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 26, 2021

☐ **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 153,876,904 shares of common stock as of October 29, 2021.

HARLEY-DAVIDSON, INC.

Form 10-Q

For The Quarter Ended September 26, 2021

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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Revenue:				
Motorcycles and Related Products	$ 1,160,618	$ 964,029	$ 3,724,225	$ 2,733,091
Financial Services	204,692	201,655	595,650	596,064
	1,365,310	1,165,684	4,319,875	3,329,155
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	850,193	676,796	2,586,264	2,019,310
Financial Services interest expense	44,770	67,533	149,098	182,193
Financial Services provision for credit losses	11,208	7,835	4,935	178,433
Selling, administrative and engineering expense	254,312	231,721	747,665	734,057
Restructuring expense	615	43,915	1,167	85,864
	1,161,098	1,027,800	3,489,129	3,199,857
Operating income	204,212	137,884	830,746	129,298
Other income, net	858	155	1,825	466
Investment income	198	2,672	4,331	3,082
Interest expense	7,779	7,783	23,209	23,307
Income before provision for income taxes	197,489	132,928	813,693	109,539
Provision for income taxes	34,516	12,710	185,236	11,843
Net income	$ 162,973	$ 120,218	$ 628,457	$ 97,696
Earnings per share:				
Basic	$ 1.06	$ 0.78	$ 4.09	$ 0.64
Diluted	$ 1.05	$ 0.78	$ 4.06	$ 0.64
Cash dividends per share	$ 0.15	$ 0.02	$ 0.45	$ 0.42

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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Net income	$ 162,973	$ 120,218	$ 628,457	$ 97,696
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(17,836)	12,737	(33,759)	(275)
Derivative financial instruments	4,270	(2,101)	21,298	(28,255)
Pension and postretirement benefit plans	13,588	11,959	40,763	35,876
	22	22,595	28,302	7,346
Comprehensive income	$ 162,995	$ 142,813	$ 656,759	$ 105,042

The accompanying notes are integral to the consolidated financial statements.

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

	(Unaudited) September 26, 2021	December 31, 2020	(Unaudited) September 27, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,061,303	$ 3,257,203	$ 3,560,950
Accounts receivable, net	282,627	143,082	232,845
Finance receivables, net of allowance of $62,406, $72,632, and $74,111	1,540,822	1,509,539	1,701,478
Inventories, net	475,314	523,497	322,375
Restricted cash	153,873	131,642	160,155
Other current assets	194,481	280,470	178,931
	4,708,420	5,845,433	6,156,734
Finance receivables, net of allowance of $293,428, $318,304, and $334,591	5,322,436	4,933,469	5,142,014
Property, plant and equipment, net	671,836	743,784	785,165
Pension and postretirement assets	132,958	95,711	82,378
Goodwill	63,841	65,976	64,884
Deferred income taxes	128,059	158,538	137,960
Lease assets	47,507	45,203	47,599
Other long-term assets	124,747	122,487	115,541
	$ 11,199,804	$ 12,010,601	$ 12,532,275
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 382,216	$ 290,904	$ 289,103
Accrued liabilities	599,852	557,214	561,282
Short-term deposits, net	92,626	79,965	29,999
Short-term debt	749,620	1,014,274	1,227,763
Current portion of long-term debt, net	1,605,798	2,039,597	2,109,284
	3,430,112	3,981,954	4,217,431
Long-term deposits, net	197,644	—	—
Long-term debt, net	4,876,292	5,932,933	6,171,676
Lease liabilities	26,017	30,115	31,225
Pension and postretirement liabilities	103,144	114,206	126,232
Deferred income taxes	8,585	8,607	6,219
Other long-term liabilities	224,116	220,001	209,594
Commitments and contingencies (Note 16)			
Shareholders' equity:			
Common stock	1,694	1,685	1,835
Additional paid-in-capital	1,540,235	1,507,706	1,501,410
Retained earnings	1,843,964	1,284,823	2,148,462
Accumulated other comprehensive loss	(455,115)	(483,417)	(529,603)
Treasury stock, at cost	(596,884)	(588,012)	(1,352,206)
	2,333,894	1,722,785	1,769,898
	$ 11,199,804	$ 12,010,601	$ 12,532,275

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

	(Unaudited) September 26, 2021	December 31, 2020	(Unaudited) September 27, 2020
Balances held by consolidated variable interest entities (Note 12):			
Finance receivables, net - current	$ 531,942	$ 530,882	$ 576,750
Other assets	$ 2,754	$ 3,753	$ 3,129
Finance receivables, net - non-current	$ 1,961,367	$ 1,889,472	$ 2,177,875
Restricted cash - current and non-current	$ 167,865	$ 142,892	$ 170,925
Current portion of long-term debt, net	$ 629,600	$ 608,987	$ 677,099
Long-term debt, net	$ 1,565,022	$ 1,585,174	$ 1,886,594

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 26, 2021	September 27, 2020
Net cash provided by operating activities (Note 7)	$ 925,551	$ 1,135,068
Cash flows from investing activities:		
Capital expenditures	(61,476)	(92,295)
Origination of finance receivables	(3,444,953)	(2,873,259)
Collections on finance receivables	2,968,397	2,730,166
Other investing activities	2,485	334
Net cash used by investing activities	(535,547)	(235,054)
Cash flows from financing activities:		
Proceeds from issuance of medium-term notes	—	1,396,602
Repayments of medium-term notes	(1,400,000)	(1,400,000)
Proceeds from securitization debt	1,169,910	2,064,450
Repayments of securitization debt	(1,013,820)	(735,885)
Borrowings of asset-backed commercial paper	27,406	225,187
Repayments of asset-backed commercial paper	(206,671)	(236,846)
Net (decrease) increase in unsecured commercial paper	(261,978)	509,978
Net increase in credit facilities	—	150,000
Net increase in deposits	210,144	29,992
Dividends paid	(69,316)	(65,002)
Repurchase of common stock	(11,545)	(7,895)
Issuance of common stock under share-based plans	4,324	96
Net cash (used) provided by financing activities	(1,551,546)	1,930,677
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(11,050)	6,071
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (1,172,592)	$ 2,836,762
Cash, cash equivalents and restricted cash:		
Cash, cash equivalents and restricted cash, beginning of period	$ 3,409,168	$ 905,366
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,172,592)	2,836,762
Cash, cash equivalents and restricted cash, end of period	$ 2,236,576	$ 3,742,128
Reconciliation of cash, cash equivalents and restricted cash on the Consolidated balance sheets to the Consolidated statements of cash flows:		
Cash and cash equivalents	$ 2,061,303	$ 3,560,950
Restricted cash	153,873	160,155
Restricted cash included in Other long-term assets	21,400	21,023
Cash, cash equivalents and restricted cash per the Consolidated statements of cash flows	$ 2,236,576	$ 3,742,128

The accompanying notes are integral to the consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Issued Shares	Balance					
Balance, December 31, 2020	168,503,526	$ 1,685	$ 1,507,706	$ 1,284,823	$ (483,417)	$ (588,012)	$ 1,722,785
Net income	—	—	—	259,144	—	—	259,144
Other comprehensive income, net of tax (Note 17)	—	—	—	—	13,780	—	13,780
Dividends ($0.15 per share)	—	—	—	(23,105)	—	—	(23,105)
Repurchase of common stock	—	—	—	—	—	(5,646)	(5,646)
Share-based compensation	483,326	5	9,423	—	—	—	9,428
Balance, March 28, 2021	168,986,852	1,690	1,517,129	1,520,862	(469,637)	(593,658)	1,976,386
Net income	—	—	—	206,340	—	—	206,340
Other comprehensive income, net of tax (Note 17)	—	—	—	—	14,500	—	14,500
Dividends ($0.15 per share)	—	—	—	(23,104)	—	—	(23,104)
Repurchase of common stock	—	—	—	—	—	(5,265)	(5,265)
Share-based compensation	322,015	3	14,327	—	—	1,085	15,415
Balance, June 27, 2021	169,308,867	1,693	1,531,456	1,704,098	(455,137)	(597,838)	2,184,272
Net income	—	—	—	162,973	—	—	162,973
Other comprehensive income, net of tax (Note 17)	—	—	—	—	22	—	22
Dividends ($0.15 per share)	—	—	—	(23,107)	—	—	(23,107)
Repurchase of common stock	—	—	—	—	—	(634)	(634)
Share-based compensation	49,831	1	8,779	—	—	1,588	10,368
Balance, September 26, 2021	169,358,698	$ 1,694	$ 1,540,235	$ 1,843,964	$ (455,115)	$ (596,884)	$ 2,333,894

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Issued Shares	Balance					
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 17)	—	—	—	—	(42,341)	—	(42,341)
Dividends ($0.38 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	—	—	—	(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 17)	—	—	—	—	27,092	—	27,092
Dividends ($0.02 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 17)	—	—	—	—	22,595	—	22,595
Dividends ($0.02 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

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 26, 2021 and September 27, 2020, 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 each of the three month periods within the nine month periods ended September 26, 2021 and September 27, 2020.

Certain information and disclosures normally included in complete financial statements have been condensed or omitted pursuant to the rules and regulations of the U.S. 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, 2020.

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 it was recognized as a pandemic in March 2020. The COVID-19 pandemic has restricted the level of economic activity in the U.S. and around the world and the full extent of its impact is not yet known. Certain estimates used in the preparation of financial results for the period ending September 26, 2021 could be impacted in future periods as a result of the COVID-19 pandemic.

2. New Accounting Standards

Accounting Standards Recently Adopted

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-12, Simplifying the Accounting for Income Taxes (ASU 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 Company adopted ASU 2019-12 on January 1, 2021 on a prospective basis. The adoption of ASU 2019-12 did not have a material impact on the Company's consolidated financial statements.

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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Motorcycles and Related Products Revenue:				
Motorcycles	$ 885,626	$ 684,344	$ 2,931,669	$ 2,030,448
Parts & Accessories	204,506	209,808	577,035	513,201
General Merchandise	49,424	49,356	155,378	136,321
Licensing	8,481	8,894	22,865	21,826
Other	12,581	11,627	37,278	31,295
	1,160,618	964,029	3,724,225	2,733,091
Financial Services Revenue:				
Interest income	174,103	174,464	501,645	512,726
Other	30,589	27,191	94,005	83,338
	204,692	201,655	595,650	596,064
	$ 1,365,310	$ 1,165,684	$ 4,319,875	$ 3,329,155

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 26, 2021	September 27, 2020
Balance, beginning of period	$ 36,614	$ 29,745
Balance, end of period	$ 38,682	$ 31,209

Previously deferred revenue recognized as revenue in the three months ended September 26, 2021 and September 27, 2020 was $6.1 million and $6.3 million, respectively, and $17.9 million and $19.6 million in the nine months ended September 26, 2021 and September 27, 2020, respectively. The Company expects to recognize approximately $15.0 million of the remaining unearned revenue over the next 12 months and $23.7 million thereafter.

4. Restructuring Activities

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

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 resulted in the termination of approximately 500 employees. In addition, the India action resulted in the termination of approximately 70 employees.

Since the inception of the restructuring activities in 2020 through the nine months ended September 26, 2021, the Company has incurred cumulative restructuring expenses of $131.2 million. This includes restructuring expense by segment as follows (in thousands):

	Three months ended		Nine months ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Motorcycles and Related Products	$ 517	$ 43,581	$ 731	$ 84,586
Financial Services	98	334	436	1,278
	$ 615	$ 43,915	$ 1,167	$ 85,864

The Company expects total estimated restructuring expenses of approximately $135 million, including approximately $123 million and $12 million expected to be in incurred in the Motorcycles and Financial Services segments, respectively. Total expected restructuring expenses include approximately $30 million related to employee termination benefits, $75 million related to contract termination and other costs and $30 million related to non-current asset adjustments, including accelerated depreciation and other adjustments to the carrying value of non-current assets. The Company expects to incur estimated restructuring expenses of approximately $5 million in 2021.

Changes in accrued restructuring expenses, which are included in *Accrued liabilities* on the *Consolidated balance sheets,* were as follows (in thousands):

	Three months ended September 26, 2021			
	Employee Termination Benefits	Contract Terminations & Other	Non-Current Asset Adjustments	Total
Balance, beginning of period	$ 1,246	$ 2,084	$ —	$ 3,330
Restructuring (benefit) expense	(165)	807	(27)	615
Utilized – cash	(397)	(1,197)	—	(1,594)
Utilized – non cash	—	—	27	27
Foreign currency changes	(7)	(21)	—	(28)
Balance, end of period	$ 677	$ 1,673	$ —	$ 2,350

	Three months ended September 27, 2020			
	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
Utilized – cash	(11,940)	(5,899)	—	(17,839)
Utilized – non cash	—	—	(16,000)	(16,000)
Foreign currency changes	166	(54)	—	112
Balance, end of period	$ 18,017	$ 31,739	$ —	$ 49,756

	Nine months ended September 26, 2021			
	Employee Termination Benefits	Contract Terminations & Other	Non-Current Asset Adjustments	Total
Balance, beginning of period	$ 7,724	$ 16,196	$ —	$ 23,920
Restructuring (benefit) expense	(1,131)	2,576	(278)	1,167
Utilized – cash	(5,743)	(16,987)	—	(22,730)
Utilized – non cash	—	—	278	278
Foreign currency changes	(173)	(112)	—	(285)
Balance, end of period	$ 677	$ 1,673	$ —	$ 2,350

	Nine months ended September 27, 2020			
	Employee Termination Benefits	Contract Terminations & Other	Non-Current Asset Adjustments	Total
Balance, beginning of period	$ —	$ —	$ —	$
Restructuring expense	29,814	37,692	18,358	85,8
Utilized – cash	(11,940)	(5,899)	—	(17,8
Utilized – non cash	—	—	(18,358)	(18,3
Foreign currency changes	143	(54)	—	
Balance, end of period	$ 18,017	$ 31,739	$ —	$ 49,7

5. Income Taxes

The Company's effective income tax rate for the nine months ended September 26, 2021 was 22.8% compared to 10.8% for the nine months ended September 27, 2020. The effective income tax rate for the nine months ended September 27, 2020 was impacted by discrete income tax expenses recorded during the period, including adjustments related to the reassessment of the realizability of certain deferred tax assets and favorable settlements with taxing authorities, which reduced the Company's income tax expense for the period.

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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Net income	$ 162,973	$ 120,218	$ 628,457	$ 97,696
Basic weighted-average shares outstanding	153,863	153,252	153,700	153,153
Effect of dilutive securities – employee stock compensation plan	1,254	663	1,203	637
Diluted weighted-average shares outstanding	155,117	153,915	154,903	153,790
Net earnings per share:				
Basic	$ 1.06	$ 0.78	$ 4.09	$ 0.64
Diluted	$ 1.05	$ 0.78	$ 4.06	$ 0.64

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 0.5 million and 1.3 million shares for the three months ended September 26, 2021 and September 27, 2020, respectively, and 0.5 million and 1.6 million shares for the nine months ended September 26, 2021 and September 27, 2020, 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 26, 2021	December 31, 2020	September 27, 2020
Mutual funds	$ 48,766	$ 52,061	$ 48,845

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 26, 2021	December 31, 2020	September 27, 2020
Raw materials and work in process	$ 279,699	$ 211,979	$ 152,740
Motorcycle finished goods	178,315	281,132	125,930
Parts & Accessories and General Merchandise	86,977	84,469	100,131
Inventory at lower of FIFO cost or net realizable value	544,991	577,580	378,801
Excess of FIFO over LIFO cost	(69,677)	(54,083)	(56,426)
	$ 475,314	$ 523,497	$ 322,375

Deposits – Beginning in 2020, HDFS began offering brokered certificates of deposit to customers indirectly through contractual arrangements with third-party banks and/or securities brokerage firms through its bank subsidiary. The Company had $290.3 million, $80.0 million and $30.0 million, net of fees, of interest-bearing brokered certificates of deposit outstanding as of September 26, 2021, December 31, 2020, and September 27, 2020, respectively. The liabilities for deposits are included in *Short-term deposits, net* or *Long-term deposits, net* on the *Consolidated balance sheets* based upon the term of each brokered certificate of deposit issued. Each separate brokered certificate of deposit is issued under a master certificate, and as such, all outstanding brokered certificates of deposit are considered below the Federal Deposit Insurance Corporation insurance coverage limits.

Future maturities of the Company's certificates of deposit as of September 26, 2021 were as follows (in thousands):

2021	$ 47,920
2022	45,000
2023	65,000
2024	58,500
2025	—
Thereafter	74,717
Unamortized fees	(867)
	$ 290,270

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

	Nine months ended	
	September 26, 2021	September 27, 2020
Cash flows from operating activities:		
Net income	$ 628,457	$ 97,696
Adjustments to reconcile Net income to Net cash provided by operating activities:		
Depreciation and amortization	122,483	140,057
Amortization of deferred loan origination costs	63,265	52,374
Amortization of financing origination fees	10,426	10,628
Provision for long-term employee benefits	19,640	23,557
Employee benefit plan contributions and payments	(14,677)	(5,456)
Stock compensation expense	34,032	12,076
Net change in wholesale finance receivables related to sales	(22,031)	330,793
Provision for credit losses	4,935	178,433
Deferred income taxes	10,626	(18,978)
Other, net	2,094	(10,863)
Changes in current assets and liabilities:		
Accounts receivable, net	(148,670)	29,630
Finance receivables – accrued interest and other	11,088	5,097
Inventories, net	31,874	273,668
Accounts payable and accrued liabilities	168,306	(16,922)
Other current assets	3,703	33,278
	297,094	1,037,372
Net cash provided by operating activities	$ 925,551	$ 1,135,068

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 were as follows (in thousands):

	September 26, 2021	December 31, 2020	September 27, 2020
Retail finance receivables	$ 6,727,956	$ 6,344,195	$ 6,585,298
Wholesale finance receivables	491,136	489,749	666,896
	7,219,092	6,833,944	7,252,194
Allowance for credit losses	(355,834)	(390,936)	(408,702)
	$ 6,863,258	$ 6,443,008	$ 6,843,492

On January 1, 2020, the Company adopted ASU No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which requires an entity to recognize expected lifetime losses on finance receivables upon origination. 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.

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. 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.

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. 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.

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 26, 2021. During the third quarter of 2021, the U.S. economy and the Company's outlook on economic conditions improved from the second quarter of 2021; however, the pace of economic recovery remains uncertain as demonstrated by unemployment levels that remain higher than those experienced prior to the COVID-19 pandemic, muted consumer confidence and continuing COVID-19 pandemic-related challenges across the U.S., among other factors. As such, at the end of the third quarter of 2021, the Company's outlook on economic conditions included continued slow economic improvement in its economic scenario weighting.

Additionally, 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 establish an appropriate allowance balance. These factors include motorcycle recovery value considerations, delinquency adjustments, specific problem loan trends, and others, as appropriate.

