—	67,533
Financial Services provision for credit losses	—	7,835	—	7,835
Selling, administrative and engineering expense	199,829	35,774	(3,882)	231,721
Restructuring expense	43,581	334	—	43,915
	920,206	111,476	(3,882)	1,027,800
Operating income	49,193	88,972	(281)	137,884
Other income, net	155	—	—	155
Investment income	2,672	—	—	2,672
Interest expense	7,783	—	—	7,783
Income before income taxes	44,237	88,972	(281)	132,928
Income tax (benefit) provision	(6,347)	19,057	—	12,710
Net income	$ 50,584	$ 69,915	$ (281)	$ 120,218

	Nine months ended September 27, 2020			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	$ 2,743,562	$ —	$ (10,471)	$ 2,733,091
Financial Services	—	591,206	4,858	596,064
	2,743,562	591,206	(5,613)	3,329,155
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	2,019,310	—	—	2,019,310
Financial Services interest expense	—	182,193	—	182,193
Financial Services provision for credit losses	—	178,433	—	178,433
Selling, administrative and engineering expense	627,874	111,903	(5,720)	734,057
Restructuring expense	84,586	1,278	—	85,864
	2,731,770	473,807	(5,720)	3,199,857
Operating income	11,792	117,399	107	129,298
Other income, net	466	—	—	466
Investment income	103,082	—	(100,000)	3,082
Interest expense	23,307	—		23,307
Income before income taxes	92,033	117,399	(99,893)	109,539
Income tax (benefit) provision	(14,014)	25,857	—	11,843
Net income	$ 106,047	$ 91,542	$ (99,893)	$ 97,696

	Three months ended September 29, 2019			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	$ 1,074,397	$ —	$ (5,455)	$ 1,068,942
Financial Services	—	201,308	2,269	203,577
	1,074,397	201,308	(3,186)	1,272,519
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	748,878	—	—	748,878
Financial Services interest expense	—	53,390	—	53,390
Financial Services provision for credit losses	—	33,747	—	33,747
Selling, administrative and engineering expense	269,080	42,996	(3,045)	309,031
Restructuring expense	7,629	—	—	7,629
	1,025,587	130,133	(3,045)	1,152,675
Operating income	48,810	71,175	(141)	119,844
Other income, net	3,160	—	—	3,160
Investment income	52,041	—	(50,000)	2,041
Interest expense	7,789	—	—	7,789
Income before provision for income taxes	96,222	71,175	(50,141)	117,256
Provision for income taxes	13,517	17,176	—	30,693
Net income	$ 82,705	$ 53,999	$ (50,141)	$ 86,563

	Nine months ended September 29, 2019			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	$ 3,714,091	$ —	$ (15,508)	$ 3,698,583
Financial Services	—	584,258	6,677	590,935
	3,714,091	584,258	(8,831)	4,289,518
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	2,576,342	—	—	2,576,342
Financial Services interest expense	—	158,387	—	158,387
Financial Services provision for credit losses	—	94,621	—	94,621
Selling, administrative and engineering expense	764,848	129,170	(8,745)	885,273
Restructuring expense	31,682	—	—	31,682
	3,372,872	382,178	(8,745)	3,746,305
Operating income	341,219	202,080	(86)	543,213
Other income, net	11,857	—	—	11,857
Investment income	151,970	—	(140,000)	11,970
Interest expense	23,304	—	—	23,304
Income before provision for income taxes	481,742	202,080	(140,086)	543,736
Provision for income taxes	85,422	48,175	—	133,597
Net income	$ 396,320	$ 153,905	$ (140,086)	$ 410,139

	September 27, 2020			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 733,704	$ 2,827,246	$ —	$ 3,560,950
Accounts receivable, net	473,530	—	(240,685)	232,845
Finance receivables, net	—	1,701,478	—	1,701,478
Inventories, net	322,375	—	—	322,375
Restricted cash	—	160,155	—	160,155
Other current assets	81,551	102,156	(4,776)	178,931
	1,611,160	4,791,035	(245,461)	6,156,734
Finance receivables, net	—	5,142,014	—	5,142,014
Property, plant and equipment, net	736,589	48,576	—	785,165
Prepaid pension costs	82,378	—	—	82,378
Goodwill	64,884	—	—	64,884
Deferred income taxes	46,676	92,318	(1,034)	137,960
Lease assets	42,639	4,960	—	47,599
Other long-term assets	176,873	32,853	(94,185)	115,541
	$ 2,761,199	$ 10,111,756	$ (340,680)	$ 12,532,275
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 265,263	$ 264,525	$ (240,685)	$ 289,103
Accrued liabilities	424,391	170,830	(3,940)	591,281
Short-term debt	—	1,227,763	—	1,227,763
Current portion of long-term debt, net	—	2,109,284	—	2,109,284
	689,654	3,772,402	(244,625)	4,217,431
Long-term debt, net	743,806	5,427,870	—	6,171,676
Lease liabilities	26,951	4,274	—	31,225
Pension liabilities	57,853	—	—	57,853
Postretirement healthcare liabilities	68,379	—	—	68,379
Other long-term liabilities	168,037	45,256	2,520	215,813
Commitments and contingencies (Note 17)				
Shareholders' equity	1,006,519	861,954	(98,575)	1,769,898
	$ 2,761,199	$ 10,111,756	$ (340,680)	$ 12,532,275

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	December 31, 2019			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 470,649	$ 363,219	$ —	$ 833,868
Accounts receivable, net	369,717	—	(110,383)	259,334
Finance receivables, net	—	2,272,522	—	2,272,522
Inventories, net	603,571	—	—	603,571
Restricted cash	—	64,554	—	64,554
Other current assets	110,145	59,665	(836)	168,974
	1,554,082	2,759,960	(111,219)	4,202,823
Finance receivables, net	—	5,101,844	—	5,101,844
Property, plant and equipment, net	794,131	53,251	—	847,382
Prepaid pension costs	56,014	—	—	56,014
Goodwill	64,160	—	—	64,160
Deferred income taxes	62,768	39,882	(1,446)	101,204
Lease assets	55,722	5,896	—	61,618
Other long-term assets	166,972	19,211	(93,069)	93,114
	$ 2,753,849	$ 7,980,044	$ (205,734)	$ 10,528,159
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 266,710	$ 138,053	$ (110,383)	$ 294,380
Accrued liabilities	463,491	119,186	(389)	582,288
Short-term debt	—	571,995	—	571,995
Current portion of long-term debt, net	—	1,748,109	—	1,748,109
	730,201	2,577,343	(110,772)	3,196,772
Long-term debt, net	743,296	4,381,530	—	5,124,826
Lease liabilities	38,783	5,664	—	44,447
Pension liabilities	56,138	—	—	56,138
Postretirement healthcare liabilities	72,513	—	—	72,513
Other long-term liabilities	186,252	40,609	2,603	229,464
Commitments and contingencies (Note 17)				
Shareholders' equity	926,666	974,898	(97,565)	1,803,999
	$ 2,753,849	$ 7,980,044	$ (205,734)	$ 10,528,159

	September 29, 2019			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 482,106	$ 380,275	$ —	$ 862,381
Accounts receivable, net	635,997	—	(328,381)	307,616
Finance receivables, net	—	2,210,001	—	2,210,001
Inventories, net	489,098	—	—	489,098
Restricted cash	—	79,115	—	79,115
Other current assets	109,724	46,013	(14,951)	140,786
	1,716,925	2,715,404	(343,332)	4,088,997
Finance receivables, net	—	5,305,579	—	5,305,579
Property, plant and equipment, net	791,107	53,339	—	844,446
Goodwill	63,727	—	—	63,727
Deferred income taxes	92,921	40,411	(1,313)	132,019
Lease assets	49,706	6,199	—	55,905
Other long-term assets	157,341	20,401	(92,185)	85,557
	$ 2,871,727	$ 8,141,333	$ (436,830)	$ 10,576,230
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 314,843	$ 362,489	$ (328,381)	$ 348,951
Accrued liabilities	462,644	108,719	(14,373)	556,990
Short-term debt	—	1,013,137	—	1,013,137
Current portion of long-term debt, net	—	1,779,673	—	1,779,673
	777,487	3,264,018	(342,754)	3,698,751
Long-term debt, net	743,127	3,863,914	—	4,607,041
Lease liabilities	33,296	6,112	—	39,408
Pension liabilities	82,561	—	—	82,561
Postretirement healthcare liabilities	89,032	—	—	89,032
Other long-term liabilities	180,103	40,261	2,854	223,218
Commitments and contingencies (Note 17)				
Shareholders' equity	966,121	967,028	(96,930)	1,836,219
	$ 2,871,727	$ 8,141,333	$ (436,830)	$ 10,576,230

	Nine months ended September 27, 2020			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	$ 106,047	$ 91,542	$ (99,893)	$ 97,696
Adjustments to reconcile Net income to Net cash provided by operating activities:				
Depreciation and amortization	133,679	6,378	—	140,057
Amortization of deferred loan origination costs	—	52,374	—	52,374
Amortization of financing origination fees	510	10,118	—	10,628
Provision for long-term employee benefits	23,557	—	—	23,557
Employee benefit plan contributions and payments	(5,456)	—	—	(5,456)
Stock compensation expense	10,959	1,117	—	12,076
Net change in wholesale finance receivables related to sales	—	—	330,793	330,793
Provision for credit losses	—	178,433	—	178,433
Deferred income taxes	6,171	(24,737)	(412)	(18,978)
Other, net	(13,628)	4,416	(108)	(9,320)
Changes in current assets and liabilities:				
Accounts receivable, net	(100,672)	—	130,302	29,630
Finance receivables - accrued interest and other	—	5,097	—	5,097
Inventories, net	273,668	—	—	273,668
Accounts payable and accrued liabilities	(38,815)	154,121	(132,228)	(16,922)
Derivative financial instruments	(1,584)	41	—	(1,543)
Other	26,704	2,634	3,940	33,278
	315,093	389,992	332,287	1,037,372
Net cash provided by operating activities	421,140	481,534	232,394	1,135,068
Cash flows from investing activities:				
Capital expenditures	(90,592)	(1,703)	—	(92,295)
Origination of finance receivables	—	(4,697,675)	1,824,416	(2,873,259)
Collections on finance receivables	—	4,886,976	(2,156,810)	2,730,166
Other investing activities	334	—	—	334
Net cash (used) provided by investing activities	(90,258)	187,598	(332,394)	(235,054)

	Nine months ended September 27, 2020			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	1,396,602	—	1,396,602
Repayments of medium-term notes	—	(1,400,000)	—	(1,400,000)
Proceeds from securitization debt	—	2,064,450	—	2,064,450
Repayments of securitization debt	—	(735,885)	—	(735,885)
Borrowings of asset-backed commercial paper	—	225,187	—	225,187
Repayments of asset-backed commercial paper	—	(236,846)	—	(236,846)
Net increase in unsecured commercial paper	—	509,978	—	509,978
Net increase in credit facilities	—	150,000	—	150,000
Deposits	—	29,992	—	29,992
Dividends paid	(65,002)	(100,000)	100,000	(65,002)
Repurchase of common stock	(7,895)	—	—	(7,895)
Issuance of common stock under share-based plans	96	—	—	96
Net cash (used) provided by financing activities	(72,801)	1,903,478	100,000	1,930,677
Effect of exchange rate changes on cash, cash equivalents and restricted cash	4,974	1,097	—	6,071
Net increase in cash, cash equivalents and restricted cash	$ 263,055	$ 2,573,707	$ —	$ 2,836,762
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash, beginning of period	$ 470,649	$ 434,717	$ —	$ 905,366
Net increase in cash, cash equivalents and restricted cash	263,055	2,573,707	—	2,836,762
Cash, cash equivalents and restricted cash, end of period	$ 733,704	$ 3,008,424	$ —	$ 3,742,128

	Nine months ended September 29, 2019			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	$ 396,320	$ 153,905	$ (140,086)	$ 410,139
Adjustments to reconcile Net income to Net cash provided by operating activities:				
Depreciation and amortization	168,013	6,596	—	174,609
Amortization of deferred loan origination costs	—	57,303	—	57,303
Amortization of financing origination fees	503	6,529	—	7,032
Provision for long-term employee benefits	10,888	—	—	10,888
Employee benefit plan contributions and payments	(11,166)	—	—	(11,166)
Stock compensation expense	22,869	2,454	—	25,323
Net change in wholesale finance receivables related to sales	—	—	683	683
Provision for credit losses	—	94,621	—	94,621
Deferred income taxes	5,514	(1,765)	(214)	3,535
Other, net	9,126	(1,372)	85	7,839
Changes in current assets and liabilities:				
Accounts receivable, net	(216,961)	—	209,128	(7,833)
Finance receivables - accrued interest and other	—	(4,574)	—	(4,574)
Inventories, net	62,870	—	—	62,870
Accounts payable and accrued liabilities	8,729	207,971	(203,562)	13,138
Derivative financial instruments	2,443	94	—	2,537
Other	(19,516)	12,144	9,077	1,705
	43,312	380,001	15,197	438,510
Net cash provided by operating activities	439,632	533,906	(124,889)	848,649
Cash flows from investing activities:				
Capital expenditures	(118,182)	(2,979)	—	(121,161)
Origination of finance receivables	—	(5,757,384)	2,615,758	(3,141,626)
Collections on finance receivables	—	5,326,787	(2,630,869)	2,695,918
Sales and redemptions of marketable securities	10,007	—	—	10,007
Acquisition of business	(7,000)	—	—	(7,000)
Other investing activities	12,388	—	—	12,388
Net cash used by investing activities	(102,787)	(433,576)	(15,111)	(551,474)

	Nine months ended September 29, 2019			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	546,655	—	546,655
Repayments of medium-term notes	—	(1,350,000)	—	(1,350,000)
Proceeds from securitization debt	—	1,021,353	—	1,021,353
Repayments of securitization debt	—	(244,250)	—	(244,250)
Borrowings of asset-backed commercial paper	—	177,950	—	177,950
Repayments of asset-backed commercial paper	—	(240,008)	—	(240,008)
Net decrease in unsecured commercial paper	—	(120,707)	—	(120,707)
Dividends paid	(179,409)	(140,000)	140,000	(179,409)
Repurchase of common stock	(217,454)	—	—	(217,454)
Issuance of common stock under share-based plans	2,180	—	—	2,180
Net cash used by financing activities	(394,683)	(349,007)	140,000	(603,690)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(4,604)	494	—	(4,110)
Net decrease in cash, cash equivalents and restricted cash	$ (62,442)	$ (248,183)	$ —	$ (310,625)
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash, beginning of period	$ 544,548	$ 715,200	$ —	$ 1,259,748
Net decrease in cash, cash equivalents and restricted cash	(62,442)	(248,183)	—	(310,625)
Cash, cash equivalents and restricted cash, end of period	$ 482,106	$ 467,017	$ —	$ 949,123

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Harley-Davidson, Inc. is the parent company of the group of companies referred to 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 of its subsidiaries. The Company operates in two segments: Motorcycles and Related Products (Motorcycles) and Financial Services.

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

(1) Note Regarding Forward-Looking Statements

The Company intends that certain matters discussed in this report are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such by reference to this footnote or because the context of the statement will include words such as the Company "believes," "anticipates," "expects," "plans," "may," "will," "estimates" or words of similar meaning. Similarly, statements that describe or refer to future expectations, future plans, strategies, objectives, outlooks, targets, guidance, commitments or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially, unfavorably or favorably, from those anticipated as of the date of this report. Certain of such risks and uncertainties are described in close proximity to such statements or elsewhere in this report, including under the caption "Cautionary Statements" in this Item 2 and in *Item 1A. Risk Factors*, as well as in *Item 1A. Risk Factors* of the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in the "Overview" and "Outlook" sections in this Item 2 are only made as of October 27, 2020 and the remaining forward-looking statements in this report are made as of the date of the filing of this report (November 5, 2020), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Overview[(1)]

The Company's net income was $120.2 million, or $0.78 per diluted share, in the third quarter of 2020, compared to $86.6 million, or $0.55 per diluted share, in the third quarter of 2019. The Motorcycles segment reported operating income of $46.7 million for the third quarter of 2020 which was down slightly from $47.0 million for the third quarter of 2019. Current year operating income was impacted by a 6.2% decline in wholesale motorcycle shipments, unfavorable product mix and higher restructuring expenses which were mostly offset by lower manufacturing costs and reduced selling, administrative and engineering expenses.