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 known conditions at the balance sheet date and the Company's management's expectations surrounding the economic forecasts. 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 26, 2021			Nine months ended September 26, 2021		
	Retail	Wholesale	Total	Retail	Wholesale	Total
Balance, beginning of period	$ 342,490	$ 16,321	$ 358,811	$ 371,738	$ 19,198	$ 390,936
Provision for credit losses	13,861	(2,653)	11,208	10,465	(5,530)	4,935
Charge-offs	(24,670)	—	(24,670)	(76,366)	—	(76,366)
Recoveries	10,335	150	10,485	36,179	150	36,329
Balance, end of period	$ 342,016	$ 13,818	$ 355,834	$ 342,016	$ 13,818	$ 355,834
	Three months ended September 27, 2020			**Nine months ended September 27, 2020**		
	Retail	**Wholesale**	**Total**	**Retail**	**Wholesale**	**Total**
Balance, beginning of period	$ 389,758	$ 21,257	$ 411,015	$ 188,501	$ 10,080	$ 198,581
Cumulative effect of change in accounting[(a)]	—	—	—	95,558	5,046	100,604
Provision for credit losses	8,024	(189)	7,835	172,491	5,942	178,433
Charge-offs	(20,378)	(2,442)	(22,820)	(105,452)	(2,442)	(107,894)
Recoveries	12,672	—	12,672	38,978	—	38,978
Balance, end of period	$ 390,076	$ 18,626	$ 408,702	$ 390,076	$ 18,626	$ 408,702

(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 vintage and credit quality indicator was as follows (in thousands):

	September 26, 2021						
	2021	2020	2019	2018	2017	2016 & Prior	Total
U.S. Retail:							
Super prime	$ 896,163	$ 551,078	$ 367,490	$ 206,333	$ 83,674	$ 38,494	$ 2,143,232
Prime	1,228,335	805,349	538,440	323,554	171,308	107,715	3,174,701
Sub-prime	428,238	312,163	207,139	119,730	72,026	64,890	1,204,186
	2,552,736	1,668,590	1,113,069	649,617	327,008	211,099	6,522,119
Canadian Retail:							
Super prime	50,110	36,596	31,173	16,701	6,265	2,239	143,084
Prime	16,166	13,904	10,336	7,026	4,228	2,350	54,010
Sub-prime	2,345	2,436	1,694	1,090	704	474	8,743
	68,621	52,936	43,203	24,817	11,197	5,063	205,837
	$ 2,621,357	$ 1,721,526	$ 1,156,272	$ 674,434	$ 338,205	$ 216,162	$ 6,727,956

	December 31, 2020						
	2020	2019	2018	2017	2016	2015 & Prior	Total
U.S. Retail:							
Super prime	$ 822,631	$ 575,977	$ 355,529	$ 165,436	$ 71,360	$ 29,181	$ 2,020,114
Prime	1,133,637	794,058	508,713	293,358	156,688	77,046	2,963,500
Sub-prime	435,875	295,403	177,598	111,163	72,556	52,060	1,144,655
	2,392,143	1,665,438	1,041,840	569,957	300,604	158,287	6,128,269
Canadian Retail:							
Super prime	53,465	48,692	28,581	13,818	5,018	2,011	151,585
Prime	18,568	14,257	10,269	6,727	3,198	2,025	55,044
Sub-prime	3,172	2,498	1,560	1,095	607	365	9,297
	75,205	65,447	40,410	21,640	8,823	4,401	215,926
	$ 2,467,348	$ 1,730,885	$ 1,082,250	$ 591,597	$ 309,427	$ 162,688	$ 6,344,195

	September 27, 2020						
	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

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. Additionally, 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 vintage and credit quality indicator, was as follows (in thousands):

	September 26, 2021						
	2021	2020	2019	2018	2017	2016 & Prior	Total
Non-Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Doubtful	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Special Mention	—	—	—	—	—	—	—
Medium Risk	—	—	—	—	—	—	—
Low Risk	432,088	19,082	22,821	11,218	4,222	1,705	491,136
	$ 432,088	$ 19,082	$ 22,821	$ 11,218	$ 4,222	$ 1,705	$ 491,136

	December 31, 2020						
	2020	2019	2018	2017	2016	2015 & Prior	Total
Non-Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Doubtful	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Special Mention	658	365	31	—	—	—	1,054
Medium Risk	1,925	242	—	—	—	—	2,167
Low Risk	388,568	71,441	13,412	7,887	2,297	2,923	486,528
	$ 391,151	$ 72,048	$ 13,443	$ 7,887	$ 2,297	$ 2,923	$ 489,749

	September 27, 2020						
	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

Retail finance receivables are contractually delinquent if the minimum payment is not received by the specified due date. Retail finance receivables at amortized cost, excluding accrued interest, 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 of accrued interest against interest income during the three months ended September 26, 2021 and September 27, 2020, and $11.6 million and $14.5 million during the nine months ended September 26, 2021 and 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 *Accounting Standards Codification (ASC) Topic 326, Financial Instruments - Credit Losses* (ASC Topic 326) to exclude accrued interest from its allowance for credit losses. Accordingly, as of September 26, 2021, December 31, 2020 and September 27, 2020, all retail finance receivables were accounted for as interest-earning receivables.

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. There were no charged-off accounts during the three and nine months ended September 26, 2021. As such, the Company did not reverse any accrued interest in those periods. 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 26, 2021, December 31, 2020, and September 27, 2020.

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

	September 26, 2021					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total
Retail finance receivables	$ 6,561,412	$ 101,157	$ 35,273	$ 30,114	$ 166,544	$ 6,727,956
Wholesale finance receivables	490,974	46	92	24	162	491,136
	$ 7,052,386	$ 101,203	$ 35,365	$ 30,138	$ 166,706	$ 7,219,092
	December 31, 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	$ 6,164,369	$ 106,818	$ 39,933	$ 33,075	$ 179,826	$ 6,344,195
Wholesale finance receivables	489,556	166	23	4	193	489,749
	$ 6,653,925	$ 106,984	$ 39,956	$ 33,079	$ 180,019	$ 6,833,944
	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

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 26, 2021, December 31, 2020 and September 27, 2020. 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. Starting in the second quarter of 2020, the Company granted 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. During the first half of 2021, the volume of extensions declined from the levels experienced during 2020 as a result of the COVID-19 pandemic, but extensions did not return to pre-COVID-19 pandemic levels until the end of the second quarter of 2021. The Company discontinued extensions specific to the COVID-19 pandemic at the beginning of the third quarter of 2021; however, it continues to grant standard payment extensions to customers in accordance with its policies.

9. 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 26, 2021			December 31, 2020			September 27, 2020		
	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities
Foreign currency contracts	$ 406,220	$ 10,174	$ 502	$ 533,925	$ 11	$ 21,927	$ 352,933	$ 2,334	$ 6,132
Commodity contracts	1,000	458	—	671	—	52	801	95	—
Cross-currency swaps	1,367,460	47,989	—	1,367,460	138,622	—	1,367,460	57,787	292
Interest rate swaps	—	—	—	450,000	—	3,086	450,000	—	6,184
	$ 1,774,680	$ 58,621	$ 502	$ 2,352,056	$ 138,633	$ 25,065	$ 2,171,194	$ 60,216	$ 12,608

	Derivative Financial Instruments Not Designated as Hedging Instruments								
	September 26, 2021			December 31, 2020			September 27, 2020		
	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities
Foreign currency contracts	$ 135,381	$ 375	$ 162	$ 245,494	$ 737	$ 435	$ 284,991	$ 342	$ 574
Commodity contracts	9,920	739	30	6,806	849	21	6,854	231	215
Interest rate caps	608,222	112	—	978,058	47	—	1,124,260	60	—
	$ 753,523	$ 1,226	$ 192	$ 1,230,358	$ 1,633	$ 456	$ 1,416,105	$ 633	$ 789

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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Foreign currency contracts	$ 8,653	$ (6,587)	$ 20,829	$ 6,250	$ (3,504)	$ 3,027	$ (16,051)	$ 11,732
Commodity contracts	390	131	546	(26)	65	(12)	36	(201)
Cross-currency swaps	(40,741)	63,182	(90,633)	49,168	(33,600)	59,625	(77,775)	83,634
Treasury rate lock contracts	—	—	—	—	(127)	(124)	(375)	(370)
Interest rate swaps	—	(994)	397	(7,503)	—	(3,931)	(2,689)	(10,500)
	$ (31,698)	$ 55,732	$ (68,861)	$ 47,889	$ (37,166)	$ 58,585	$ (96,854)	$ 84,295

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 26, 2021			
Line item on the Consolidated statements of operations in which the effects of cash flow hedges are recorded	$ 850,193	$ 254,312	$ 7,779	$ 44,770
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	$ (3,504)	$ —	$ —	$ —
Commodity contracts	$ 65	$ —	$ —	$ —
Cross-currency swaps	$ —	$ (33,600)	$ —	$ —
Treasury rate lock contracts	$ —	$ —	$ (91)	$ (36)
	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 swaps	$ —	$ —	$ —	$ (3,931)

	Motorcycles cost of goods sold		Selling, administrative & engineering expense		Interest expense		Financial Services inter[cut off] expense	
	Nine months ended September 26, 2021							
Line item on the Consolidated statements of operations in which the effects of cash flow hedges are recorded	$	2,586,264	$	747,665	$	23,209	$	149,0
Gain/(loss) reclassified from AOCL into income:								
Foreign currency contracts	$	(16,051)	$	—	$	—	$	
Commodity contracts	$	36	$	—	$	—	$	
Cross-currency swaps	$	—	$	(77,775)	$	—	$	
Treasury rate lock contracts	$	—	$	—	$	(272)	$	(1
Interest rate swaps	$	—	$	—	$	—	$	(2,6
	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	$	182,1
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)	$	(
Interest rate swaps	$	—	$	—	$	—	$	(10,5

The amount of net gain included in *Accumulated other comprehensive loss* (AOCL) at September 26, 2021, estimated to be reclassified into income over the next 12 months was $9.4 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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Foreign currency contracts	$ 2,152	$ (3,569)	$ (3,396)	$ (1,897)
Commodity contracts	102	134	1,528	(859)
Interest rate caps	(39)	92	65	519
	$ 2,215	$ (3,343)	$ (1,803)	$ (2,237)

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.

10. 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 6 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 26, 2021 and September 27, 2020 was $6.1 million and $7.1 million, respectively, and $18.7 million and $20.9 million for the nine months ended September 26, 2021 and September 27, 2020, respectively. This includes variable lease costs related to leases involving assets operated by a third party of approximately $0.9 million and $2.1 million for the three months ended September 26, 2021 and September 27, 2020, respectively, and $3.4 million and $5.2 million for the nine months ended September 26, 2021 and September 27, 2020, 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 26, 2021	December 31, 2020	September 27, 2020
Lease assets	$ 47,507	$ 45,203	$ 47,599
Accrued liabilities	$ 18,468	$ 17,081	$ 17,704
Lease liabilities	26,017	30,115	31,225
	$ 44,485	$ 47,196	$ 48,929

Future maturities of the Company's operating lease liabilities as of September 26, 2021 were as follows (in thousands):

	Operating Leases
2021	$ 5,017
2022	17,694
2023	9,119
2024	6,907
2025	3,923
Thereafter	3,406
Future lease payments	46,066
Present value discount	(1,581)
Lease liabilities	$ 44,485

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

	Three months ended		Nine months ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Cash outflows for amounts included in the measurement of lease liabilities	$ 4,756	$ 5,274	$ 20,479	$ 15,893
ROU assets obtained in exchange for lease obligations, net of modifications	$ 11,189	$ (1,327)	$ 17,390	$ 327

	September 26, 2021	December 31, 2020	September 27, 2020
Weighted-average remaining lease term (in years)	3.36	3.78	3.92
Weighted-average discount rate	2.4 %	3.1 %	3.1 %

11. Debt

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

	September 26, 2021	December 31, 2020	September 27, 2020
Unsecured commercial paper	$ 749,620	$ 1,014,274	$ 1,077,763
364-day credit facility borrowings	—	—	150,000
	$ 749,620	$ 1,014,274	$ 1,227,763

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

		September 26, 2021	December 31, 2020	September 27, 2020
Secured debt:				
Asset-backed Canadian commercial paper conduit facility		$ 98,310	$ 116,678	$ 127,500
Asset-backed U.S. commercial paper conduit facilities		242,254	402,205	467,338
Asset-backed securitization debt		1,961,571	1,800,393	2,106,258
Unamortized discounts and debt issuance costs		(9,203)	(8,437)	(9,903)
		2,292,932	2,310,839	2,691,193
Unsecured notes (at par value):				
Medium-term notes:				
Due in 2021, issued January 2016	2.85 %	—	600,000	600,000
Due in 2021, issued November 2018	LIBOR + 0.94%	—	450,000	450,000
Due in 2021, issued May 2018	3.55 %	—	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 %	756,763	797,206	760,890
Due in 2024, issued November 2019[b]	3.14 %	698,550	735,882	702,360
Due in 2025, issued June 2020	3.35 %	700,000	700,000	700,000
Unamortized discounts and debt issuance costs		(10,649)	(15,374)	(17,289)
		3,444,664	4,917,714	4,845,961

		September 26, 2021	December 31, 2020	September 27, 2020
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		(5,506)	(6,023)	(6,194)
		744,494	743,977	743,806
		4,189,158	5,661,691	5,589,767
Long-term debt		6,482,090	7,972,530	8,280,960
Current portion of long-term debt, net		(1,605,798)	(2,039,597)	(2,109,284)
Long-term debt, net		$ 4,876,292	$ 5,932,933	$ 6,171,676

(a) Euro denominated, €650.0 million par value remeasured to U.S. dollar at September 26, 2021, December 31, 2020, and September 27, 2020, respectively
(b) Euro denominated, €600.0 million par value remeasured to U.S. dollar at September 26, 2021, December 31, 2020, and September 27, 2020, respectively

The Company's future principal payments on debt obligations as of September 26, 2021 were as follows (in thousands):

2021	$ 970,079
2022	1,615,337
2023	1,752,575
2024	1,150,272
2025	1,384,747
Thereafter	384,058
	$ 7,257,068

12. Asset-Backed Financing

The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. 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 26, 2021					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt, net
On-balance sheet assets and liabilities:						
Consolidated VIEs:						
Asset-backed securitizations	$ 2,362,454	$ (119,975)	$ 148,177	$ 2,228	$ 2,392,884	$ 1,952,368
Asset-backed U.S. commercial paper conduit facility	264,226	(13,396)	19,688	526	271,044	242,254
Unconsolidated VIEs:						
Asset-backed Canadian commercial paper conduit facility	112,374	(4,729)	7,408	157	115,210	98,310
	$ 2,739,054	$ (138,100)	$ 175,273	$ 2,911	$ 2,779,138	$ 2,292,932

	December 31, 2020					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt, net
On-balance sheet assets and liabilities:						
Consolidated VIEs:						
Asset-backed securitizations	$ 2,129,372	$ (124,627)	$ 116,268	$ 2,622	$ 2,123,635	$ 1,791,956
Asset-backed U.S. commercial paper conduit facility	441,402	(25,793)	26,624	1,131	443,364	402,205
Unconsolidated VIEs:						
Asset-backed Canadian commercial paper conduit facility	133,976	(6,508)	9,073	126	136,667	116,678
	$ 2,704,750	$ (156,928)	$ 151,965	$ 3,879	$ 2,703,666	$ 2,310,839

	September 27, 2020					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt, net
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	146,140	(6,878)	10,253	142	149,657	127,500
	$ 3,074,488	$ (180,601)	$ 181,178	$ 3,271	$ 3,078,336	$ 2,691,193

On-Balance Sheet Asset-Backed Securitization VIEs – The Company transfers U.S. retail motorcycle finance receivables to SPEs which in turn issue secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. Each on-balance sheet asset-backed securitization SPE is a separate legal entity, and the U.S. retail motorcycle finance receivables included in the asset-backed securitizations are only available for payment of the secured debt and other obligations arising from the asset-backed securitization transactions and are not available to pay other obligations or claims of the Company's creditors until the associated secured debt and other obligations are satisfied. Restricted cash balances held by the SPEs are used only to support the securitizations. There are no amortization schedules for the secured notes; however, the debt is reduced monthly as available collections on the related U.S. retail motorcycle finance receivables are applied to outstanding principal. The secured notes currently have various contractual maturities ranging from 2022 to 2029.

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 millions):

	2021			2020		
	Transfers	Proceeds	Proceeds, net	Transfers	Proceeds	Proceeds, net
First quarter	$ 663.1	$ 600.0	$ 597.4	$ 580.2	$ 525.0	$ 522.7
Second quarter	—	—	—	1,840.5	1,550.2	1,541.8
Third quarter	635.5	575.0	572.5	—	—	—
	$ 1,298.6	$ 1,175.0	$ 1,169.9	$ 2,420.7	$ 2,075.2	$ 2,064.5

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE – Until November 25, 2020, the Company had two separate agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits, a $300.0 million revolving facility agreement and a $600.0 million revolving facility agreement (together, the Former U.S. Conduit Facilities). On November 25, 2020, the Company amended each revolving facility agreement by consolidating the two agreements into one $900.0 million revolving facility agreement with third-party bank-sponsored asset-backed U.S. commercial paper conduits. Under the revolving facility agreement, the Company 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 addition to the $900.0 million aggregate commitment, the agreement allows for additional borrowings, at the lender's discretion, of up to $300.0 million. Availability under the $900.0 million revolving facility (the U.S. Conduit Facility) 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 Facility, 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 Facility also provides for an unused commitment fee based on the unused portion of the total aggregate commitment. When calculating the unused fee, the aggregate commitment does not include any unused portion of the $300.0 million additional 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 Facility, 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 4 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of September 26, 2021, the U.S. Conduit Facility has an expiration date of November 19, 2021.

The Company is the primary beneficiary of its U.S. Conduit Facility 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.

There were no finance receivable transfers under the U.S. Conduit Facility during the nine months ended September 26, 2021 or the second or third quarters of 2020. During the first quarter of 2020, the Company transferred $195.3 million of U.S. retail motorcycle finance receivables to an SPE which, in turn, issued $163.6 million of debt under the Former U.S. Conduit Facilities.

On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility – In June 2021, the Company renewed and amended its 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 eligible Canadian retail motorcycle finance receivables for proceeds up to C$125.0 million. Prior to the renewal and amendment, the Canadian Conduit was 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 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$125.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables is approximately 5 years. Unless earlier terminated or extended by mutual agreement between the Company and the lenders, as of September 26, 2021, the Canadian Conduit has an expiration date of June 27, 2022.

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 $16.9 million at September 26, 2021. The maximum exposure is not an indication of the Company's expected loss exposure.

During the third quarter of 2021, the Company transferred $32.8 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of $27.4 million. There were no finance receivable transfers under the Canadian Conduit Facility during the first half of 2021 or the second or third quarters of 2020. During the first quarter of 2020, the Company transferred $77.9 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of $61.6 million.

Off-Balance Sheet Asset-Backed Securitization VIE – There were no off-balance sheet asset-backed securitization transactions during the nine months ended September 26, 2021 or September 27, 2020. During the second quarter of 2016, the Company sold retail motorcycle finance receivables into a securitization VIE that was not consolidated. In April 2020, the Company repurchased the finance receivables associated with 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.

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 repurchased the finance receivables associated with the off-balance sheet securitization VIE in April 2020. As such, the Company did not recognize any servicing fee income in 2021. The Company recognized servicing fee income of $0.1 million during the nine months ended September 27, 2020.

13. Fair Value

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

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

Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity prices, and yield curves. The Company uses the market approach to derive the fair value for its Level 2 fair value measurements. 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 26, 2021		
	Balance	Level 1	Level 2
Assets:			
Cash equivalents	$ 1,753,398	$ 1,503,400	$ 249,998
Marketable securities	48,766	48,766	—
Derivative financial instruments	59,847	—	59,847
	$ 1,862,011	$ 1,552,166	$ 309,845
Liabilities:			
Derivative financial instruments	$ 694	$ —	$ 694
	December 31, 2020		
	Balance	Level 1	Level 2
Assets:			
Cash equivalents	$ 3,019,884	$ 2,819,884	$ 200,000
Marketable securities	52,061	52,061	—
Derivative financial instruments	140,266	—	140,266
	$ 3,212,211	$ 2,871,945	$ 340,266
Liabilities:			
Derivative financial instruments	$ 25,521	$ —	$ 25,521
	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

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 $18.3 million, $17.7 million and $17.1 million at September 26, 2021, December 31, 2020 and September 27, 2020, respectively, for which the fair value adjustment was a decrease of $1.4 million, $4.2 million and $2.9 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 26, 2021		December 31, 2020		September 27, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:						
Finance receivables, net	$ 7,117,828	$ 6,863,258	$ 6,586,348	$ 6,443,008	$ 6,954,661	$ 6,843,492
Liabilities:						
Deposits, net	$ 292,284	$ 290,270	$ 79,965	$ 79,965	$ 29,999	$ 29,999
Debt:						
Unsecured commercial paper	$ 749,620	$ 749,620	$ 1,014,274	$ 1,014,274	$ 1,077,763	$ 1,077,763
Global credit facility borrowings	$ —	$ —	$ —	$ —	$ 150,000	$ 150,000
Asset-backed U.S. commercial paper conduit facilities	$ 242,254	$ 242,254	$ 402,205	$ 402,205	$ 467,338	$ 467,338
Asset-backed Canadian commercial paper conduit facility	$ 98,310	$ 98,310	$ 116,678	$ 116,678	$ 127,500	$ 127,500
Asset-backed securitization debt	$ 1,967,893	$ 1,952,368	$ 1,817,892	$ 1,791,956	$ 2,123,715	$ 2,096,355
Medium-term notes	$ 3,583,411	$ 3,444,664	$ 5,118,928	$ 4,917,714	$ 4,895,006	$ 4,845,961
Senior notes	$ 798,518	$ 744,494	$ 828,141	$ 743,977	$ 798,411	$ 743,806

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, net – The carrying value of deposits is amortized cost. The fair value of deposits is estimated based upon rates currently available for deposits with similar terms and maturities. Fair value is calculated using Level 3 inputs.