Operating income from the Financial Services segment in the third quarter of 2020 was $91.1 million, up 25.1% compared to the year-ago quarter due primarily to a lower provision for credit losses and lower operating expenses. The provision for credit losses benefited from lower credit losses and a modest improvement in the Company's outlook on economic conditions during the third quarter of 2020. The current year provision also reflects a new accounting standard that changed how companies recognize expected credit losses on financial instruments. The new standard requires recognition of full lifetime expected credit losses upon initial recognition of a financial instrument, replacing the prior, incurred loss methodology. The Company adopted the new accounting standard on January 1, 2020 using a modified retrospective approach. As a result, prior period results were not restated.

Worldwide independent dealer retail sales of new Harley-Davidson motorcycles in the third quarter of 2020 were down 8.1% compared to the third quarter of 2019, due primarily to a 10.3% decline in the U.S. The Company believes U.S. retail sales for the third quarter of 2020, compared to prior year, were adversely impacted by a shift in new model year launch timing from the third quarter to the first quarter. The Company believes its new approach to supply and inventory management also adversely impacted retail sales in the U.S. during the third quarter of 2020 compared to the third quarter of last year.

Outlook[(1)]

As a result of the uncertainty surrounding the COVID-19 pandemic, the Company withdrew all of its forward-looking guidance on March 26, 2020. While the impacts on demand, facility closures and other restrictions resulting from the pandemic are expected to be temporary, the duration of the pandemic and its financial impact to the Company are unknown at this time. To the extent these impacts continue, they are likely to have an adverse effect on the Company's results of operations, financial condition and liquidity.

COVID-19 Pandemic Response and Recovery Actions[(1)]

Cash Preservation – The Company is executing its previously disclosed plans to reduce planned capital and planned non-capital spending. In total, the Company continues to expect that these efforts will preserve approximately $250 million of cash in 2020 with approximately 15% related to capital spending. The planned spending reductions exclude the impact of restructuring charges as discussed further under "Restructuring Plan Costs and Savings." Also, discretionary share repurchases continue to be suspended, and the Company's Board of Directors approved a cash dividend of $0.02 per share for the fourth quarter of 2020, which was down from last year's fourth quarter, but in line with the 2020 second and third quarter dividends.

Liquidity – At the end of the third quarter of 2020, the Company had $4.7 billion of available liquidity through cash, cash equivalents and availability under its credit and conduit facilities. Liquidity is discussed in more detail under *Liquidity and Capital Resources*.

Supporting Dealers and Riders – The Company's response and recovery plans have included supporting global dealers and customers. HDFS continues to work with qualified retail borrowers who have been impacted by the COVID-19 pandemic by offering short-term adjustments to payment due dates. These temporary extensions do not affect the associated interest rate or loan term.

Community Strength – The Company continues to proactively manage through the COVID-19 pandemic and has implemented robust protocols to keep workers safe in its factories. The Company expects most non-production workers will continue working from home at least until the end of the year.

The Rewire

The Company is executing a set of actions, referred to as *The Rewire*. *The Rewire* is a critical overhaul of the Company's business setting a strong foundation for the Company. Key elements of *The Rewire* and highlights to date include the following:

New operating model with reduced complexity and increased speed – The Company has implemented a new operating model to eliminate duplication and complexity across its global operations. The streamlined structure requires 700 fewer positions across the Company's global operations and is expected to result in significant annual ongoing savings as discussed further under "Restructuring Plan Costs and Savings."

Reset global business and focus on high-potential market**s** – The Company plans to concentrate on approximately 50 markets primarily in North America, Europe and parts of Asia Pacific that represent a high percentage of the Company's expected volume and growth potential. The Company's international business has been significantly re-set and re-focused with investment and resources aligned with projected market potential. The 36 highest potential markets will remain with the resources and autonomy, within a clearly defined framework, to best drive growth and profitability. Approximately 17 markets will remain as or transition to a cost-effective dealer-direct or distributor model. This includes the India market where the Company will wholesale it products through a third-party distributor in the future. The Company will exit approximately 39 markets due to volume, profitability or potential that does not support continued investment.

Refined motorcycle line-up and high-impact product launches – The Company has streamlined its planned product portfolio by approximately 30% and overhauled launch timing and go-to-market practices for maximum impact and success. Highlights of the new approach include:

- Further streamlining the product portfolio to reduce complexity
- Sharper focus - reducing complexity and directing resources toward highest priority and core, stronghold products
- Seasonal alignment - plans underway for a virtual, new model year launch for dealers and consumers in the first quarter (shifted annual model year launch from August to the first quarter to be closer to the start of the riding season)
- Marketing that drives desirability - the Company has executed new marketing campaigns featuring celebrities, generating significant leads and growing awareness, excitement and desirability for the Harley-Davidson brand and products

Growth through Parts & Accessories (P&A) and General Merchandise (GM) – The P&A and GM businesses are now organized around dedicated leaders and business units with strategies poised for new growth as the Company invests in new channel strategies and better product assortments.

Protecting value – The Company is operating with a remodeled approach to supply and inventory management with a focus on a strong dealer network to better preserve the value and desirability of Harley-Davidson motorcycles for customers. Some initial outcomes of this approach include:

- A reduced gap between new and used Harley-Davidson motorcycles pricing in the U.S. during the third quarter of 2020
- Global dealer inventory reduced over 30% at the end of September 2020 compared to the same time last year
- Essentially eliminated promotions and discounting with a focus on brand building in the third quarter of 2020

The Company is seeking to optimize its dealer network and believes an integrated customer experience driven by a strong network of profitable dealers is essential to delivering the most desirable Harley-Davidson experience. The Company reduced its global dealer network during the first nine months of 2020 and continues to seek to optimize its network of independent dealers to strengthen priority markets and provide and improve the customer experience.

The Hardwire

The Hardwire is the Company's forthcoming 5-year (2021-2025) strategic plan to deliver profitable, growth and shareholder value based on building and expanding the desirability of Harley-Davidson. The following is an initial look at the framework for *The Hardwire*:

The Hardwire will be guided by Harley-Davidson's vision and mission.

- Vision: To build on its legend and lead its industry through innovation, evolution and emotion
- Mission: More than building machines, we stand for the timeless pursuit of adventure. Freedom for the soul.

Both statements will keep the Company grounded in its authentic brand delivering adventure and freedom for the soul.

Harley-Davidson as the most desirable motorcycle brand in the world and the Company that defines motorcycle culture globally is the basis of *The Hardwire*. Desirability provides the framework for the Company’s work and for its success measures. *The Hardwire* framework will be organized around desirable:

- Growth strategy for motorcycles, P&A and GM in priority markets
- Customer focus inclusive of distinct products, brand and purchase experiences
- Operations that are high-performance, lean and efficient
- Impact with emphasis on inclusive stakeholder management and delivering long-term value
- Workplace that is diverse, inclusive and built around top talent rooted in a high-performance, winning culture

Desirability will also help define success measures. Through *The Hardwire*, the Company will target growth that is focused and profitable across the businesses, rooted in a clear understanding of sources of growth associated with value. The Company intends to set achievable targets and it will not pursue growth merely for growth sake.

The Company believes its brand is powerful and recognized globally – backed by an incredible heritage and iconic products. *The Rewire* will set a strong foundation to execute the Company's forthcoming 2021-2025 strategic plan to achieve its ambition as the most desirable motorcycle brand in the world.

Restructuring Plan Costs and Savings[1]

During 2020, the Company initiated certain restructuring activities as part of *The Rewire* including a workforce reduction, the termination of certain current and future products, facility changes, optimizing its global independent dealer network, exiting certain international markets, and discontinuing its sales and manufacturing operations in India. These actions will result in restructuring expenses including employee termination costs, contract termination costs and non-current asset adjustments. The workforce reduction will result in the elimination of approximately 700 positions globally, including the termination of approximately 500 employees. In addition, the India action will result in the termination of approximately 70 employees. Based on these actions, the Company expects restructuring expenses of approximately $169 million, primarily in 2020, and annual savings of approximately $115 million beginning in 2021.

Results of Operations for the Three Months Ended September 27, 2020 Compared to the Three Months Ended September 29, 2019

Consolidated Results

(in thousands, except earnings per share)	Three months ended September 27, 2020	Three months ended September 29, 2019	(Decrease) Increase	% Change
Operating income from Motorcycles and Related Products	$ 46,740	$ 46,971	$ (231)	(0.5)%
Operating income from Financial Services	91,144	72,873	18,271	25.1
Operating income	137,884	119,844	18,040	15.1
Other income, net	155	3,160	(3,005)	(95.1)
Investment income	2,672	2,041	631	30.9
Interest expense	7,783	7,789	(6)	(0.1)
Income before income taxes	132,928	117,256	15,672	13.4
Provision for income taxes	12,710	30,693	(17,983)	(58.6)
Net income	$ 120,218	$ 86,563	$ 33,655	38.9 %
Diluted earnings per share	$ 0.78	$ 0.55	$ 0.23	41.8 %

The Company reported operating income of $137.9 million in the third quarter of 2020 compared to $119.8 million in the same period last year. Motorcycles segment operating income was $46.7 million in the third quarter of 2020, a decline of $0.2 million, or 0.5%, compared to the third quarter of 2019. Operating income from the Financial Services segment increased $18.3 million, or 25.1%, compared to the third quarter of 2019. Refer to the Motorcycles and Related Products Segment and Financial Services Segment sections for a more detailed discussion of the factors affecting operating income.

Other income in the third quarter of 2020 was unfavorably impacted by lower non-operating income related to the Company's defined benefit plans. Investment income was up in the third quarter of 2020 compared to the same period last year driven by higher income from investments in marketable securities and cash equivalents.

The effective income tax rate for the third quarter of 2020 was 9.6% compared to 26.2% for the third quarter of 2019. The lower effective income tax rate was primarily due to discrete tax benefits recorded in the third quarter of 2020, including favorable settlements with taxing authorities.

Diluted earnings per share was $0.78 in the third quarter of 2020, up 41.8% from the same period last year. Diluted weighted average shares outstanding decreased from 156.9 million in the third quarter of 2019 to 153.9 million in the third quarter of 2020, driven by the Company's discretionary repurchases of common stock during 2019. Refer to *Liquidity and Capital Resources* for additional information concerning the Company's share repurchase activity.

Harley-Davidson Motorcycle Retail Sales[a]

Retail unit sales of Harley-Davidson motorcycles were as follows:

	Three months ended			
	September 30, 2020	September 30, 2019	(Decrease) Increase	% Change
United States	31,304	34,903	(3,599)	(10.3)%
Canada	1,915	2,560	(645)	(25.2)
Total North America	33,219	37,463	(4,244)	(11.3)
Europe[b]	9,742	9,018	724	8.0
EMEA - Other	1,442	1,465	(23)	(1.6)
Total EMEA	11,184	10,483	701	6.7
Asia Pacific[c]	4,444	4,889	(445)	(9.1)
Asia Pacific - Other	3,187	3,189	(2)	(0.1)
Total Asia Pacific	7,631	8,078	(447)	(5.5)
Latin America	1,768	2,498	(730)	(29.2)
Worldwide retail sales	53,802	58,522	(4,720)	(8.1)%

(a) Data source for retail sales figures shown above is new sales warranty and registration information provided by independent Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its independent dealers supply concerning new retail sales, and the Company does not regularly verify the information that its independent dealers supply. This information is subject to revision.
(b) Includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom. Retail sales for Greece and Portugal were reclassified from Europe to EMEA – Other for 2019 to be consistent with the 2020 presentation.
(c) Includes Japan, Australia, New Zealand and South Korea.

Worldwide retail sales of new Harley-Davidson motorcycles were down 8.1% during the third quarter of 2020 compared to the same period last year due primarily to a 10.3% decline in the U.S. The Company believes U.S. retail sales for the third quarter of 2020, compared to the third quarter of 2019, were adversely impacted by the change in model year launch timing and lower retail inventory due to the Company's new approach to supply and inventory management. In Europe, Middle East and Africa (EMEA), retail sales were up nearly 6.7% in the third quarter of 2020, compared to last year, driven by strong performance in northern European markets. Overall, Asia Pacific was down 5.5% compared to last year driven by declines in Japan and Australia, partially offset by growth in China and South Korea.

Previously, the Company's new model year motorcycles were launched in the third quarter with new product available in U.S. markets in August, followed by international markets as product was distributed globally. The Company has shifted its annual new model year launch from August to early in the first quarter. While the Company believes the initial shift from August will adversely impact year-over-year retail sales comparisons, it also believes an early-year launch allows products a full season to sell and minimizes aged inventory and floor plan costs that might accumulate during the off season. Given the model year timing shift, U.S. retail sales in the third quarter of 2020 were in line with the Company's expectations, with solid performance through August followed by a higher rate of decline in September.

The Company's new approach to supply and inventory management, as discussed under "The Rewire," is focused on profitable and desirable volume aimed at helping drive retail pricing to preserve the value and desirability of Harley-Davidson motorcycles for customers. Under this approach, the Company will continue to aggressively manage the supply of motorcycles into the independent dealer network. The Company is encouraged by the value that it believes this has driven in 2020. On average, new Harley-Davidson motorcycles were selling at Manufacturer's Suggested Retail Prices in the U.S. during the third quarter of 2020. In addition, at the end of the third quarter of 2020 compared to the end of the third quarter of 2019, independent dealer retail inventory of new Harley-Davidson motorcycles was down approximately 39% or 13,400 units in the U.S. and approximately 34% worldwide.

U.S. industry registrations of new 601+cc motorcycles were up 7.5% in the third quarter of 2020 compared to the third quarter of 2019. The Company's U.S. market share of new 601+cc motorcycles for the third quarter of 2020 was 41.4%, down 8.5 percentage points from the same period last year (source: Motorcycle Industry Council). While the underlying industry performance in the third quarter of 2020 was strong compared to the prior year, the Company's market share fell on relatively weaker retail sales performance which the Company believes was adversely impacted by the change in new model year launch timing and lower retail inventory resulting from its new approach to supply and inventory management, as well as, stronger performance in segments outside of the Company's Touring and Cruiser segments.

The Company expects global retail sales of new Harley-Davidson motorcycles will continue to decline throughout the fourth quarter of 2020 and that market share will be volatile over the coming quarters given the new model year launch timing and as the Company continues to focus on inventory management.[1]

Motorcycles and Related Products Segment

Motorcycle Unit Shipments

Wholesale Harley-Davidson motorcycle unit shipments were as follows:

	Three months ended					
	September 27, 2020		September 29, 2019		Unit	Unit
	Units	Mix %	Units	Mix %	(Decrease) Increase	% Change
U.S. motorcycle shipments	25,284	58.8 %	25,572	55.8 %	(288)	(1.1)%
Worldwide motorcycle shipments:						
Touring motorcycle units	16,505	38.4 %	19,905	43.4 %	(3,400)	(17.1)%
Cruiser motorcycle units[a]	15,500	36.1 %	16,225	35.4 %	(725)	(4.5)%
Sportster® / Street motorcycle units	10,978	25.5 %	9,707	21.2 %	1,271	13.1 %
	42,983	100.0 %	45,837	100.0 %	(2,854)	(6.2)%

(a) Includes Softail®, CVO™, and LiveWire™

The Company shipped 42,983 Harley-Davidson motorcycles worldwide during the third quarter of 2020, which was 6.2% lower than the third quarter of 2019. The mix of Touring and Cruiser motorcycles shipped during the third quarter of 2020 decreased as a percent of total shipments while the mix of Sportster/Street motorcycles increased compared to the same period last year.

Segment Results

Condensed statements of operations for the Motorcycles segment were as follows (dollars in thousands):

	Three months ended			
	September 27, 2020	September 29, 2019	(Decrease) Increase	% Change
Revenue:				
Motorcycles	$ 684,344	$ 779,344	$ (95,000)	(12.2)%
Parts & Accessories	209,808	203,173	6,635	3.3
General Merchandise	49,356	60,334	(10,978)	(18.2)
Licensing	8,894	8,611	283	3.3
Other	11,627	17,480	(5,853)	(33.5)
	964,029	1,068,942	(104,913)	(9.8)
Cost of goods sold	676,796	748,878	(72,082)	(9.6)
Gross profit	287,233	320,064	(32,831)	(10.3)
Operating expenses:				
Selling & administrative expense	149,780	212,633	(62,853)	(29.6)
Engineering expense	47,132	52,831	(5,699)	(10.8)
Restructuring expense	43,581	7,629	35,952	471.3
	240,493	273,093	(32,600)	(11.9)
Operating income	$ 46,740	$ 46,971	$ (231)	(0.5)%
Operating margin	4.8 %	4.4 %	0.5	pts.

The estimated impact of significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from the third quarter of 2019 to the third quarter of 2020 were as follows (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
Three months ended September 29, 2019	$ 1,068.9	$ 748.9	$ 320.0
Volume	(62.6)	(44.8)	(17.8)
Price and incentives	8.5	—	8.5
Foreign currency exchange rates and hedging	3.9	9.4	(5.5)
Shipment mix	(54.7)	(15.8)	(38.9)
Raw material prices	—	(3.7)	3.7
Manufacturing and other costs	—	(17.2)	17.2
	(104.9)	(72.1)	(32.8)
Three months ended September 27, 2020	$ 964.0	$ 676.8	$ 287.2

Factors affecting the comparability of net revenue, cost of goods sold and gross profit from the third quarter of 2019 to the third quarter of 2020 were as follows:

- The decrease in volume was due to lower wholesale motorcycle shipments and lower General Merchandise sales, partially offset by higher P&A sales.
- During the period, revenue benefited from slightly higher wholesale prices and lower sales incentives.
- Revenue benefited from favorable foreign currency exchange rates relative to the U.S. dollar however, this benefit was more than offset by unfavorable net foreign currency losses associated with hedging and balance sheet remeasurements as compared to the prior year.
- Changes in the shipment mix between motorcycle families had an adverse impact on revenue and gross profit in the current quarter compared to the same period last year.
- Manufacturing and other costs were favorably impacted by a reduction in tariff costs and the absence in 2020 of temporary inefficiencies related to the Company's manufacturing restructuring activities that were incurred in the prior year. The impact of tariffs was $2.7 million in the third quarter of 2020 compared to $21.6 million in the third quarter of 2019 as the Company's European Union (EU) markets are now sourced primarily from its Thailand facility. The impact of tariffs includes incremental EU and China tariffs imposed beginning in 2018 on the Company's products shipped from the U.S., as well as incremental U.S. tariffs imposed beginning in 2018 on certain items imported from China. The

favorable impacts on manufacturing and other costs were partially offset by lower fixed-cost absorption on lower production in the third quarter as compared to the same quarter last year.

Operating expenses were lower in the third quarter of 2020 compared to the same period last year due primarily to lower spending as the Company aggressively managed cost, including lower employee-related costs and other discretionary spending. The decrease was partially offset by increases in restructuring expenses. Refer to *Note 4 of the Notes to Consolidated financial statements* for additional information regarding restructuring expenses.

Financial Services Segment

Segment Results

Condensed statements of operations for the Financial Services segment were as follows (in thousands):

	Three months ended			
	September 27, 2020	September 29, 2019	(Decrease) Increase	% Change
Revenue:				
Interest income	$ 174,464	$ 175,840	$ (1,376)	(0.8)%
Other income	27,191	27,737	(546)	(2.0)
	201,655	203,577	(1,922)	(0.9)
Expenses:				
Interest expense	67,533	53,390	14,143	26.5
Provision for credit losses	7,835	33,747	(25,912)	(76.8)
Operating expense	34,809	43,567	(8,758)	(20.1)
Restructuring expense	334	—	334	100.0
	110,511	130,704	(20,193)	(15.4)
Operating income	$ 91,144	$ 72,873	$ 18,271	25.1 %

Interest income was unfavorable in the third quarter of 2020, compared to the same period last year, primarily due to lower average outstanding finance receivables, partially offset by a higher average retail yield. Interest expense increased in the third quarter of 2020 due to higher average outstanding debt, partially offset by a lower cost of funds.

The provision for credit losses decreased $25.9 million compared to the third quarter of 2019 primarily driven by a decrease in retail credit losses and a modest improvement in economic conditions during the quarter. Retail credit losses during the third quarter of 2020 were favorably impacted by a high volume of COVID-19 pandemic related short-term retail loan payment-due-date extensions for qualified customers as well as improved used motorcycle values at auction in the U.S. The high volume of short-term extensions that occurred during the second quarter of 2020 and into the first part of the third quarter of 2020 resulted in fewer past due accounts and lower related repossessions and losses during the third quarter. Favorable used motorcycle values stemmed from a lower number of motorcycles at auction and limited new motorcycle inventory in dealerships.

The provision for credit losses was also favorably impacted by a modest improvement in the Company’s outlook on economic conditions during the third quarter of 2020. However, significant uncertainty still exists surrounding future economic outcomes. As such, the Company considered various economic forecast scenarios and applied a probability-weighting to those economic forecast scenarios. At the end of the third quarter of 2020, the Company's outlook on economic conditions included some economic improvement with heavier emphasis on deteriorating economic trend assumptions as the COVID-19 pandemic continues to restrain the U.S. economy as evidenced by continued high unemployment rates and a slow U.S. Gross Domestic Product (GDP) recovery. The Company’s expectations surrounding its economic forecasts may change in future periods as additional information becomes available.

The allowance for credit losses at September 27, 2020 was determined in accordance with ASU 2016-13, a new accounting standard adopted by the Company on January 1, 2020 that changed how companies recognize expected credit losses on financial instruments. The new standard requires recognition of full lifetime expected credit losses upon initial recognition of a financial instrument, replacing the prior, incurred loss methodology. The Company adopted the new accounting standard using a modified retrospective approach. As a result, prior period results were not restated.

Operating expenses decreased $8.8 million compared to the third quarter of 2019 as the Company aggressively managed costs.

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

	Three months ended	
	September 27, 2020	September 29, 2019
Balance, beginning of period	$ 411,015	$ 194,996
Provision for credit losses	7,835	33,747
Charge-offs, net of recoveries	(10,148)	(30,167)
Balance, end of period	$ 408,702	$ 198,576

Results of Operations for the Nine Months Ended September 27, 2020 Compared to the Nine Months Ended September 29, 2019

Consolidated Results

	Nine months ended			
(in thousands, except earnings per share)	September 27, 2020	September 29, 2019	(Decrease) Increase	% Change
Operating income from Motorcycles and Related Products	$ 10,283	$ 336,080	$ (325,797)	(96.9)%
Operating income from Financial Services	119,015	207,133	(88,118)	(42.5)
Operating income	129,298	543,213	(413,915)	(76.2)
Other income, net	466	11,857	(11,391)	(96.1)
Investment income	3,082	11,970	(8,888)	(74.3)
Interest expense	23,307	23,304	3	—
Income before income taxes	109,539	543,736	(434,197)	(79.9)
Provision for income taxes	11,843	133,597	(121,754)	(91.1)
Net income	$ 97,696	$ 410,139	$ (312,443)	(76.2)%
Diluted earnings per share	$ 0.64	$ 2.58	$ (1.94)	(75.2)%

The Company reported operating income of $129.3 million in the first nine months of 2020 compared to $543.2 million in the same period last year. Operating income from the Motorcycles segment fell $325.8 million from the same period last year and operating income from Financial Services fell $88.1 million compared to the same period last year. Refer to the Motorcycles and Related Products Segment and Financial Services Segment discussions for a more detailed analysis of the factors affecting operating income.

Other income in the first nine months of 2020 was unfavorably impacted by lower non-operating income related to the Company's defined benefit plans. Investment income was down in first nine months of 2020 compared the same period last year driven by lower income from investments in marketable securities and cash equivalents.

The Company's effective income tax rate for the first nine months of 2020 was 10.8% compared to 24.6% for the same period in 2019. The decrease in the 2020 effective income tax rate as compared to 2019 was due primarily to net discrete tax benefits recorded in the first nine months of 2020, including favorable settlements with taxing authorities. The effective income tax rate for the nine months ended September 27, 2020 was determined based on the Company's current projections for full-year 2020 financial results. Given uncertainty surrounding the impact of the COVID-19 pandemic, the Company's projections for full-year 2020 financial results, in total and across its numerous tax jurisdictions, may evolve and ultimately impact the Company's 2020 full-year effective income tax rate[(1)].

Diluted earnings per share was $0.64 in the first nine months of 2020, down 75.2% from diluted earnings per share of $2.58 for the same period last year. Diluted weighted average shares outstanding decreased from 158.8 million in the first nine months of 2019 to 153.8 million in the first nine months of 2020, driven by the Company's discretionary repurchases of common stock during 2019. Refer to *Liquidity and Capital Resources* for additional information concerning the Company's share repurchase activity.

Motorcycles Retail Sales and Registration Data

Harley-Davidson Motorcycle Retail Sales[(a)]

Retail unit sales of Harley-Davidson motorcycles were as follows:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Decrease	% Change
United States	86,376	105,756	(19,380)	(18.3)%
Canada	5,668	7,787	(2,119)	(27.2)
Total North America	92,044	113,543	(21,499)	(18.9)
Europe[(b)]	26,014	31,997	(5,983)	(18.7)
EMEA – Other	3,864	4,902	(1,038)	(21.2)
Total EMEA	29,878	36,899	(7,021)	(19.0)
Asia Pacific[(c)]	12,517	13,219	(702)	(5.3)
Asia Pacific – Other	7,754	8,603	(849)	(9.9)
Total Asia Pacific	20,271	21,822	(1,551)	(7.1)
Latin America	4,760	7,255	(2,495)	(34.4)
Worldwide retail sales	146,953	179,519	(32,566)	(18.1)%

(a) Data source for retail sales figures shown above is new sales warranty and registration information provided by independent Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its independent dealers supply concerning new retail sales, and the Company does not regularly verify the information that its independent dealers supply. This information is subject to revision.
(b) Includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom. Retail sales for Greece and Portugal were reclassified from Europe to EMEA – Other for 2019 to be consistent with the 2020 presentation.
(c) Includes Japan, Australia, New Zealand and South Korea.

Worldwide retail sales of new Harley-Davidson motorcycles were down 18.1% during the first three quarters of 2020 compared to the same period last year. September 2020 year-to date retail sales results reflect the adverse impact of the COVID-19 pandemic, including the temporary closure of independent dealers, lower retail inventory and the change in model year timing. During 2020, the Company's retail sales have been adversely impacted by the COVID-19 pandemic with the greatest impact occurring in the first half of 2020 when many of the Company's independent dealerships were closed. Retail sales have also been adversely impacted by lower retail inventory as the Company continues to aggressively manage the supply of motorcycles into the independent dealer network, under its new supply and inventory management approach. Annual model year launch timing will change from August to the first quarter has also impacted U.S. retail sales as compared to the prior year.

The Company's U.S. market share of new 601+cc motorcycles for the first three quarters of 2020 was 42.0%, down 6.8 percentage points compared to the same period last year (source: Motorcycle Industry Council). The Company's U.S. market share fell on relatively weaker retail sales performance which it believes was adversely impacted by the change in new model year launch timing, lower retail inventory resulting from its new approach to supply and inventory management, as well as, stronger performance in segments outside of the Company's Touring and Cruiser segments

The Company's 2020 market share of new 601+cc motorcycles in Europe was 7.7% through September, compared to 9.2% for the same period last year (Source: Management Services Helwig Schmitt GmbH).

Motorcycle Registration Data – 601+cc[(a)]

Industry retail motorcycle registration data was as follows:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Decrease	% Change
United States[(b)]	201,822	213,876	(12,054)	(5.6)%
Europe[(c)]	349,993	360,320	(10,327)	(2.9)%

(a) Data includes on-road models with internal combustion engines with displacements greater than 600cc's and electric motorcycles with kilowatt (kW) peak power equivalents greater than 600cc's (601+cc). On-road 601+cc models include dual purpose models, three-wheeled motorcycles and autocycles. Registration data for Harley-Davidson Street® 500 motorcycles is not included in this table.
(b) United States industry data is derived from information provided by Motorcycle Industry Council. This third-party data is subject to revision and update.
(c) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom. Industry data is derived from information provided by Management Services Helwig Schmitt GmbH. Prior year registrations have been revised to exclude Greece and Portugal registrations. This third-party data is subject to revision and update.

Motorcycles and Related Products Segment

Motorcycle Unit Shipments

Wholesale Harley-Davidson motorcycle unit shipments were as follows:

	Nine months ended September 27, 2020		Nine months ended September 29, 2019		Unit	Unit
	Units	Mix %	Units	Mix %	Decrease	% Change
U.S. motorcycle shipments	69,359	55.8 %	101,481	58.5 %	(32,122)	(31.7)%
Worldwide motorcycle shipments:						
Touring motorcycle units	47,811	38.5 %	75,871	43.7 %	(28,060)	(37.0)%
Cruiser motorcycle units[(a)]	47,505	38.2 %	59,367	34.2 %	(11,862)	(20.0)
Sportster® / Street motorcycle units	29,009	23.3 %	38,247	22.1 %	(9,238)	(24.2)
	124,325	100.0 %	173,485	100.0 %	(49,160)	(28.3)%

(a) Includes Softail®, CVO™, and LiveWire™

The Company shipped 124,325 Harley-Davidson motorcycles worldwide during the first nine months of 2020, which was 28.3% lower than the same period in 2019 reflecting the impact of lower retail sales including the temporary suspension of the Company's global manufacturing operations in the first half of 2020 resulting from the COVID-19 pandemic. The mix of Touring motorcycles shipped during the nine months of 2020 decreased as a percent of total shipments while the mix of Cruiser and Sportster/Street motorcycles increased compared to the same period last year.

Segment Results

Condensed statements of operations for the Motorcycles segment were as follows (dollars in thousands):

	Nine months ended			
	September 27, 2020	September 29, 2019	(Decrease) Increase	% Change
Revenue:				
Motorcycles	$ 2,030,447	$ 2,871,982	$ (841,535)	(29.3)%
Parts & Accessories	513,201	584,134	(70,933)	(12.1)
General Merchandise	136,321	180,379	(44,058)	(24.4)
Licensing	21,826	27,099	(5,273)	(19.5)
Other	31,296	34,989	(3,693)	(10.6)
	2,733,091	3,698,583	(965,492)	(26.1)
Cost of goods sold	2,019,310	2,576,342	(557,032)	(21.6)
Gross profit	713,781	1,122,241	(408,460)	(36.4)
Operating expenses:				
Selling & administrative expense	477,286	598,102	(120,816)	(20.2)
Engineering expense	141,626	156,377	(14,751)	(9.4)
Restructuring expense	84,586	31,682	52,904	167.0
	703,498	786,161	(82,663)	(10.5)
Operating income	$ 10,283	$ 336,080	$ (325,797)	(96.9)%
Operating margin	0.4 %	9.1 %	(8.7) pts.	

The estimated impact of significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from the first nine months of 2019 to the first nine months of 2020 were as follows (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
Nine months ended September 29, 2019	$ 3,698.5	$ 2,576.3	$ 1,122.2
Volume	(944.0)	(613.7)	(330.3)
Price and incentives	44.3	7.2	37.1
Foreign currency exchange rates and hedging	(17.1)	14.7	(31.8)
Shipment mix	(48.6)	10.0	(58.6)
Raw material prices	—	(7.5)	7.5
Manufacturing and other costs	—	32.3	(32.3)
	(965.4)	(557.0)	(408.4)
Nine months ended September 27, 2020	$ 2,733.1	$ 2,019.3	$ 713.8

Factors affecting the comparability of net revenue, cost of goods sold and gross profit from the first nine months of 2019 to the first nine months of 2020 were as follows:

- The decrease in volume was due to lower wholesale motorcycle shipments and lower P&A and General Merchandise sales.
- During the first nine months of 2020, revenue benefited from higher wholesale prices for motorcycles and lower sales incentives. The positive impact on revenue was partially offset by increased costs related to additional content added to motorcycles shipped in the current period as compared to the same period last year.
- Revenue was adversely impacted by weaker foreign currency exchange rates, relative to the U.S. dollar. In addition, unfavorable net foreign currency losses associated with hedging and balance sheet remeasurements also reduced gross profit as compared to the same period last year.
- Changes in the shipment mix between motorcycle families had an adverse impact on gross profit during the first nine months of 2020. Additionally, unfavorable mix within P&A contributed to the impact.
- Manufacturing and other costs were adversely impacted by lower fixed cost absorption and productivity related to lower production volumes including the impact of the temporary suspension of global manufacturing that occurred during the first half of 2020 as a result of the COVID-19 pandemic. These unfavorable impacts were partially offset with a

favorable reduction in tariff costs and the absence of temporary inefficiencies related to the Company's manufacturing restructuring activities that were incurred in the prior year. The impact of tariffs was $22.4 million in the first nine months of 2020 compared to $77.0 million for the same period last year.

Operating expenses were lower in the first nine months of 2020 compared to the same period in 2019 due primarily to lower spending as the Company aggressively managed costs, including lower employee-related costs and other discretionary spending. The decrease was partially offset by an increase in restructuring expenses. Refer to *Note 4 of the Notes to Consolidated financial statements* for additional information regarding restructuring expenses.