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 facilities 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 fixed-rate 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). The fair value of the floating-rate debt related to on-balance sheet asset-backed securitization transactions is calculated using Level 2 inputs and approximates carrying value since the interest rates charged are tied directly to market rates and fluctuate as market rates change.

14. 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 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. The warranty and recall liability is included in *Accrued liabilities* and *Other long-term liabilities* on the *Consolidated balance sheets*. Changes in the Company's warranty and recall liabilities were as follows (in thousands):

	Three months ended		Nine months ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Balance, beginning of period	$ 73,626	$ 83,513	$ 69,208	$ 89,793
Warranties issued during the period	9,516	8,564	34,006	25,821
Settlements made during the period	(10,860)	(12,886)	(29,823)	(37,780)
Recalls and changes to pre-existing warranty liabilities	(569)	239	(1,678)	1,596
Balance, end of period	$ 71,713	$ 79,430	$ 71,713	$ 79,430

The liability for recall campaigns, included in the balance above, was $21.9 million, $24.7 million and $29.8 million at September 26, 2021, December 31, 2020 and September 27, 2020, respectively.

15. 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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Pension and SERPA Benefits:				
Service cost	$ 6,348	$ 6,806	$ 19,044	$ 20,418
Interest cost	15,472	19,112	46,412	57,335
Expected return on plan assets	(32,720)	(33,764)	(98,160)	(101,292)
Amortization of unrecognized:				
Prior service credit	(312)	(272)	(936)	(816)
Net loss	18,386	16,372	55,158	49,116
Settlement loss	—	—	816	—
Net periodic benefit cost	$ 7,174	$ 8,254	$ 22,334	$ 24,761
Postretirement Healthcare Benefits:				
Service cost	$ 1,288	$ 1,202	$ 3,864	$ 3,605
Interest cost	1,626	2,336	4,878	7,008
Expected return on plan assets	(3,495)	(3,467)	(10,485)	(10,401)
Amortization of unrecognized:				
Prior service credit	(581)	(595)	(1,743)	(1,785)
Net loss	264	123	792	369
Net periodic benefit cost	$ (898)	$ (401)	$ (2,694)	$ (1,204)

There are no required or planned voluntary qualified pension plan contributions for 2021. The Company expects it will continue to make ongoing benefit payments under the SERPA and postretirement healthcare plans.

16. 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.

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 United States Environmental Protection Agency (EPA). The associated cleanup plan documents were approved in February 2020 and the remaining cleanup activities are expected to begin in 2022. 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*. The Company believes the accrual recorded is adequate and this matter is not expected to have a material adverse effect on the Company's consolidated financial statements.

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

17. Accumulated Other Comprehensive Loss

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

	Three months ended September 26, 2021			
	Foreign currency translation adjustments	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	$ (23,512)	$ (29,088)	$ (402,537)	$ (455,137)
Other comprehensive loss, before reclassifications	(18,296)	(31,698)	—	(49,994)
Income tax benefit	460	6,928	—	7,388
	(17,836)	(24,770)	—	(42,606)
Reclassifications:				
Net losses on derivative financial instruments	—	37,166	—	37,166
Prior service credits[(a)]	—	—	(893)	(893)
Actuarial losses[(a)]	—	—	18,650	18,650
Reclassifications before tax	—	37,166	17,757	54,923
Income tax expense	—	(8,126)	(4,169)	(12,295)
	—	29,040	13,588	42,628
Other comprehensive (loss) income	(17,836)	4,270	13,588	22
Balance, end of period	$ (41,348)	$ (24,818)	$ (388,949)	$ (455,115)

	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)	$	(552,19
Other comprehensive income, before reclassifications		13,331		55,732		—		69,06
Income tax expense		(594)		(12,299)		—		(12,89
		12,737		43,433		—		56,17
Reclassifications:								
Net gains on derivative financial instruments		—		(58,585)		—		(58,58
Prior service credits[a]		—		—		(867)		(86
Actuarial losses[a]		—		—		16,495		16,49
Reclassifications before tax		—		(58,585)		15,628		(42,95
Income tax benefit (expense)		—		13,051		(3,669)		9,38
		—		(45,534)		11,959		(33,57
Other comprehensive income (loss)		12,737		(2,101)		11,959		22,59
Balance, end of period	$	(41,088)	$	(42,841)	$	(445,674)	$	(529,60

	Nine months ended September 26, 2021				
		Foreign currency translation adjustments	Derivative financial instruments	Pension and postretirement benefit plans	Total
ance, beginning of period	$	(7,589)	(46,116)	(429,712)	(483,417)
er comprehensive loss, before reclassifications		(33,648)	(68,861)	—	(102,509)
ome tax (expense) benefit		(111)	15,026	—	14,915
		(33,759)	(53,835)	—	(87,594)
classifications:					
Net losses on derivative financial instruments		—	96,854	—	96,854
Prior service credits[a]		—	—	(2,679)	(2,679)
Actuarial losses[a]		—	—	55,950	55,950
Reclassifications before tax		—	96,854	53,271	150,125
Income tax expense		—	(21,721)	(12,508)	(34,229)
		—	75,133	40,763	115,896
er comprehensive (loss) income		(33,759)	21,298	40,763	28,302
ance, end of period	$	(41,348)	(24,818)	(388,949)	(455,115)

		Nine months ended September 27, 2020			
		Foreign currency translation adjustments	Derivative financial instruments	Pension and postretirement benefit plans	Total
ance, beginning of period	$	(40,813)	(14,586)	(481,550)	(536,949)
er comprehensive (loss) income, before reclassifications		(434)	47,889	—	47,455
ome tax benefit (expense)		159	(10,718)	—	(10,559)
		(275)	37,171	—	36,896
classifications:					
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)
ncome tax benefit (expense)		—	18,869	(11,008)	7,861
		—	(65,426)	35,876	(29,550)
er comprehensive (loss) income		(275)	(28,255)	35,876	7,346
ance, end of period	$	(41,088)	(42,841)	(445,674)	(529,603)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 15

18. 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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Motorcycles and Related Products:				
Motorcycles revenue	$ 1,160,618	$ 964,029	$ 3,724,225	$ 2,733,091
Gross profit	310,425	287,233	1,137,961	713,781
Selling, administrative and engineering expense	212,243	196,912	626,211	618,912
Restructuring expense	517	43,581	731	84,586
Operating income	97,665	46,740	511,019	10,283
Financial Services:				
Financial Services revenue	204,692	201,655	595,650	596,064
Financial Services expense	98,047	110,177	275,487	475,771
Restructuring expense	98	334	436	1,278
Operating income	106,547	91,144	319,727	119,015
Operating income	$ 204,212	$ 137,884	$ 830,746	$ 129,298

Total assets for the Motorcycles and Financial Services segments were $3.0 billion and $8.2 billion, respectively, as of September 26, 2021, $2.5 billion and $9.5 billion, respectively, as of December 31, 2020, and $2.4 billion and $10.1 billion, respectively, as of September 27, 2020.

19. Supplemental Consolidating Data

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

	Three months ended September 26, 2021			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	$ 1,167,432	$ —	$ (6,814)	$ 1,160,618
Financial Services	—	202,080	2,612	204,692
	1,167,432	202,080	(4,202)	1,365,310
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	850,193	—	—	850,193
Financial Services interest expense	—	44,770	—	44,770
Financial Services provision for credit losses	—	11,208	—	11,208
Selling, administrative and engineering expense	216,030	42,686	(4,404)	254,312
Restructuring expense	517	98	—	615
	1,066,740	98,762	(4,404)	1,161,098
Operating income	100,692	103,318	202	204,212
Other income, net	858	—	—	858
Investment income	120,198	—	(120,000)	198
Interest expense	7,779	—	—	7,779
Income before income taxes	213,969	103,318	(119,798)	197,489
Provision for income taxes	7,408	27,108	—	34,516
Net income	$ 206,561	$ 76,210	$ (119,798)	$ 162,973

	Nine months ended September 26, 2021			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	$ 3,742,869	$ —	$ (18,644)	$ 3,724,2
Financial Services	—	590,468	5,182	595,6
	3,742,869	590,468	(13,462)	4,319,8
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	2,586,264	—	—	2,586,2
Financial Services interest expense	—	149,098	—	149,0
Financial Services provision for credit losses	—	4,935	—	4,9
Selling, administrative and engineering expense	635,902	125,053	(13,290)	747,6
Restructuring expense	731	436	—	1,1
	3,222,897	279,522	(13,290)	3,489,1
Operating income	519,972	310,946	(172)	830,7
Other income, net	1,825	—	—	1,8
Investment income	244,331	—	(240,000)	4,3
Interest expense	23,209	—		23,2
Income before income taxes	742,919	310,946	(240,172)	813,6
Provision for income taxes	112,974	72,262	—	185,2
Net income	$ 629,945	$ 238,684	$ (240,172)	$ 628,4

	September 26, 2021			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,115,014	$ 946,289	$ —	$ 2,061,303
Accounts receivable, net	590,806	—	(308,179)	282,627
Finance receivables, net	—	1,540,822	—	1,540,822
Inventories, net	475,314	—	—	475,314
Restricted cash	—	153,873	—	153,873
Other current assets	114,221	94,868	(14,608)	194,481
	2,295,355	2,735,852	(322,787)	4,708,420
Finance receivables, net	—	5,322,436	—	5,322,436
Property, plant and equipment, net	642,253	29,583	—	671,836
Pension and postretirement assets	132,958	—	—	132,958
Goodwill	63,841	—	—	63,841
Deferred income taxes	43,097	86,011	(1,049)	128,059
Lease assets	40,163	7,344	—	47,507
Other long-term assets	191,126	37,370	(103,749)	124,747
	$ 3,408,793	$ 8,218,596	$ (427,585)	$ 11,199,804
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 361,057	$ 329,338	$ (308,179)	$ 382,216
Accrued liabilities	489,988	123,642	(13,778)	599,852
Short-term deposits, net	—	92,626	—	92,626
Short-term debt	—	749,620	—	749,620
Current portion of long-term debt, net	—	1,605,798	—	1,605,798
	851,045	2,901,024	(321,957)	3,430,112
Long-term deposits, net	—	197,644	—	197,644
Long-term debt, net	744,494	4,131,798	—	4,876,292
Lease liabilities	19,457	6,560	—	26,017
Pension and postretirement liabilities	103,144	—	—	103,144
Deferred income taxes	7,166	1,419	—	8,585
Other long-term liabilities	173,178	48,586	2,352	224,116
Commitments and contingencies (Note 16)				
Shareholders' equity	1,510,309	931,565	(107,980)	2,333,894
	$ 3,408,793	$ 8,218,596	$ (427,585)	$ 11,199,804

	Nine months ended September 26, 2021			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	$ 629,945	$ 238,684	$ (240,172)	$ 628,457
Adjustments to reconcile Net income to Net cash provided by operating activities:				
Depreciation and amortization	115,779	6,704	—	122,483
Amortization of deferred loan origination costs	—	63,265	—	63,265
Amortization of financing origination fees	517	9,909	—	10,426
Provision for long-term employee benefits	19,640	—	—	19,640
Employee benefit plan contributions and payments	(14,677)	—	—	(14,677)
Stock compensation expense	31,089	2,943	—	34,032
Net change in wholesale finance receivables related to sales	—	—	(22,031)	(22,031)
Provision for credit losses	—	4,935	—	4,935
Deferred income taxes	4,710	6,028	(112)	10,626
Other, net	3,320	(1,397)	171	2,094
Changes in current assets and liabilities:				
Accounts receivable, net	(379,821)	—	231,151	(148,670)
Finance receivables – accrued interest and other	—	11,088	—	11,088
Inventories, net	31,874	—	—	31,874
Accounts payable and accrued liabilities	162,088	247,740	(241,522)	168,306
Other current assets	(11,127)	3,952	10,878	3,703
	(36,608)	355,167	(21,465)	297,094
Net cash provided by operating activities	593,337	593,851	(261,637)	925,551
Cash flows from investing activities:				
Capital expenditures	(59,128)	(2,348)	—	(61,476)
Origination of finance receivables	—	(6,157,658)	2,712,705	(3,444,953)
Collections on finance receivables	—	5,659,465	(2,691,068)	2,968,397
Other investing activities	2,485	—	—	2,485
Net cash used by investing activities	(56,643)	(500,541)	21,637	(535,547)

	Nine months ended September 26, 2021			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from financing activities:				
Repayments of medium-term notes	—	(1,400,000)	—	(1,400,000)
Proceeds from securitization debt	—	1,169,910	—	1,169,910
Repayments of securitization debt	—	(1,013,820)	—	(1,013,820)
Borrowings of asset-backed commercial paper	—	27,406	—	27,406
Repayments of asset-backed commercial paper	—	(206,671)	—	(206,671)
Net decrease in unsecured commercial paper	—	(261,978)	—	(261,978)
Net increase in deposits	—	210,144	—	210,144
Dividends paid	(69,316)	(240,000)	240,000	(69,316)
Repurchase of common stock	(11,545)	—	—	(11,545)
Issuance of common stock under share-based plans	4,324	—	—	4,324
Net cash used by financing activities	(76,537)	(1,715,009)	240,000	(1,551,546)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(11,304)	254	—	(11,050)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 448,853	$ (1,621,445)	$ —	$ (1,172,592)
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash, beginning of period	$ 666,161	$ 2,743,007	$ —	$ 3,409,168
Net increase (decrease) in cash, cash equivalents and restricted cash	448,853	(1,621,445)	—	(1,172,592)
Cash, cash equivalents and restricted cash, end of period	$ 1,115,014	$ 1,121,562	$ —	$ 2,236,576

20. Subsequent Event

On October 30, 2021, the U.S. and EU announced an agreement related to the Section 232 tariffs on steel and aluminum that were implemented in 2018 by the U.S. and the subsequent rebalancing tariff measures taken by the EU. This agreement will remove the additional tariffs imposed by the EU beginning in 2018 on the Company's motorcycles imported into the EU, reducing the total EU tariff rate on the Company's motorcycles from 31% to 6%, effective January 1, 2022. The EU tariff rate will remain at 31% through the end of 2021 rather than increasing to 56% on December 1, 2021, as previously scheduled. The lower 6% tariff rate will apply to all motorcycles imported by the Company into the EU, regardless of origin, beginning in 2022.

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

Harley-Davidson, Inc. is the parent company of Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc. and all its subsidiaries. The Company operates in two segments: Motorcycles and Related Products (Motorcycles) and Financial Services. During 2020, the Company executed a set of actions, referred to as The Rewire. The Rewire was a critical overhaul of the Company's business to set the Company on a new course and provide a solid foundation to execute its 2021-2025 strategic plan, The Hardwire. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for more information on The Rewire and The Hardwire.

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," "targets," "intends," "forecasts," "sees," 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, 2020. 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 this report are made as of the date of the filing of this report (November 4, 2021), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Overview

The Company's net income was $163.0 million, or $1.05 per diluted share, in the third quarter of 2021, compared to $120.2 million, or $0.78 per diluted share, in the third quarter of 2020. In the third quarter of 2021, Motorcycles segment operating income was $97.7 million, up $50.9 million over the third quarter of 2020. The increase in operating income from the Motorcycles segment for the third quarter of 2021 was driven by an 11.5% increase in wholesale motorcycle shipments, improved product mix and lower restructuring expenses compared to the same quarter last year. Operating income from the Financial Services segment in the third quarter of 2021 was $106.5 million, up $15.4 million compared to the year-ago quarter due primarily to lower interest expense.

Retail sales of new Harley-Davidson motorcycles in the third quarter of 2021 were down 5.6% compared to the third quarter of 2020. Retail sales in the third quarter of 2021 increased 1.9% in North America compared to the year ago quarter, which was more than offset by declines in the Company's markets outside of North America. Refer to the *Motorcycles Retail Sales and Registration Data* section for further discussion of retail sales results.

Additional European Union Tariffs[1]

Beginning in 2019, the Company operated under Binding Origin Information (BOI) rulings that allowed it to supply its European Union (EU) markets with certain motorcycles produced at its Thailand manufacturing facility at tariff rates of 6%. In April 2021, the Company received notification from the Economic Ministry of Belgium that, following a request from the EU, the Company would be subject to the revocation of the BOI rulings, effective April 19, 2021. As a result of the revocation, all non-electric motorcycles that Harley-Davidson imported into the EU, regardless of origin, were subject to a total tariff rate of 31% on April 19, 2021 that was scheduled to increase to 56% effective June 1, 2021. However, in May 2021, the EU made a decision to delay the increase initially scheduled for June 2021 to December 2021, while tariff negotiations took place between the U.S. and the EU. On October 30, 2021, the U.S. and EU announced an agreement related to the Section 232 tariffs on steel and aluminum that were implemented in 2018 by the U.S. and the subsequent rebalancing tariff measures taken by the EU. This agreement will remove the additional tariffs imposed by the EU on the Company's motorcycles beginning in 2018, reducing the total EU tariff rate on the Company's motorcycles from 31% to 6%, effective January 1, 2022. The EU tariff rate will remain at 31% through the end of 2021 rather than increasing to 56% on December 1, 2021 as previously scheduled. The lower 6% tariff rate will apply to all motorcycles imported by the Company into the EU, regardless of origin, beginning in 2022.

Based on the agreement, the Company now estimates the impact of the additional EU tariffs in 2021 to be approximately $61 million, including approximately $44 million recognized in the first nine months of 2021. The current estimate is lower than the previous estimate of $80 million reflecting a tariff rate of 31% for the remainder of 2021 as well as the Company's most recent EU volume estimates. In addition, as a result of this agreement, the Company now expects that there will be no impact from additional EU tariffs in 2022. The Company had previously estimated the impact of additional EU tariffs to be approximately $200 million to $225 million on annual basis after 2021 assuming a total EU tariff rate of 56%.

To date, the Company continues to pursue its appeals of the revocation of the BOIs and the denial of its application for temporary extended reliance on the 6% tariff rate (for motorcycles produced in Thailand and ordered prior to April 19, 2021), although there is no assurance that these appeals will continue or be successful.

COVID-19 Pandemic & Supply Chain

The Company continues to manage through the impacts of the COVID-19 pandemic keeping safety and community well-being a priority. The full impact of the COVID-19 pandemic on future results depends on future developments, such as the ultimate duration and scope of the pandemic, the success of vaccination programs, the consequences of vaccine requirements, and its impact on the Company's customers, independent dealers, distributors, and suppliers. Future impacts and disruptions could have an adverse effect on production, supply chains, distribution, and demand for the Company's products.

Supply Chain and Distribution – The global supply chain challenges, which the Company believes are primarily linked to the COVID-19 pandemic, continue to impact the Company and the industry. During the first nine months of 2021, the Company experienced disruption and increased costs related to global supply chain challenges. As a result of these challenges, the Company has experienced cost increases for logistics, raw materials and purchased components, as well as increased manufacturing conversion costs. In the third quarter of 2021, the Company's supply chain cost impact was consistent with what it experienced in the second quarter of 2021; however, it did experience increased supplier volatility which impacted production levels for the third quarter. In addition, the Company continued to experience longer shipping times into its international markets during the third quarter. The Company expects continued cost pressure in the fourth quarter of 2021 at the same levels experienced in the third quarter.[1] In response to the supply chain challenges, the Company has imposed pricing surcharges in the U.S., worked to optimize production schedules to prioritize more profitable models and markets and enacted tighter operating expense cost controls. The Company expects the supply chain challenges to continue well into 2022 and will continue to work to mitigate the impact to its business.[1]

Liquidity – At the end of the third quarter of 2021, the Company had $3.4 billion of available liquidity through cash, cash equivalents and availability under its credit and conduit facilities. The Company continues to closely monitor its liquidity in light of the COVID-19 pandemic; however, during 2021 the Company has gradually reduced its cash and cash equivalents from the elevated December 2020 levels. Liquidity is discussed in more detail under *Liquidity and Capital Resources*.

Supporting Customers – Starting in the second quarter of 2020, the Company granted 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. During the first half of 2021, the volume of extensions declined from the levels experienced during 2020 returning to pre-COVID-19 pandemic levels by the end of the second quarter of 2021. The Company discontinued extensions specific to the COVID-19 pandemic at the beginning of the third quarter of 2021; however, it continues to grant standard payment extensions to customers in accordance with its policies.

Safety – The Company continues to proactively manage through the COVID-19 pandemic and has implemented robust protocols to keep workers safe in its manufacturing facilities. Most non-production workers continue to work remotely in light of the COVID-19 pandemic.

Guidance[1]

The Company provided the following expectations for the remainder of 2021.

The Company continues to expect 2021 Motorcycles segment revenue growth of 30% to 35% over 2020.