Financial Services Segment

Segment Results

Condensed statements of operations for the Financial Services segment were as follows (in thousands):

	Nine months ended			
	September 27, 2020	September 29, 2019	Increase (Decrease)	% Change
Revenue:				
Interest income	$ 512,726	$ 502,721	$ 10,005	2.0 %
Other income	83,338	88,214	(4,876)	(5.5)
	596,064	590,935	5,129	0.9
Expenses:				
Interest expense	182,193	158,387	23,806	15.0
Provision for credit losses	178,433	94,621	83,812	88.6
Operating expense	115,145	130,794	(15,649)	(12.0)
Restructuring expense	1,278	—	1,278	100.0
	477,049	383,802	93,247	24.3
Operating income	$ 119,015	$ 207,133	$ (88,118)	(42.5)%

Interest income was higher in the first nine months of 2020, compared to the same period last year, due to a higher average retail yield, partially offset by lower average outstanding finance receivables. Other income decreased in the first nine months of 2020, compared to the first nine months of 2019, due in part to lower investment income. Interest expense increased in the first nine months of 2020, compared to the same period last year, due to higher average outstanding debt, partially offset by a lower cost of funds.

The provision for credit losses increased $83.8 million compared to the first nine months of 2019 driven primarily by unfavorable economic conditions, partially offset by a decrease in credit losses. The provision for credit losses was up significantly, as compared to the first nine months of 2019 driven by the impact of the COVID-19 pandemic on the U.S. economy and the Company's outlook on future economic conditions. The Company believes that significant uncertainty still exists surrounding future economic outcomes. As such, the Company considered various economic forecast scenarios and applied a probability-weighting to those economic forecast scenarios. At the end of the third quarter of 2020, the Company's outlook on economic conditions included some economic improvement with heavier emphasis on deteriorating economic trend assumptions as the COVID-19 pandemic continues to restrain the U.S. economy as evidenced by continued high unemployment rates and a slow U.S. Gross Domestic Product (GDP) recovery. The Company's expectations surrounding its economic forecasts may change in future periods as additional information becomes available.

The allowance for credit losses at September 27, 2020 was determined in accordance with ASU 2016-13, a new accounting standard the Company adopted on January 1, 2020 that changed how companies recognize expected credit losses on financial instruments. The new standard requires recognition of full lifetime expected credit losses upon initial recognition of a financial instrument, replacing the prior, incurred loss methodology. The Company adopted the new accounting standard using a modified retrospective approach. As a result, prior period results were not restated.

Annualized credit losses for the Company's retail motorcycle loans were 1.40% through September 27, 2020 compared to 1.83% through September 29, 2019. The 30-day delinquency rate for retail motorcycle loans at September 27, 2020 was 2.59% compared to 3.75% at September 29, 2019. The improved delinquency rate was primarily driven by a high volume of short-term COVID-19 pandemic related extensions during the second quarter of 2020 and into the first part of the third quarter of 2020 on eligible retail loans to help customers get through financial difficulties associated with the pandemic.

Operating expenses decreased $15.6 million compared to the first nine months of 2019 as the Company aggressively managed costs.

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

	Nine months ended	
	September 27, 2020	September 29, 2019
Balance, beginning of period	$ 198,581	$ 189,885
Cumulative effect of change in accounting[(a)]	100,604	—
Provision for credit losses	178,433	94,621
Charge-offs, net of recoveries	(68,916)	(85,930)
Balance, end of period	$ 408,702	$ 198,576

(a) On January 1, 2020, the Company adopted ASU 2016-13 and increased the allowance for loan loss through retained earnings, net of income taxes, to establish an allowance that represents expected lifetime credit losses on the finance receivable portfolio at date of adoption.

Other Matters

Critical Accounting Estimates

As a result of the January 1, 2020 adoption ASU 2016-13, the Company has updated the Critical Accounting Estimate disclosure from *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, 2019 as follows:

Allowance for Credit Losses on Retail Finance Receivables – The allowance for credit losses represents the Company's estimate of future lifetime losses for its retail finance receivables portfolio. The Company performs a collective evaluation of the adequacy of its retail allowance for credit losses. Subsequent to the January 1, 2020 adoption of ASU 2016-13, the Company utilizes a vintage-based loss forecast methodology that includes decompositions for probability of default, exposure at default, attrition rate, and recovery balance rate. Reasonable and supportable economic forecasts for a two-year period are incorporated into the methodology to reflect the estimated impact of changes in future economic conditions, such as unemployment rates, household obligations or other relevant factors, over the two-year reasonable and supportable period. For periods beyond the Company's reasonable and supportable forecasts, the Company reverts to its average historical loss experience for a three-year period using a mean-reversion process. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or term as well as other relevant factors.

Contractual Obligations

As of September 27, 2020, the Company has updated the contractual obligations table from *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, 2019 to reflect the new projected principal and interest payments for the remainder of 2020 and beyond as follows (in thousands):

	2020	2021-2022	2023-2024	Thereafter	Total
Debt:					
Principal payments on debt	$ 1,270,429	$ 3,965,831	$ 2,855,849	$ 1,450,000	$ 9,542,109
Interest payments on debt	62,395	398,843	198,584	319,945	979,767
	$ 1,332,824	$ 4,364,674	$ 3,054,433	$ 1,769,945	$ 10,521,876

Interest for floating rate instruments, as calculated above, assume rates in effect at September 27, 2020 remain constant. For purposes of the above, the principal payment balances for medium-term notes, on-balance sheet asset-backed securitizations, and senior notes are shown without reduction for unamortized discounts and debt issuance costs. Refer to *Note 12 of the Notes to Consolidated financial statements* for a breakout of the finance costs.

As of September 27, 2020, there have been no other material changes to the Company's summary of expected payments for significant contractual obligations in the contractual obligations table in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Commitments and Contingencies

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

Environmental Protection Agency Notice – In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA’s inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the Department of Justice (DOJ), on behalf of the EPA, filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. On September 14, 2020, the U.S. District Court for the District of Columbia approved the Settlement. The Company has an accrual for this matter recorded in *Accrued liabilities* on the *Consolidated balance sheets*. The payment of the settlement amount will not have a material adverse effect on the Company's financial condition or results of operations. The Company will continue to comply with the non-monetary terms of the consent decree entered into with the EPA.

York Environmental Matter – The Company is involved with government agencies and the U.S. Navy related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. The Company has an agreement with the U.S. Navy which calls for the U.S. Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and remediation activities at the York facility (Response Costs). A site wide remedial investigation/feasibility study and a proposed final remedy for the York facility have been completed and approved by the Pennsylvania Department of Environmental Protection and the EPA. The associated cleanup plan documents were approved in February 2020 and the remaining cleanup activities are expected to begin in late 2020 or early 2021. The Company has an accrual for its share of the estimated future Response Costs recorded in *Other long-term liabilities* on the *Consolidated balance sheets*.

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

Off-Balance Sheet Arrangements

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

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

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

During 2016, the Company sold finance receivables with a principal balance of $301.8 million into a securitization VIE. The transaction met the criteria to be treated as a sale for accounting purposes and resulted in an off-balance sheet arrangement as the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants. In April 2020, the Company repurchased this off-balance sheet asset-backed securitization VIE for $27.4 million. Refer to *Note 13 of the Notes to Consolidated financial statements* for additional information.

Liquidity and Capital Resources as of September 27, 2020[1]

The Company's response to the COVID-19 pandemic includes actions to preserve cash and secure additional liquidity. The Company has taken a number of specific actions to reduce spending. The Company expects its planned reductions in spending will preserve approximately $250 million of cash in 2020, with approximately 15% related to capital spending. The planned spending reductions exclude the impact of restructuring charges. In addition, the Company has made no discretionary share repurchases during 2020 and does not intend to repurchase shares on a discretionary basis for the remainder of 2020.

The Company’s cash and cash equivalents and availability under its credit and conduit facilities at September 27, 2020 were as follows (in thousands):

	September 27, 2020
Cash and cash equivalents	$ 3,560,950
Availability under credit and conduit facilities:	
Credit facilities	537,237
Asset-backed U.S. commercial paper conduit facilities[a]	600,000
Asset-backed Canadian commercial paper conduit facility[a]	36,908
	$ 4,735,095

(a) Includes facilities expiring in the next 12 months which the Company expects to renew prior to expiration.[1]

To access the debt capital markets, the Company relies on credit rating agencies to assign short-term and long-term credit ratings. The Company’s short-term debt ratings affect its ability to issue unsecured commercial paper. Generally, lower credit ratings result in higher borrowing costs and reduced access to debt capital markets. The Company’s credit ratings all remain investment grade allowing it to maintain access to commercial paper markets, which is an efficient source of funding for the Company. The Company’s short- and long-term debt ratings, as of the issuance date of this Quarterly Report on Form 10-Q, were as follows:

	Short-Term	Long-Term	Outlook
Moody’s	P3	Baa3	Stable
Standard & Poor’s	A2	BBB	Negative
Fitch	F2	A-	Negative

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

Cash Flow Activity

The Company's cash flow activities were as follows (in thousands):

	Nine months ended September 27, 2020	Nine months ended September 29, 2019
Net cash provided by operating activities	$ 1,135,068	$ 848,649
Net cash used by investing activities	(235,054)	(551,474)
Net cash provided (used) by financing activities	1,930,677	(603,690)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6,071	(4,110)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 2,836,762	$ (310,625)

Operating Activities

The increase in net cash from operating activities for the first nine months of 2020 compared to the same period in 2019 was primarily due to a reduction in inventory levels and favorable cash flows from wholesale financing activity due to lower loan originations, partially offset by lower net income. There were no voluntary qualified pension plan contributions in the first nine months of 2020 or 2019, and no contributions are planned for the remainder of 2020.[1]

Investing Activities

The Company's most significant investing activities consist of capital expenditures and retail finance originations and collections. Capital expenditures were $92.3 million in the first nine months of 2020 compared to $121.2 million in the same period last year. Net cash outflows from finance receivables for the first nine months of 2020 were $302.6 million lower compared to the same period last year due primarily to lower retail finance receivable originations. Other investing activities were $15.1 million unfavorable in the first nine months of 2020 compared to the same period last year.

Financing Activities

The Company's financing activities consist primarily of share repurchases, dividend payments, and debt activity. Cash outflows for share repurchases were $7.9 million in the first nine months of 2020 compared to $217.5 million in the same period last year. In the first quarter of 2020, the Company temporarily suspended its discretionary share repurchase program; as a result, there have been no discretionary share repurchases in 2020. Share repurchases during the first nine months of 2020 included $7.9 million or 0.3 million shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units. As of September 27, 2020, there were 18.2 million shares remaining on board-approved share repurchase authorizations. The Company paid dividends of $0.42 and $1.125 per share totaling $65.0 million and $179.4 million during the first nine months of 2020 and 2019, respectively.

Financing cash flows related to debt activity resulted in net cash inflows of $2.0 billion in the first nine months of 2020 compared to net cash outflows of $209.0 million in the first nine months of 2019. The Company's total outstanding debt consisted of the following (in thousands):

	September 27, 2020	September 29, 2019
Unsecured commercial paper	$ 1,077,763	$ 1,013,137
364-day credit facility borrowings	150,000	—
Asset-backed Canadian commercial paper conduit facility	127,500	128,368
Asset-backed U.S. commercial paper conduit facilities	467,338	552,757
Asset-backed securitization debt, net	2,096,355	872,871
Medium-term notes, net	4,845,961	4,089,591
Senior notes, net	743,806	743,127
	$ 9,508,723	$ 7,399,851

Credit Facilities – In April 2020, the Company entered into a $707.5 million five-year credit facility to replace the $765.0 million five-year credit facility that was due to mature in April 2021 and amended the $780.0 million five-year credit facility to $707.5 million with no change to the maturity date of April 2023. The new five-year credit facility matures in April 2025. The Company also had a $195.0 million 364-day credit facility which was due to mature in May 2020. In April 2020, the Company extended the maturity date of this credit facility to August 2020; however, this facility was terminated on May 18, 2020. At the time of termination, there were no outstanding borrowings under this 364-day credit facility. On June 1, 2020, the Company entered into a new $350.0 million 364-day credit facility, and on June 4, 2020, the Company borrowed $150.0 million under this facility. The five-year credit facilities (together, the Global Credit Facilities), as well as the $350.0 million 364-day credit facility, bear interest at variable rates, which may be adjusted upward or downward depending on certain criteria, such as credit ratings. The Global Credit Facilities and the $350.0 million 364-day credit facility also require the Company to pay a fee based on the average daily unused portion of the aggregate commitments. The Global Credit Facilities are committed facilities 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 $1.42 billion as of September 27, 2020 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 or the $350.0 million 364-day credit facility, borrowing under its asset-backed U.S. commercial paper conduit facilities or through the use of operating cash flow and cash on hand.[1]

Medium-Term Notes – The Company had the following unsecured medium-term notes issued and outstanding at September 27, 2020 (in thousands):

Principal Amount	Rate	Issue Date	Maturity Date
$600,000	2.85%	January 2016	January 2021
$450,000	LIBOR + 0.94%	November 2018	March 2021
$350,000	3.55%	May 2018	May 2021
$550,000	4.05%	February 2019	February 2022
$400,000	2.55%	June 2017	June 2022
$350,000	3.35%	February 2018	February 2023
$760,890[a]	4.94%	May 2020	May 2023
$702,360[b]	3.14%	November 2019	November 2024
$700,000	3.35%	June 2020	June 2025

(a) Euro denominated, €650.0 million par value remeasured to U.S. dollar at September 27, 2020
(b) Euro denominated, €600.0 million par value remeasured to U.S. dollar at September 27, 2020

The fixed-rate U.S. dollar-denominated medium-term notes provide for semi-annual interest payments, the fixed-rate foreign currency-denominated medium-term notes provide for annual interest payments, and the floating-rate medium-term notes provide for quarterly interest payments. Principal on the medium-term notes is due at maturity. Unamortized discounts and debt issuance costs on the medium-term notes reduced the outstanding balance by $17.3 million and $10.4 million at September 27, 2020 and September 29, 2019, respectively. There were no medium-term note maturities during the third quarter of 2020. During the second quarter of 2020, $450.0 million of floating rate and $350.0 million of 2.4% medium-term notes matured, and the principal and accrued interest were paid in full. During the first quarter of 2020, $600.0 million of 2.15% medium-term notes matured, and the principal and accrued interest were paid in full. During the third quarter of 2019, $600.0 million of 2.40% notes matured, and the principal and accrued interest were paid in full. There were no medium-term note maturities during the second quarter of 2019. During the first quarter of 2019, $600.0 million of 2.25% and $150.0 million of floating-rate medium-term notes matured, and the principal and accrued interest were paid in full.

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

On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility – The Company has a revolving facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase from the Company eligible Canadian retail motorcycle finance receivables for proceeds up to C$220.0 million. The transferred assets are restricted as collateral for the payment of the associated debt. The terms for this facility provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables is approximately 4 years. Unless earlier terminated or extended by mutual agreement between the Company and the lenders, as of September 27, 2020, the Canadian Conduit has an expiration date of June 25, 2021.

Quarterly transfers of Canadian retail motorcycle finance receivables to the Canadian Conduit and the respective proceeds were as follows (in thousands):

	2020		2019	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	$ 77,900	$ 61,600	$ —	$ —
Second quarter	—	—	28,200	23,400
Third quarter	—	—	—	—
	$ 77,900	$ 61,600	$ 28,200	$ 23,400

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE – The Company has two separate agreements, a $300.0 million revolving facility agreement and a $600.0 million revolving facility agreement, with third-party bank-sponsored asset-backed U.S. commercial paper conduits under which it may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to those third-party bank-sponsored asset-backed U.S. commercial paper conduits. In May 2019, the Company amended its $300.0 million revolving facility agreement to allow for incremental borrowings, at the lender's discretion, of up to an additional $300.0 million in excess of the $300.0 million commitment. In November 2019, the Company renewed its existing $600.0 million and the amended $300.0 million revolving facility agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits. Availability under the revolving facilities (together, the U.S. Conduit Facilities) is based on, among other things, the amount of eligible U.S. retail motorcycle finance receivables held by the SPE as collateral.

Quarterly transfers of U.S. retail motorcycle finance receivables to the U.S. Conduit Facilities and the respective proceeds were as follows (in thousands):

	2020		2019	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	$ 195,300	$ 163,600	$ —	$ —
Second quarter	—	—	—	—
Third quarter	—	—	174,400	154,600
	$ 195,300	$ 163,600	$ 174,400	$ 154,600

The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates if funded by a conduit lender through the issuance of commercial paper. If not funded by a conduit lender through the issuance of commercial paper, the terms of the interest are based on LIBOR. In each of these cases, a program fee is assessed based on the outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment. When calculating the unused fee, the aggregate commitment for the $300.0 million agreement does not include any unused portion of the $300.0 million incremental borrowings allowed. 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 Facilities, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables held by the SPE is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of September 27, 2020, the U.S. Conduit Facilities have an expiration date of November 25, 2020.