The Company continues to expect 2021 Motorcycles segment operating margin of 6% to 8%. This guidance assumes $61 million of cost related to the additional EU tariffs discussed above under "Additional European Union Tariffs."

The Company expects to ship approximately 22,000 to 29,000 motorcycles at wholesale in the fourth quarter of 2021. Consistent with the prior year, during the fourth quarter of 2021, the Company will shift motorcycle production to begin producing next year's model year product. The model year changeover will limit the amount of wholesale shipments during the fourth quarter as model year 2022 motorcycles produced will remain in company-owned inventory ahead of the new model year launch in early 2022. The Company expects the financial impact of the model year changeover in the fourth quarter of 2021 to be very similar to the impact of the changeover experienced in the fourth quarter of 2020. This includes an increase in operating expense and capital expenditures in the fourth quarter as compared to the first three quarters of the year to support the product launch. Finally, the Company expects lower restructuring expense in the fourth quarter of 2021 as compared to the fourth quarter of 2020.

The Company expects Financial Services segment operating income growth in 2021 over 2020 of 95% to 105%, up from the previous range of 75% to 85%. The improved outlook takes into account the favorable credit loss experience through the first nine months of 2021, as well as the outlook for the remainder of the year.

The Company now expects capital expenditures of $135 million to $150 million in 2021, down from its previous estimate of $190 to $220 million. The decrease is driven by stronger capital management across projects, as well as changes in the timing of expenditures for key initiatives.

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 included restructuring expenses related to employee termination costs, contract termination costs and non-current asset adjustments. The workforce reduction resulted in the elimination of approximately 700 positions globally, including the termination of approximately 500 employees. In addition, the India action resulted in the termination of approximately 70 employees. The Company incurred approximately $130 million of restructuring expense in connection with these actions during 2020. The Company expects to incur total restructuring expenses for these actions of approximately $135 million, including approximately $5 million in 2021. The Company continues to expect annual ongoing gross savings resulting from these restructuring activities of approximately $115 million. Refer to *Note 4 of the Notes to Consolidated financial statements* for additional information regarding the Company's restructuring activities.

Results of Operations for the Three Months Ended September 26, 2021
Compared to the Three Months Ended September 27, 2020

Consolidated Results

(in thousands, except earnings per share)	Three months ended September 26, 2021	Three months ended September 27, 2020	Increase (Decrease)
Operating income from Motorcycles and Related Products	$ 97,665	$ 46,740	$ 50,925
Operating income from Financial Services	106,547	91,144	15,403
Operating income	204,212	137,884	66,328
Other income, net	858	155	703
Investment income	198	2,672	(2,474)
Interest expense	7,779	7,783	(4)
Income before income taxes	197,489	132,928	64,561
Provision for income taxes	34,516	12,710	21,806
Net income	$ 162,973	$ 120,218	$ 42,755
Diluted earnings per share	$ 1.05	$ 0.78	$ 0.27

The Company reported operating income of $204.2 million in the third quarter of 2021 compared to $137.9 million in the same period last year. Motorcycles segment operating income was $97.7 million in the third quarter of 2021, an improvement of $50.9 million, compared to the third quarter of 2020. Operating income from the Financial Services segment increased $15.4 million, or 16.9%, compared to the third quarter of 2020. Refer to the Motorcycles and Related Products Segment and Financial Services Segment sections for a more detailed discussion of the factors affecting operating income.

Investment income decreased $2.5 million in the third quarter of 2021 as compared to 2020 driven by lower income from investments in marketable securities and cash equivalents.

The effective income tax rate for the third quarter of 2021 was 17.5% compared to 9.6% for the third quarter of 2020. The increase in the effective tax rate is primarily attributable to higher discrete tax adjustments recorded in the third quarter of 2020, including favorable settlements with taxing authorities.

Diluted earnings per share was $1.05 in the third quarter of 2021, up 34.6% from the same period last year. Diluted weighted average shares outstanding increased from 153.9 million in the third quarter of 2020 to 155.1 million in the third quarter of 2021.

Harley-Davidson Motorcycle Retail Sales[(a)]

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

	Three months ended			
	September 30, 2021	September 30, 2020	Increase (Decrease)	% Change
United States	31,699	31,304	395	1.3 %
Canada	2,158	1,915	243	12.7
North America	33,857	33,219	638	1.9
Europe/Middle East/Africa (EMEA)	9,389	11,184	(1,795)	(16.0)
Asia Pacific	6,484	7,631	(1,147)	(15.0)
Latin America	1,048	1,768	(720)	(40.7)
	50,778	53,802	(3,024)	(5.6) %

(a) Data source for retail sales figures shown above is new sales warranty and registration information provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning new retail sales, and the Company does not regularly verify the information that its dealers supply. This information is subject to revision.

Worldwide retail sales of new Harley-Davidson motorcycles were down 5.6% during the third quarter of 2021 compared to the same period last year with growth in North America more than offset by declines in markets outside of North America. Retail sales in the third quarter of 2021 were impacted by strategic decisions made as part of The Rewire, as well as longer global shipping times which continued to impact international markets.

Retail sales in North America were up during the third quarter of 2021, driven by demand for the Company's Grand American Touring motorcycles, as well as the successful launch of the Company's new Pan America™ motorcycles. Outside of North America, retail sales were impacted by actions taken under The Rewire to streamline the product portfolio to reduce complexity and direct resources toward the Company's core stronghold products. This includes the Company's decision to discontinue selling Street motorcycles globally and legacy Sportster motorcycles in EMEA and certain countries within the Asia Pacific and Latin American markets. Latin America retail sales were also impacted during the third quarter of 2021 by the reduction of independent dealers and pricing actions executed as part of The Rewire in 2020 to restore profitability in those markets.

At the end of the third quarter of 2021, worldwide retail inventory of new Harley-Davidson motorcycles was down approximately 35%, or approximately 13,000 motorcycles, compared to the third quarter of 2020 and relatively flat to the second quarter of 2021. Retail inventory levels at the end of the third quarter of 2021 have been impacted by stronger demand in North America, as well as global supply chain challenges which impacted the Company's ability to produce at planned levels and resulted in longer shipping times. While retail inventory levels are lower than the Company's original plan, it has seen improvement in desirability as measured by stronger pricing across both new and used motorcycles and improved dealer profitability.

Motorcycles and Related Products Segment

Motorcycle Unit Shipments

Wholesale Harley-Davidson motorcycle unit shipments were as follows:

	Three months ended					
	September 26, 2021		September 27, 2020		Unit	Unit
	Units	Mix %	Units	Mix %	Increase	% Change
U.S. motorcycle shipments	27,919	58.2 %	25,284	58.8 %	2,635	10.4 %
Worldwide motorcycle shipments:						
Grand American Touring motorcycles[a]	21,988	45.9 %	17,230	40.1 %	4,758	27.6 %
Cruiser motorcycles[b]	16,531	34.5 %	14,775	34.4 %	1,756	11.9
Adventure Touring motorcycles	4,507	9.4 %	—	— %	4,507	100.0
Sportster® / Street motorcycles	4,915	10.2 %	10,978	25.5 %	(6,063)	(55.2)
	47,941	100.0 %	42,983	100.0 %	4,958	11.5 %

(a) Includes CVO™ and Trike
(b) Includes Softail® and LiveWire®

The Company shipped 47,941 Harley-Davidson motorcycles worldwide during the third quarter of 2021, which was 11.5% higher than the third quarter of 2020. The mix of Grand American Touring and Cruiser motorcycles shipped during the quarter increased compared to the same period last year, while the mix of Sportster/Street motorcycles declined given the Company's decision to discontinue the Street motorcycle globally and legacy Sportster models in certain markets. In addition, motorcycle unit shipments during the quarter benefited from shipments of the Company's new Pan America™ models, its first Adventure Touring motorcycles which were launched in the second quarter of 2021. During the third quarter of 2021, the Company also began shipping its new Sportster S model.

Segment Results

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

	Three months ended			
	September 26, 2021	September 27, 2020	Increase (Decrease)	% Change
Revenue:				
Motorcycles	$ 885,626	$ 684,344	$ 201,282	29.4 %
Parts & Accessories	204,506	209,808	(5,302)	(2.5)
General Merchandise	49,424	49,356	68	0.1
Licensing	8,481	8,894	(413)	(4.6)
Other	12,581	11,627	954	8.2
	1,160,618	964,029	196,589	20.4
Cost of goods sold	850,193	676,796	173,397	25.6
Gross profit	310,425	287,233	23,192	8.1
Operating expenses:				
Selling & administrative expense	172,411	149,780	22,631	15.1
Engineering expense	39,832	47,132	(7,300)	(15.5)
Restructuring expense	517	43,581	(43,064)	(98.8)
	212,760	240,493	(27,733)	(11.5)
Operating income	$ 97,665	$ 46,740	$ 50,925	109.0 %
Operating margin	8.4 %	4.8 %	3.6 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 2020 to the third quarter of 2021 were as follows (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
Three months ended September 27, 2020	$ 964.0	$ 676.8	$ 287.2
Volume	86.6	54.3	32.3
Price and sales incentives, net of related costs	14.7	(0.7)	15.4
Foreign currency exchange rates and hedging	9.4	1.8	7.6
Shipment mix	85.9	41.9	44.0
Raw material prices	—	24.6	(24.6)
Manufacturing and other costs	—	51.5	(51.5)
	196.6	173.4	23.2
Three months ended September 26, 2021	$ 1,160.6	$ 850.2	$ 310.4

Factors affecting the comparability of net revenue, cost of goods sold and gross profit from the third quarter of 2020 to the third quarter of 2021 were as follows:

- The increase in volume was due to higher wholesale motorcycle shipments.
- Revenue and gross profit benefited from higher prices and lower sales incentives including price increases implemented in the U.S. in the third quarter of 2021 to help offset increased cost related to supply chain challenges.
- Revenue and gross profit were favorably impacted by stronger foreign currency exchange rates relative to the U.S. dollar, partially offset by unfavorable net foreign currency losses associated with hedging and balance sheet remeasurements recorded in cost of goods sold.
- Changes in the shipment mix between motorcycle families had a favorable impact on revenue and gross profit in the third quarter of 2021 due to a higher mix of Grand American Touring and Cruiser models.
- Raw material cost increases were driven by higher prices primarily due to supply chain challenges.
- Manufacturing and other costs were higher driven by increased supply chain costs and additional EU tariff costs. The impact of additional EU tariffs was $25.6 million in 2021 compared to $1.8 million in 2020. These cost increases were partially offset by a lower fixed cost per unit given increased production volumes compared to the prior year.

Operating expenses were lower in the third quarter of 2021 compared to the same period last year due to lower restructuring expenses partially offset by higher selling and administrative expenses. Selling and administrative expenses were higher given increased spending on The Hardwire initiatives and the absence of last year's cost saving efforts undertaken to preserve cash at the onset of the COVID-19 pandemic. 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 26, 2021	September 27, 2020	(Decrease) Increase	% Change
Revenue:				
Interest income	$ 174,103	$ 174,464	$ (361)	(0.2) %
Other income	30,589	27,191	3,398	12.5
	204,692	201,655	3,037	1.5
Expenses:				
Interest expense	44,770	67,533	(22,763)	(33.7)
Provision for credit losses	11,208	7,835	3,373	43.1
Operating expense	42,069	34,809	7,260	20.9
Restructuring expense	98	334	(236)	(70.7)
	98,145	110,511	(12,366)	(11.2)
Operating income	$ 106,547	$ 91,144	$ 15,403	16.9 %

Interest income was lower for the third quarter of 2021, compared to the same period last year, primarily due to lower average outstanding finance receivables. Other income increased in the third quarter of 2021 driven by higher licensing and insurance income. Interest expense decreased due to lower average outstanding debt and a lower cost of funds.

The provision for credit losses increased $3.4 million compared to the third quarter of 2020 primarily driven by higher credit losses. Although the provision for credit losses and actual retail credit losses were unfavorable during the third quarter of 2021, both remain significantly favorable through the first nine months of 2021. Refer to the *Results of Operations for the Nine Months Ended September 26, 2021 Compared to the Nine Months Ended September 27, 2020* for a discussion of the 2021 year-to-date provision for credit losses.

Operating expenses increased $7.3 million compared to the third quarter of 2020 due in part to higher employee-related costs and sales and marketing expenses.

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

	Three months ended	
	September 26, 2021	September 27, 2020
Balance, beginning of period	$ 358,811	$ 411,015
Provision for credit losses	11,208	7,835
Charge-offs, net of recoveries	(14,185)	(10,148)
Balance, end of period	$ 355,834	$ 408,702

Results of Operations for the Nine Months Ended September 26, 2021
Compared to the Nine Months Ended September 27, 2020

Consolidated Results

	Nine months ended		
(in thousands, except earnings per share)	**September 26, 2021**	**September 27, 2020**	**Increase (Decrease)**
Operating income from Motorcycles and Related Products	$ 511,019	$ 10,283	$ 500,736
Operating income from Financial Services	319,727	119,015	200,712
Operating income	830,746	129,298	701,448
Other income, net	1,825	466	1,359
Investment income	4,331	3,082	1,249
Interest expense	23,209	23,307	(98)
Income before income taxes	813,693	109,539	704,154
Provision for income taxes	185,236	11,843	173,393
Net income	$ 628,457	$ 97,696	$ 530,761
Diluted earnings per share	$ 4.06	$ 0.64	$ 3.42

The Company reported operating income of $830.7 million in the first nine months of 2021 compared to $129.3 million in the same period last year. Motorcycles segment operating income was $511.0 million in the first nine months of 2021, an improvement of $500.7 million compared to the same period last year. Operating income from the Financial Services segment increased $200.7 million compared to the first nine months of 2020. Refer to the Motorcycles and Related Products Segment and Financial Services Segment discussions for a more detailed analysis of the factors affecting operating income.

Investment income increased $1.2 million in 2021 as compared to 2020, driven by higher income from investments in cash equivalents and marketable securities.

The Company's effective income tax rate for the first nine months of 2021 was 22.8% compared to 10.8% for the same period in 2020. The effective income tax rate for the nine months ended September 27, 2020 was impacted by discrete income tax expenses recorded during the period, including favorable settlements with taxing authorities.

Diluted earnings per share was $4.06 in the first nine months of 2021, up from a diluted earnings per share of $0.64 for the same period last year. Diluted weighted average shares outstanding increased from 153.8 million in the first nine months of 2020 to 154.9 million in the first nine months of 2021.

Motorcycles Retail Sales and Registration Data

Harley-Davidson Motorcycle Retail Sales[(a)]

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

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Increase (Decrease)	% Change	
United States	107,421	86,376	21,045	24.4	%
Canada	7,403	5,668	1,735	30.6	
North America	114,824	92,044	22,780	24.7	
EMEA	24,580	29,878	(5,298)	(17.7)	
Asia Pacific	18,263	20,271	(2,008)	(9.9)	
Latin America	2,620	4,760	(2,140)	(45.0)	
	160,287	146,953	13,334	9.1	%

(a) Data source for retail sales figures shown above is new sales warranty and registration information provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning new retail sales, and the Company does not regularly verify the information that its dealers supply. This information is subject to revision.

Worldwide retail sales of new Harley-Davidson motorcycles were up 9.1% during the first nine months of 2021 compared to the same period last year when retail sales were impacted by the onset of the COVID-19 pandemic. Retail sales have improved over the prior year, but have been impacted by strategic decisions made as part of The Rewire, as well as longer global shipping times which impacted retail sales in international markets.

The increase in retail sales during the first nine months of 2021 was led by the North American market which was positively impacted by increased demand for the Company's Grand American Touring and large Cruiser motorcycles. In addition, the increase in retail sales also reflects the Company's decision to shift its new model year launch timing to the first quarter, which resulted in a shift of the model year 2021 launch from August 2020 to the first quarter of 2021. Finally, retail sales in 2021 also benefited from the Company's introduction of Pan America™, its new Adventure Touring motorcycles.

Retail sales outside of North America were impacted by actions taken under The Rewire to streamline the product portfolio to reduce complexity and direct resources toward the Company's core stronghold products. This includes the Company's decision to discontinue selling Street motorcycles and legacy Sportster motorcycles in EMEA and certain countries with the Asia Pacific and Latin American markets. Latin America retail sales were also impacted during the first nine months of 2021 by the reduction of independent dealers and pricing actions executed as part of The Rewire in 2020 to restore profitability in those market. In addition, international retail sales were adversely impacted by global supply chain challenges resulting in longer shipping times and COVID-19 pandemic closures in certain markets.

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

Industry retail registration data for new motorcycles and the Company's market share was as follows:

	Nine months ended September 30, 2021		Nine months ended September 30, 2020		Increase (Decrease)		% Change	
Industry new motorcycle registrations:								
United States[(b)]	238,705		201,820		36,885		18.3	%
Europe[(c)]	374,387		350,705		23,682		6.8	%
Harley-Davidson market share data:								
United States[(b)]	44.7	%	42.0	%	2.7	pts.		
Europe[(c)]	5.6	%	7.7	%	(2.1)	pts.		

(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. 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 26, 2021			Nine months ended September 27, 2020			Unit	Unit	
	Units	Mix %		Units	Mix %		Increase (Decrease)	% Change	
U.S. motorcycle shipments	104,190	65.4	%	69,359	55.8	%	34,831	50.2	%
Worldwide motorcycle shipments:									
Grand American Touring motorcycles[(a)]	79,485	49.9	%	52,656	42.4	%	26,829	51.0	%
Cruiser motorcycles[(b)]	52,117	32.7	%	42,660	34.3	%	9,457	22.2	
Adventure Touring motorcycles	8,555	5.4	%	—	—	%	8,555	100.0	
Sportster® / Street motorcycles	19,262	12.0	%	29,009	23.3	%	(9,747)	(33.6)	
	159,419	100.0	%	124,325	100.0	%	35,094	28.2	%

(a) Includes CVO™ and Trike
(b) Includes Softail® and LiveWire®

The Company shipped 159,419 Harley-Davidson motorcycles worldwide during the first nine months of 2021, which was 28.2% higher than the same period in 2020 reflecting the positive impact of the shift in new model year launch timing from August 2020 to the first quarter of 2021. In addition, wholesale shipments last year were adversely impacted by the temporary suspension of the Company's global manufacturing operations during the second quarter in response to the COVID-19 pandemic.

During the first nine months of 2021, the mix of Grand American Touring and Cruiser motorcycles shipped increased as a percent of total shipments while the mix of Sportster/Street motorcycles decreased compared to the same period last year. In addition, motorcycle unit shipments during 2021 include the Company's new Pan America™ models, its first Adventure Touring motorcycles which were launched in the second quarter of 2021.

Segment Results

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

	Nine months ended			
	September 26, 2021	September 27, 2020	Increase (Decrease)	% Change
Revenue:				
Motorcycles	$ 2,931,669	$ 2,030,448	$ 901,221	44.4 %
Parts & Accessories	577,035	513,201	63,834	12.4
General Merchandise	155,378	136,321	19,057	14.0
Licensing	22,865	21,826	1,039	4.8
Other	37,278	31,295	5,983	19.1
	3,724,225	2,733,091	991,134	36.3
Cost of goods sold	2,586,264	2,019,310	566,954	28.1
Gross profit	1,137,961	713,781	424,180	59.4
Operating expenses:				
Selling & administrative expense	506,245	477,286	28,959	6.1
Engineering expense	119,966	141,626	(21,660)	(15.3)
Restructuring expense	731	84,586	(83,855)	(99.1)
	626,942	703,498	(76,556)	(10.9) %
Operating income	$ 511,019	$ 10,283	$ 500,736	
Operating margin	13.7 %	0.4 %	13.3 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 2020 to the first nine months of 2021 were as follows (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
Nine months ended September 27, 2020	$ 2,733.1	$ 2,019.3	$ 713.8
Volume	662.3	459.7	202.6
Price and sales incentives, net of related costs	31.8	(7.0)	38.8
Foreign currency exchange rates and hedging	62.0	29.3	32.7
Shipment mix	235.0	65.6	169.4
Raw material prices	—	45.7	(45.7)
Manufacturing and other costs	—	(26.4)	26.4
	991.1	566.9	424.2
Nine months ended September 26, 2021	$ 3,724.2	$ 2,586.2	$ 1,138.0

Factors affecting the comparability of net revenue, cost of goods sold and gross profit from the first nine months of 2020 to the first nine months of 2021 were as follows:

- The increase in volume was due to higher wholesale motorcycle shipments and higher Parts & Accessories and General Merchandise sales.
- During the first nine months of 2021, revenue benefited from higher prices and lower sales incentives.
- Revenue and gross profit were favorably impacted by stronger foreign currency exchange rates relative to the U.S. dollar partially offset by unfavorable net foreign currency losses associated with hedging and balance sheet remeasurements recorded in cost of goods sold.
- Changes in the shipment mix between motorcycle families had a favorable impact on revenue and gross profit during the first nine months of 2021 due primarily to a higher mix of Grand American Touring and Cruiser models.
- Raw material cost increases were driven by higher prices primarily due to supply chain challenges.

- Manufacturing and other costs decreased primarily due to a lower fixed cost per unit given higher production volumes. Production volumes in 2020 were adversely impacted by the temporary suspension of global manufacturing operations during the second quarter of 2020 in response to the COVID-19 pandemic. The Company also benefited in 2021 from cost savings resulting from the Company's 2020 restructuring actions. These favorable impacts to cost were partially offset by higher supply chain costs and increased tariff costs. The impact of additional EU tariffs was $44.3 million in the first nine months of 2021 compared to $17.7 million in the first nine months of 2020.

Operating expenses were lower in the first nine months of 2021 compared to the same period in 2020 due primarily to lower restructuring costs related to the Company's 2020 restructuring actions. Selling, administrative and engineering expenses benefited from cost savings resulting from the Company's 2020 restructuring actions; however, these benefits were offset by increased spending on The Hardwire initiatives and last year's cost saving efforts undertaken to preserve cash at the onset of the COVID-19 pandemic. Refer to *Note 4 of the Notes to Consolidated financial statements* for additional information regarding restructuring activities.

Financial Services Segment

Segment Results

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

	Nine months ended		(Decrease) Increase	% Change
	September 26, 2021	September 27, 2020		
Revenue:				
Interest income	$ 501,645	$ 512,726	$ (11,081)	(2.2) %
Other income	94,005	83,338	10,667	12.8
	595,650	596,064	(414)	(0.1)
Expenses:				
Interest expense	149,098	182,193	(33,095)	(18.2)
Provision for credit losses	4,935	178,433	(173,498)	(97.2)
Operating expense	121,454	115,145	6,309	5.5
Restructuring expense	436	1,278	(842)	(65.9)
	275,923	477,049	(201,126)	(42.2)
Operating income	$ 319,727	$ 119,015	$ 200,712	168.6 %

Interest income was lower for the first nine months of 2021, primarily due to lower average outstanding finance receivables, partially offset by a higher average yield. Other income increased due in part to higher insurance and licensing income. Interest expense decreased due to lower average outstanding debt and a lower cost of funds.

The provision for credit losses decreased $173.5 million compared to the first nine months of 2020 driven primarily by improved economic conditions and favorable retail credit loss performance. The provision for credit losses was favorable compared to prior year a result of improvement in the U.S. economy and the Company's outlook on future economic conditions. However, the pace of economic recovery remains uncertain as demonstrated by unemployment levels above those experienced prior to the COVID-19 pandemic, muted consumer confidence and continuing COVID-19 pandemic-related challenges across the U.S., among other factors. As such, at the end of the third quarter of 2021, the Company's outlook on economic conditions and its probability weighting of its economic forecast scenarios included continued slow economic improvement in its economic scenario weighting. The Company's expectations surrounding its economic forecasts may change in future periods as additional information becomes available.

Annualized credit losses for the Company's retail motorcycle loans were 0.84% through the first nine months of 2021 compared to 1.40% through the first nine months of 2020. The favorable retail credit loss performance was due to elevated used motorcycle values at auction in the U.S. and continued lower than normal delinquency levels driven by benefits provided under the U.S. federal stimulus packages and COVID-19 retail payment extensions. Favorable used motorcycle values stemmed from an ongoing low number of motorcycles at auction. The 30-day delinquency rate for retail motorcycle loans at September 26, 2021 was 2.76% compared to 2.59% at September 27, 2020. The continued low delinquency levels were driven by benefits provided under U.S. federal stimulus packages as well as the effects of COVID-19 pandemic-related extensions. Starting in the second quarter of 2020, the Company granted COVID-19 pandemic-related extensions to help customers get through financial difficulties associated with the pandemic. During the first nine months of 2021, the volume of extensions declined from the levels experienced during 2020 as a result of the COVID-19 pandemic, but extensions did not return to pre-COVID-19 pandemic levels until the end of the second quarter of 2021. Extensions specific to the COVID-19 pandemic were discontinued by the Company at the beginning of the third quarter of 2021. The Company continues to grant standard payment extensions to customers in accordance with its policies. While the Company expects the delinquency rate to normalize over time, given the influx of stimulus funding and improved economic conditions, the Company believes it is likely credit losses will continue to remain low through the remainder of 2021.[(1)]

Operating expenses increased $6.3 million compared to the first nine months of 2020 primarily due to higher employee-related costs and sales and marketing expenses.

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

	Nine months ended	
	September 26, 2021	September 27, 2020
Balance, beginning of period	$ 390,936	$ 198,581
Cumulative effect of change in accounting[(a)]	—	100,604
Provision for credit losses	4,935	178,433
Charge-offs, net of recoveries	(40,037)	(68,916)
Balance, end of period	$ 355,834	$ 408,702

(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.

Other Matters

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. Refer to *Note 16 of the Notes to Consolidated financial statements* for a discussion of the Company's commitments and contingencies.

Liquidity and Capital Resources[(1)]

Based on the Company's current outlook, for both the near and longer terms, it expects Motorcycles segment operations to continue to be funded primarily through cash flows generated by operations and Financial Services segment operations to continue to be funded with unsecured debt, unsecured commercial paper, asset-backed commercial paper conduit facilities, committed unsecured bank facilities, asset-backed securitizations and deposits.[(1)]

The Company's cash allocation priorities are first to fund growth through The Hardwire initiatives, then to reward shareholders through dividends, and finally the Company may also choose to execute discretionary share repurchases in 2021 and 2022.

The Company's strategy is to maintain a minimum of twelve months of its projected liquidity needs through a combination of cash and cash equivalents and availability under its credit facilities. In response to liquidity concerns related to the COVID-19 pandemic, the Company increased its cash and cash equivalents during 2020. The Company's cash and cash equivalents remain higher than pre-COVID-19 pandemic levels at the end of September 2021, but during the first nine months of 2021, the Company began to gradually reduce its cash and cash equivalents from December 2020 levels. The Company's cash and cash equivalents and availability under its credit and conduit facilities at September 26, 2021 were as follows (in thousands):

Cash and cash equivalents	$	2,061,303
Availability under credit and conduit facilities:		
Credit facilities		665,380
Asset-backed U.S. commercial paper conduit facility[a]		657,746
	$	3,384,429

(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. Generally, lower credit ratings result in higher borrowing costs and reduced access to debt capital markets. A credit rating agency may change or withdraw the Company's ratings based on its assessment of the Company's current and future ability to meet interest and principal repayment obligations. The Company's short-term debt ratings affect its ability to issue unsecured commercial paper. The Company's short- and long-term debt ratings, as of September 26, 2021 were as follows:

	Short-Term	Long-Term	Outlook
Moody's	P3	Baa3	Stable
Standard & Poor's	A3	BBB-	Stable
Fitch	F2	BBB+	Negative

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 26, 2021		September 27, 2020	
Net cash provided by operating activities	$	925,551	$	1,135,068
Net cash used by investing activities		(535,547)		(235,054)
Net cash (used) provided by financing activities		(1,551,546)		1,930,677
Effect of exchange rate changes on cash, cash equivalents and restricted cash		(11,050)		6,071
Net (decrease) increase in cash, cash equivalents and restricted cash	$	(1,172,592)	$	2,836,762

Operating Activities

The decrease in net cash from operating activities for the first nine months of 2021 compared to the same period in 2020 was driven by lower cash flow from wholesale finance receivable activity. During the first nine months of 2020, operating cash inflow from wholesale finance receivable activity was significant resulting from a decrease in receivables outstanding in connection with the decline in wholesale shipments in the U.S. and Canada. During the first nine months of 2021, cash flow from wholesale finance receivable activity resulted in a modest reduction to operating cash flow as receivable levels remained relatively flat supported by increased wholesale shipments in the U.S. and Canada.

The Company continues to expect that it will generate sufficient cash inflows from operations to fund its ongoing operating cash requirements including those related to existing contractual commitments. The Company's purchase orders for inventory used in manufacturing generally do not become firm commitments until 90 days prior to expected delivery. The Company's material contractual operating cash commitments relate to leases, retirement plan obligations and income taxes. The Company's long-term lease obligations and future payments are discussed further in *Note 10 of the Notes to Consolidated financial statements.* There are no required qualified pension plan contributions in 2021. The Company's expected future contributions and benefit payments related to its defined benefit retirement plans are discussed further in *Note 15 of the Notes to Consolidated financial statements* in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The Company has a liability for unrecognized tax benefits of $52.5 million and related accrued interest and penalties of $27.3 million as of September 26, 2021. The Company cannot reasonably estimate the period of cash settlement for either the liability for unrecognized tax benefits or accrued interest and penalties.

Investing Activities

The Company's most significant investing activities consist of capital expenditures and retail finance receivable originations and collections. Capital expenditures were $61.5 million in the first nine months of 2021 compared to $92.3 million in the same period last year. The Company's 2021 plan includes estimated capital expenditures between $135 million to $150 million, all of which the Company expects to fund with net cash flow generated by operations.[(1)]

Net cash outflows from finance receivables for the first nine months of 2021 were $333.5 million higher compared to the same period last year due primarily to higher retail finance receivable originations. The Company funds its finance receivables net lending activity through the issuance of debt, discussed in "Financing Activities" below.

Financing Activities

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

The Company paid dividends of $0.45 and $0.42 per share totaling $69.3 million and $65.0 million during the first nine months of 2021 and 2020, respectively.

There were no discretionary share repurchases in 2021 or 2020. Share repurchases of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units during the first nine months of 2021 and 2020 were $11.5 million or 0.3 million shares and $7.9 million or 0.3 million shares, respectively. As of September 26, 2021, there were 18.2 million shares remaining on board-approved share repurchase authorizations.

Financing cash flows related to debt and deposit activity resulted in net cash outflows of $1.5 billion in the first nine months of 2021 compared to net cash inflows of $2.0 billion in the first nine months of 2020. The Company's total outstanding debt and deposits consisted of the following (in thousands):

	September 26, 2021	September 27, 2020
Outstanding debt:		
Unsecured commercial paper	$ 749,620	$ 1,077,763
364-day credit facility borrowings	—	150,000
Asset-backed Canadian commercial paper conduit facility	98,310	127,500
Asset-backed U.S. commercial paper conduit facilities	242,254	467,338
Asset-backed securitization debt, net	1,952,368	2,096,355
Medium-term notes, net	3,444,664	4,845,961
Senior notes, net	744,494	743,806
	$ 7,231,710	$ 9,508,723
Deposits, net	$ 290,270	$ 29,999

Refer to *Note 11 of the Notes to Consolidated financial statements* for a summary of future principal payments on the Company's debt obligations. Refer to *Note 7 of the Notes to Consolidated financial statements* for a summary of future maturities on the Company's certificates of deposit.

Deposits – During 2020, HDFS began offering brokered certificates of deposit to customers indirectly through contractual arrangements with third-party banks and/or securities brokerage firms through its bank subsidiary. The Company had $290.3 million and $30.0 million, net of fees, of interest-bearing brokered certificates of deposit outstanding as of September 26, 2021 and September 27, 2020, respectively. The deposits are classified as short- and long-term liabilities based upon the term of each brokered certificate of deposit issued. Each separate brokered certificate of deposit is issued under a master certificate, and as such, all outstanding brokered certificates of deposit are considered below the Federal Deposit Insurance Corporation insurance coverage limits.

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. The new five-year credit facility matures in April 2025. At the end of the first quarter of 2021, the Company had borrowings of $15.5 million outstanding under this facility, which the Company repaid in full on April 7, 2021. The Company also amended its $780.0 million five-year credit facility in April 2020 to $707.5 million with no change to the maturity date of April 2023. Additionally, the Company had a $350.0 million 364-day credit facility that matured in May 2021. The five-year credit facilities (together, the Global Credit Facilities) bear interest at variable rates, which may be adjusted upward or downward depending on certain criteria, such as credit ratings. The Global Credit Facilities also require the Company to pay a fee based on the average daily unused portion of the aggregate commitments. 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 26, 2021 supported by the Global Credit Facilities, as discussed above. Outstanding unsecured commercial paper may not exceed the unused portion of the Global Credit Facilities. Maturities may range up to 365 days from the issuance date. The Company intends to repay unsecured commercial paper as it matures with additional unsecured commercial paper or through other means, such as borrowing under the Global Credit Facilities, borrowing under its asset-backed U.S. commercial paper conduit facility or through the use of operating cash flow and cash on hand.[1]

Medium-Term Notes – The Company had the following unsecured medium-term notes issued and outstanding at September 26, 2021 (in thousands):

Principal Amount	Rate	Issue Date	Maturity Date
$550,000	4.05%	February 2019	February 2022
$400,000	2.55%	June 2017	June 2022
$350,000	3.35%	February 2018	February 2023
$756,763[a]	4.94%	May 2020	May 2023
$698,550[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 26, 2021
(b) Euro denominated, €600.0 million par value remeasured to U.S. dollar at September 26, 2021

The U.S. dollar-denominated medium-term notes provide for semi-annual interest payments and the foreign currency-denominated medium-term notes provide for annual 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 $10.6 million and $17.3 million at September 26, 2021 and September 27, 2020, respectively. There were no medium-term note maturities during the third quarter of 2021 or 2020. During the second quarter of 2021, $350.0 million of 3.55% medium-term notes matured, and the principal and accrued interest were paid in full. During the first quarter of 2021, $600.0 million of 2.85% medium-term notes and $450.0 million of floating-rate medium-term notes matured, and the principal and accrued interest were paid in full. 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.

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 – In June 2021, the Company renewed and amended its facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase eligible Canadian retail motorcycle finance receivables for proceeds up to C$125.0 million. Prior to the renewal and amendment, the Canadian Conduit was 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$125.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The expected remaining term of the related receivables is approximately 5 years. Unless earlier terminated or extended by mutual agreement between the Company and the lenders, as of September 26, 2021, the Canadian Conduit has an expiration date of June 27, 2022.

During the third quarter of 2021, the Company transferred $32.8 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of $27.4 million. There were no finance receivable transfers under the Canadian Conduit Facility during the first half of 2021 or the second or third quarters of 2020. During the first quarter of 2020, the Company transferred $77.9 million of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of $61.6 million.

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE – Until November 25, 2020, the Company had two separate agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits, a $300.0 million revolving facility agreement and a $600.0 million revolving facility agreement (together, the Former U.S. Conduit Facilities). On November 25, 2020, the Company amended each revolving facility agreement by consolidating the two agreements into one $900.0 million revolving facility agreement with third-party bank-sponsored asset-backed U.S. commercial paper conduits. Under the revolving facility agreement, the Company 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 addition to the $900.0 million aggregate commitment, the agreement allows for additional borrowings, at the lender's discretion, of up to $300.0 million. Availability under the $900.0 million revolving facility (the U.S. Conduit Facility) is based on, among other things, the amount of eligible U.S. retail motorcycle finance receivables held by the SPE as collateral.

There were no finance receivable transfers under the U.S. Conduit Facility during the nine months ended September 26, 2021 or the second or third quarters of 2020. During the first quarter of 2020, the Company transferred $195.3 million of U.S. retail motorcycle finance receivables to an SPE which, in turn, issued $163.6 million of debt under the Former U.S. Conduit Facilities.

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 Facility also provides for an unused commitment fee based on the unused portion of the total aggregate commitment. When calculating the unused fee, the aggregate commitment does not include any unused portion of the $300.0 million additional 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 Facility, 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 4 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of September 26, 2021, the U.S. Conduit Facility has an expiration date of November 19, 2021.

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 currently have various contractual maturities ranging from 2022 to 2029.

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 millions):

	2021			2020		
	Transfers	Proceeds	Proceeds, net	Transfers	Proceeds	Proceeds, net
First quarter	$ 663.1	$ 600.0	$ 597.4	$ 580.2	$ 525.0	$ 522.7
Second quarter	—	—	—	1,840.5	1,550.2	1,541.8
Third quarter	635.5	575.0	572.5	—	—	—
	$ 1,298.6	$ 1,175.0	$ 1,169.9	$ 2,420.7	$ 2,075.2	$ 2,064.5

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. 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 26, 2021, HDFS and the Company remained in compliance with all of the then existing covenants.

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) execute its business plans and strategies, including The Hardwire and the evolution of LiveWire as a standalone brand, successfully execute its remodeled approach to supply and inventory management, and strengthen its existing business while allowing for desirable growth; (B) manage supply chain and logistic issues, including quality issues, unexpected interruptions or price increases caused by supplier volatility, raw material shortages or natural disasters, and longer shipping times and increased logistics costs, including by successfully implementing pricing surcharges; (C) invest in electric vehicle (EV) technology required to lead the transformation of motorcycling and leverage its engineering expertise, manufacturing footprint, supply chain infrastructure, and global logistics capabilities in the EV sector; (D) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests; (E) successfully access the capital and/or credit markets on terms that are acceptable to the Company and within its expectations; (F) successfully carry out its global manufacturing and assembly operations; (G) 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, including successfully implementing and executing plans to strengthen and grow its leadership position in Grand American Touring, large Cruiser and Trike, and growing its complementary businesses; (H) perform in a manner that enables the Company to benefit from market opportunities while competing against existing and new competitors; (I) successfully appeal: (i) the revocation of the Binding Origin Information (BOI) and (ii) the denial of the Company's application for temporary relief from the effect of the revocation; (J) manage and predict the impact that new, reinstated or adjusted tariffs may have on the Company's ability to sell products internationally, and the cost of raw materials and components; (K) 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; (L) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles; (M) realize expectations concerning market demand for electric models, which will depend in part on the building of necessary infrastructure; (N) successfully manage and reduce costs throughout the business; (O) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment; (P) 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; (Q) continue to develop and maintain a productive relationship with Zhejiang Qianjiang Motorcycle Co., Ltd. and launch related products in a timely manner; (R) maintain a productive relationship with Hero MotoCorp as a distributor and licensee of the Harley-Davidson brand name in India; (S) successfully maintain a manner in which to sell motorcycles in China and the Company's Association of Southeast Asian Nations (ASEAN) countries that does not subject its motorcycles to incremental tariffs; (T) 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; (U) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (V) retain and attract talented employees, and eliminate personnel duplication, inefficiencies and complexity throughout the organization; (W) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or Company data and respond to evolving regulatory requirements regarding data security; (X) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio; (Y) 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; (Z) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles; (AA) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities; (BB) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations; (CC) manage its exposure to product liability claims and commercial or contractual disputes; (DD) continue to manage the relationships and agreements that the Company has with its labor unions to help drive long-term competitiveness; (EE) achieve anticipated results with respect to the Company's recently launched pre-owned motorcycle program, Harley-Davidson Certified, and the Company's H-D1 Marketplace; and (FF) 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 U.S. 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, HDFS' efforts to increase prudently structured loan approvals to sub-prime borrowers and the favorable impact of recent federal stimulus payments, 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 *Item 1A. Risk Factors* of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 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 the Company's derivative financial instruments is included in *Note 9 of the Notes to Consolidated financial statements*.

Motorcycles and Related Products Segment

The Company sells its motorcycles and related products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Motorcycles segment operating results 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 resulting from the sale of motorcycles and related products relates to the Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar, Mexican peso, Chinese yuan, Thai baht, Singapore dollar and Pound sterling. The Company utilizes foreign currency contracts to mitigate the effect of certain currencies' fluctuations on Motorcycles segment operating results. 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. There have been no material changes to the foreign currency exchange rate market risk information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The Company purchases commodities for the use in the production of motorcycles. As a result, Motorcycles segment operating results are affected by changes in commodity prices. 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, 2020.

Financial Services Segment

The Company has interest rate sensitive financial instruments including financial receivables, debt and interest rate derivative financial instruments. As a result, Financial Services operating income is affected by changes in interest rates. The Company utilizes interest rate caps to reduce the impact of fluctuations in interest rates on its asset-backed securitization transactions. 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, 2020.

HDFS also has short-term commercial paper and debt issued through the commercial paper conduit facilities that is subject to changes in interest rates which it does not hedge. 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, 2020.