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

The accounting treatment for asset-backed securitizations depends on the terms of the related transaction and the Company’s continuing involvement with the VIE. The Company's current outstanding asset-backed securitizations do not meet the criteria to be accounted for as a sale because, in addition to retaining servicing rights, the Company retains a financial interest in the VIE in the form of a debt security. These transactions are treated as secured borrowings. As secured borrowings, the retail motorcycle finance receivables remain on the balance sheet with a corresponding obligation reflected as debt. There is no amortization schedule for the secured notes; however, the debt is reduced monthly as available collections on the related retail motorcycle finance receivables are applied to outstanding principal. The secured notes have various contractual maturities ranging from 2021 to 2028.

Quarterly transfers of U.S. retail motorcycle finance receivables to SPEs, the respective proceeds, and the respective proceeds, net of discounts and issuance costs were as follows (in thousands):

	2020			2019		
	Transfers	Proceeds	Proceeds, net	Transfers	Proceeds	Proceeds, net
First quarter	$ 580,200	$ 525,000	$ 522,700	$ —	$ —	$ —
Second quarter	1,840,500	1,550,200	1,541,800	1,120,000	1,025,000	1,021,300
Third quarter	—	—	—	—	—	—
	$ 2,420,700	$ 2,075,200	$ 2,064,500	$ 1,120,000	$ 1,025,000	$ 1,021,300

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

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

The operating covenants limit the Company's and HDFS' ability to:
- Assume or incur certain liens;
- Participate in certain mergers or consolidations; and
- Purchase or hold margin stock.

Under the current financial covenants of the Global Credit Facilities, the ratio of HDFS' consolidated debt, excluding secured debt, to HDFS' consolidated allowance for credit losses on finance receivables plus HDFS' consolidated shareholders' equity, excluding accumulated other comprehensive loss (AOCL), cannot exceed 10.0 to 1.0 as of the end of any fiscal quarter. As of the end of the third quarter of 2020, the actual ratio was 4.6 to 1.0. In addition, the ratio of the Company's consolidated debt to the Company's consolidated debt and consolidated shareholders' equity (where the Company's consolidated debt in each case excludes that of HDFS and its subsidiaries, and the Company's consolidated shareholders' equity excludes AOCL), cannot exceed 0.7 to 1.0 as of the end of any fiscal quarter. No financial covenants are required under the medium-term or senior notes or the U.S. or Canadian asset-backed commercial paper conduit facilities.

As of September 27, 2020, HDFS and the Company remained in compliance with all of the then existing covenants and expects to remain in compliance for the foreseeable future.

Cautionary Statements

Important factors that could affect future results and cause those results to differ materially from those expressed in the forward-looking statements include, among others, the following: (i) the COVID-19 pandemic including the length and severity of the pandemic across the globe and the pace of recovery following the pandemic and (ii) the Company's ability to: (a) create and execute its business plans and strategies, including developing *The Hardwire*, successfully executing its remodeled approach to supply and inventory management, and strengthening its existing business while allowing for desirable growth; (b) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests, including successfully implementing and executing plans to exit international markets where volumes and profitability do not support continued investment, in line with *The Rewire* actions, and successfully transitioning to a distributor model in seventeen markets; (c) successfully access the capital and/or credit markets on terms that are acceptable to the Company and within its expectations; (d) successfully carry out its global manufacturing and assembly operations; (e) develop and introduce products, services and experiences on a timely basis that the market accepts, that enable the Company to generate desired sales levels and that provide the desired financial returns; (f) perform in a manner that enables the Company to benefit from market opportunities while competing against existing and new competitors; (g) prevent, detect, and remediate any issues with its motorcycles or any issues associated with the manufacturing processes to avoid delays in new model launches, recall campaigns, regulatory agency investigations, increased warranty costs or litigation and adverse effects on its reputation and brand strength, and carry out any product programs or recalls within expected costs and timing; (h) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters; (i) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles; (j) realize expectations concerning market demand for electric models, which will depend in part on the building of necessary infrastructure; (k) successfully manage and reduce costs throughout the business; (l) balance production volumes for its new motorcycles with consumer demand; (m) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment; (n) continue to develop the capabilities of its distributors and dealers, effectively implement changes relating to its dealers and distribution methods and manage the risks that its independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand; (o) develop and maintain a productive relationship with Zhejiang Qianjiang Motorcycle Co., Ltd. and launch related products in a timely manner; (p) manage and predict the impact that new or adjusted tariffs may have on the Company's ability to sell products internationally, and the cost of raw materials and components; (q) successfully determine, implement on a timely basis, and maintain a manner in which to sell motorcycles in the European Union, China, and the Company's ASEAN countries that does not subject its motorcycles to incremental tariffs; (r) manage its Thailand corporate and manufacturing operation in a manner that allows the Company to avail itself of preferential free trade agreements and duty rates, and sufficiently lower prices of its motorcycles in certain markets; (s) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (t) retain and attract talented employees and eliminate personnel duplication, inefficiencies, and complexity throughout the organization; (u) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or Company data and respond to evolving regulatory requirements regarding data security; (v) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio; (w) adjust to tax reform, healthcare inflation and reform and pension reform, and successfully estimate the impact of any such reform on the Company's business; (x) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles; (y) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities; (z) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations; (aa) manage its exposure to product liability claims and commercial or contractual disputes; (bb) continue to manage the relationships and agreements that the Company has with its labor unions to help drive long-term competitiveness; and (cc) accurately predict the margins of its Motorcycles and Related Products segment in light of, among other things, tariffs, the cost associated with product development initiatives and the Company's complex global supply chain.

The Company's operations, demand for its products, and its liquidity could be adversely impacted by work stoppages, facility closures, strikes, natural causes, widespread infectious disease, terrorism, or other factors. Other factors are described in *Item 1A. Risk Factors* and 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 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, the impact of the COVID-19 pandemic, or other factors.

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

Refer to *Item 1A. Risk Factors* of this report and the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 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

The Company is exposed to market risk from changes in foreign currency exchange rates, commodity prices and interest rates. To reduce such risks, the Company selectively uses derivative financial instruments. All hedging transactions are authorized and executed pursuant to regularly reviewed policies and procedures, which prohibit the use of financial instruments for speculative trading purposes. Sensitivity analysis is used to manage and monitor foreign currency exchange rate and interest rate risks. Further disclosure relating to the fair value of derivative financial instruments is included in *Note 10 of the Notes to Consolidated financial statements*.

The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings are affected by fluctuations in the value of the U.S. dollar relative to foreign currencies. The Company's most significant foreign currency exchange rate risk relates to the Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar, Mexican peso, Chinese yuan, Thai baht, Indian rupee, and Pound sterling. The Company utilizes foreign currency contracts to mitigate the effect of certain currencies' fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange currencies at a future date, based on a fixed exchange rate. At September 27, 2020 and December 31, 2019, the notional U.S. dollar value of outstanding foreign currency contracts was $637.9 million and $654.5 million, respectively. The Company estimates that a uniform 10% weakening in the value of the U.S. dollar relative to the currencies underlying these contracts would result in a decrease in the fair value of the contracts of approximately $99.0 million and $65.5 million as of September 27, 2020 and December 31, 2019, respectively.

The Company's earnings are affected by changes in the prices of commodities used in the production of motorcycles. The Company uses derivative financial instruments on a limited basis to hedge the prices of certain commodities. There have been no material changes to the commodity market risk information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

HDFS' earnings are affected by changes in interest rates. HDFS' interest rate sensitive financial instruments include finance receivables, debt and interest rate derivative financial instruments. HDFS utilizes interest rate swaps and caps to reduce the impact of fluctuations in interest rates on its debt. There have been no material changes to the interest rate market risk information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

HDFS also has currency exposure related to financing in currencies other than the functional currency. HDFS utilizes cross-currency swaps to mitigate the effect of the foreign currency exchange rate fluctuations. As of September 27, 2020 and December 31, 2019, HDFS had cross-currency swaps outstanding with a notional value of $1.37 billion and $660.8 million, respectively. HDFS estimates that a 10% adverse change in the underlying foreign currency exchange rate would result in a decrease in the fair value of the swap agreement of approximately $90.0 million and $4.6 million as of September 27, 2020 and December 31, 2019, respectively.

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 for further information concerning the Company's market risk.

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 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 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 Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting during the quarter ended September 27, 2020 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 17 of the Notes to Consolidated financial statements*, and such information is incorporated herein by reference in this Item 1 of Part II.

Item 1A. Risk Factors

An investment in Harley-Davidson, Inc. involves risks, including the risk factors discussed in *Item 1A. Risk Factors* of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, which have not materially changed except as set forth below.

The COVID-19 pandemic has adversely impacted the Company's business and may have a material adverse impact on the Company's future business, results of operations, financial condition and liquidity.

During the first quarter of 2020, the outbreak of a novel strain of coronavirus (COVID-19) spread throughout the world and was subsequently recognized as a pandemic in March 2020. The COVID-19 pandemic has severely restricted the level of economic activity in the U.S. and around the world. The COVID-19 pandemic has led to supply chain destabilization, facility closures, workforce disruption, and volatility in the economy, and its full impact is not yet known. These impacts may continue to expand in scope, type and severity.

The Company's operations and demand for its products have been adversely impacted as a result of the COVID-19 pandemic. The Company acted quickly and in alignment with government efforts to protect the safety and health of its employees and the Harley-Davidson community. The Company implemented travel restrictions, enhanced sanitation practices, cancelled events and closed facilities including temporarily suspending global manufacturing. While the Company's global manufacturing has resumed and the impacts on demand, facility closures and other restrictions resulting from the pandemic are expected to be temporary, the duration of the pandemic and its financial impact to the Company are unknown at this time. To the extent these impacts continue, they are likely to have an adverse effect on the Company's future business, results of operations, financial condition and liquidity.

It is likely that the COVID-19 pandemic will continue to have the following adverse impacts, each of which could be material: (i) disruption of the Company's supply chain; (ii) disruption of the Company's manufacturing and distribution capabilities; (iii) limitation of the ability of the Company's global independent dealers to operate including their ability to purchase and sell the Company's products and meet their loan obligations to the Company; (iv) delay or elimination of retail customer purchases, resulting in decreased demand for the Company's products; (v) reduction of the Company's retail credit customers' ability to meet their loan obligations on a timely basis or at all; (vi) disruption of global capital markets impacting the Company's access to capital, cost of capital, and overall liquidity levels; (vii) delay of the Company's new product development efforts; and/or (viii) other unpredictable impacts. The overall impact to the Company's future business, results of operations, financial condition and liquidity will depend on the duration and severity of the COVID-19 pandemic.

The impacts that the Company listed above and other impacts of the COVID-19 pandemic are likely to also have the effect of heightening many of the Company's other risk factors.

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

Detail related to the Company's repurchases of its common stock based on the date of trade during the quarter ended September 27, 2020 is as follows:

2020 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
June 29 to August 2	7,541	$ 28	7,541	18,246,721
August 3 to August 30	20,069	$ 26	20,069	18,246,721
August 31 to September 27	—	$ —	—	18,246,721
	27,610	$ —	27,610	

(a) Includes shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units

In February 2018, the Company's 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. In February 2020, the Company's Board of Directors authorized the Company to repurchase up to 10.0 million additional shares of its common stock with no dollar limit or expiration date. As of September 27, 2020, 18.2 million shares remained under these authorizations. The Company repurchased no shares on a discretionary basis during the quarter ended September 27, 2020.

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. 2020 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 third quarter of 2020, the Company acquired 27,610 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock units.

Item 5. Other Information

Item 5.02

On August 14, 2020, the Company and Michelle Kumbier, formerly the Company’s Chief Operating Officer and Senior Vice President, entered into a Settlement & General Release Agreement relating to her departure from the Company. Under the agreement, Ms. Kumbier released all claims against the Company pursuant to a standard release agreement and agreed to restrictions on her ability to provide services to competitive businesses and to solicit any employee of the Company. In return, the Company paid Ms. Kumbier $660,000 (which was equivalent to one year’s salary), less applicable taxes and withholdings. Ms. Kumbier did not receive benefits under the Company’s Executive Severance Policy.

Item 6. Exhibits

Refer to the exhibit index immediately following this page.

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

Exhibit No.	Description
10.1*	Form of Transition Agreement between the Registrant and each of Messrs. Zeitz, Krause, Niketh, and Root and Ms. Giuffre
10.2*	Settlement and General Release Agreement between the Registrant and Ms. Kumbier dated August 14, 2020
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.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101

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

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: November 5, 2020	/s/ Gina Goetter
	Gina Goetter Chief Financial Officer (Principal financial officer)
Date: November 5, 2020	/s/ Mark R. Kornetzke
	Mark R. Kornetzke Chief Accounting Officer (Principal accounting officer)

TRANSITION AGREEMENT

AGREEMENT dated the ____ day of _____________, between Harley-Davidson, Inc., a Wisconsin corporation (the "Corporation"), and _______________ (the "Executive"). Unless otherwise indicated, terms used herein and defined in Schedule A shall have the meanings assigned to them in Schedule A.

WHEREAS, the HDI Group desires to continue to attract and retain a highly-qualified and strong leadership team, consistent with achieving the best possible price for its stockholders in any transition period or change in ownership and control of the Corporation; and

WHEREAS, the Executive has specific duties and unique talents which are of benefit to the HDI Group both presently and in any transition period; and

WHEREAS, the HDI Group and the Executive desire that the Executive be free of any conflict of interest with regard to the performance of the Executive's duties in evaluating any proposed change in ownership or control; and

WHEREAS, the Executive and the Corporation desire to enter into this Transition Agreement;

NOW, THEREFORE, it is agreed as follows

1. The HDI Group currently employs the Executive as the _______________________, Harley-Davidson, Inc., upon the terms and conditions currently reflected in the Executive's personnel file or in various minutes of the Board.

2. This Agreement shall become effective on the date hereof and shall terminate on the second anniversary of the occurrence of a Change of Control Event; provided, however, that no benefits shall be payable or accrue pursuant to this Agreement prior to the occurrence of a Change of Control Event.

3. During the two year period following a Change of Control Event, so long as the Executive remains employed by the HDI Group, the Executive shall devote his or her full time, attention, and energies to the business of the HDI Group and shall not engage in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage; but this shall not be construed as preventing the Executive from (a) investing the Executive's assets in such form or manner as will not materially affect the Executive's ability to perform his or her duties and obligations to the HDI Group; or (b) continuing to serve as a director of any corporation of which he or she was a director immediately prior to the Change of Control Event. The Executive agrees that once a Change of Control Event occurs he or she will not voluntarily terminate his or her employment with the HDI Group until ten days after such Change of Control Event has occurred.

4. The HDI Group agrees that following a Change of Control Event no termination of the Executive's employment with the HDI Group will be effective, unless it

provides the Executive ten days prior written notice of such termination; provided, however, that the Executive shall provide the HDI Group Employer with ten days prior written notice of any termination by the Executive of the Executive's employment with the HDI Group. The Executive may waive the notice requirement for the HDI Group.

5. The Executive recognizes and acknowledges that the list of the HDI Group's customers, its product plans, forecasts and financial information, as well as other Confidential Information, as it may exist from time to time, is a valuable, special, and unique asset of the HDI Group's business. The Executive shall not, except for the benefit of the HDI Group or as otherwise expressly authorized by the HDI Group, during or at any time within two (2) years after the termination of the Executive's employment from the HDI Group, disclose any such information or any part thereof to any person, firm, corporation, association, or other entity, or use such information or any part thereof for any reason or purpose whatsoever, in either case under any circumstances in which such disclosure or use is reasonably likely to affect adversely the interests of the HDI Group in any country of the world in which the HDI Group then distributes its products. This Section is not intended to limit in any way the Executive's independent obligation to preserve and not to misappropriate Trade Secrets of the HDI Group. In the event of a breach or threatened breach by the Executive of the provisions of this Section, the HDI Group shall be entitled to an injunction restraining the Executive from disclosing or using, in whole or in part, this information. The HDI Group will be free to pursue any other remedies as may in its discretion be deemed appropriate under the circumstances.

6. Upon the happening of a Change of Control Event, the HDI Group agrees, while the Executive is employed hereunder, that the Executive shall be compensated at a level that is at least comparable in the aggregate to the Executive's highest level of Compensation in effect during the 180-day period immediately prior to the Change of Control Event and in a manner that satisfies each of the following:

(a) The Executive shall receive an annual base salary in cash equivalent of not less than the Executive's highest annual base salary as in effect during the 180-day period immediately prior to the Change of Control Event, subject to any deferral election then in effect.

(b) The Executive (and with respect to medical, dental and vision coverage, the Executive's eligible dependents) shall be included in any and all employee benefit or fringe benefit plans, practices, policies or programs providing benefits for the HDI Group's salaried employees in general, including but not limited to retirement, savings, group life insurance, hospitalization, medical, dental, vision, profit sharing and 401(k) plans, and in all plans, practices, policies or programs providing additional benefits to executives of the HDI Group of comparable status and position to the Executive, including but not limited to deferred compensation, split-dollar life insurance, supplemental retirement, pension restoration, stock option, stock appreciation, stock bonus and similar or comparable programs; provided, however, that, in no event shall the aggregate level of benefits under such plans, practices, policies or programs in which the Executive is included be less than the aggregate level of benefits under plans, policies, practices and programs of the HDI Group in which the Executive was participating at any time during the 180-day period immediately prior to the Change of Control Event. It is understood that if the Executive's hire date is on or after August 1, 2006, then the HDI Group shall not be required to include the Executive in a qualified or non-qualified defined benefit, pension restoration or similar program unless such programs are made available to executives of the HDI Group whose date of hire occurred on or after August 1, 2006 and who are of comparable status and position to the Executive.

(c) The Executive shall annually be entitled to not less than the amount of paid vacation and not fewer than the number of paid holidays to which the Executive was entitled annually at any time during the 180-day period immediately prior to the Change of Control Event or such greater amount of paid vacation and number of paid holidays as may be made available annually to other executives of the HDI Group of comparable status and position to the Executive.

(d) The Executive shall be included in any annual or long-term or other bonus plan of the HDI Group which shall satisfy the standards described below (any such plan, the "Bonus Plan"). Bonuses under any such Bonus Plan shall be payable with respect to achieving such financial or other goals reasonably related to the business of the HDI Group as the HDI Group shall establish (the "Goals"), all of which Goals shall be attainable, prior to the second anniversary of the date of the Change of Control Event, with approximately the same degree of probability as the goals under any bonus plan or plans of the HDI Group as in effect at any time during the 180-day period immediately prior to the Change of Control Event (whether one or more, the "Prior Bonus Plan"). The amount of the bonus (the "Bonus Amount") that the Executive is eligible to earn under any such Bonus Plan shall be no less than the amount of the Executive's percentage of base salary available as incentive compensation (assuming performance at target) (the "Target Bonus Percentage") provided in such Prior Bonus Plan, and in the event the Goals are not achieved such that the entire Target Bonus Percentage is not payable, any such Bonus Plan shall provide for a payment of a Bonus Amount equal to a portion of the Target Bonus Percentage reasonably related to that portion of the Goals which were achieved.

7. Benefits Following an Eligible Termination.

In the event of Termination, the Executive shall be entitled, subject to the limitation set forth in Section 8 and subject to the Executive's compliance with the requirement of Section 22 regarding the Executive's execution of a release and waiver of claims, to the following benefits:

Lump Sum Severance Payment.

The Executive shall be entitled to receive, in cash or cash equivalent on the first business day of the month following the month in which occurs the six month anniversary of the date of Termination, a lump-sum payment equal to the product of two multiplied by the sum of:

(i)the Executive's highest annual rate of base salary during the five-year period preceding Termination; and

(ii)the Executive's bonus opportunity (at target) for the year in which occurs the Change of Control Event.

(a) Vesting of Certain Benefits.

At the time the ten days written notice prior to Termination is given:

(i)the Executive will be fully and immediately vested in his or her accrued benefit and any minimum years of service or age requirement for vesting will be deemed to have been satisfied under any qualified or nonqualified pension, savings or other retirement programs that are maintained by the HDI Group and in which the Executive was entitled to participate at the time of the Change of Control Event or at any time prior to Termination, with the benefits under each such plan in which the Executive participates being distributed in accordance with the terms of the relevant plan; provided, however, that if the HDI Group reasonably concludes that it is unable to take the actions contemplated under this subparagraph (i) with respect to any plan that is intended to be qualified under Code Section 401(a) without violating the requirements of Code Section 401(a)(4) or any similar provision, then the Executive shall be entitled to receive, with respect to any such plan, a single sum payment equal to the account balance that the Executive forfeits under any defined contribution plan or the actuarial present value (determined using the interest and mortality assumption in effect under Code Section 417(e)(3), or any successor to such provision, on the date of Termination) of any accrued benefit that the Executive forfeits under any defined benefit plan as a result of not being fully vested at the time of Termination, with such payment to be made on the first business day of the month following the month in which occurs the six month anniversary of the date of Termination;

(ii)all restricted stock or restricted stock unit awards made to the Executive pursuant to the Harley-Davidson, Inc. 2014 Incentive Stock Plan, as amended, or made pursuant to any successor or predecessor plan, including, without limitation, any plan of the HDI Group that is in effect following the date of the Change of Control Event, will be fully and immediately vested to the extent not already vested;

(iii)all stock options or stock appreciation rights granted pursuant to the Harley-Davidson, Inc. 2014 Incentive Stock Plan, as amended, or granted pursuant to any successor or predecessor plan, including, without limitation, any plan of the HDI Group that is in effect following the date of the Change of Control Event, will be fully vested and will become immediately exercisable to the extent not already vested and exercisable;

(iv)all performance or other awards granted to the Executive pursuant to any HDI long-term incentive plan, or granted pursuant to any successor plan, including, without limitation, any plan of the HDI Group that is in effect following the date of the Change of Control Event, if not already vested pursuant to the terms of such long-term incentive plan, will be fully and immediately vested, as if all performance requirements have been satisfied at the target level of performance, and with payment to the Executive to be made on the first business day of the month following the month in which occurs the six month anniversary of the date of Termination; and

(v)the HDI Group Employer will pay to the Executive, on the first business day of the month following the month in which occurs the six month anniversary of the date of Termination, an amount in respect of any bonus under a short-term incentive or other annual bonus plan of the HDI Group equal to the higher of (1) the Executive's incentive compensation assuming performance at target for the fiscal year in which the date of Termination falls, or (2) the bonus the Executive received for the year prior to the Change of Control Event, which amount shall be pro-rated by a fraction, the numerator of which is the number of days elapsed in the HDI Group's fiscal year on the date of Termination and the denominator of which is 365.

(b) Welfare Benefits.

The Executive will also receive:

(i)A lump sum cash payment of $20,000 for the Executive's use in securing outplacement services. The HDI Group will not provide any other form of outplacement assistance. If (or to the extent) that the payment is exempt from Code Section 409A or otherwise eligible for accelerated distribution in accordance with Section 1.409A-1(b) or Section 1.409A-3(j) of the Income Tax Regulations, payment will be made as soon as practicable following (and in any event within two and one-half months following the last day of the month in which occurs) the Executive's date of Termination. Otherwise, the lump sum payment will be paid on the first business day of the month following the month in which occurs the six-month anniversary of the Executive's date of Termination.

(ii)A lump sum cash payment of $20,000 for the Executive's use in securing financial planning assistance. The HDI Group will not provide any other form of financial planning assistance. If (or to the extent) that the payment is exempt from Code Section 409A or otherwise eligible for accelerated distribution in accordance with Section 1.409A-1(b) or Section 1.409A-3(j) of the Income Tax Regulations, payment will be made as soon as practicable following (and in any event within two and one-half months following the last day of the month in which occurs) the Executive's date of Termination. Otherwise, the lump sum payment will be paid on the first business day of the month following the month in which occurs the six-month anniversary of the Executive's date of Termination.

(iii)For two years from the date of Termination, and provided that the Executive pays the applicable contribution amount required to be paid by similarly-situated active employees for such coverage, continued coverage under HDI Group medical, dental, vision and life insurance benefit plans, including executive life insurance (but not disability coverage or continued coverage under any other benefit plan); provided, however, that any period of continued medical, dental or vision coverage pursuant to this provision shall be credited against (reduce) the maximum period of continuation coverage that the Executive (or any other qualified beneficiary with respect to the Executive) is permitted to elect in accordance with COBRA, or any successor provision thereto; and provided further, that in the event of the Participant's death after Termination, for a period of one year following the Executive's date of death (but in no event more than two years following the date of Termination), the HDI Group shall provide continued coverage under the HDI Group hospital, medical, dental and vision plans for the Executive's covered dependents, but all other welfare benefit plan coverage shall cease. For purposes of this subparagraph (iii), if medical, dental, or vision coverage or benefits are provided under a plan that is subject to Code Section 105(h), then, for any period of coverage following the end of the COBRA continuation period, the benefits payable under such plan shall comply with the requirements of Sections 1.409A-3(i)(1)(A) and (B) of the Income Tax Regulations (or any successor thereto) and, if and to the extent necessary, the HDI Group shall amend such plan to comply therewith. Also, with respect to the first six months following the Termination during which the Executive's life insurance coverage is extended under this subparagraph (iii), if the premiums payable by the HDI Group for group life insurance coverage during such period and the portion of the premiums payable during such period that represents current life insurance protection (as determined in accordance with Internal Revenue Service requirements) for the Executive under a split-dollar insurance arrangement, in the aggregate (the "Life Insurance Coverage Value") exceed the amount of the "limited payments" exemption set forth in Section 1.409A-1(b)(9)(v)(B) of the Income Tax Regulations (or any successor thereto), then, to the extent required to comply with Code Section 409A, the Executive, in advance, shall pay the HDI Group an amount equal to the Life Insurance Coverage Value, and promptly following the end of such six month period, the HDI Group Employer shall make a cash payment to the Executive equal to the amount paid to the HDI Group by the Executive. Thereafter such life insurance coverage shall be provided at the expense of the HDI Group for the remainder of the period specified above.

(d) Payment of Accrued Compensation.

The Executive shall also be entitled to all amounts earned or accrued through the date of Termination but not paid as of such date, including base salary, reimbursement for reasonable and necessary expenses incurred by the Executive on behalf of the HDI Group during the period ending on the date of Termination, vacation pay, and sick leave (collectively, “Accrued Compensation”). All Accrued Compensation shall be paid to the Executive within ten (10) days following Termination.

(e) Continuation of Section 409A Elections.

Notwithstanding anything in Paragraphs (a) through (g) to the contrary, Termination does not affect deferral or distribution elections that the Executive may have in place with respect to the payment of any benefits that are subject to Code Section 409A, and payment of such amounts will be made pursuant to the terms of the applicable plan or program under which the deferral election was made.

(f) Death of the Executive.

If the Executive dies prior to the payments of amounts due to the Executive under this Agreement, then the amounts that otherwise would have been paid to the Executive will be paid, as soon as practicable following the Executive’s death, to the Executive’s estate.

(g) Agreement Not a Guarantee of Employment.

Nothing in this Agreement shall be construed to prevent the HDI Group Employer or the Board from terminating the Executive’s employment under this Agreement either for Cause or without Cause or to prevent the Executive from terminating the Executive’s employment under this Agreement either for Good Reason or without Good Reason. A termination by the HDI Group Employer for Cause or a termination by the Executive without Good Reason shall relieve the HDI Group of its obligation to make any payments under this Agreement, except for the Accrued Compensation and those that may be payable under then existing employee benefit programs. For the Executive to be terminated for Cause, the existence of Cause must be determined by a written resolution adopted by the affirmative vote of not less than two-thirds of all the Continuing Directors, excluding for this purpose the Executive, or in the event there are no Continuing Directors, by a unanimous vote of all of the directors of the Board, at a meeting duly called and held for that purpose after reasonable notice to the Executive and opportunity for the Executive and his or her counsel to be heard. Any such determination shall require that the Continuing Directors (or the entire Board) find that in their reasonable good faith judgment the conduct which was the basis for the hearing in fact occurred and is sufficient to warrant a termination for Cause.

8. Payment Limitation.

(a) Notwithstanding any other provision of this Agreement, if any portion of the payments or benefits under this Agreement, or under any other agreement with or plan of the HDI Group (in the aggregate, the “Total Payments”), would constitute an “excess parachute payment” that is subject to the tax imposed by Code Section 4999, then the Total Payments to be made to the Executive shall be reduced such that the value of the aggregate Total Payments that the Executive is entitled to receive shall be One Dollar ($1) less than the maximum amount which the Executive may receive without becoming subject to the tax imposed by Code Section 4999; provided that the foregoing reduction in the amount of Total Payments shall not apply if the after-tax value to the Executive of the Total Payments prior to reduction in accordance with this Paragraph (a) (including the tax imposed by Code Section 4999) is greater than the after-tax value to the Executive if the Total Payments are reduced in accordance with this Paragraph (a).

(b) For purposes of this Section, the terms “excess parachute payment” and “parachute payments” shall have the meanings assigned to them in Code Section 280G, and such “parachute payments” shall be valued as provided therein. Present value shall be calculated in accordance with Code Section 280G(d)(4). The Executive and the HDI Group Employer, at the HDI Group Employer’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel (“National Tax Counsel”) selected by the HDI Group Employer’s independent auditors and acceptable to the Executive, which opinion sets forth:

(i)the amount of the Base Period Income,

(ii)the amount and present value of the Total Payments,

(iii)the amount and present value of any excess parachute payments determined without regard to the limitations of this Section 8,

(iv)the after-tax value of the Total Payments if the reduction in Total Payments contemplated under Paragraph (a) of this Section 8 did not apply, and

(v)the after-tax value of the Total Payments taking into account the reduction in Total Payments contemplated under Paragraph (a) of this Section 8.

(c) The term “Base Period Income” means an amount equal to the Executive’s “annualized includible compensation for the base period” as defined in Section 280G(d)(1) of the Code (or any successor provision). For purposes of such opinion of National Tax Counsel, the value of any noncash benefits or any deferred payment or benefit shall be determined by the HDI Group Employer’s independent auditors in accordance with the principles of Code Sections 280G(d)(3) and (4), which determination shall be evidenced in a certificate of such auditors addressed to the HDI Group Employer and the Executive. For purposes of determining the after-tax value of the Total Payments, the Executive shall be deemed to pay federal income taxes and employment taxes at the highest marginal rate of federal income and employment taxation on the date on which the determination is being made and state and local income taxes at the highest marginal rates of taxation in the state and locality of the Executive’s domicile for income tax purposes on the date on which the determination is being made, net of the maximum reduction in federal income taxes that may be obtained from deduction of such state and local taxes. The opinion of National Tax Counsel shall be dated as of the date of Termination and addressed to the HDI Group Employer and the Executive and shall be binding upon the HDI Group Employer and the Executive. If such opinion determines that there would be an excess parachute payment and that the after-tax value of the Total Payments taking into account the reduction contemplated under Paragraph (a) of this Section 8 is greater than the after-tax value of the Total Payments if the reduction in the Total Payments contemplated under Paragraph (a) of this Section 8 did not apply, then the payments and benefits hereunder or any other payment or benefit determined by such counsel to be includible in the Total Payments shall be reduced or eliminated so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such National Tax Counsel so requests in connection with its opinion, the Executive and the HDI Group Employer shall obtain, at the HDI Group Employer's expense, and the National Tax Counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive. If the provisions of Code Sections 280G and 4999 are repealed without succession, then this Section 8 shall be of no further force or effect.

9. The Executive agrees that for a period of two (2) years from Termination, regardless of whether the Termination is voluntary or involuntary or the reason therefor, he or she will not directly or indirectly recruit, solicit or induce, or assist in any manner in the recruitment, solicitation or inducement of, any employee of the HDI Group whom the Executive directly or indirectly supervised or about whom the Executive received Confidential Information, in either event during any part of the two years preceding Termination, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business, as defined in Section 10. The Executive shall contact the Vice President, Human Resources for the Corporation for confirmation of the expectations set forth in this Section if the Executive has any concern that any of the Executive's proposed actions may be considered a violation of this Section. Any understanding between the Executive and the Vice President, Human Resources detailing specific conduct permitted under this Section 9 shall be binding on the Corporation only if it is reduced to writing and signed by both parties. If the Executive breaks the covenant set forth in this Section and/or any additional written understanding as set forth above, then the Executive will reimburse the Corporation for the benefits provided under Section 7.