The Company has foreign denominated debt transactions, and as a result, Financial Services operating income is affected by fluctuations in the value of the U.S. dollar relative to foreign currencies and interest rates. At September 26, 2021, this exposure related to the Euro. The Company utilizes cross-currency swaps to mitigate the effect of the foreign currency exchange rate and interest rate fluctuations related to Financial Services segment operating results. There have been no material changes to the foreign currency exchange rate and interest rate market risk information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 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 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 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 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 26, 2021 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 16 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, 2020, which have not materially changed except as set forth below.

- **Trade policies and changes in trade policies, including the imposition of tariffs, their enforcement and downstream consequences, may continue to have a material adverse impact on our business, results of operations and outlook.** Tariffs and/or other developments with respect to trade policies, trade agreements and government regulations could have a material adverse impact on the Company's business, financial condition and results of operations. Previously, the European Union (EU) placed a 25% additional tariff (31% total tariff) on motorcycles imported into the EU which was initially set to increase to a 50% additional tariff (56% total tariff) effective June 1, 2021. In May 2021, the EU suspended the increase to December 1, 2021 while the EU and the U.S. worked towards politically resolving the restrictive tariffs imposed by each country. While the U.S. and EU announced an agreement that will result in the removal of the additional EU tariffs effective January 1, 2022, trade policies and changes in trade policies, including the imposition or reinstatement of tariffs, their enforcement and downstream consequences, may continue to have a material adverse impact on the Company's business, results of operations and outlook.

  Shipments of motorcycles to the EU are a significant portion of the Company's total motorcycles sales. Beginning in 2019, the Company obtained regulatory approvals, reflected in five Binding Origin Information (BOI) rulings, that allowed it to supply its EU markets with certain of its motorcycles produced at its Thailand facilities at tariff rates of 6%. In April 2021, the Company received notification from the Economic Ministry of Belgium that, following a request from the EU, the Company would be subject to the revocation of the BOI rulings, effective April 19, 2021. Following the revocation, non-electric motorcycles the Company imported into the EU, regardless of origin, were subject to a total tariff rate of 31% from April 19, 2021 to November 30, 2021. This rate would have increased to 56% effective December 1, 2021 if the EU and the U.S. had not reached a political resolution before that date. In May 2021, the Company applied for temporary extended reliance on the 6% tariff rate for motorcycles produced in Thailand and ordered prior to April 19, 2021; however, that application was rejected on July 30, 2021. The Company estimates it could have avoided approximately $50 million of additional EU tariffs in 2021 if the application for extended reliance had been granted. To date, the Company continues its appeals of the revocation of the BOIs and the denial of temporary extended reliance although there is no assurance that these appeals will continue or be successful. The remaining impact of the revocation is subject to uncertainties that include whether the Company will continue appealing the revocation of the BOI rulings and the denial of temporary extended reliance and be successful in doing so.

  Without limitation, (i) tariffs currently in place, (ii) the imposition or reinstatement by the U.S. government of new tariffs on imports to the U.S. and/or (iii) the imposition or reinstatement by foreign countries of tariffs on U.S. products, including tariffs imposed in response to U.S. tariffs, could materially increase: (a) the cost of Harley-Davidson products that the Company is offering for sale in relevant countries, (b) the cost of certain products that the Company sources from foreign manufacturers and (c) the prices of certain raw materials that the Company utilizes. The Company may not be able to pass such increased costs on to distributors, independent dealers or their customers, and the Company may not be able to secure sources of certain products and materials that are not subject to tariffs on a timely basis. Such developments could have a material adverse impact on the Company's business, financial condition and results of operations.

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

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

The Company's share repurchases, which consisted of shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units and performance shares, were as follows during the quarter ended September 26, 2021:

2021 Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
June 28 to August 1	1,468	$ 47	1,468	18,246,721
August 2 to August 29	13,811	$ 40	13,811	18,246,721
August 30 to September 26	498	$ 39	498	18,246,721
	15,777	$ 40	15,777	

In February 2018, the Company's Board of Directors authorized the Company to repurchase up to 15.0 million shares of its common stock on a discretionary basis 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 on a discretionary basis with no dollar limit or expiration date. As of September 26, 2021, 18.2 million shares remained under these authorizations. The Company repurchased no shares on a discretionary basis during the quarter ended September 26, 2021.

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 2021, the Company acquired 15,777 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock units and performance share units.

Item 5. Other Information

Item 5.02

On November 4, 2021, the Company announced the retirement of Darrell Thomas, Vice President and Treasurer. Mr. Thomas will retire from the Company effective March 1, 2022 after 11 years of service.

The Company maintains the Harley-Davidson, Inc. Employee Incentive Plan (the Plan) under which it provides its employees and the employees of its participating affiliates with incentive compensation depending upon, among other things, the achievement of corporate or business unit performance that furthers corporate objectives. On October 29, 2021, the Human Resources Committee of the Company's Board of Directors approved an amendment and restatement of the Plan, effective January 1, 2021, to: (i) remove or modify certain restrictions under the Plan that were intended to qualify compensation as "performance-based" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), that are no longer necessary following the changes to the Code Section 162(m) made by the Tax Cuts and Jobs Act; (ii) incorporate state performance-based compensation tax rules; (iii) remove workers compensation payments from the calculation of eligible compensation; and (iv) increase the maximum performance award to $8 million.

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*	Amended and Restated Harley-Davidson, Inc. Director Stock Plan as amended effective August 31, 2021
10.2*	Amended and Restated Harley-Davidson, Inc. Employee Incentive Plan as amended effective January 1, 2021
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 4, 2021	/s/ Gina Goetter Gina Goetter Chief Financial Officer (Principal financial officer)
Date: November 4, 2021	/s/ Mark R. Kornetzke Mark R. Kornetzke Chief Accounting Officer (Principal accounting officer)

HARLEY-DAVIDSON, INC.
DIRECTOR STOCK PLAN

(As Amended and Restated Effective August 31, 2021)

Article 1
PURPOSE

The purpose of the Harley-Davidson, Inc. Director Stock Plan is to facilitate payment of compensation to nonemployee directors in the form of Common Stock of Harley-Davidson, Inc. or in a form the value of which is based upon the value of Common Stock of Harley-Davidson, Inc. Such payment should provide a method for nonemployee directors to meet the requirements of the Director and Senior Executive Stock Ownership Guidelines for Harley-Davidson, Inc. and an increased incentive for nonemployee directors to contribute to the future success and prosperity of Harley-Davidson, Inc. We believe this will, in turn, enhance the value of the stock for the benefit of the shareholders, and increase the ability of Harley-Davidson, Inc. to attract and retain directors of exceptional skill upon whom, in large measure, its sustained growth and profitability depend.

Article 2
DEFINITIONS

The following capitalized terms used in the Plan shall have the respective meanings set forth in this Article:

2.1 *Affiliate*: Each corporation, trade or business that, with the Company, forms part of a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c); provided that for purpose of determining when an Outside Director has incurred a Separation from Service, the phrase "at least fifty percent (50%)" shall be used in place of "at least eighty percent (80%)" each place it appears in Code Section 414(b) and (c) and the regulations thereunder.

2.2 *Annual Retainer Fee*: The annual retainer fee then in effect for service by an Outside Director as a director, board committee chair and/or committee member, excluding grants of "Share Units" pursuant to Article 9.

2.3 *Board*: The Board of Directors of the Company.

2.4 *Change of Control Event*: A change of control event as defined in regulations promulgated by the Secretary of the Treasury for purposes of Code Section 409A, with respect to Harley-Davidson, Inc.

2.5 *Code*: The Internal Revenue Code of 1986, as amended.

2.6 *Committee*: The Nominating and Corporate Governance Committee of the Board; provided that if any member of the Nominating and Corporate Governance Committee is not a Disinterested Person, the Committee shall be comprised of only those members of the Nominating and Corporate Governance Committee who are Disinterested Persons.

2.7 *Common Stock*: The common stock of the Company.

2.8 *Company*: Harley-Davidson, Inc.

2.9 *Deferral Election*: An election by an Outside Director to defer receiving all or any portion of the shares of Common Stock that would otherwise be transferred to such Outside Director pursuant to a Share Election.

2.10 *Deferral Share Account*: See Section 8.2.

2.11 *Disinterested Persons*: Nonemployee directors within the meaning of Rule 16b-3 as promulgated under the Securities Exchange Act of 1934, as amended.

2.12 *Fair Market Value*: (From and after February 14, 2007) On the date as of which Fair Market Value is being determined, if the Common Stock is listed for trading on the New York Stock Exchange, the closing sales price on the date in question as reported in The Wall Street Journal, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange. If the Common Stock is not listed or admitted to trading on the New York Stock Exchange on the date in question, then “Fair Market Value” means, on the date as of which Fair Market Value is being determined, (i) the closing sales price on the date in question on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange; or (ii) if the Common Stock is not listed or admitted to trading on any national securities exchange, the closing quoted sale price on the date in question, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale; or (iii) if not so quoted, the mean of the closing bid and asked prices on the date in question in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or such other system then in use, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale; or (iv) if on any such date the Common Stock is not quoted by any such organization, the mean of the closing bid and asked prices on the date in question as furnished by a professional market maker making a market in the Common Stock selected by the Board for the date in question, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale; or (v) if on any such date no market maker is making a market in the Common Stock, the price as determined in good faith by the Committee.

2.13 *Option*: A stock option granted under the Plan.

2.14 *Option Price*: The purchase price of a share of Common Stock under an Option.

2.15 *Optionee*: A person who has been granted one or more Options.

2.16 *Grant Share Account*: See Section 9.4.

2.17 *Outside Director*: Each member of the Board who is not also an employee of the Company or any Subsidiary (including members of the Committee).

2.18 *Plan*: The Harley-Davidson, Inc. Director Stock Plan.

2.19 *Separation from Service*: The date on which an Outside Director ceases service as a director of the Company and all Affiliates, provided that such cessation of service constitutes a separation from service for purposes of Code Section 409A.

2.20 *Share Accounts*. An Outside Director’s Deferral Share Account and/or Grant Share Account.

2.21 *Share Election*: An election by an Outside Director to receive either 50% or 100% of his or her Annual Retainer Fee in the form of Common Stock (subject to any Deferral Election by an Outside Director), with the receipt of such shares of Common Stock to be in lieu of any cash payment for that portion of his or her Annual Retainer Fee; provided, however, that if, at the time an Annual Retainer Fee is payable, an Outside Director satisfies, through the ownership of Common Stock and/or Share Units credited to his or her Share Accounts, the stock ownership guidelines for directors then in effect that the Board or any committee of the Board has established, then the Outside Director may make a Share Election to receive 0% of such Annual Retainer Fee in the form of Common Stock.

2.22 *Share Unit*: A hypothetical share of Common Stock.

2.23 *Subsidiary*: A corporation, limited partnership, general partnership, limited liability company, business trust or other entity of which more than fifty percent (50%) of the voting power or ownership interest is directly and/or indirectly held by the Company.

2.24 *Termination Date*: The day preceding the tenth anniversary of the date on which the Option is granted.

Article 3
ADMINISTRATION

3.1 *The Committee*: In addition to the authority specifically granted to the Committee in the Plan, the Committee has full discretionary authority to administer the Plan, including but not limited to the authority to (i) interpret the provisions of the Plan, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations necessary or advisable for the administration of the Plan.

3.2 *Actions Final*: Any decision made, or action taken, by the Committee arising out of or in connection with the interpretation and administration of the Plan shall be final and conclusive.

Article 4
SHARES SUBJECT TO THE PLAN

4.1 The total number of shares of Common Stock available for delivery under the Plan shall be 350,000 as of May 10, 2018. The foregoing amount shall be subject to adjustment in accordance with Article 10. If an Option or portion thereof shall expire, be canceled or terminate for any reason without having been exercised in full, the unpurchased shares covered by such Options shall be available for future grants of Options. Shares of Common Stock to be delivered under the Plan shall be made available from authorized and unissued shares or from issued shares of Common Stock reacquired and held as treasury shares. In no event shall the Company be required to deliver a fractional share of Common Stock under the Plan. Whenever under the terms of the Plan a fractional share of Common Stock would otherwise be required to be delivered, there shall be delivered in lieu thereof one full share of Common Stock. Payments in respect of an Outside Director's Share Accounts that are made in cash shall not reduce the number of shares of Common Stock available for delivery under the Plan.

Article 5
ELIGIBILITY

5.1 Only Outside Directors shall be entitled to participate in the Plan.

Article 6
OPTIONS

6.1 *Option Grants*: Prior to December 31, 2002, each Outside Director who served as a member of the Board immediately following an annual meeting of shareholders of the Company was automatically granted on the first business day after such meeting (the "Annual Grant Date") an Option for the purchase of such number of shares of Common Stock (rounded up to the nearest multiple of 100) whose Fair Market Value on the Annual Grant Date equaled three (3) times the Optionee's Annual Retainer Fee other than committee chair retainer fees. No such Option shall be granted under the Plan after December 31, 2002.

6.2 *Option Agreements*: All Options shall be evidenced by written agreements executed by the Company. Such options shall be subject to the applicable provisions of the Plan, and shall contain such provisions as are required by the Plan and any other provisions the Committee may prescribe. All agreements evidencing Options shall specify the total number of shares subject to each grant, the Option Price and the Termination Date.

6.3 *Option Price*: The Option Price shall be the Fair Market Value of a share of Common Stock on the Annual Grant Date.

6.4 *Period of Exercise*: Options shall be exercisable from and after the Annual Grant Date and shall terminate one year after the Optionee ceases to serve as a member of the Board for any reason, except that as to any Optionee who is removed from the Board for cause in accordance with the Company's Restated Articles of Incorporation, the Options held by the Optionee shall terminate immediately on such removal. In any event, no Option or portion thereof shall be exercisable after the Termination Date.

6.5 *Manner of Exercise and Payment*: An Option, or portion thereof, shall be exercised by delivery of a written notice of exercise to the Company and provision (in a manner acceptable to the Committee) for payment of the full price of the shares being purchased pursuant to the Option and any withholding taxes due thereon.

6.6 *Nontransferability of Options*: Except as may be otherwise provided by the Committee, each Option shall, during the Optionee's lifetime, be exercisable only by the Optionee and neither it nor any right hereunder shall be transferable otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. In the event of any attempt by the Optionee to alienate, assign, pledge, hypothecate or otherwise dispose of an Option or of any right hereunder, except as provided for herein, or in the event of any levy or any attachment, execution or similar process upon the rights or interest hereby conferred, the Company may terminate the Option by notice to the Optionee and the Option shall thereupon become null and void.

Article 7
SHARE ELECTION

7.1 *Share Election*:

a. *Initial Share Election*. Within 30 days of the date on which an Outside Director first becomes an Outside Director, the Outside Director shall make a Share Election that will specify the portion of the Outside Director's Annual Retainer Fee that is to be paid in shares of Common Stock (subject to any deferral by the Outside Director under Section 7.2) and the portion that is to be paid in cash (subject to any deferral by the Outside Director under the Company's Deferred Compensation Plan for Nonemployee Directors (the "Cash Deferral Plan")). An Outside Director's Share Election (i) must be in writing and delivered to the Treasurer of the Company, (ii) shall be effective with respect to the portion of the Outside Director's Annual Retainer Fee that will be earned on and after the date the Treasurer of the Company receives the Share Election, or as soon thereafter as is administratively practicable, and (iii) shall remain in effect from year-to-year thereafter unless modified or revoked by a subsequent Share Election that becomes effective in accordance with the provisions hereof. If an Outside Director elects (or is deemed to have elected) to receive only 50% of his or her Annual Retainer Fee in the form of shares of Common Stock, then the remaining 50% shall be paid in cash (subject to any deferral by the Outside Director under the Cash Deferral Plan). If an Outside Director who is entitled to do so elects to receive 0% of his or her Annual Retainer Fee in the form of shares of Common Stock, then all of his or her Annual Retainer Fee shall be paid in cash (subject to any deferral by the Outside Director under the Cash Deferral Plan). If an Outside Director has not made a Share Election, the Director will be deemed to have made a Share Election to receive 50% of his or her Annual Retainer Fee in the form of Common Stock.

b. *Revised Share Election*. Except to the extent that the Company is permitted and elects to give earlier effect to an Outside Director's modification or revocation to his or her Share Election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, an Outside Director's Share Election, once effective with respect to a calendar year, may not be revoked or modified with respect to the Outside Director's Annual Retainer Fee for that calendar year. An Outside Director may revoke or modify his or her then current Share Election by filing a revised Share Election form, properly completed and signed, with the Treasurer of the Company. However, except to the extent that the Company is permitted and elects to give earlier effect to a Director's revised election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised Share Election will become effective on January 1 of the calendar year following the calendar year during which the revised Share Election is received by the Treasurer of the Company, or as soon thereafter as is administratively practicable. An Outside Director's revised Share Election, once effective, shall remain in effect until again modified by the Outside Director or otherwise revoked in accordance with the provisions hereof.

7.2 *Transfer of Shares*: Subject to any Deferral Election by an Outside Director, shares of Common Stock issuable to an Outside Director pursuant to a Share Election shall be transferred to such Outside Director as of the first business day following each annual meeting of the shareholders of the Company, except that, for an Outside Director elected to the Board at a time other than at an annual meeting of the shareholders of the Company, shares of Common Stock issuable to the Outside Director pursuant to a Share Election shall be transferred to such Outside Director as of the first business day following the first meeting of the Board or a committee of the Board that the Outside Director attends. The total number of shares of Common Stock to be so transferred shall be determined by dividing (x) the dollar amount of the Annual Retainer Fee payable to which the Share Election applies, by (y) the Fair Market Value of a share of Common Stock on the day on which the Annual Retainer Fee is payable to the Outside Director and then rounding up the result to the nearest whole share.

Article 8
DEFERRAL ELECTIONS

8.1 *Deferral Election*: Each Outside Director may make a Deferral Election to defer receiving all, 50% or none of the shares of Common Stock that would otherwise be transferred to such Outside Director pursuant to a Share Election with respect to any Annual Retainer Fees otherwise earned after the effective date of the Deferral Election.

a. *Initial Deferral Election*. An Outside Director may make a Deferral Election within 30 days of the date on which an Outside Director first becomes an Outside Director. If an Outside Director has not made a Deferral Election during this period, the Director will be deemed to have made a Deferral Election to defer none of the shares covered by the Director's Share Election. An Outside Director's Deferral Election (i) must be in writing and delivered to the Treasurer of the Company, and (ii) shall remain in effect from year-to-year thereafter unless modified or revoked by a subsequent Deferral Election that becomes effective in accordance with the provisions hereof.

b. *Revised Deferral Election*. Except to the extent that the Company is permitted and elects to give earlier effect to an Outside Director's modification or revocation to his or her Deferral Election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, an Outside Director's Deferral Election, once effective with respect to a calendar year, may not be revoked or modified for that calendar year. An Outside Director may revoke or modify his or her then current Deferral Election by filing a revised Deferral Election form, properly completed and signed, with the Treasurer of the Company. However, except to the extent that the Company is permitted and elects to give earlier effect to a Director's revised election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised Deferral Election will become effective on January 1 of the calendar year following the calendar year during which the revised Deferral Election is received by the Treasurer of the Company, or as soon thereafter as is administratively practicable. An Outside Director's revised Deferral Election, once effective, shall remain in effect until again modified by the Outside Director or otherwise revoked in accordance with the provisions hereof.

8.2 *Deferral Share Accounts*: An Outside Director who makes a Deferral Election shall have the number of deferred shares of Common Stock that would otherwise be transferred pursuant to Section 7.2 credited as whole Share Units to a "Deferral Share Account" for the Outside Director, for recordkeeping purposes only.

8.3 *Cash Dividends and Deferral Share Accounts*: Whenever cash dividends are paid by the Company on outstanding Common Stock, on the payment date therefor there shall be credited to the Outside Director's Deferral Share Account a number of additional whole Share Units equal to (i) the aggregate dividend that would be payable on outstanding shares of Common Stock equal to the number of Share Units credited to such Deferral Share Account on the record date for the dividend, divided by (ii) the Fair Market Value of a share of Common Stock on the last business day immediately preceding the date of payment of the dividend. There shall be no credit of fractional Share Units under this Section 8.3, and to the extent a fractional Share Unit would otherwise result, there shall be a payment to the Outside Director in cash in an amount determined by multiplying the fractional amount by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made.

8.4 *Distribution of Deferral Share Account*. Following an Outside Director's Separation from Service for any reason, or following the occurrence of a Change of Control Event, the Company will make (or in the case of installment distributions, commence) payments to the Outside Director (or, in case of the death of the Outside Director, to his or her beneficiary designated in accordance with Section 13.5 or, if no such beneficiary is designated, to his or her estate), as compensation for prior service as a director, in respect of the Outside Director's Deferral Share Account. All payments in respect of the Deferral Share Account shall be made in shares of Common Stock by converting Share Units into Common Stock on a one-for-one basis. However, to the extent shares of Common Stock are not available for delivery under the Plan, the Committee may direct that all or any part of the payments in respect of the Deferral Share Account be made in cash rather than by delivery of Common Stock, in which case the cash payment shall be determined by multiplying the number of Share Units in the Deferral Share Account that are the subject of the cash payment by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made. Similarly, any distribution payable under the Plan with respect to a fraction of a Share Unit shall be made in cash, with the amount of the cash payment determined by multiplying the fractional Share Unit by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made.

a. *Form of Payments*: At the time that an Outside Director first makes a Deferral Election under the Plan or first makes a deferral election under the Cash Deferral Plan, whichever occurs earlier, the Outside Director shall make a payment election which shall govern distribution of both the Outside Director's Deferral Share Account under the Plan and the Outside Director's Deferred Benefit Account under the Cash Deferral Plan. In such payment election, the Outside Director may elect to have payments made either in (i) a single payment, or (ii) annual installments. Under the installment payment option, the Outside Director may select the number of years over which benefits are to be paid to the Outside Director, up to a maximum of 5 years, except that the number of installments selected may not result in any one installment payment with respect to less than 100 Share Units. The payment option elected shall apply to the Outside Director's entire Deferral Share Account under the Plan and the Outside Director's entire Deferred Benefit Account under the Cash Deferral Plan. The installment payment option does not apply upon the occurrence of a Change of Control Event. An Outside Director who fails to make a payment election with respect to the Outside Director's Deferral Share Account under the Plan and the Outside Director's Deferred Benefit Account under the Cash Deferral Plan shall be deemed to have elected the single payment option. An Outside Director may modify his or her distribution election (or deemed distribution election) only if (i) the revised distribution election is submitted to the Treasurer of the Company at least twelve (12) months prior to the first scheduled payment date under the Outside Director's then-current distribution election and the revised election is not given effect for twelve (12) months after the date on which the revised election is submitted, and (ii) except as permitted under Code Section 409A, payment pursuant to the revised distribution election is deferred for at least five (5) years from the date payment would otherwise have been made under the Outside Director's prior distribution election. For purposes of applying the rules of Code Section 409A, a series of installment payments will be considered a single payment form.

b. If the Outside Director has elected the single payment option, then the Company will make payment to the Outside Director in respect of the number of Share Units credited to the Outside Director's Deferral Share Account within 30 days after the end of the calendar quarter in which occurs the Outside Director's Separation from Service. In addition, the Company will make payment to the Outside Director in respect of the number of Share Units credited to the Outside Director's Deferral Share Account within 30 days following the occurrence of a Change of Control Event.

8.5 *Installment Payments*: If the Outside Director has elected the installment payment option, then the first installment will be made within 30 days after the end of the calendar quarter in which occurs the Outside Director's Separation from Service, and each subsequent installment shall be paid in July of each calendar year during the installment period following the calendar year in which the first installment is paid to the Outside Director. The annual installment payment amount for any calendar year shall be initially determined by dividing the number of Share Units credited to the Outside Director's Deferral Share Account as of January 1 of the year for which the payment is being made and for which such an election is in effect by the number of installment payments remaining to be made, and then rounding the quotient obtained to the next lowest whole number; provided that the final installment shall be the entire remaining undistributed balance.

8.6 *Hardship Payments*: The Committee may, in its sole discretion, upon the finding that an Outside Director has suffered an "unforeseeable emergency", pay to the Outside Director part or all of his or her Deferral Share Account, as needed to meet the Outside Director's need. An "unforeseeable emergency" means a severe financial hardship to the Outside Director resulting from an illness or accident of the Outside Director, the Outside Director's spouse, or the Outside Director's dependent (as defined in Code Section 152(a) without regard to Code Sections 152(b)(1), (b)(2) and (d)(1)(B)), loss of the Outside Director's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Outside Director. The amount authorized by the Committee for distribution with respect to an emergency may not exceed the amounts necessary to satisfy the emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Outside Director's assets, to the extent that liquidation of such assets would not itself cause severe financial hardship.

Article 9
SHARE UNIT GRANTS

9.1 *Share Unit Grants*. Each Outside Director shall automatically be granted Share Units under the Plan in the manner set forth in this Article 9. All grants of Share Units pursuant to this Article 9 shall immediately vest in full on the date of grant.

9.2 *Annual Share Unit Grants to Outside Directors*. Each Outside Director shall, as of the first business day following each annual meeting, receive a grant of such number of whole Share Units as the Board shall determine at the meeting of the Board coinciding with such annual meeting.

9.3 *Grant of Share Units to Newly-Elected Outside Directors*. Any person who is first elected as an Outside Director at a time other than at an annual meeting of the shareholders of the Company shall automatically be granted, as of the first business day following the first meeting of the Board or a committee of the Board that the Outside Director attends, a number of whole Share Units equal to the number of Share Units last granted to each of the Outside Directors pursuant to Section 9.2.

9.4 *Grant Share Accounts*: An Outside Director who receives a grant of Share Units pursuant to Section 9.2 or Section 9.3 shall have the number of Share Units granted to such Outside Director credited to a “Grant Share Account” established for the Outside Director, for recordkeeping purposes only. An Outside Director’s Grant Share Account shall include separate subaccounts, for recordkeeping purposes only, to reflect (a) the portion of the Outside Director’s Grant Share Account that is attributable to Share Grants made prior to January 1, 2015, together with any additional Share Units credited pursuant to Section 9.5 with respect to such Share Grants (the “Pre-2015 Grant Share Account”), and (b) the portion of the Outside Director’s Grant Share Account that is attributable to Share Grants made after December 31, 2014, together with any additional Share Units credited pursuant to Section 9.5 with respect to such Share Units (the “Post-2014 Grant Share Account”). As needed for the administration of this Article 9, the Post-2014 Grant Share Account may include separate balances to reflect the portion of the account that is attributable to Share Units granted in any calendar year and the earnings on such Share Units.

9.5 *Cash Dividends and Grant Share Accounts*: Whenever cash dividends are paid by the Company on outstanding Common Stock, on the payment date therefor there shall be credited to the Outside Director’s Grant Share Account a number of additional whole Share Units equal to (i) the aggregate dividend that would be payable on outstanding shares of Common Stock equal to the number of Share Units credited to such Grant Share Account on the record date for the dividend, divided by (ii) the Fair Market Value of a share of Common Stock on the last business day immediately preceding the date of payment of the dividend. There shall be no credit of fractional Share Units under this Section 9.5, and to the extent a fractional Share Unit would otherwise result, there shall be a payment to the Outside Director in cash in an amount determined by multiplying the fractional amount by the Fair Market Value of a share of Common Stock on the last business day preceding the date of the dividend.

9.6 *Payments*:

a. *Pre-2015 Grant Share Account*. Within 30 days following an Outside Director’s Separation from Service for any reason, or within 30 days following the occurrence of a Change of Control Event, the Company will make a payment to the Outside Director (or, in case of the death of the Outside Director, to his or her beneficiary designated in accordance with Section 13.5 or, if no such beneficiary is designated, to his or her estate), as compensation for prior service as a director, in respect of the Outside Director’s Pre-2015 Grant Share Account. All payments in respect of an Outside Director’s Pre-2015 Grant Share Account shall be made in a single sum in shares of Common Stock by converting Share Units into Common Stock on a one-for-one basis. However, to the extent shares of Common Stock are not available for delivery under the Plan, the Committee may direct that all or any part of the payments in respect of a Pre-2015 Grant Share Account be made in cash rather than by delivery of Common Stock, in which case the cash payment shall be determined by multiplying the number of Share Units in the Pre-2015 Grant Share Account that are the subject of the cash payment by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made. Similarly, any distribution payable under the Plan with respect to a fraction of a Share Unit shall be made in cash, with the amount of the cash payment determined by multiplying the fractional Share Unit by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made.

b. *Post-2014 Grant Share Account*. Subject to the terms of any election that the Outside Director has in effect pursuant to Section 9.7, upon the first anniversary of the grant date of any Share Units credited to the Outside Director’s Post-2014 Grant Share Account pursuant to Sections 9.2 or 9.3, the Company will make a payment to the Outside Director (or, in case of the death of the Outside Director, to his or her beneficiary designated in accordance with Section 13.5 or, if no such beneficiary is designated, to his or her estate), as compensation for prior service as a director, in respect of such Share Units (and any associated Share Units that are credited pursuant to Section 9.5 as a dividend credit with respect to such Share Units); provided that within 30 days following the occurrence of a Change in Control Event, the Company will make payment in respect to all Share Units credited to the Post-2014 Grant Share Account. All payments in respect of an Outside Director’s Post-2014 Grant Share

Account shall be made in a single sum in shares of Common Stock by converting Share Units into Common Stock on a one-for-one basis. However, to the extent shares of Common Stock are not available for delivery under the Plan, the Committee may direct that all or any part of the payments in respect of the Post-2014 Grant Share Account be made in cash rather than by delivery of Common Stock, in which case the cash payment shall be determined by multiplying the number of Share Units in the Post-2014 Grant Share Account that are the subject of the cash payment by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made. Similarly, any distribution payable under the Plan with respect to a fraction of a Share Unit shall be made in cash, with the amount of the cash payment determined by multiplying the fractional Share Unit by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made.

9.7 *Deferral of Common Stock Delivery.* Each Outside Director may elect to defer receipt of all, 50% or none of the shares of Common Stock that, in the absence of the deferral, would be transferred to such Outside Director pursuant to Section 9.6 in respect of the Outside Director's Post-2014 Grant Share Account. Such election with respect to the Share Units granted in any calendar year (and any associated Share Units that are credited pursuant to Section 9.5 as a dividend credit with respect to such Share Units) must be in electronic or written form and be delivered to the Treasurer of the Company (or his delegate) no later than December 31 of the year preceding the year in which the Share Units are granted, or within such other time period as permitted under Code Section 409A. If the Outside Director, for the year in which the Share Units are granted, has in effect a payment election under Section 8.4, payment with respect to any Share Units deferred under this Section 9.7 with respect to such calendar year will be governed by the Outside Director's payment election under Section 8.4. If the Outside Director, for the year in which the Share Units are granted, does not have in effect a payment election under Section 8.4, the Outside Director may make a payment election, in accordance with the rules described in Section 8.4, which will be applicable to the Share Units deferred under this Section 9.7 with respect to such calendar year. An Outside Director who fails to make (and does not otherwise have in effect) a payment election under Section 8.4 with respect to any portion of the Outside Director's Post-2014 Grant Share Account that has been deferred pursuant to this Section 9.7 shall be deemed to have elected, with respect to such portion, the single payment option with payment to be made within 30 days following the Outside Director's Separation from Service for any reason or within 30 days following the occurrence of a Change of Control Event.

Article 10
ADJUSTMENTS

10.1 If (a) the Company shall at any time be involved in a merger or other transaction in which the Common Stock is changed or exchanged; or (b) the Company shall subdivide or combine its Common Stock or the Company shall declare a dividend payable in its Common Stock, other securities (other than any stock purchase rights associated with the Common Stock that the Company might authorize and issue in the future) or other property; or (c) the Company shall effect a cash dividend the amount of which exceeds 15% of the trading price of the Common Stock at the time the dividend is declared or any other dividend or other distribution on the Common Stock in the form of cash, or a repurchase of Common Stock, that the Board determines by resolution is special or extraordinary in nature or that is in connection with a transaction that the Company characterizes publicly as a recapitalization or reorganization involving the Common Stock; or (d) any other event shall occur which, in the case of this clause (d), in the judgment of the Committee necessitates an adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of securities subject to the Plan; (ii) the number and type of securities subject to outstanding Options; (iii) the Option Price with respect to any Option; and (iv) the number of Share Units credited to each Outside Director's Share Accounts; provided, however, that Options subject to grant or previously granted to Optionees and the number of Share Units credited to each Outside Director's Share Accounts under the Plan at the time of any such event shall be subject to only such adjustment as shall be necessary to maintain the proportionate interest of the Optionee or Outside Director and preserve, without exceeding, the value of such Options and Outside Director's Share Accounts. Unless the Committee determines otherwise, any such adjustment to an Option that is exempt from Code Section 409A shall be made in manner that permits the Option to continue to be so exempt, and any adjustment to an Option that is subject to Code Section 409A shall be made in a manner that complies with the provisions thereof. No fractional shares of Common Stock or Share Units shall result from adjustments made under this Article, and to the extent a fractional share or Share Unit would otherwise result, the Committee shall determine in its discretion whether to round to a whole share or Share Unit or whether to pay cash in lieu of such fractional share or Share Unit. The Committee also may determine, in its discretion, at any time, to eliminate fractional shares of Common Stock or Share Units subject to this Plan by rounding such shares or Share Units up to the nearest whole share or whole Share Unit, as applicable. The judgment of the Committee with respect to any matter referred to in this Article shall be conclusive and binding upon each Optionee and Outside Director.

Article 11
AMENDMENT AND TERMINATION OF PLAN

11.1 *General Powers*: The Nominating and Corporate Governance Committee of the Board of Directors may at any time terminate or suspend the Plan. Subject to applicable limitations set forth in New York Stock Exchange rules, the Code or Rule 16b-3 under the Securities Exchange Act of 1934, the Nominating and Corporate Governance Committee of the Board of Directors may amend the Plan as it shall deem advisable including (without limiting the generality of the foregoing) any amendments deemed by the Nominating and Corporate Governance Committee of the Board of Directors to be necessary or advisable to assure conformity of the Plan with any requirements of state and federal laws or regulations now or hereafter in effect. In addition, no amendment shall be made to any Option to reduce the Option Price thereof except as permitted by Section 10.1, and any amendment or other action that is required, under applicable law or under applicable stock exchange rules, to be adopted by the Board of Directors shall be valid only if it is adopted by the full Board of Directors rather than by the Nominating and Corporate Governance Committee of the Board of Directors.

11.2 *No Impairment*: No amendment, suspension or termination of the Plan shall, without the Outside Director's consent, alter or impair any of the rights or obligations under any Option theretofore granted to an Outside Director under the Plan or other entitlement of an Outside Director under the Plan. But, the Committee need not obtain Outside Director (or other interested party) consent for the adoption, amendment or rescission of rules and regulations relating to the Plan that do not materially and adversely affect the Outside Director in respect of any Option or other entitlement of an Outside Director under the Plan then outstanding.

11.3 *Section 409A*: The provisions of Code Section 409A are incorporated herein by reference to the extent necessary for any Option or other entitlement of an Outside Director under the Plan that is subject to Code Section 409A to comply therewith.

11.4 *Distribution of Benefits Following Plan Termination*. Termination of the Plan will operate to accelerate distribution of benefits only to the extent permitted under Code Section 409A, including:

a. The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), and the amounts accrued under the Plan but not yet paid are distributed to Outside Directors or their beneficiaries, as applicable, in a single sum payment, regardless of any distribution election then in effect, by the latest of: (1) the last day of the calendar year in which the Plan termination and liquidation occurs, (2) the last day of the calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (3) the last day of the first calendar year in which payment is administratively practicable.

b. The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate. In such event, all amounts accrued under the Plan but not yet paid will be distributed to all Outside Directors and their beneficiaries, as applicable, in a single sum payment no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of termination, regardless of any distribution election then in effect. This provision shall not be effective unless all other plans required to be aggregated with the Plan under Code Section 409A are also terminated and liquidated. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan's termination, unless any individual who was eligible under the Plan is excluded from participating thereunder for such three (3) year period.

Except as provided in Paragraphs a. and b. above or as otherwise permitted in regulations promulgated by the Secretary of the Treasury under Code Section 409A, any action that terminates the Plan but that does not qualify for accelerated distribution under Code Section 409A shall instead be construed as an amendment to discontinue further benefit accruals, but the Plan will continue to operate, in accordance with its terms as from time to time amended and in accordance with applicable elections by the Outside Director, with respect to the Outside Director's benefit accrued through the date of termination, and in no event shall any such action purporting to terminate the Plan form the basis for accelerating distributions to the Outside Director or a beneficiary.

Article 12
GOVERNMENT AND OTHER REGULATIONS

12.1 The obligation of the Company to make payments or issue or transfer and deliver shares of Common Stock under the Plan shall be subject to all applicable laws, regulations, rules, orders and approvals which shall then be in effect and required by governmental entities and the stock exchanges on which Common Stock is traded.

Article 13
MISCELLANEOUS PROVISIONS

13.1 *Plan Does Not Confer Shareholder Rights*: Neither an Outside Director nor any person entitled to exercise the Outside Director's rights in the event of the Outside Director's death shall have any rights of a shareholder with respect to the shares subject to an Option, Share Election or any Share Units held in the Outside Director's Share Accounts, except to the extent that, and until, such shares shall have been issued upon the exercise of each Option, transfer of shares pursuant to a Share Election or the delivery of shares in respect of the Outside Director's Share Accounts.

13.2 *No Assets*: No stock, cash or other property shall be deliverable to an Outside Director in respect of the Outside Director's Share Accounts until the date or dates identified pursuant to Article 8 or Article 9, and an Outside Director's Share Units shall be reflected in an unfunded account established for such Outside Director by the Company. Payment of the Company's obligation with respect to an Outside Director's Share Accounts shall be from general funds, and no special assets (stock, cash or otherwise) have been or shall be set aside as security for this obligation.

13.3 *No Transfers*: An Outside Director's rights to payments under Article 8 and/or Article 9 are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or garnishment by an Outside Director's creditors or the creditors of his or her beneficiaries, whether by operation of law or otherwise, and any attempted sale, transfer, assignment, pledge, or encumbrance with respect to such payment shall be null and void, and shall be without legal effect and shall not be recognized by the Company.

13.4 *Unsecured Creditor; No Trust Fund*: The right of an Outside Director to receive payments under Article 8 and/or Article 9 is that of a general, unsecured creditor of the Company, and the obligation of the Company to make payments constitutes a mere promise by the Company to pay such benefits in the future. Further, the arrangements contemplated by Article 8 and Article 9 are intended to be unfunded for tax purposes and for purposes of Title I of ERISA.

13.5 *Designation of Beneficiary*: Each Outside Director or former Outside Director entitled to any payments under Article 8 and/or Article 9 from time to time may designate a beneficiary or beneficiaries to whom any such payments are to be paid in case of the Outside Director's death before receipt of any or all of such payments. Any designation shall revoke all prior designations by the Outside Director or former Outside Director, shall be in a form prescribed by the Company and shall be effective only when filed by the Outside Director or former Outside Director, during his or her lifetime, in writing with the Treasurer of the Company. References in the Plan to an Outside Director's "beneficiary" at any date shall include such persons designated as concurrent beneficiaries on the director's beneficiary designation form then in effect. In the absence of any such designation, any balance remaining in an Outside Director's or former Outside Director's Share Accounts at the time of the director's death shall be paid to such Outside Director's estate.

13.6 *Plan Expenses*: Any expenses of administering the Plan shall be borne by the Company.

13.7 *Use of Exercise Proceeds*: Payment received from Optionees upon the exercise of Options shall be used for the general corporate purposes of the Company, except that any stock received in payment may be retired, or retained in the Company's treasury and reissued.

13.8 *Indemnification*: In addition to such other rights of indemnification as they may have as members of the Board or the Committee, the members of the Committee and the Board shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act in connection with the adoption, administration, amendment or termination of the Plan, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Committee or Board member shall, in writing, give the Company notice thereof and an opportunity, at its own expense, to handle and defend the same before such Committee or Board member undertakes to handle and defend it on such member's own behalf. To the extent that Code Section 409A applies to payments made pursuant to this Section, the payments shall be completed on or before the latest date permitted for payments made pursuant to an indemnification or expense reimbursement provision.

13.9 *Withholding Taxes*: The Company may, in its discretion, require an Outside Director to pay to the Company at the time of exercise of an Option or issuance of Common Stock under the Plan the amount that the Company deems necessary to satisfy its obligation, if any, to withhold Federal, state or local income, FICA or other taxes incurred by the reason of the exercise or issuance. An Outside Director shall satisfy the federal, state and local withholding tax obligations arising in connection with the exercise of an Option or issuance of Common Stock under the Plan in a manner acceptable to the Committee.

13.10 *No Guarantee Of Tax Treatment*: The Company does not guarantee to any Outside Director or any other person with an interest in an Option or other entitlement of an Outside Director under the Plan that any such Option or other entitlement intended to be exempt from Code Section 409A shall be so exempt, or that any Option or other entitlement intended to comply with Code Section 409A shall so comply, and nothing in the Plan obligates the Company or any affiliate to indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure.