10. The Executive further agrees that, during the twenty-four (24) month period following Termination, regardless of whether Termination is voluntary or involuntary or the reason therefor, the Executive shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member or otherwise, in any position or capacity in which the Executive's knowledge of the HDI Group's Confidential Information or Trade Secrets of the HDI Group or personal association with the goodwill of the HDI Group could reasonably be considered useful. In this regard, the parties expressly agree that, by virtue of his or her prior, high-level duties for the HDI Group, the foregoing necessarily and at a minimum precludes the Executive from holding a senior level executive position relating

to motorcycles for a Competitive Business. “Competitive Business” as used in this Agreement means any person, firm, corporation, or entity of any type other than the HDI Group that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for the Executive’s convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above. “Prohibited Territory” shall mean any country in which the HDI Group, at any time during the twenty-four (24) months preceding the date of Termination: (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans have been abandoned). The Executive further agrees:

a. If the Executive fails to comply with this noncompete covenant, the Corporation will suffer irreparable harm and shall be entitled to an immediate injunction requiring the Executive’s strict compliance with this covenant.

b. If the Executive breaks the covenant set forth in this Section and/or any additional written understanding as set forth below in Subsection 10.e., then the Executive will reimburse the Corporation for the benefits provided under Section 7. The Executive further promises that in the event the Executive violates the noncompete covenant above, the Executive shall pay the Corporation a sum of $10,000 for every occasion that the Executive engages in any conduct that fails to comply with this covenant. The Executive agrees that this covenant is a material consideration for the Corporation’s willingness to enter into this Agreement and that the repayment of such monies in the event of a breach is a reasonable estimate of damages.

c. In the event that a court of competent jurisdiction determines that any aspect of this covenant not to compete is unenforceable, then the parties agree that this Agreement has failed of its essential purpose, that it would be inequitable for the Executive to retain the benefits provided under Section 7, and that the court should require the Executive to immediately reimburse the Corporation for all the benefits provided under Section 7.

d. The Executive shall provide reasonable advance written notice to the current or acting Vice President, Human Resources for the Corporation before the Executive becomes otherwise employed or performs any services for any person, firm, corporation or entity during the non-compete period (i.e., through the twenty-four (24) month period following Termination).

e. The Executive shall contact the Vice President, Human Resources for the Corporation for confirmation of the expectations set forth in this Section if the Executive has any concern that any of the Executive's actions may be considered a violation of this Section. Any understanding between the Executive and the Vice President, Human Resources detailing specific conduct permitted under this Section shall be binding on the Corporation if it is reduced to writing and signed by both parties.

11. Any dispute or controversy arising under or in connection with this Agreement, other than an action to enforce the provisions of Sections 5, 9 and/or 10 or to protect trade secrets of the HDI Group, shall be settled exclusively by arbitration in Milwaukee, Wisconsin or, at the option of the Executive, in the county where the Executive resides, in accordance with the Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Executive and the HDI Group hereby irrevocably waive any right either of them may have to a trial by jury of any claim arising under or in connection with this Agreement. The Executive hereby consents and agrees to submit to the exclusive personal and subject matter jurisdiction and venue of the Wisconsin Circuit Court for Milwaukee County with respect to any action to enforce the provisions of Sections 5, 9 and/or 10 or to protect trade secrets of the HDI Group.

12. The HDI Group shall pay or reimburse all costs and expenses, including attorneys' fees and disbursements, of the HDI Group and, at least monthly, the Executive in connection with any legal services or proceedings (including, but not limited to, arbitration), whether or not instituted by the HDI Group or the Executive, relating to the interpretation or enforcement of any provision of this Agreement. The HDI Group also agrees to pay prejudgment interest on any money judgment obtained by the Executive as a result of such proceedings, calculated at the reference rate or prime rate, as the case may be, of US Bank Milwaukee, National Association, Milwaukee, Wisconsin (or any successor thereto) as in effect from time to time from the date that payment should have been made to the Executive under this Agreement. Notwithstanding anything to the contrary, to comply with Code Section 409A, the Executive must timely submit any such cost of expense for reimbursement so that it can be reimbursed no later than the end of the calendar year following the calendar year in which the expense was incurred; no reimbursement can be made after that time.

13. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the HDI Group and the Executive and their respective heirs, legal representatives, successors and assigns. If the HDI Group or any member of the HDI Group shall be merged into or consolidated with another entity, the provisions of this Agreement shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation. The HDI Group will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the HDI Group or the HDI Group Employer, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the HDI Group would be required to perform it if no such succession had taken place. The provisions of this Section 13 shall continue to apply to each subsequent employer of the Executive hereunder in the event of any subsequent merger, consolidation or transfer of assets of such subsequent employer. From and after the date of any such purchase, merger, consolidation, transfer of assets or other transaction, the term HDI Group as used in this Agreement shall also include any such person or entity that is the successor or subsequent employer for purposes of this Section 13, or which otherwise becomes bound by the terms and provisions of this Agreement by operation of law.

14. The HDI Group Employer will indemnify the Executive against expenses (including attorney's fees), amounts paid in settlement (whether with or without court approval), judgments and fines actually and reasonably incurred by him or her in connection with a threatened or actual action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the HDI Group, and with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe that his or her conduct was unlawful, if he or she becomes a party to, or is threatened with, a pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigation (if not by or in the right of the HDI Group Employer) by reason of the fact that he or she is or was a director, officer, employee or agent of the HDI Group or is or was serving at the request of the HDI Group as a director, officer, employee or agent or in any other capacity or in another corporation, or a partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or not taken by him while acting in any such capacity, to the fullest extent permitted by the HDI Group Employer's Articles of Incorporation and By-Laws. Notwithstanding anything to the contrary, to comply with Code Section 409A, the Executive must timely submit any such cost or expense for reimbursement so that it can be reimbursed no later than the end of the calendar year following the calendar year in which the item was incurred; no reimbursement can be made after that time.

15. Any provision of this Agreement which is held to be unenforceable or invalid in any respect in any jurisdiction shall be ineffective in such jurisdiction to the extent that it is unenforceable or invalid without affecting the remaining provisions hereof, which shall continue in full force and effect. The unenforceability or invalidity of a provision of this Agreement in one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein, without regard to conflict of law principles.

17. This instrument contains the entire agreement of the parties, and supersedes any earlier agreement between them, relative to a transition period or termination in the event of a Change of Control Event. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. Notwithstanding anything in this Agreement to the contrary, the Corporation may unilaterally amend this Agreement prior to the occurrence of a Change of Control Event to make changes that the Corporation reasonably determines are necessary or appropriate for purposes of causing this Agreement to comply with the requirements of Code Section 409A and regulations proposed or promulgated thereunder, so long as the Corporation makes the same changes to corresponding agreements to which other Corporation executives are parties.

18. The Executive shall not be required to mitigate damages or the amount of any payment to the Executive provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer after Termination.

19. If the Executive is also a participant in the Harley-Davidson, Inc. Executive Severance Plan ("Executive Severance Plan") (or any similar plan or agreement) with the Corporation (or an Affiliate) upon the occurrence of a Change of Control Event (whether such Executive Severance Plan or similar plan or agreement was entered into or amended prior to or after the date of this Agreement), then the Executive's rights and obligations upon a termination of Executive's employment during the term of this Agreement will be governed by this Agreement rather than the Executive Severance Plan or similar plan or agreement.

20. The HDI Group shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; provided, that the amount so withheld shall not exceed the minimum amount required to be withheld by law. In addition, if prior to the date of payment of the benefits hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the HDI Group may provide for an immediate payment of the amount needed to pay the Executive's portion of such tax (plus an amount equal to the income taxes that will be due on such amount) and the Executive's remaining benefits under this Agreement shall be reduced accordingly. The HDI Group shall be entitled to rely on an opinion of nationally recognized tax counsel if any question as to the amount or requirement of any such withholding shall arise.

21. In the event that neither the Corporation nor any Affiliate has outstanding any stock which is publicly traded on an established securities market or otherwise, any references in this Agreement to distribution being made on the first day of the month following the month in which occurs the six-month anniversary of the date of Termination shall

automatically be modified to provide for distribution within ten days following the date of Termination.

22. As a condition of reviewing benefits hereunder following a Termination, the Executive must execute (and not revoke) a release and waiver of claims in a form acceptable to the HDI Group.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HARLEY-DAVIDSON, INC.

By:__
Its _____

ATTEST:

____

EXECUTIVE:

____

Schedule A

CERTAIN DEFINITIONS

As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated. Additional terms are defined in the Agreement.

"AFFILIATE" means each corporation, trade or business that, with the Corporation, constitutes a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c), applied by substituting "at least 50 percent" for "at least 80 percent" each place it appears.

"BOARD" means the Corporation's board of directors.

"CAUSE" means the commission by the Executive of one or more acts for which the Executive is convicted of a felony under United States federal, state or local criminal law, or willful and gross misconduct on the part of the Executive that is materially and demonstrably detrimental to the HDI Group taken as a whole.

"CHANGE OF CONTROL EVENT" means any one of the following: (a) the Continuing Directors no longer constitute at least two-thirds (2/3) of the directors of the Board; (b) any person or group of persons (as defined in Rule 13d-5 under the Securities Exchange Act of 1934, as amended), together with its affiliates, become the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the Corporation's then outstanding Common Stock or twenty percent (20%) or more of the voting power of the Corporation's then outstanding securities entitled generally to vote for the election of the Corporation's Directors; (c) the consummation of the merger or consolidation of the Corporation with any other corporation, the sale of substantially all of the assets of the Corporation, or the liquidation or dissolution of the Corporation, unless, in the case of a merger or consolidation, the then Continuing Directors in office immediately prior to such merger or consolidation will constitute at least two-thirds (2/3) of the directors constituting the board of directors of the surviving corporation of such merger or consolidation and any parent (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) of such corporation; or (d) at least two-thirds (2/3) of the then Continuing Directors in office immediately prior to any other action proposed to be taken by the Corporation's stockholders or by the Board determines that such proposed action, if taken, would constitute a change of control of the Corporation and such action is taken.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPENSATION" means the sum of all remuneration to which the Executive is entitled, including, but not limited to salary, participation in HDI Group bonus and benefit plans, programs or arrangements and awards under any HDI Group bonus plans, long-term incentive compensation plans, stock option plans, restricted stock plans or any other deferred compensation plans that the HDI Group Employer maintained or adopted prior to the Change of Control Event, the use of automobiles or vehicles (or allowances in respect thereof), and all amounts in respect of club, association or similar fees and dues covering the Executive. In the event that the HDI Group cannot provide the Executive with one or more benefits which it is obligated to provide to the Executive, pursuant to this Agreement, under its employee benefit plans, programs or arrangements then the HDI Group shall provide the Executive with equivalent benefits at the expense of the HDI Group Employer.

"CONFIDENTIAL INFORMATION" means any information that is not generally known outside the HDI Group relating to any phase of business of the HDI Group, whether existing or foreseeable, including information conceived, discovered or developed by the Executive. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the HDI Group under an obligation of confidentiality to a third party.

"CONTINUING DIRECTOR" means any individual who is either (i) a member of the Board on the date hereof or (ii) a member of the Board whose election or nomination to the Board was approved by a vote of at least two-thirds of the Continuing Directors (other than a person whose election was as a result of an actual or threatened proxy or other control contest).

"CORPORATION" means Harley-Davidson, Inc., a Wisconsin corporation, or any successor thereto.

"GOOD REASON" means the occurrence of any one of the following events, as determined by the Executive in good faith:

(a) any breach of this Agreement by the Corporation, including specifically any breach by the Corporation of its agreement contained in Section 6, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that the Corporation remedies promptly after receipt of notice thereof given by the Executive;

(b) any reduction in the Executive's base salary, percentage of base salary available as incentive compensation or benefits, in each case relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Change of Control Event or, to the extent more favorable to the Executive, those in effect after the Change of Control Event;

(c) a material adverse change, without the Executive's prior written consent, in the Executive's working conditions or status with the Corporation or the HDI Group Employer from such working conditions or status in effect during the 180-day period prior to the Change of Control Event or, to the extent more favorable to the Executive, those in effect after the Change of Control Event, including but not limited to (i) a material change in the nature or scope of the Executive's titles, authority, powers, functions, duties, reporting requirements or responsibilities, or (ii) a material reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that the Corporation remedies promptly after receipt of notice thereof given by the Executive;

(d) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment on the date 180 days prior to the Change of Control Event;

(e) the HDI Group Employer requires the Executive to travel on employer business to a materially greater extent than was required during the 180-day period prior to the Change of Control Event; or

(f) failure by the Corporation to obtain the agreement referred to in Section 13 as provided therein;

Provided, however, that any such event occurs following the Change of Control Event. In the event of a dispute regarding whether the Executive terminated the Executive's employment for "Good Reason" in accordance with this Agreement, no claim by the Corporation that such termination does not constitute a Termination shall be given effect unless the Corporation establishes by clear and convincing evidence that such termination does not constitute a Termination. Any election by the Executive to terminate the Executive's employment for Good Reason shall not be deemed a voluntary termination of employment by the Executive for purposes of any other employee benefit or other plan.

"HDI GROUP" means Harley-Davidson, Inc. and its Affiliates.

"HDI GROUP EMPLOYER" means the member of the HDI Group that employed the Executive immediately prior to the Change of Control Event.

"SEPARATION FROM SERVICE" means the date on which the Executive separates from service (within the meaning of Code Section 409A) from the HDI Group. A Separation from Service occurs when the HDI Group and the Executive reasonably anticipate that no further services will be performed by the Executive for the HDI Group after that date or that the level of *bona fide* services the Executive will perform after such date as an employee of the HDI Group will permanently decrease to no more than 20% of the average level of bona fide services performed by the Executive (whether as an employee or independent contractor) for the HDI Group over the immediately preceding 36-month period (or such lesser period of services). The Executive is not considered to have incurred a Separation from Service if the Executive is absent from active employment due to military leave, sick leave or other bona fide reason if the period of such leave does not exceed the greater of (i) six months, or (ii) the period during which the Executive's right to reemployment by the HDI Group is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to 29 months without causing the Executive to have incurred a Separation from Service.

“TERMINATION” means a termination of the Executive’s employment with the HDI Group while this Agreement is in effect, if such termination constitutes a Separation from Service and such termination satisfies either Paragraph (a) or (b) below:

(a) any termination by the HDI Group of the Executive’s employment following the occurrence of any Change of Control Event, other than termination of the Executive’s employment for Cause or as a result of the death of the Executive; or

(b) any termination by the Executive of the Executive’s employment for Good Reason following the occurrence of a Change of Control Event.

“TRADE SECRETS” means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the HDI Group and which: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic value from their disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

SETTLEMENT AND GENERAL RELEASE AGREEMENT

This Settlement and General Release Agreement (the "Agreement") is by and between Harley-Davidson Motor Company (the "Company") and Michelle Kumbier ("Kumbier"). Kumbier enters into this Agreement on behalf of her spouse, heirs, successors, assigns, executors, and representatives of any kind.

<u>RECITALS</u>:

WHEREAS, Kumbier and the Company have disputes over events that allegedly occurred relative to her resignation from the Company;

WHEREAS, Kumbier has threatened litigation against the Company in connection with those events relative to her separation from the Company;

WHEREAS, the Company has denied and continues to deny Kumbier's allegations, and has denied and continues to deny that it has any liability to Kumbier on any of her disputed claims; and

WHEREAS, Kumbier voluntarily and with full knowledge of her rights and the provisions herein, having the benefit of the advice of counsel, now desires to settle, compromise, and dispose of the above-described claim and lawsuit, and any other claims that she has or might have against the Company upon the terms and conditions hereinafter set forth; and

WHEREAS, the Company voluntarily and with full knowledge of its rights and the provisions herein, having the benefit of the advice of counsel, and without any admission of liability, misconduct or wrongdoing, now desires to settle, compromise, and dispose of the above-described allegations, claims, and threatened litigation upon the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the foregoing, and of the promises and mutual covenants contained herein, and other valuable consideration, it is hereby covenanted and agreed as follows:

1. The Company will, within 14 days of the Effective Date as defined in paragraph 16, tender a lump sum payment in the form of a check payable to Kumbier in the amount of Six Hundred and Sixty Thousand Dollars ($660,000.00), less applicable taxes and withholdings ("the Settlement Amount") as consideration for the promises and obligations in this Agreement. Kumbier acknowledges the Settlement Amount is greater than what she would otherwise be entitled to under the Company's normal policies and procedures. Kumbier releases the Company, its parent, its parent's direct or indirect subsidiaries, related and affiliated companies, and each of their past and present Executives, directors, officers, agents, insurers, successors, executors, assigns and representatives (referred to in this Agreement as "Released Parties") from all claims, charges, demands, and liabilities of any kind arising before or through the date of this Agreement. This release includes, but is not limited to, all claims, charges, demands and liabilities arising out of or in connection with Kumbier's employment with the

Company, and any other contract between Kumbier and the Company, or the termination of Kumbier's employment. Kumbier also releases and waives any claim or right to further compensation, benefits, reinstatement of employment, damages, penalties, attorneys' fees, costs or expenses of any kind from the Company or any of the other Released Parties. Notwithstanding the foregoing, nothing in this release shall affect the rights, if any, Kumbier may have to any vested benefits under outstanding restricted stock awards and stock options vested prior to Last Day under the Harley-Davidson, Inc. 2009 or 2014 Amended Incentive Stock Plans.