13.11 *Miscellaneous Distribution Rules*.

a. *Accelerated Distribution Following Section 409A Failure*. If an amount under the Plan is required to be included in a Participant's income under Code Section 409A prior to the date such amount is actually distributed, the Outside Director shall receive a distribution, in a single sum, within ninety (90) days after the date it is finally determined that the Plan fails to meet the requirements of Code Section 409A. The distribution shall equal the amount required to be included in the Outside Director's income as a result of such failure.

b. *Permitted Delay in Payment*. If a distribution required under the terms of the Plan would jeopardize the ability of the Company or of an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Further, if any distribution pursuant to the Plan will violate the terms of Section 16(b) of the Securities Exchange Act of 1934 or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

13.12 *Outside Director Limitations.* Each Outside Director is eligible to receive grants of Options, Share Units, an Annual Retainer Fee and/or other cash compensation (in the case of cash compensation, whether under this Plan or otherwise) for his or her service on the Board with an aggregate value up to (but not exceeding) $1 Million per Outside Director in any fiscal year of the Company. For purposes of this limitation, any grants of or relating to shares of Common Stock shall be valued using the grant date fair value computed in accordance with generally accepted accounting principles.

Article 14
EFFECTIVE DATE

14.1 The Plan became effective on May 2, 1998 and was amended on May 3, 2003, April 29, 2006, January 1, 2009, April 24, 2010, December 1, 2014 and May 10, 2018. The Plan, as amended and restated herein, shall become effective as of August 31, 2021 with respect to grants made, dividend equivalents credited, and other actions taken pursuant to the Plan on or after such date.

HARLEY-DAVIDSON, INC.
EMPLOYEE INCENTIVE PLAN

(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2021)

ARTICLE I
PURPOSE

Harley-Davidson, Inc. intends to continue to provide a total compensation opportunity for substantially all of its employees and the employees of its participating Affiliates that includes incentive compensation dependent upon continuously improving corporate or business unit performance or individual performance that furthers corporate objectives. The purpose of the Harley-Davidson, Inc. Employee Incentive Plan is to provide a consistent framework to offer such employees an increased financial incentive to contribute to the future success and prosperity of Harley-Davidson, Inc.

ARTICLE II
DEFINITIONS

The following capitalized terms used in the Harley-Davidson, Inc. Employee Incentive Plan shall have the meanings set forth in this Article:

Section 2.1. *Affiliate*: Has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act or any successor rule or regulation thereto.

Section 2.2. *Award*: An opportunity granted to a Participant to receive a payment under the Plan, subject to (a) the conditions described in the Plan, (b) the conditions (if any) that the Committee otherwise imposes, including any formula that the Committee prescribes pursuant to which the amount payable under such Award is determined, and (c) adjustment pursuant to section 5.5 and the maximum payment limit of section 5.6. Awards may be either (i) performance-based Awards under which the Participant's Award opportunity is defined in terms of satisfying one or more goals established by the Committee with respect to one or more Performance Categories or (ii) other Awards that are intended to recognize performance that furthers corporate objectives.

Section 2.3. *Board*: The Board of Directors of Harley-Davidson, Inc.

Section 2.4. *Change of Control Event*: Any event the occurrence of which constitutes a Change of Control as defined in the Stock Plan.

Section 2.5. *Cause*: Except as otherwise determined by the Committee upon the grant of an Award, (a) a Participant's conviction of a felony or a plea by the Participant of no contest to a felony, (b) willful misconduct on the part of the Participant that is materially and demonstrably detrimental to the Company or an Affiliate, (c) the Participant's willful refusal to perform requested duties consistent with the Participant's office, position or status with the Company or an Affiliate (other than as a result of his or her physical or mental disability) or (d) other conduct or inaction that the Company determines in its discretion constitutes Cause. With respect to clauses (b), (c) and (d) of this definition, Cause shall be determined by the senior human resources officer of the Company. All determinations of such officer under this definition shall be final.

Section 2.6. *Committee*: The Human Resources Committee of the Board (including any successor committee thereto); provided, however, that if any member or members of the Human Resources Committee of the Board would cause the Human Resources Committee of the Board not to satisfy the disinterested administration requirement of Rule 16b-3 under the Exchange Act, the Committee shall be comprised of the Human Resources Committee of the Board without such member or members.

Section 2.7. *Common Stock*: The Common Stock of Harley-Davidson, Inc.

Section 2.8. *Company*: Harley-Davidson, Inc. and, unless the context otherwise requires, its Affiliates.

Section 2.9. *Compensation*: The compensation, as defined by the Committee, at the time it grants an Award, that is taken into account in establishing the amount of the Participant's Target Award, or that is otherwise used to determine the amount (if any) that is payable to the Participant with respect to any Performance Period or under any Award. Unless otherwise determined by the Committee, Compensation for any applicable period means, with respect to a Participant:

a. For exempt employees, regular base pay, and

b. For non-exempt employees, regular base pay or hourly wages, including shift premiums and overtime, vacation and holiday pay,

but, for purposes of clause a. and b., excluding any additional or miscellaneous forms of compensation, such as payments under this Plan, relocation expenses, deferred compensation payments, stock-based income or compensation, tuition reimbursement and, unless otherwise determined by the Committee, workers compensation payments. However, the Committee may provide that Compensation for a Participant will include or, if the determination is made at the time the Committee grants the Award, exclude any types of compensation.

Section 2.10. *Disability*: Disability within the meaning of section 22(e)(3) of the Code, as determined by the Committee.

Section 2.11. *Exchange Act*: The Securities Exchange Act of 1934, as amended.

Section 2.12. *Excluded Items*: Any (a) charges for reorganizing and restructuring, (b) discontinued operations, (c) asset write-downs, (d) gains or losses on the disposition of a business or business segment or arising from the sale of assets outside the ordinary course of business, (e) changes in tax or accounting principles, regulations or laws, (f) extraordinary, unusual, transition, one-time and/or non-recurring items of gain or loss, and (g) mergers, acquisitions or dispositions, that in each case the Company identifies in its audited financial statements, including footnotes, or the Management's Discussion and Analysis section of the Company's annual report.

Section 2.13. *Fair Market Value*: "Fair Market Value" as defined in the Stock Plan, as amended, as of the trading date immediately preceding the date on which an Award that is being paid in Common Stock, in whole or in part, is paid to the Participant.

Section 2.14. *Participant*: An employee selected by the Committee to receive an Award.

Section 2.15. *Performance Categories*: With respect to an Award that is intended to be performance-based, one or more categories designated by the Committee in connection with the measurement of performance under such Award, which may include, without limitation:

a. Objective Performance Categories.

(1) Any one or more of the following as determined for the Company on a consolidated basis, for any one or more Affiliates or divisions of the Company and/or for any other business unit or units of the Company (before Excluded Items, unless otherwise determined by the Committee either upon the grant of an Award or at such other time as the Committee may determine in its sole discretion):

(A) Sales or other revenues;

(B) Cost of goods sold;

(C) Gross profit;

(D) Expenses or expense or cost reductions;

(E) Income or earnings, including net income, income from operations;

(F) Income before interest and the provision for income taxes;

(G) Income before provision for income taxes;

(H) Margins;

(I) Working capital or any of its components, including accounts receivable, inventories or accounts payable;

(J) Assets or productivity of assets;

(K) Return on shareholders equity, capital, assets or other financial measure that appears on the Company's financial statements or is derived from one or more amounts that appear on the Company's financial statements;

(L) Stock price;

(M) Dividend payments;

(N) Economic value added, or other measure of profitability that considers the cost of capital employed;

(O) Cash flow;

(P) Debt or ratio of debt to equity or other financial measure that appears on the Company's financial statements or is derived from one or more amounts that appear on the Company's financial statements;

(Q) Net increase (decrease) in cash and cash equivalents;

(R) Customer satisfaction;
(S) Market share;

(T) Product quality;

(U) New product introductions or launches;

(V) Sustainability, including energy or materials utilization;

(W) Business efficiency measures;

(X) Retail sales;

(Y) Safety.

(2) Earnings per share for the Company on a consolidated basis.

(3) Total shareholder return.

b. *Individual Performance and Subjective Targets*. Categories involving individual performance and subjective targets; and

c. *Other*. Such other categories as the Committee may designate.

Section 2.16. *Performance Period*: With respect to an Award that is intended to be performance-based, the period of time over which performance with respect to one or more Performance Categories is measured. The Committee shall determine the Performance Period, which may be, without limitation, a Plan Year, one or more full fiscal months representing less than a full Plan Year, two or more full Plan Years, or such other period as determined by the Committee.

Section 2.17. *Plan*: The Harley-Davidson, Inc. Employee Incentive Plan.

Section 2.18. *Plan Year:* The Company's full fiscal year.

Section 2.19. *Retirement*: Except as otherwise determined by the Committee upon the grant of an Award, termination from employment from the Company and its Affiliates (a) for reasons other than Cause on or after age fifty-five (55); or (b) with the consent of the Committee, under other circumstances. For purposes hereof, a Participant's years of service with the Company and its Affiliates shall be determined in the same manner as is specified in Part A of the Harley-Davidson Retirement Plan (as it may be amended), whether or not the Participant is covered under such plan.

Section 2.20. *Stock Plan*. The Harley-Davidson, Inc. 2020 Incentive Stock Plan, as amended, or any successor equity incentive plan thereto.

Section 2.21. *Target Award*: With respect to a Participant in any Performance Period, a percentage of such Participant's Compensation for such Performance Period.

ARTICLE III
ADMINISTRATION

Section 3.1. *Administrative Authority:* The Committee shall administer the Plan. In addition to the authority specifically described in the Plan, the Committee shall have full discretionary authority to interpret the Plan, to establish and amend rules and regulations for its administration and to perform all other acts relating to the Plan, including the delegation of administrative responsibilities, which it believes reasonable and proper. The actions and determinations of the Committee on all matters relating to the Plan shall be final and conclusive.

Section 3.2. *Delegation of Authority*: The Committee may delegate to one or more officers of the Company any or all of the authority and responsibility of the Committee. If the Committee has made such a delegation, then all references to the Committee in this Plan include such officer(s) to the extent of such delegation.

ARTICLE IV
ELIGIBILITY AND PARTICIPATION

All regular salaried and hourly full- and part-time employees of the Company (or of those Affiliates that the Committee in its discretion designates) are potentially eligible to participate and receive Awards under the Plan. The Committee shall select in writing, in its sole discretion, the employees who shall participate in and receive Awards under the Plan. Without limitation, the Committee may (a) select an employee as a Participant at any time and (b) with respect to performance-based Awards, take action as a result of which there is an additional Award in respect of an employee who is already a Participant and as to whom an Award is already in effect even if the additional Award relates to the same Performance Period or a Performance Period ending on the same date. Members of the Board who are not employees of the Company or an Affiliate shall not be eligible to participate in the Plan.

ARTICLE V
AWARDS

Section 5.1. *Granting of Awards.* The Committee may grant Awards in writing to one or more Participants or groups of Participants in its sole discretion. With respect to any Award that is performance-based, the Committee, at the time that an Award is granted, shall identify, in writing (a) the Performance Period to which the Award relates, (b) the Target Award for each Participant for such Performance Period, and (c) one or more Performance Categories for each Participant or group of Participants for such Performance Period. If more than one Performance Category is chosen for any Participant or group of Participants, then the Committee shall assign a weighting to each Performance Category selected; provided that the total of all weightings with respect to each Award must equal 100%. Performance Categories and/or weightings need not be the same for all Participants for any Performance Period.

Section 5.2. *Certification and Calculation of Awards.* With respect to a performance-based Award, as soon as practicable following the end of the Performance Period, the Committee shall certify the actual performance within each Performance Category established under section 5.1 for such period and shall determine whether any adjustments shall apply pursuant to section 5.5. The amount payable under any Award shall be determined by the Committee or calculated by the Company following such certification.

Section 5.3. *Payment of Awards*. Awards shall be payable at such time as the Committee determines in its sole discretion; provided that a performance-based Award shall be paid to applicable Participants no earlier than January 1 and no later than March 15 of the calendar year that immediately follows the calendar year in which the Performance Period ends (except as otherwise required by applicable law or an applicable collective bargaining agreement). Notwithstanding the foregoing, the Company will have no obligation to make payments under the Plan in respect of a performance-based Award for a Performance Period if such payments (or the accrual of such payments) will result in the Company reflecting a net loss rather than net income for the fiscal year of the Company in which the Performance Period ends. Payments of Awards shall be made, in the sole discretion of the Committee, in cash, Common Stock pursuant to the Stock Plan, or a combination of cash and Common Stock. If an Award is paid in Common Stock, the Common Stock shall be valued at Fair Market Value. To the extent paid in Common Stock, except as the Committee may otherwise provide, the Award may not be deferred by a Participant under the terms of any deferred compensation or other plan of the Company.

Section 5.4. *Termination of Employment Prior to Completion of Performance Period*. Except as the Committee may otherwise provide, with respect to a performance-based Award, a Participant whose employment with the Company and its Affiliates terminates prior to the end of a Performance Period shall not be entitled to receive payment under any Award hereunder for such period. Notwithstanding the foregoing sentence:

a. If, during a Performance Period, a Participant terminates employment due to Retirement, or as a result of death, or if a Participant experiences a Disability, the Participant will be entitled to receive a payment (at the same time and in the same manner as payments are made to other Participants as described above) calculated as provided in section 5.2 based on the actual performance for the Performance Period, but subject to such adjustments as may be determined by the Committee (including adjustments not contemplated by section 5.5); and

b. Prior to, and for a period of ninety (90) days following, a Change of Control Event during a Performance Period, the Committee may, in its sole discretion and in lieu of any other payments under the Plan for such Performance Period, provide for the payment to all Participants of either (i) the Participant's Award for such Performance Period based on extrapolating through the remainder of the Performance Period the actual performance for each Performance Category and the Participant's Compensation through the end of the Company's most recently completed fiscal month prior to such Change of Control Event (or some other measure of Compensation as determined by the Committee) or (ii) the Participant's Target

Award for such Performance Period based on extrapolating through the remainder of the Performance Period the Participant's Compensation through the end of the Company's most recently completed fiscal month prior to such Change of Control Event (or some other measure of Compensation as determined by the Committee), except as otherwise required by applicable law or an applicable collective bargaining agreement.

Amounts payable under this section 5.4.b shall be paid upon the occurrence of the Change of Control Event or immediately following the Committee's decision to make such payment, whichever is later, but in no event later than two and one-half (2 1/2) months following the year in which such amounts vest.

Section 5.5. *Adjustment of Award*:

a. The Committee may determine at the time an Award is made that the amount payable under any Award will be adjusted (upward or downward) or eliminated depending on the performance under one or more Performance Categories.

b. In addition, the Committee may, in its sole discretion, at any time prior to payment, adjust the amount payable under any Award, provided that any reduction in the amount payable under an Award shall not exceed fifty percent (50%) of the amount that would otherwise be payable under such Award. Such adjustments need not be uniform among Participants or apply to all Participants. The authority of the Committee to reduce the amount payable under an Award shall not apply following a Change of Control Event.

Section 5.6. *Maximum Performance Award*: Notwithstanding anything in the Plan to the contrary, no Participant shall be entitled to receive more than eight million dollars (before any withholding pursuant to section 7.2 and whether paid in cash, Common Stock or a combination), in the aggregate, under all Awards that either (a) in the case of a performance-based Award, have Performance Periods beginning in the same Plan Year, or (b) in the case of any other Award, is granted by the Committee during the Plan Year. For this purpose, a Performance Period that consists of more than one Plan Year will be deemed to begin in the first Plan Year of such Performance Period even if the amount payable under such Award is determined based upon performance separately calculated with respect to each Plan Year (or portion of a Plan Year) during the Performance Period.

Section 5.7. *Recoupment*. Any Awards granted pursuant to the Plan shall be subject to any recoupment or clawback policy that may be adopted by the Company from time to time and to any requirement of applicable law, regulation or listing standard that requires the Company to recoup or claw back compensation paid pursuant to such an Award.

ARTICLE VI.
STATE PERFORMANCE-BASED TAX RULES

Section 6.1. State Tax *Provisions Related to Internal Revenue Code Section 162(m).* With respect to any Award that is intended to comply with any state tax law that incorporates the requirements under section 162(m) of the Internal Revenue Code as in effect prior to enactment of the Tax Cuts and Jobs Act (the "Performance-Based Rules"), the provisions of this Article VI will supersede any inconsistent provisions of the Plan.

a. *Administration.* If any member or members of the Committee would cause the Committee not to satisfy the administration requirement of the Performance-Based Rules), the Committee shall be comprised of the remaining members of the Committee without such member or members.

b. *Performance Categories.* Awards shall be based solely upon one or more of the objective Performance Categories specified in section 2.15a (in all cases before Excluded

Items, except as otherwise determined by the Committee upon the grant of an Award), including in each case any measure based on such category.

c. *Granting of Awards.* The Awards shall be granted prior to the commencement of the Performance Period (or such later time as may be determined by the Committee that is no later than is permitted under the Performance Based Rules) and under such other terms and conditions as will enable the Award to satisfy the Performance Based Rules.

d. *No Positive Discretion.* The Committee shall not have the discretionary authority to increase the amount otherwise payable under any Award or to otherwise exercise discretion (including discretion with respect to the Compensation recognized where Compensation is part of a performance-based formula) that would have the effect of increasing the amount payable under any Award.

ARTICLE VII
MISCELLANEOUS

Section 7.1. *Nonassignability*: Awards (including any payments due thereunder) shall not be assigned, pledged or transferred, other than by the laws of descent and distribution, and shall not be subject to levy, attachment, execution or other similar process. If a Participant attempts to assign, pledge or transfer any right to an Award or in the event of any levy, attachment, execution or similar process upon the rights or interests conferred by the Plan, the Committee may terminate the participation of the Participant in the Plan effective as of the date of such notice and the Participant shall have no further rights hereunder.

Section 7.2. *Withholding Taxes*: The Company shall withhold from the payment of each Award the amount that the Company deems necessary to satisfy its obligation to withhold Federal, state and local income or other taxes incurred by reason of the payment of the Award.

Section 7.3. *Amendment or Termination of the Plan*. The Committee may from time to time or at any time amend, suspend or terminate the Plan.

Section 7.4. *Other Compensation*: Nothing contained in this Plan shall be deemed in any way to restrict or limit the Company from making any award or payment to a Participant under any other plan, policy, program, understanding or arrangement, whether now existing or hereinafter in effect.

Section 7.5. *Payments to Other Persons*: If payment of an Award, in whole or in part, is legally required to be made to any person other than the applicable Participant, any such payment will be a complete discharge of the liability of the Company to such Participant for such amount.

Section 7.6. *Unfunded Plan*: The Company shall have no obligation to purchase assets, place assets in trust or otherwise take any action to fund, secure or segregate any amounts to be paid under the Plan.

Section 7.7. *Indemnification*: In addition to any other rights of indemnification they may have as members of the Board or the Committee or as officers of the Company, the members of the Board and the Committee and any officers to whom authority is delegated under the Plan shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan and against all amounts paid by them in settlement thereof (provided that such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding, the Board or Committee member or officer shall give the Company notice thereof in writing and an opportunity, at the Company’s expense, to handle and defend such action, suit or proceeding before such Board or Committee member or officer undertakes to handle and defend such action, suit or proceeding on his or her own behalf.

Section 7.8. *No Employment Rights*: Nothing in this Plan shall confer upon any employee or Participant any right to continued employment with the Company or an Affiliate.

Section 7.9. *Plan Expenses*: Any expenses of administering the Plan shall be borne by the Company.

Section 7.10. *In Writing*: For purposes of this Plan, actions taken by the Committee "in writing" shall include, without limitation, actions recorded in the minutes of any meeting of the Committee and any unanimous consent action of the Committee in lieu of a meeting thereof.

Section 7.11. *Section Headings*: The section headings contained herein are for convenience only, and in the event of any conflict between the text of the Plan and the section headings, the text of the Plan shall control.

Section 7.12. *Applicable Law*: The Plan shall be governed by the internal laws of the State of Wisconsin without regard to the conflict of law principles thereof.

Section 7.13. *Effective Date*: The Plan as hereby amended and restated was approved by the Committee on October 29, 2021 and shall be effective with respect to Awards granted on or after January 1, 2021.

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 4, 2021

/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 4, 2021

/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 26, 2021 (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 4, 2021

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

/s/ Gina Goetter
Gina Goetter
Chief Financial Officer