2. Kumbier fully understands and acknowledges that the general release contained in paragraph 1 above includes a release of any rights or claims Kumbier may have under the Age Discrimination in Employment Act; the Older Workers Benefit Protection Act; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1866 (42 U.S.C. §§ 1981 and 1983); the Americans with Disabilities Act; the Americans with Disabilities Act Amendments Act; the Genetic Information Nondiscrimination Act; the Federal Family and Medical Leave Act; the Fair Labor Standards Act; the Worker Adjustment and Retraining Notification Act; the Equal Pay Act; Executive Order 11246; the Rehabilitation Act of 1973; the Civil Rights Act of 1991; the Executive Retirement Income Security Act of 1974; the Wisconsin Fair Employment Act; the Wisconsin Family and Medical Leave Act; the Wisconsin Business Closing and Mass Layoff Notification Law (Wis. Stat. § 109.07); the Milwaukee Housing and Employment Discrimination Ordinance; and any other federal, state or local laws or regulations of any kind. The general release contained in this Agreement also includes, but is not limited to, a release by Kumbier of any claims for wrongful termination or any tort, breach of contract or invasion of privacy claims. The release covers both claims that Kumbier knows about and those Kumbier may not know about. One exception to this release is that the Company re-affirms its obligations under its charter, by-laws, operating agreement, board resolutions, policies or similar documents, and under the law applicable to the Company as an entity, to indemnify and hold Kumbier harmless, including attorneys' fees, from any third-party claim made against Kumbier for activities arising out of Kumbier's employment with the Company subject to the terms (including the exceptions) of such indemnity obligations.

3. Kumbier states that she has not filed or joined in any complaints, charges, lawsuits or proceedings of any kind against the Company or any of the other Released Parties.

4. Kumbier promises never to file or join in any complaints or proceedings of any kind asserting any claims that are released in this Agreement, except as otherwise provided in paragraph 10 below. If Kumbier breaks this promise and files or voluntarily joins in any complaint or proceeding based on any claim that Kumbier has released, the Company reserves the right to cease any remaining payments and benefits to which Kumbier may otherwise be entitled pursuant to this Agreement. In that event, Kumbier also agrees that she will reimburse the Company the Settlement Amount and will pay for all costs incurred by the Company or any of the other Released Parties in defending against Kumbier's claim, including reasonable attorneys' fees; provided, however, this does not restrict Kumbier from proceeding against the Company in the event the Company breaches this Agreement and, in such event, Kumbier shall not be responsible for the Company's or any other Released Parties' costs of defense.

Kumbier's obligation contained in this paragraph 4 to pay the Company's costs, including attorneys' fees, and to pay back the Settlement Amount already provided to Kumbier pursuant to paragraph 1 does not apply to an action by Kumbier challenging the validity of this Agreement under the Age Discrimination in Employment Act. However, to the extent that Kumbier files such a claim, any remedy would be limited pursuant to paragraph 10 below.

5. By making this Agreement, the Company does not admit any liability to Kumbier and expressly denies any such liability.

6. Kumbier agrees to keep the existence, terms, and conditions of this Agreement completely confidential and not to disclose (whether in person, by telephone, electronically, through the internet, or via any other mode of communication) any information concerning the Agreement to anyone, except that Kumbier may share information concerning the Agreement with her spouse, legal counsel, accountant, and tax advisors as necessary for the purposes of legal or tax advice. Kumbier may also share information concerning the Agreement if legally required to do so. If Kumbier is subpoenaed in a matter in which she may have to reveal the existence, terms or conditions of this Agreement, Kumbier will provide written notice within three (3) days of receipt of such subpoena to the Chief Legal Officer, Harley-Davidson, Inc., 3700 W. Juneau Ave., Milwaukee, WI 53208. Kumbier agrees to instruct all individuals who may be informed of the existence, terms, and conditions of this Agreement, of the confidential nature of the Agreement and to obtain a pledge from those individuals to maintain confidentiality. Kumbier realizes that violation by Kumbier of this confidentiality provision will cause the Company irreparable injury and damage, entitling the Company to injunctive relief as well as any other available legal remedies. If Kumbier violates this confidentiality provision, Kumbier agrees to pay all of the Company's attorneys' fees and costs incurred in enforcing this Agreement. The confidentiality obligations contained in this paragraph 6 do not apply to a court action challenging the validity of this Agreement under the Age Discrimination in Employment Act.

7. Just as the Company has re-affirmed its obligations to Kumbier at the end of paragraph 2 above, Kumbier likewise agrees that Kumbier will make herself reasonably available to the Company if expressly requested by the Company, for example, to assist in defending current or future litigation, arbitrations or other disputes. If Kumbier incurs any expenses in performing such services, the Company will reimburse Kumbier all reasonable approved expenses. Kumbier will not be entitled to any additional compensation for any such services.

8. Kumbier confirms she has returned all Company property to the Company including all documents, reports, credit cards, computer equipment including but not limited to any laptop and/or USB drive(s), phones, identification cards and other Company equipment, if any are still in Kumbier's possession. Kumbier agrees that she will delete all Company information, if any, from her personal computer(s), laptop(s), smartphone(s), tablet(s), and/or USB drive(s). Kumbier further represents that Kumbier has returned all other property and information belonging to the Company in all formats and media, including, but not limited to, all employee information, personnel information (including but not limited to all files, investigation and meeting notes, employment statistics and all other information collected in connection with

Kumbier's performance of duties for the Company), confidential business information, strategy information and plans, technical and product information, pricing information and customer information such as customer lists and customer identification information, brochures, specifications, quotations, marketing strategies, inventory records, sales records, or other similar material; provided that the foregoing information, brochures, etc., shall not include information that is available to the public. Kumbier acknowledges that she has not kept any copies, nor made or retained any abstracts or notes, of such information to be returned hereunder in any form or media including any information on Kumbier's personal computer(s) or laptop(s). Kumbier further reaffirms that based upon Kumbier's obligations under the Wisconsin Trade Secrets Act and fiduciary duties as a key employee under common law, for a period of two years after April 3, 2020, Kumbier's last day of employment ("Last Day"), Kumbier will keep completely confidential and share with no other person, employer or entity, any information Kumbier acquired at the Company relating to any of the confidential matters described in this paragraph, and that Kumbier will comply with all terms of the Employee Commitment Kumbier electronically executed on February 18, 2016, a copy of which is attached as Attachment A and incorporated herein. In the event that Kumbier breaks this promise, the Company reserves the right to cease any remaining payments and benefits. Nothing in this paragraph shall limit the duration of Kumbier's obligation to refrain from misappropriating trade secrets of the Company.

9. Kumbier agrees that she publicly will indicate only that she is no longer employed by the Company. Kumbier agrees that she will not make statements inconsistent with the Company's announcement regarding her departure, and will not at any time after the Last Day represent that she remains a current or active employee of the Company. Kumbier further agrees to not take any action or make any statements that would be harmful or disparaging or that could reasonably be viewed as reflecting negatively on the reputation of the Company or any of its officers, directors, or other employees before or after the execution of this Agreement.

If Kumbier breaks this promise, Kumbier will reimburse the Company for the Settlement Amount provided to Kumbier pursuant to paragraph 1.

All requests for a job reference from the Company should be addressed to:

Vice President, Human Resources
Harley-Davidson Motor Company
3700 W. Juneau Avenue
Milwaukee, WI 53208
414-343-8208

Nothing in this Agreement (including any confidentiality provision in paragraph 6, the non-disparagement provision in paragraph 9, and the covenant not to sue in paragraph 4) prevents Kumbier from (i) filing a charge or complaint with any appropriate federal, state or local agency or court; (ii) testifying, assisting, participating in, or cooperating with the investigation of any charge or complaint pending before or being investigated by such agency or court; (iii) enforcing this Agreement; (iv) seeking a judicial determination of the validity of the

Agreement's waiver of Kumbier's claims under the Age Discrimination in Employment Act; or (v) reporting violations of any law administered by the Securities and Exchange Commission ("SEC") or Occupational Safety and Health Administration ("OSHA"), receiving any financial awards from the SEC or OSHA for reporting possible violations of federal law or regulation, or making other disclosures protected under the whistleblower provisions of state or federal law or regulation.

Kumbier understands that, with the exception of financial awards from the SEC and OSHA for reporting violations of the laws those agencies administer, this Agreement will completely bar any recovery or relief obtained on Kumbier's behalf, whether monetary or otherwise, by any person or entity with respect to any of the claims that Kumbier has released against the Released Parties.

11. Kumbier agrees that she will not recruit, solicit or encourage any employee of the Company or any of its subsidiaries, related or affiliated companies, whom Kumbier directly or indirectly supervised or about whom Kumbier received confidential information during the two years preceding termination to leave his or her employment to work for another entity for a period of two (2) years from the Last Day. Kumbier shall contact the Vice President, Human Resources for Harley-Davidson, Inc. for confirmation of the expectations set forth in this paragraph if Kumbier has any concern that any of Kumbier's actions may be considered a violation of this paragraph. Any understanding between Kumbier and the Vice President, Human Resources detailing specific conduct permitted under this paragraph 11 shall be reduced to writing and signed by both parties. If Kumbier breaks the promise set forth in this paragraph and/or any additional written understanding as set forth above, Kumbier will reimburse the Company for the Settlement Amount set forth in paragraph 1.

12. Kumbier further agrees that during the 12-month period following the Last Day (*i.e.*, through April 3, 2021), regardless of whether Kumbier's termination of employment is voluntary or involuntary or the reason therefore, Kumbier shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member or otherwise, in any position or capacity in which Kumbier's knowledge of Company confidential information or trade secrets of the Company or personal association with the goodwill of the Company would reasonably be considered useful. In this regard, the parties expressly agree that by virtue of Kumbier's prior, high-level duties for the Company, the forgoing necessarily and at a minimum precludes Kumbier from holding a senior level executive position relating to motorcycles for a Competitive Business. "Competitive Business" as used in this Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG;

Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above. "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from April 3, 2018 through Last Day (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned). Kumbier further agrees:

a. If Kumbier fails to comply with this noncompete promise, the Company will suffer irreparable harm and shall be entitled to an immediate injunction requiring Kumbier's strict compliance with this promise.

b. If Kumbier fails to comply with this noncompete promise, Kumbier shall pay the Company a sum of $10,000 for every occasion that Kumbier engages in any conduct that fails to comply with this promise. Kumbier agrees that this promise is a material consideration for the Company's willingness to enter into this Agreement and that the repayment of such monies in the event of a breach is a reasonable estimate of damages.

c. Kumbier shall provide reasonable advance written notice to the current or acting Vice-President, Human Resources for the Company before Kumbier becomes otherwise employed or performs any services for any person, firm, corporation or entity during the non-compete period (through April 3, 2021).

d. Kumbier shall contact the Vice President, Human Resources for Harley-Davidson, Inc. for confirmation of the expectations set forth in this paragraph if Kumbier has any concern that any of Kumbier's actions may be considered a violation of this paragraph. Any understanding between Kumbier and the Vice President, Human Resources detailing specific conduct permitted under this paragraph 12 shall be reduced to writing and signed by both parties.

e. If Kumbier breaks the promise set forth in this paragraph and/or any additional written understanding as set forth above, Kumbier will reimburse the Company for the Settlement Amount.

13. It is agreed and understood that Kumbier shall be solely responsible for any individual tax liability imposed on Kumbier for the payments made pursuant to this Agreement, except for any Company statutory tax withholding obligations.

14. Kumbier understands that the obligations in her Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement Performance Share Agreement and Notice of Award of Performance Shares and Performance Shares Agreement (collectively "Kumbier's Performance Share Agreements") continue in full force and effect, and are not superseded by this Agreement. In the event that there is a conflict between the terms of paragraphs 11-12 of this Agreement and Kumbier's Performance Share Agreements that cannot be resolved, then the terms of Kumbier's Performance Share Agreements will be given precedence. Aside from Kumbier's Performance Share Agreements as they relate to the subject matter of paragraphs 11-12, this Agreement, along with Attachments A and B, supersedes any previous agreements and sets forth the entire Agreement between Kumbier and the Company and the other Released Parties. No promises or oral or written statements have been made to Kumbier other than those in this Agreement. If any portion of this Agreement is found to be unenforceable, then Kumbier, the Company and the other Released Parties desire that all other portions that can be separated from it or appropriately limited in scope, shall remain fully valid and enforceable.

15. This Agreement may not and shall not be deemed or construed to have been modified, amended, rescinded, cancelled or waived in whole or in part except by a written instrument signed by all parties.

16. Kumbier hereby acknowledges that the benefits provided in this Agreement are greater than those to which Kumbier is entitled by any contract, employment policy, or otherwise. Kumbier further acknowledges that she is entering into this Agreement knowingly and voluntarily, that Kumbier has at least twenty-one (21) days to consider this Agreement and that Kumbier is hereby advised to consult with an attorney prior to signing this Agreement. For a period of seven (7) days following Kumbier's signing of this Agreement, Kumbier may revoke this Agreement by delivering a written notice of revocation to Jody Boquist, Littler Mendelson P.C., via email at jboquist@littler.com, no later than 1 p.m. on the eighth day after Kumbier signs this Agreement and, if that date should fall on a weekend or a legal holiday, no later than 1 p.m. on that first business day after the weekend or holiday. If Kumbier revokes this Agreement, it shall not be effective or enforceable, and Kumbier will not receive the benefits described in this Agreement. The payments described in this Agreement shall not be paid before the eighth day after Kumbier signs this Agreement with no revocation (the "Effective Date").

17. Kumbier acknowledges and represents that the Company has paid her in full for all wages, benefits and other compensation due and owing to her for all hours worked as a result of her employment with the Company, including without limitation, all overtime, bonuses, incentive compensation, meal and rest period premiums, business expenses and accrued vacation owed pursuant to statute, law or as a result of any agreement with the Company.

18. Kumbier, as part of this Agreement, agrees to waive any right to current or future employment with the Company. Through this paragraph, Kumbier agrees to refrain from seeking or

attempting to seek employment and/or reinstatement with the Company or any of its current or former subsidiaries or affiliates, at any time following execution of this Agreement. If Kumbier seeks employment in violation of this paragraph and is hired, the parties agree that Kumbier's employment will be null and void from its inception, she will be discharged, and that Kumbier shall have no recourse.

19. In addition to this executed Agreement, Kumbier agrees to arrange for execution and delivery to the Company's counsel, the Release of Attorneys' Lien, attached hereto as Attachment B.

KUMBIER ACKNOWLEDGES THAT KUMBIER HAS READ THIS AGREEMENT, KUMBIER UNDERSTANDS IT, KUMBIER KNOWS IT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, AND KUMBIER IS VOLUNTARILY ENTERING INTO IT.

/s/ Michelle Kumbier ________________________ August 14, 2020________________
Michelle Kumbier Date

WITNESSED:

/s/ Derrick Kumbier ________________________ August 14, 2020________________
Witness' Name Date

HARLEY-DAVIDSON MOTOR COMPANY

By: /s/ Paul J. Krause ______________________ August 3, 2020________________
Date
Title: CCO________________________________

ATTACHMENT A

ATTACHMENT B

RELEASE OF ATTORNEY'S LIEN

As part of the foregoing Settlement and General Release Agreement, the undersigned attorney hereby waives and releases Harley-Davidson Motor Company and (as applicable) its subsidiaries, including, holding companies, predecessors, affiliates, related companies, divisions, successors, assigns, officers, directors, attorneys, employees, agents, trustees, representatives, and insurers (the "Released Parties") from any and all claims for attorneys' fees, by lien or otherwise, for legal services rendered by her in connection with any claims or causes of actions that Michelle Kumbier did bring or may have brought to date against the Released Parties.

Riley Safer Holmes & Cancila LLP certifies that, to the best of its knowledge, no other person is entitled to any sum for attorneys' fees in connection with the claims or causes of action (or potential claims or causes of action) described above.

Dated: August 14, 2020 By: /s/ Drahcir M. Smith

Drahcir M. Smith

Exhibit 31.1

Chief Executive Officer Certification
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Jochen Zeitz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ Jochen Zeitz
Jochen Zeitz
President and Chief Executive Officer

Exhibit 31.2

Chief Financial Officer Certification
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Gina Goetter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ Gina Goetter
Gina Goetter
Chief Financial Officer

Exhibit 32.1

Written Statement of the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. sec. 1350

Solely for the purpose of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned President and Chief Executive Officer and the Chief Financial Officer of Harley-Davidson, Inc. (the “Company”), hereby certify, based on our knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 27, 2020 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

/s/ Jochen Zeitz
Jochen Zeitz
President and Chief Executive Officer

/s/ Gina Goetter
Gina Goetter
Chief Financial Officer